

NEWS ROUND UP

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Sri Lanka stocks up, foreign selling continues in JKH

Foreign selling continued in Sri Lanka's John Keells Holdings Monday with foreign buying in HNB Assurance with the stock market indices closing mixed in thin trade, brokers said.

The All Share Price Index ended at 6,067.63, up 5.08 points or 0.08 percent while the more liquid S&P SL20 index closed at 3,141.91, down 7.52 points (0.24 percent). Turnover was a low 134 million rupees with no crossings or negotiated block deals.

“Despite the two months long political deadlock coming to an end, the market struggled to find a direction today as participants preferred remaining on the sideline,”

JKH, which saw the highest foreign selling, topped the turnover list accounting for almost half of it. JKH closed at 160.90 rupees, up 40 cents (0.25 percent).

SMB Leasing was the most sought after in terms of volume accounting for 61 percent of the total.

HNB Assurance, which drew the most foreign buying closed at 125.10 rupees, down 40 cents (0.3 percent). (EconomyNext)

Sri Lanka's PM faces fresh trouble in portfolio tussle

Sri Lanka's reinstated Prime Minister Ranil Wickremesinghe marked his first day back in office Monday with a hostile president resisting his nominations to a new cabinet.

Party officials said Wickremesinghe was battling to form a government as Maithripala Sirisena insisted that he wanted to retain media and the law-and-order portfolios. Wickremesinghe's United National Party (UNP) was against giving the key portfolios to Sirisena.

"The President wants to keep law-and-order and media portfolios, but the prime minister disagrees," a party official said adding that the tug-of-war led to the delay in forming a cabinet.

Sirisena reluctantly gave Wickremesinghe his old job back on Sunday, but made it clear that he will have a close tab on the administration signalling an uneasy cohabitation arrangement.

A new cabinet was to be named Monday, but there were no signs of finalising a list of ministers 24 hours after Wickremesinghe was sworn.

There was no immediate comment from the president's office, but shortly after swearing-in Wickremesinghe, the

president launched a scathing attack on him, accusing his previous administration of corruption.

"I still believe that I should not have made Ranil Wickremesinghe the prime minister, but I bow to the wishes of the majority in parliament," Sirisena said.

"But, I don't know how far we will succeed in fulfilling the wishes of our people."

Meanwhile, the UNP staged a major rally at Galle Face on Monday afternoon to mark the reinstatement of Wickremesinghe after the judiciary and the legislature ruled against the power grab of Sirisena-Rajapaksa combine. (EconomyNext)

EU welcomes resolution of Sri Lanka's political crisis

The European Union said it welcomes the resolution of Sri Lanka's political crisis in accordance with the constitution after President Maithripala Sirisena reappointed Ranil Wickremesinghe as prime minister.

The crisis was triggered when Sirisena sacked Wickremesinghe and replaced him with former president Mahinda Rajapaksa in October and subsequently dissolved parliament.

"As steady friends of Sri Lanka, we welcome the peaceful and democratic resolution of the political crisis in accordance with the constitution," the EU embassy in the island said in a statement in agreement with the EU Ambassadors and the Norwegian Ambassador resident in Colombo.

"We commend the resilience of Sri Lanka's democratic institutions and will continue to support its efforts towards national reconciliation and prosperity for all." (EconomyNext)

Sri Lanka industrial activity up 2.8-pct in October

Industrial activity in Sri Lanka grew 2.8 percent from a year earlier in October 2018 with growth across most major sectors, the state statistics office said.

The Index of Industrial Production compiled by the Census and Statistics Department grew to 111 points in October from 108.6 points a year earlier.

An index value over 100 shows a growth compared to the base year of 2015.

Activity during October is usually one of the highest, ahead of the December holiday season.

Food production, which is estimated to make up 35.2 percent of all value-added industrial

activity, grew 0.3 percent from a year earlier to 104.9 points.

The second largest apparel manufacturing industry which encompasses 19.8 percent of activity, grew 8.2 percent to 122 points.

Manufacture of other non-metallic mineral products (7.8 percent of industrial activity) grew 11.4 percent to 123.2 points.

Coke and refined petroleum production, which is 7.4 percent of industrial activity, grew 8.5 percent to 114.4 points.

Rubber and plastic production manufacturing, the fifth largest industry with 5.7 percent of production, grew 6.4 percent to 119.9 points.

Beverage production was the highest growing industry in October, up 27.4 percent to 107.8 points. However, this made up just 3.8 percent of the country's industry.

Paper and paper products manufacturing (1.7 percent of industrial activity) fell 37.4 percent to 75.2 points. (EconomyNext)

Wall Street crumbles again as stocks erode in fear

Wall Street crumbled again on Monday while other global stocks mostly fell as a wave of bad feeling about economic growth swept over investors.

US President Donald Trump lambasted the Federal Reserve again, calling on the central bank not to raise interest rates a day before policymakers are due to meet. Markets widely expect the Fed to ignore the political pressure and announce its fourth rate hike of 2018.

With a volatile year drawing to a close, major US stock indices touched new lows while one fell into a "bear market" -- a potentially ominous moment when prices fall 20 percent from a recent peak.

Prominent US investor Jeffrey Gundlach touched off more bloodletting around midday after telling CNBC US equities probably were already in bear market territory.

The Dow Jones Industrial Average and S&P 500 both fell 2.1 percent while the tech-heavy Nasdaq fell 2.3 percent, with the latter two hitting new lows for the year.

The Nasdaq is now 16.7 percent below its August peak, inching toward a bear market as well.

Quincy Krosby of Prudential Financial told AFP the S&P 500 was approaching key technical

levels that could trigger automated selling.

"Gundlach is considered an excellent manager," Krosby said. "He said that this market looked like a bear market and perhaps it would go lower."

Economic data released early Monday added to the growth concerns: a survey of manufacturing activity in the New York region showed an unexpected plunge while an index of sentiment among homebuilders also fell sharply.

And on Friday, a batch of dispiriting economic data from China added to Wall Street's jitters.

"This is the extension of everything that has bothered the markets for the last several weeks. The US economic news added to the selloff," said Karl Haeling of LBBW told AFP.

- Retail woes in Britain -

Earlier on Monday, major European stock markets also fell. London, already beset with Brexit concerns, took an additional knock after British online fashion retailer ASOS issued a profit warning.

London's blue-chip FTSE 100 fell 1.1 percent, as did the CAC 40 in Paris, while the DAX 30 in Frankfurt shed 0.9 percent.

The Bank of England will follow the US Fed on Thursday with its latest monetary policy decision.

ASOS chief executive Nick Beighton said November had been the "most difficult month relative to expectations for five years." He blamed Brexit, weak consumer confidence and deep price discounting for the shock warning.

The news sparked alarm among retailers already struggling with sales in their physical stores.

As a result, shares in British clothing group Next sank 4.9 percent while bellwether Marks & Spencer fell 4.6 percent.

"Looking more broadly this is also a potential warning sign for online retailers who have hitherto held up relatively well compared to traditional High Street chains in what has no doubt been a challenging year for the sector," said David Cheetham, chief market analyst at XTB online trading firm.

Asian stock markets meanwhile mostly closed higher Monday as traders looked ahead to the Fed and a Chinese economic policy-setting conference this week.

- Key figures around 2200 GMT -

New York - Dow: DOWN 2.1 percent at 23,592.98 (close)

New York - S&P 500: DOWN 2.1 percent at 2,545.94 (close)

New York - Nasdaq: DOWN 2.3 percent at 6,753.73 (close)

London - FTSE 100: DOWN 1.1 percent at 6,773.24 points (close)

Frankfurt - DAX 30: DOWN 0.9 percent at 10,772.20 (close)

Paris - CAC 40: DOWN 1.1 percent at 4,799.87 (close)

EURO STOXX 50: DOWN 0.9 percent at 3,063.65 (close)

Tokyo - Nikkei 225: UP 0.6 percent at 21,506.88 (close)

Hong Kong - Hang Seng: FLAT at 26,087.98 (close)

Shanghai - Composite: UP 0.2 percent at 2,597.97 (close)

Euro/dollar: UP at \$1.1362 from \$1.1306

Dollar/yen: DOWN at 112.83 yen from 113.39 yen

Pound/dollar: UP at \$1.2613 from \$1.2583 at 2200 GMT

Oil - Brent Crude: DOWN 67 cents at \$59.61 per barrel

Oil - West Texas Intermediate DOWN \$1.32 cents at \$49.88. (AFP)

Malaysia files charges against Goldman Sachs over 1MDB scandal

Malaysia has filed criminal charges against Goldman Sachs over its dealings with a state investment fund at the heart of a multibillion-dollar corruption scandal.

The case relates to bond sales that Goldman Sachs (GS) arranged and underwrote for 1Malaysia Development Berhad (1MDB) in 2012 and 2013.

The US investment bank and four individuals — two of them former Goldman employees — are accused of "grave violations" of Malaysia's securities laws, Attorney General Tommy Thomas said in a statement Monday.

The Wall Street firm has become a central figure in a damaging scandal involving billions in missing money, Malaysia's former prime minister and a high-rolling financier with ties to Hollywood. But this is the first time Goldman Sachs has faced criminal charges for its role in the saga.

The US Justice Department alleges a total of \$4.5 billion was stolen from 1MDB by senior officials. US officials claim that laundered funds were pumped into New York condos, hotels, yachts and a jet, and used to fund movies such as "The Wolf of Wall Street."

Thomas accused the bank and four individuals of misleading investors about the bond sales and fraudulently diverting \$2.7 billion of the proceeds.

"Having held themselves out as the pre-eminent global adviser / arranger for bonds, the highest standards are expected of Goldman Sachs," Malaysia's attorney general said in the statement. "They have fallen far short of any standard. In consequence, they have to be held accountable."

Prosecutors will seek fines against Goldman Sachs and the accused individuals in excess of \$3.3 billion, he said. That figure represents the amount allegedly misappropriated plus an additional \$600 million in fees that Goldman received for its work on the deals.

"We believe these charges are misdirected and we will vigorously defend them and look forward to the opportunity to present our case," a Goldman Sachs spokesman said in a statement. "The firm continues to cooperate with all authorities investigating these matters."

Prosecutors will also press for prison sentences of up to 10 years for the individuals, Thomas said.

One of the two former Goldman Sachs bankers facing criminal charges is its former South East Asia chairman Tim Leissner. Leissner pleaded guilty in August in the United States to conspiring to steal money from 1MDB. He told a US federal court that Goldman's "culture" encouraged executives to work around the legal team to score business.

Thomas on Monday accused Goldman of receiving fees from the bond sales that were "several times higher than the prevailing market rates and industry norms." And he said bank employees personally received part of the misappropriated proceeds.

The Malaysian prosecutors also filed criminal charges against Jho Low, a Malaysian financier who allegedly played a key role in laundering billions of dollars from 1MDB. Malaysian authorities earlier this year recovered a \$250 million yacht purchased by Low in 2014. Public money from 1MDB was allegedly used to buy the boat.

Low, who maintains his innocence, remains at large.

Former Malaysian Prime Minister Najib Razak has already been hit with dozens of corruption-related charges over allegations that he siphoned off \$681 million from 1MDB. Najib has pleaded not guilty to the offenses.

The US Federal Reserve is also reported to be probing Goldman over its ties to 1MDB. (CNN)