

# NEWS ROUND UP

*Thursday, September 20th, 2018*

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## ***Sri Lanka rupee falls to new low below 167 to dollar***

Sri Lanka's rupee fell to a new low of 167 to the US dollar dealers said, as the central bank continued to inject cash to money markets around 50 basis points below the ceiling policy rate.

The spot US dollar closed at 167.10/30 levels to the green back Wednesday down from 165.90/166.10 levels a day earlier.

The spot dollar traded as high as 167.20 levels to the US dollar during the day, market participants said.

Sri Lanka's money markets are short of cash and the central bank continued to inject cash below the ceiling policy rate of 8.50 percent.

The liquidity shortage filled overnight through a reverse repo auction was 17.87 billion rupees at a weighted average yield of 7.99 percent, below the ceiling policy rate of 8.5 percent which could be used to protect the rupee without a formal rate hike.

Only 3.5 billion rupees was borrowed at 8.5 percent.

But the central bank imposed a 100 percent margin on import letters of credit for cars. Commercial vehicles are exempt. After triggering currency pressure, the central bank has resorted to trade controls in the past.

On September 18, a 750 million dollar bond with the National Savings Bank matured. The NSB had swaps with the central bank.

On Wednesday the central bank rejected a bill auction for 17.5 billion rupees, raising the possibility that money would be printed to permanently end part of the cash short that cropped up this week.

While the central bank may have little choice but to inject some liquidity permanently to the banking system, analysts say it is important to keep the money markets short overnight by over 25 billion rupees at least, to help avert a further weakness in the rupee.

Since the currency pressure began, the central bank kept money market short overnight only on four days, and new money had been injected about 50 basis points or more below the ceiling 8.5 percent policy rate.

If the rupee is allowed to float, analysts say it is essential that money markets are kept short until the currency stabilizes.

The central bank had earlier cut overnight dollar net open positions, which analysts had warned would create more volatility in the rupee dollar exchange rate.(EconomyNext)

## ***Sri Lanka slaps 100-pct LC margins on car imports amid rupee fall***

Sri Lanka has slapped a 100 percent margin required on import letters for credit for vehicle imports as the rupee fell to a new low of 167 to the US dollar.

"The decision to impose the margin deposit requirement is based on recent developments which, if not addressed, could threaten macroeconomic stability," the central bank said in a statement.

As of Wednesday central bank was still injecting cash in the market at around 8.00 percent about 50 basis points below the ceiling policy rate.

The full statement is reproduced below:

### **Margin Deposit Requirement against Letters of Credit (LCs) opened with Commercial Banks for the Importation of Vehicles**

The Monetary Board of the Central Bank of Sri Lanka imposed a 100 per cent margin deposit requirement against Letters of Credit opened with the commercial banks for the import of motor vehicles, which are generally used for non-commercial purposes, with immediate effect.

Accordingly, Letters of Credit for the importation of these vehicle categories could be done only with a minimum cash margin of 100 per cent.

The decision to impose the margin deposit requirement is based on recent developments which, if not addressed, could threaten macroeconomic stability.

These include the following:

1. Recent global financial market volatility and generalised pressure on currencies of emerging market economies
2. Continued excessive motor vehicle imports, partly driven by unwarranted speculation on future exchange rate movements, interest rates movements and budgetary measures

The imposition of the margin deposit requirement, together with the measures already taken by the government with regard to taxes applicable on motor vehicle imports, is expected to curb non-essential imports of motor vehicles, and ease undue pressure on the current account of the balance of payments (BOP) and the exchange rate. (EconomyNext)

## ***Access Realties leases prime land in Sri Lankan capital for Rs1.1bn***

Sri Lanka's Access Realties has got 114.56 perches of prime land in the capital Colombo for 1.1 billion rupees on a 99-year lease, the state information office said in a statement.

The Cabinet of ministers this week approved a proposal by Patali Champika Ranawaka, Minister of Megapolis and Western Development, to lease the land at Mudalige Mawatha, in Union Place, Colombo 2.

Access Realities is the commercial real estate development arm of the Access Engineering construction group. (EconomyNext)

## ***Markets mostly rise between trade war salvos***

Global stocks mostly pushed higher on Wednesday as investors looked past the latest tit-for-tat tariffs by China and the United States.

US President Donald Trump said he will impose 10 percent levies starting next week on another \$200 billion of imports from China, prompting Beijing to target \$60 billion of US goods with five to 10 percent taxes.

Beijing rejected Trump's claim that it was tailoring retaliatory tariffs goods with an eye towards hitting the US president in the upcoming midterm elections, and called on the United States to show "respect" to China.

The developments were a clear escalation in the months-long standoff between the world's top two economies. However, analysts said the measures were not as painful as they could have been.

"Now that Washington DC and Beijing have stepped up their tactics, there is a feeling in the markets that a weight has been lifted as we have gotten over a hump," said market analyst David Madden at CMC Markets UK.

"The trade dispute may have taken a turn for the worse, but traders aren't expecting another escalation in the near-term," he said.

Gregori Volokhine, president of Meeschaert Financial Services, also downplayed the impact of the latest round of tariffs, saying they "are not going to hurt because orders for Christmas goods have already been delivered."

Europe's main markets followed Asian markets higher.

Meanwhile on Wall Street, the Dow finished up 0.6 percent, bolstered by big gains in banks JPMorgan Chase and Goldman Sachs. The Nasdaq finished narrowly negative.

Investors were also tracking a meeting of European leaders in Salzburg, Austria, for a summit to set up the last stretch of talks for a Brexit deal.

EU Council President Donald Tusk opened a crucial summit in the Austrian city of Salzburg with a stark warning that Britain's position on key issues must be "reworked."

He warned negotiations on Britain's withdrawal from the European Union were reaching a "decisive phase," amid fears it could crash out in March next year without a deal.

But as she arrived for the summit, British Prime Minister Theresa May said Brussels must also give ground.

"If we are going to achieve a successful conclusion then, just as the UK has evolved its position, the EU will need to evolve its position too," she said.

"I am confident that with goodwill and determination we can agree a deal that is right for both parties."

The pound initially leapt on news that Britain's annual inflation rate unexpectedly hit a six-month high in August, but it later gave up those gains on the latest snags in the Brexit talks.

- Key figures around 2100 GMT -

New York - Dow Jones: UP 0.6 percent at 26,e)

New York - S&P 500: UP 0.1 percent at 2,907.95 (close)

New York - Nasdaq: DOWN 0.1 percent at 7,950.04 (close)

London - FTSE 100: UP 0.4 percent at 7,331.12 (close)

Frankfurt - DAX 30: UP 0.5 percent at 12,219.02 (close)

Paris - CAC 40: UP 0.6 percent at 5,393.74 (close)

EURO STOXX 50: UP 0.3 percent at 3,368.56 (close)

Tokyo - Nikkei 225: UP 1.1 percent at 23,672.52 (close)

Hong Kong - Hang Seng: UP 1.2 percent at 27,407.37 (close)

Shanghai - Composite: UP 1.1 percent at 2,730.85 (close)

Euro/dollar: UP at \$1.1675 from \$1.1667 at 2100 GMT

Pound/dollar: DOWN at \$1.3146 from \$1.3148

Dollar/yen: DOWN at 112.26 yen from 112.36 yen

Oil - Brent Crude: UP 37 cents at \$79.40 per barrel

Oil - West Texas Intermediate: UP \$1.27 at \$71.12 per barrel.(AFC)

## ***Wall Street pay is the highest since the financial crisis***

Wall Street pay keeps rising. Including bonuses, the average salary in New York City's securities industry jumped by 13% to \$422,500 in 2017, according to a report from New York State Comptroller Thomas DiNapoli.

That's the highest figure since 2008 and the third-highest on record, once adjusted for inflation.

"Ten years after Lehman Brothers' collapse it is clear that Wall St. does not need to return to the days of excessive risk-taking to enjoy rising profits," DiNapoli said in a statement.

Bank profits reached a record \$60.2 billion last quarter, driven in part by corporate tax cuts, according to FDIC numbers.

Despite healthy profits, DiNapoli's office found that the number of Wall Street jobs dipped slightly in 2017 to 176,900 from 177,000 a year before. That's 6% below the pre-crisis high in 2007.

Wall Street drives a large chunk of the economy in both New York state and New York City.

The industry accounted for a fifth of all private sector wages in the city last year, though it made up less than 5% of overall employment, according to DiNapoli's report.

However, compensation at banks remains a touchy subject.

Bad incentives have been blamed for the flimsy mortgage underwriting standards and risky bets by Wall Street that led to the 2008 crisis. More recently, overly aggressive sales goals were at the heart of the Wells Fargo (WFC) fake-accounts scandal. (CNN)