

NEWS ROUND UP

Thursday, December 20, 2018

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LeapFrog invests over Rs. 2 b for 19% stake in Softlogic Life Insurance

LeapFrog Investments, the leading Profit with Purpose investor, yesterday made a \$12 million (over Rs. 2 billion) investment in Softlogic Life Insurance PLC, purchasing the shares of FMO, the Dutch development Bank.

Softlogic Life, growing at 2x the market, is one of Sri Lanka's fastest growing life insurers, providing Sri Lankans with individual life and health, group life, and other policies. The main shareholders of the Company will now comprise Softlogic Capital, DEG and LeapFrog Investments.

LeapFrog Investments Founder and CEO Dr Andrew Kuper

Softlogic Group Chairman Ashok Pathirage

"The team, products and high growth of Softlogic Life make for an outstanding company. We are thrilled to see them join the LeapFrog portfolio," LeapFrog Investments Founder and CEO Dr Andrew Kuper said.

"This investment reveals our positive view of Sri Lanka's long-term trajectory, and its financial services industry. The deal also caps the best year of deployment in the history of our firm," he added.

Softlogic Life, a top five player, has established itself as a leader in providing quality life insurance products to Sri Lankans. The company leads the market in customer-centric product innovation, including tailor-made products such as a worldwide cashless hospital settlement product integrating more than 60 local hospitals, doorstep doctor visits, and medical testing. It was also first-to-market in Sri Lanka in offering life insurance via mobile, through a partnership with Dialog Axiata. The company employs a 2400-person agent force, as well as distributing protection products via banks and direct means.

"We are excited about the next wave of growth for Softlogic Life, and our ability to continue to accelerate our market-growth strategy in partnership with the LeapFrog team and the insurance and financial services expertise they bring to the table. We are deeply appreciative of FMO's partnership to build our Company to this strong position and are happy to have provided an excellent return on exiting their investment," Softlogic Group Chairman Ashok Pathirage said.

"LeapFrog has a reputation for partnering to achieve channel expansion, as well as to help solidify strategic relationships that underscore growth – two continued areas of focus for the Softlogic Life business. We hope that this is the first of many investments in Sri Lanka and with the Softlogic Group," Pathirage added.

"Sri Lanka presents a compelling investment opportunity, with an underpenetrated, yet high growth insurance market," LeapFrog Investments Director Fernanda Lima said. "By taking advantage of a diversified distribution strategy, and in particular delivering insurance in partnership with mobile companies and financial institutions, we will be able to increase the reach of relevant products into the country's emerging consumer segment, who have traditionally been excluded from easy and affordable access to insurance," she added.

Mobile insurance products significantly open up access to the emerging consumer demographic – people living under \$10 USD a day. LeapFrog was an early investor in BIMA, which in only four years grew to become the leading emerging consumer mobile insurer, scaling to over 30 million policies for emerging consumers in only four years. LeapFrog sold the majority of its stake in BIMA as part of a \$96.6 million investment to Allianz X, the digital investment unit of Allianz group.

An innovator in insurance, Softlogic Life was recently selected as one of the Top 3 Insurers in the Asian region by Asian Insurance Review and has won a multitude of accolades. Its strong brand and customer-centric agent force combined with tailor-made products are enabling strong growth.

“FMO has been an investor in Softlogic Life Insurance PLC since December 2012, at that time a small insurance company, combining general and life insurance products. Some of the main reasons to invest were the professional staff, Softlogic Group being a strong shareholder and the company’s approach to introducing innovations in the insurance sector,” FMO Chief Investment Officer Linda Broekhuizen said.

“By making insurance products customer friendly and increasing accessibility, the Softlogic Life team improved financial inclusion in Sri Lanka. We are proud that the company has performed so well that the reputable LeapFrog Investments took over to further guide the company,” she added.

With a population of 21 million, Sri Lanka is currently underserved with life and health insurance products, yet represents a strong growth opportunity with penetration at only 0.6% versus GDP. Between 2012 and 2017, the insurance industry grew at a CAGR of 12% driven by growing awareness of the benefits of insurance, as well as the introduction of new and innovative products to service the market.

LeapFrog invests in extraordinary businesses in Africa and Asia, partnering with their leaders to achieve leaps of growth, profitability and impact. LeapFrog companies now reach 157.4 million people across 149 countries with healthcare and financial services. Over 130 million of those individuals are emerging consumers, often accessing insurance, savings, pensions, credit and healthcare for the first time. LeapFrog companies have grown on average by nearly 40% per year since LeapFrog’s investment. The companies now provide jobs and livelihoods to over 122,000 people. LeapFrog was recently ranked by Fortune as one of the top five companies changing the world, alongside Apple and Novartis, becoming the first private investment firm ever listed. (DailyFt)

Tea industry’s performance in 2018 and prospects for 2019

Year 2018 began with a lot of optimism in the backdrop of an excellent year (2017) that was witnessed in terms of tea prices. The first quarter commenced on a high, with the quarterly auction average being recorded as the highest ever. However, as the year progressed, the Sri Lankan tea industry had to face numerous obstacles.

Consequent to banning of glyphosate by the Government of Sri Lanka, tea growers and large plantations, in particular, were forced to use alternative products for the control of weed growth, resulting in MCPA levels higher than permitted for exports to Japan.

<i>Year 2018</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>+/-</i>
High	Rs.557.43	Rs. 575.82	Rs. 18.39
Medium	Rs. 478.25	Rs. 524.13	Rs. 45.88
Low	Rs. 546.01	Rs. 600.98	Rs. 54.97
Total	Rs. 536.69	Rs. 582.65	Rs. 45.96

As the year unfolded, purchases from Japan declined due to purchases/shipments being made only following prior testing for chemical residue levels. This brought about a market – unrelated to quality – with greater emphasis on the MCPA levels and its suitability for the Japanese market.

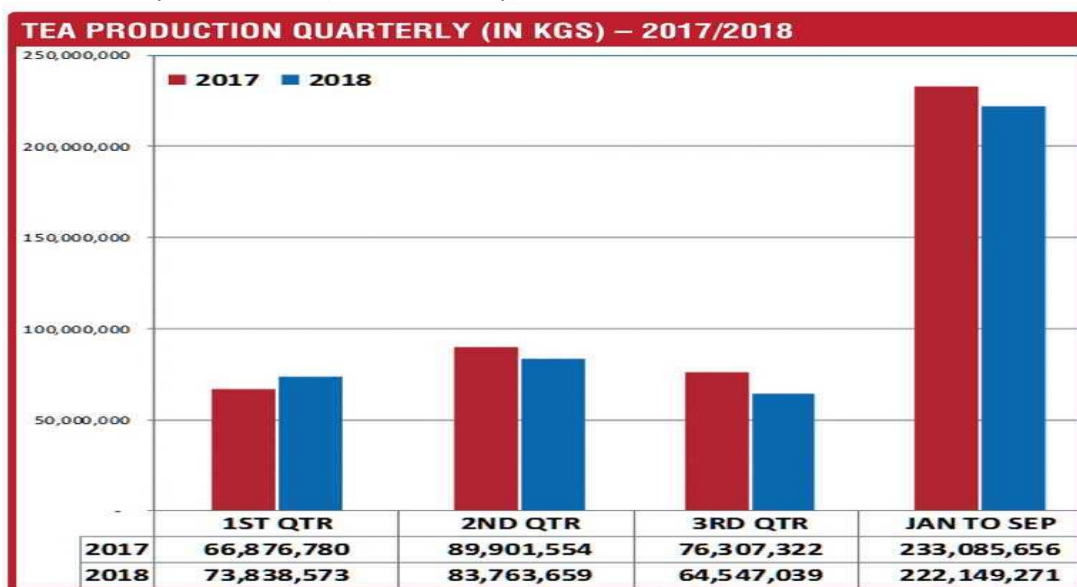
In and around May, US sanctions on Iran were imposed which had a cascading impact on Auction prices in Colombo, particularly for the Low Grown (Tippy) teas. There was some optimism for tea prices to turn around towards June/July following the strengthening of oil prices and the weakening of the Sri Lankan Rupee. However, this too did not work out to be a reality following the weak economies in most Middle Eastern countries and Russia, resulting in currencies in the importer countries also depreciating against the US Dollar.

During the second half of 2018, there was ample evidence of global production increasing significantly, primarily due to increased production in the African region. These increases did not reflect too adversely on Colombo Auction prices, as most of the increase comprised of CTC teas.

After much deliberation, stakeholders were successful in negotiating with the Government of Sri Lanka to remove the glyphosate ban through a Special Gazette dated 11 July 2018, a welcome relief to the industry. However, the modalities have taken a considerable period of time for these shipments to be available for the plantations on a regulated basis.

Commencing around September 2018, the Sri Lankan Rupee began to show a significant devaluation against the US Dollar, which possibly to some extent made Sri Lankan tea prices attractive to importers. Since then, we have seen reasonable momentum although the current Auction price levels are below the corresponding sales of last year by approximately Rs. 50 or \$ 0.27 per kg. Cumulative Colombo Auction average up to the penultimate sale stood at Rs. 619.11 compared to Rs. 582.17 in 2017, a variance of Rs. 37 per kg. A synopsis of the tea industry’s performance during the year 2018 is set out below.

The first quarter commenced with auction volumes maintaining 6-7 M/kg and as customary with the onset of the dry weather (end February), Auction volumes declined to 6 M/kg and



below.

During the period under review, total tea production was 73.8 M/kg compared to 66.8 M/kg in 2017, an increase of 7 M/kg (10%). All elevations recorded a gain, with the High and Medium Growns gaining

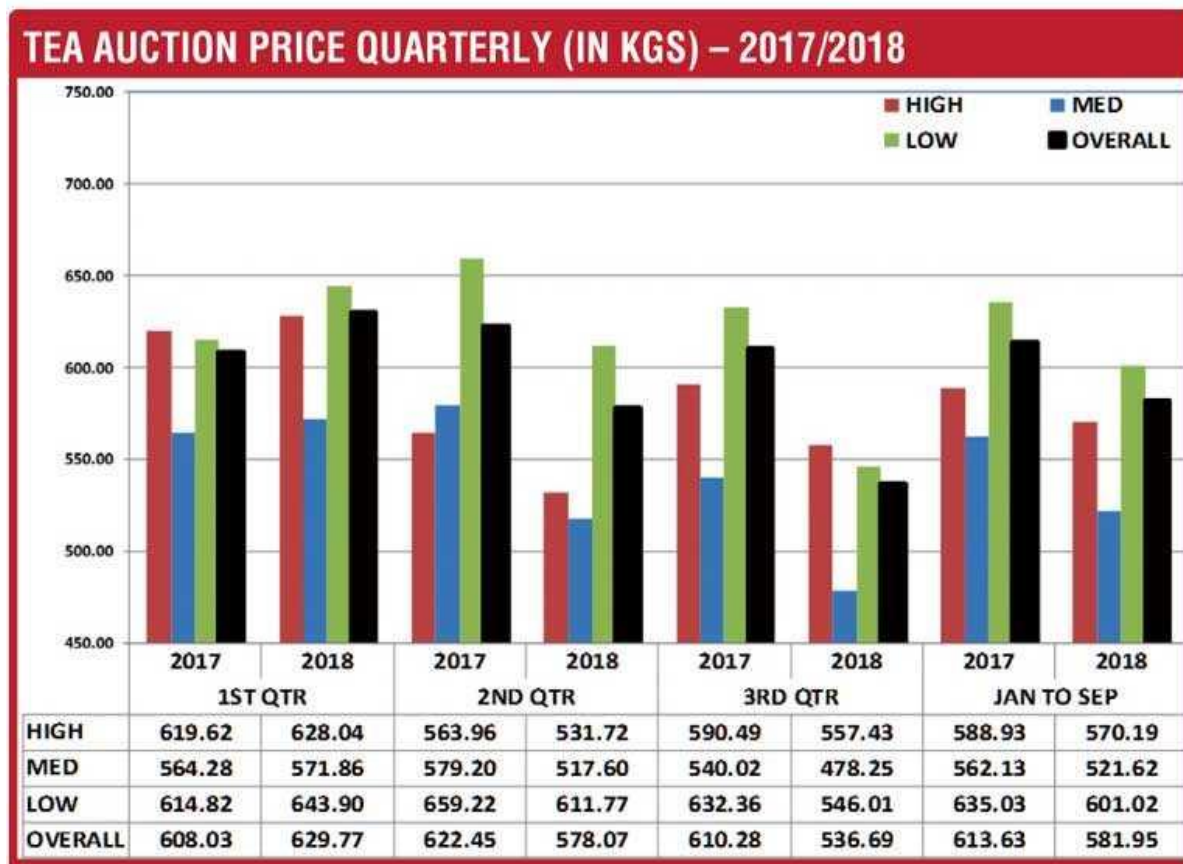
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significantly.

Auction averages in the months of January/February continued to show further improvement on the corresponding period in 2017. Commencing March 2018, auction averages in all elevations began to record significant negative variances compared to the corresponding period in 2017. Buoyant prices maintained in the first two months helped the quarterly total auction average to show a gain of Rs. 21.74 over the corresponding period in 2017.

Earnings from tea exports remained more or less static compared to the corresponding period in 2017 – Rs. 68.8 million in 2018 vis-à-vis Rs. 68.4 million in 2017.

The second quarter commenced with auction volumes maintaining at 6M/kg and increasing to 7.5-8 M/kg by mid-May.



During the period under review, tea production declined 6.1 M/kg (6.8%) in comparison to the corresponding quarter in 2017. Interestingly, April/June showed a significant negative variance, whilst May recorded a 10% increase compared to May 2017. Auction averages continued to decline with Medium Grows, in particular, recording the sharpest drop, quarter-on-quarter with a negative variance of Rs. 44.38. Consequently, the cumulative position eroded to a negative variance of Rs. 11.78 by end June.

Earnings from tea during the period was recorded at Rs. 56.8 billion, marginally below the Rs. 57.7 billion in 2017.

Third quarter commenced with auction volumes around 7 M/kg, which declined gradually and dropped to a low of 5.5 M/kg by end September sales.

Tea production which totalled 64.5 M/kg vis-à-vis 76.3M/kg in the corresponding period in 2017,

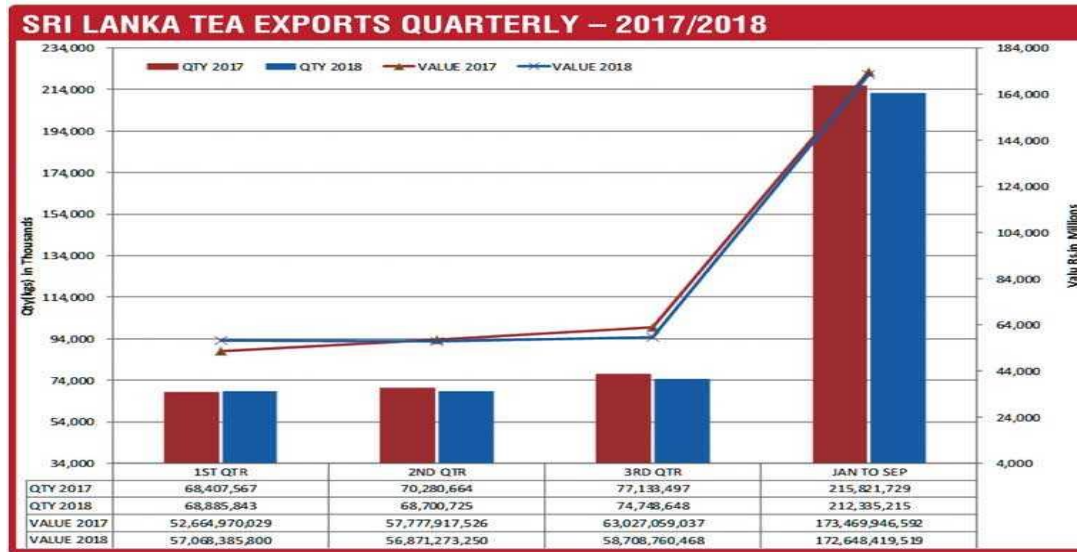
recorded a 11.7 M/kg negative variance (15%).

Tea prices continued to weaken further with the total Auction average declining to Rs. 536.69 vis-à-vis Rs. 610.28 during the corresponding period in 2017 (11%).

Exports totalled Rs. 58.7 billion compared to Rs. 63 billion in 2017, a negative of Rs. 4.3 billion (7%).

Interestingly, cumulative earnings up to end October totalled Rs. 192.4 billion vis-à-vis Rs. 194.3 billion in 2017, a negative of Rs. 1.9 billion (1%).

Fourth quarter – Resulting in the production deficit as at end September, auction offerings during the fourth quarter under review, ranged between 5-5.5 M/kg in the early part and 6.5-7 M/kg in the latter part.

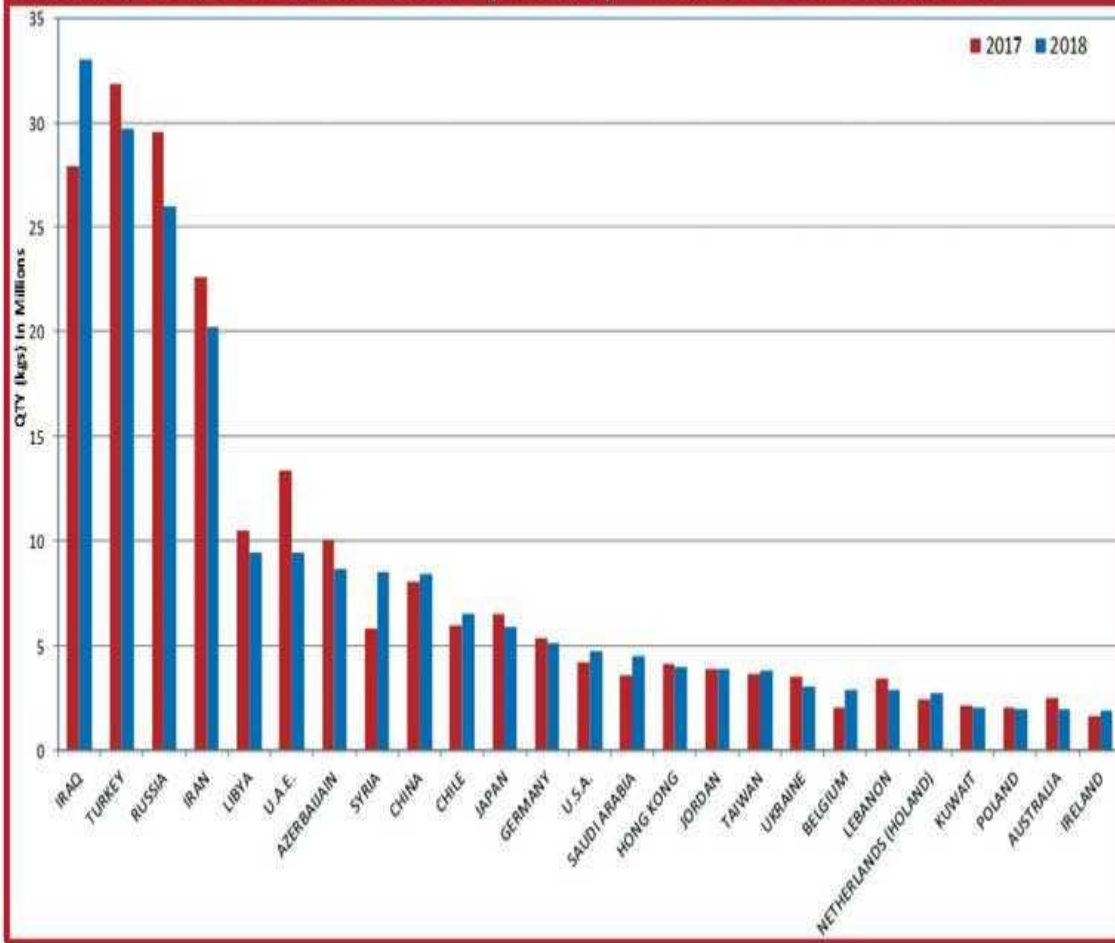


The latest tea production statistics available for the month of October totals 29.6 M/kg versus 25.7 M/kg in 2017 (an increase of 3.8 M/kg – 14%).

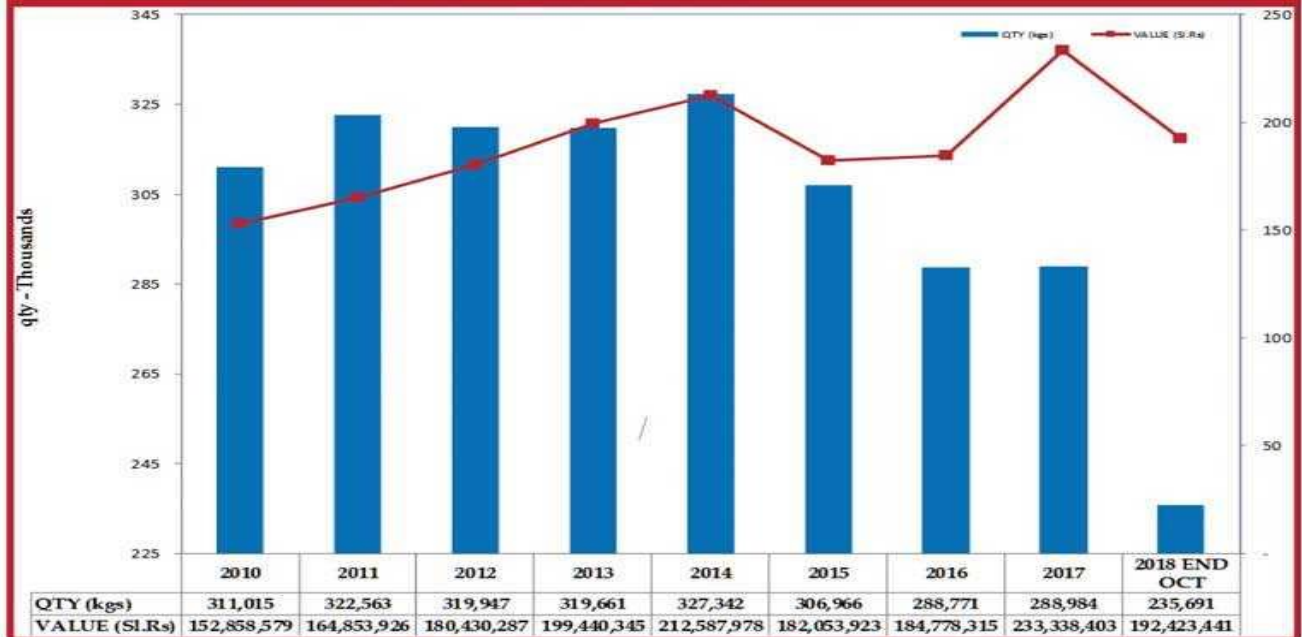
Considering that production up to October totals 251 M/kg and assuming that production in November/December would remain static around the 2017 figures, notwithstanding the labour unrest on plantations in the month of December and the curtailment of tea production, Sri Lanka is likely to achieve the 300 M/kg mark. A reasonable recovery from the disastrous 2nd and third quarters.

Comparison of auction averages continued to reflect significant negative variances vis-à-vis the corresponding period in 2017. Interestingly, auction averages during this period (fourth quarter) up to the penultimate sale of the year shows fair improvement on third quarter achievements. Details of which are set out in Table 1.

TEA EXPORTS COUNTRY WISE (IN KGS) – JAN TO OCT 2017/2018



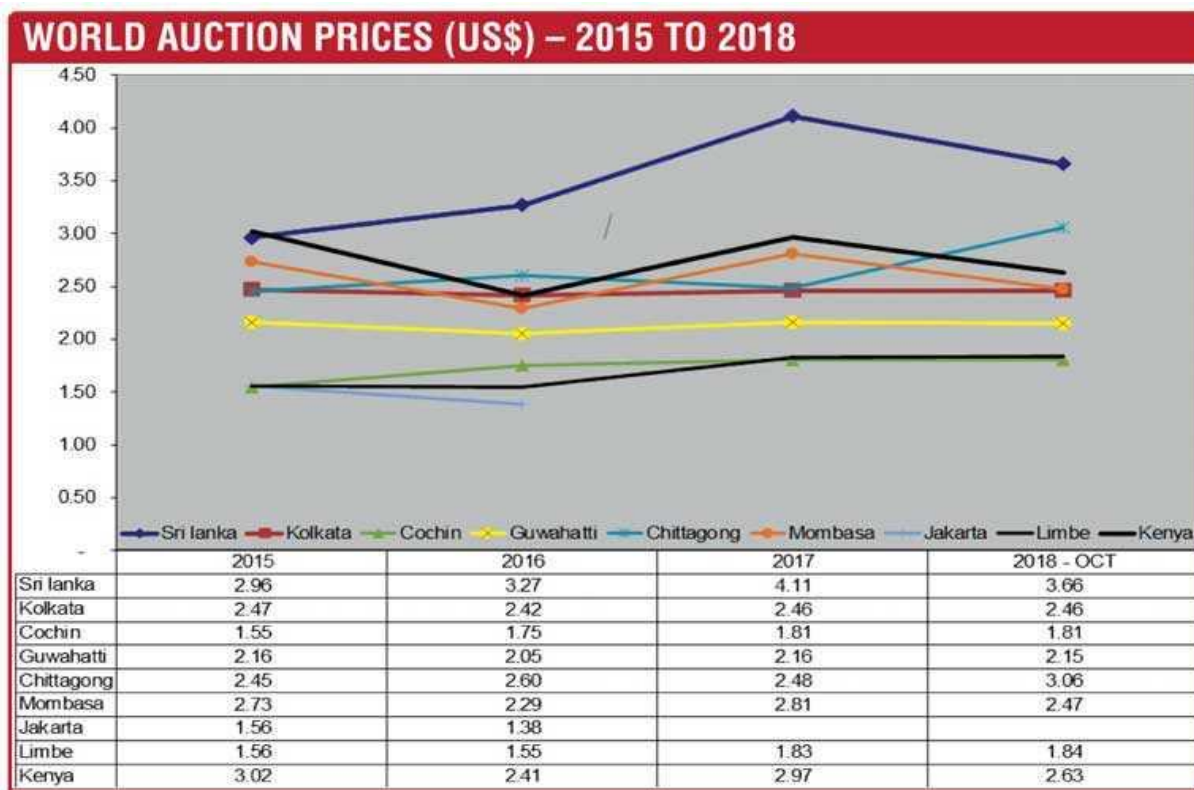
SRI LANKA TEA EXPORTS – 2010 TO 2018



Sri Lanka macroeconomic update
 We report below the key indicators of the economy.

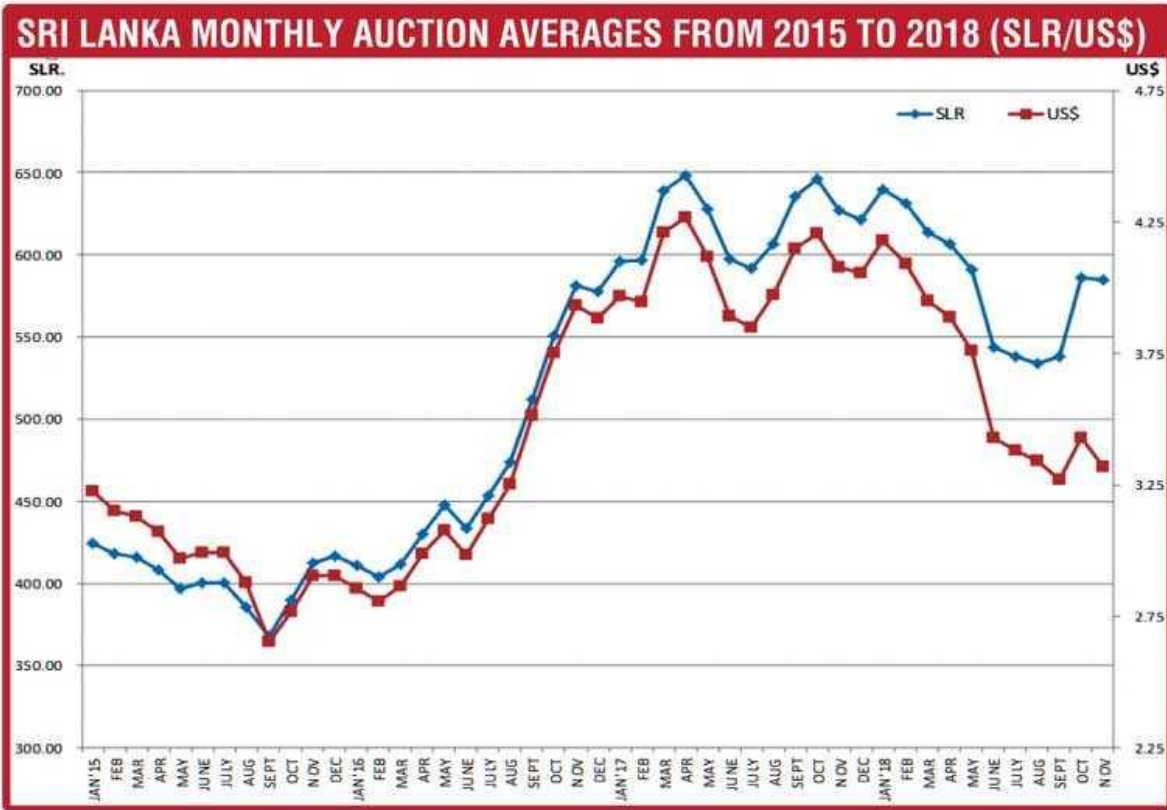
As at the time of writing, we have only the results of the first half of the year. The overall annual growth is still around the same levels as were seen in the past couple of years. It is indeed promising to note that the Agriculture Sector has performed extremely well during the year, after two disastrous years. However, unfortunately, the Industrial Sector growth rates have declined significantly compared to 2017 and 2016, and the overall growth could not be accelerated beyond the present level.

Agriculture Sector growth rates in the first two quarters of 2018 have seen a remarkable increase when compared against the previous two years. Paddy production can be identified as the major contributor for overall growth in the Agriculture Sector.



Inflation:

Inflation as measured by the National Consumer Price Index (NCPI) was 0.9% in September 2018 and the 12 month annual average inflation as at end September 2018 was 4%. The rate of inflation in 2018 is lesser than 2017 where it was at 8.6% and the 12 month annual average inflation as at September stood at 6.8%. The NCPI was updated with 2013 kept as the base year and we have now seen a cumulative 24.4% increase in prices. It is to be noted that year 2017 was one of the highest contributors to this increase.



(Source – Central Bank of Sri Lanka/Department of Census and Statistics)

Interest

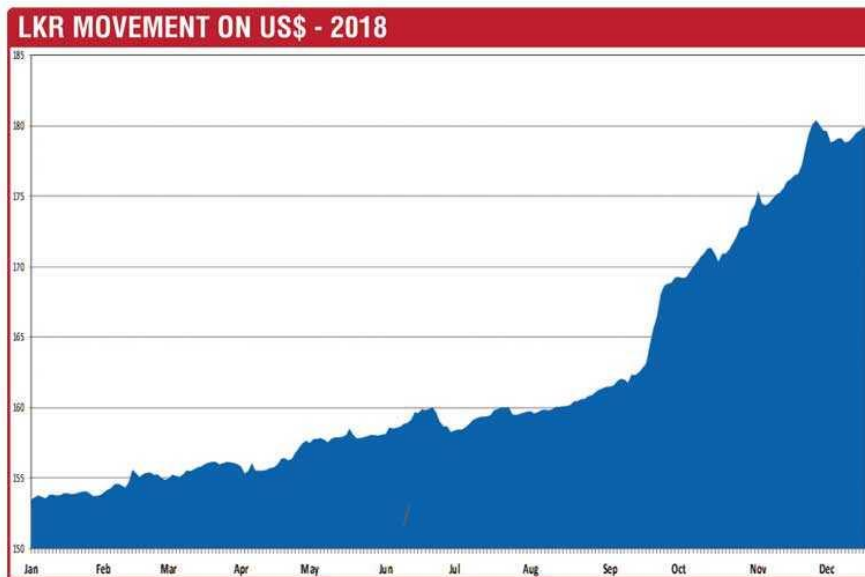
Rates:

The treasury bills rates have increased in 2018 against 2017. And the average prime lending rates by banks too have increased gradually. However, bank deposit rates have declined over the last year.

Exchange

Rates:

The Sri Lankan Rupee (LKR) depreciated against the major tea importing country currencies during the year. However, it appreciated against the Turkish Lira and



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Iranian Riyal.

ained the same for the

Predicting the market outlook for the year 2019 at this juncture amidst much uncertainty seems a hard task. Nonetheless, a logical approach would be to analyse the supply/demand scenarios that exist and project possible market scenarios based on the most recent developments in importer countries. In analysing the supply situation, it would be relevant to segregate CTC and orthodox tea production. Yet another factor that needs due consideration is the growing demand for tea in producer countries, which may leave lesser exportable

Table 1 - Sector-wise Growth Rate in Gross Domestic Product

	Quarter 1			Quarter 2			Quarter 3		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Agriculture	5.3	-4.4	-0.2	4.5	-3.1	-5.7	-3.0	-2.0	
Industry	1.1	3.7	9.1	2.3	5.6	2.0	3.9	5.9	
Services	4.8	4.3	3.7	4.8	2.7	3.6	2.8	4.8	
Taxes less subsidies on products	1.2	2.3	5.9	-0.6	3.4	3.1	5.4	5.6	
GDP	3.5	3.4	5.1	3.7	3.0	2.4	2.9	4.6	

Source: Central Bank of Sri Lanka

Table 2 - Growth Rates in the Agriculture Sector

	GDP (Rs.Mn)	Growth Rate (%)
2015	670,106	4.8%
2016	644,262	(3.8%)
2017	639,279	(0.8%)
Q1- 2018	155,637	5.3%
Q2- 2018	160,674	4.5%

volumes.

Global production, in all probability, may show growth in 2018 once statistical data has been tabulated, which would essentially be of CTC origin. Orthodox tea production could be considered in short supply considering the decline in Sri Lankan tea production commencing 2016.

Sri Lankan tea production in 2019, consequent to the Government’s decision to lift the ban on the use of glyphosate (weedicide) is likely to give much relief to the producers and in particular, to the large-scale plantations which would be able to carry-out the required agricultural practices to achieve the full potential of the plantations. Further the Government’s decision last month – to allow a more liberal policy on fertiliser – should contribute favourably. Needless to say, subject to extreme weather conditions not being a reality. However, ageing tea bushes and low productivity levels would be a downside.

Similarly, India with its aged plantations is unlikely to show any significant improvement in its output. On the other hand, Kenya with its steady growth in production in the past several years is poised to achieve a 500 M/kg in 2018 and is likely to play a significant role when assessing the total global supply situation.

Demand growth in China and India, considering the magnitude of these two markets, is likely to influence prices and consumption is expected to outstrip production. USA too could be singled out as a fast-growing market, particularly for instant tea and iced tea segments, whilst imports from Sri Lanka to the US have shown quite a significant growth in 2018.

Other factors that are likely to impact Sri Lankan tea prices

As highlighted elsewhere in this report, Colombo Auction prices have shown a significant appreciation in the fourth quarter on the third quarter, particularly in respect of Leafy orthodox teas.

Further, the first quarter traditionally is a low cropping period with enhanced product quality from most producer countries. This scenario will augur well for Small Leaf liquoring varieties that would be on offer.

Another important factor that might influence tea prices is the variation in exchange rates. The Sri Lankan Rupee, which was under severe pressure at the commencement of 4th quarter 2018, stabilised somewhat towards mid-December. If this trend is reversed and the previous depreciation pattern that was seen a couple of months ago is a reality, this too would help Colombo Auction prices in rupee terms.

Improved demand from Iran following the recent indications that tea would not be featured on the list of items attracting US import sanctions.

Importers of orthodox teas are likely to have lower inventory levels in the backdrop of deficits accumulated since 2015.

These factors would enable us to predict an upward movement in prices, particularly in the first half for most varieties of orthodox teas. The market demand for teas thereafter, would greatly depend on how the global tea industry would progress during the first half. As we have periodically highlighted, market demand for good quality teas would command a premium consistently throughout the year.

Currency	2nd January 2018	14 th December 2018	% Appreciation/ (Depreciation)
USD	153.4697	179.6566	-17.06%
Euro	184.3478	204.0629	-10.69%
Sterling Pound	207.4066	226.8434	-9.37%
Russian Rouble	2.6615	2.7063	-1.68%
Iranian Riyal	0.0043	0.0043	-
Turkish Lira	39.9445	33.4365	16.29%
Ukraine Hryvnia	5.35334	6.39400	-19.43%
Saudi Riyal	40.9225	47.8861	-17.02%

Source: Central Bank of Sri Lanka Weighted average Rates/ Oanda.com

	October 2018	October 2017	% Change
91 day Treasury bill rate - %	9.48	8.75	8.3%
AWPLR	12.25	11.25	8.8%
AWDR	8.73	9.22	-5.3%

Source: Central Bank of Sri Lanka

Hayleys Advantis unveils Sri Lanka's largest distribution hub

Hayleys Advantis Ltd. recently ceremonially unveiled Sri Lanka's largest distribution hub – Advantis 3PL Plus Logistics City – in Kotugoda, Ja-Ela.

This is part of the company's strategic capacity building and expansion efforts aimed at serving its clients better through greater efficiencies and economies of scale. The move bodes well for the nation's vision of establishing Sri Lanka as a key logistics hub in the South Asian region.

With the first phase of development now complete, this new facility adds 335,000 sq. ft. of space with 38,000 pallet positions and a holding capacity of up to 55,000 cubic metres (CBM) to the company's warehousing footprint. The soon to commence second phase of development at the site will see this expand to approximately 500,000 sq. ft.

Hayleys PLC Chairman and Chief Executive Mohan Pandithage said: "Hayleys, with its 140-year history, has always been a proud contributor to Sri Lanka's economic growth. Our newly unveiled 3PL Logistics City will help the nation move yet another step closer towards realising its goal of emerging as a key logistics hub in the South Asian region."

Hayleys, with its 140-year history, has always been a proud contributor to Sri Lanka's economic growth. Our newly unveiled 3PL Logistics City will help the nation move yet another step closer towards realising its goal of emerging as a key logistics hub in the South Asian region - Hayleys PLC Chairman and Chief Executive Mohan Pandithage Advantis has taken many bold steps in the recent past with the aim of uplifting Sri Lanka's logistics industry in preparation for Asia's trade and commerce boom. This new facility will allow us to consolidate most of our operations at a single location and deliver greater operational efficiencies and cost benefits to our clients - Hayleys Advantis Managing Director Ruwan Waidyaratne

The facility is designed to cater to diverse industry verticals and serve as a distribution hub capable of meeting the fast-changing needs of brands and retailers across the globe. It will be equipped with best-in-class technologies and product management systems with a focus on automation and digitisation. Located in close proximity to the main sea and air ports in the country, it is also well connected to the road network, with easy access to major highways and expressways.

"It is with great pride that we unveil the Advantis 3PL Plus Logistics City to our prestigious clients, many of whom have stood by us as true sources of encouragement in our journey for well over a decade," said Hayleys Advantis Managing Director Ruwan Waidyaratne.

"Advantis has taken many bold steps in the recent past with the aim of uplifting Sri Lanka's logistics industry in preparation for Asia's trade and commerce boom. This new facility will allow us to

consolidate most of our operations at a single location and deliver greater operational efficiencies and cost benefits to our clients.”

“Giving a significant boost to our operating efficiency, capacity and service levels, our new facility is fully equipped to cater to the supply chain requirements of the rapidly evolving business requirements of our clients,” added Advantis 3PL Plus Director Sheran Abeyesundere.

“I extend my heartfelt gratitude to our clients for standing by us for many years and for always helping us grow by sharing their knowledge and expertise, and to my team who went well beyond their call of duty to deliver this world-class facility to our clients.”

Advantis 3PL Plus has nearly two decades of experience in the field of warehousing and distribution management and has taken its expertise to multiple countries in the region within the last decade. The company currently operates distribution centres in India, Indonesia, Myanmar and Bangladesh with the newly-opened facility in Sri Lanka being the largest amongst them.

Hayleys Advantis is Sri Lanka’s most diversified transportation and logistics service provider with six decades of experience and operations spread across the Asian region. Backed by the blue chip conglomerate Hayleys PLC, Advantis is at the forefront of the logistics industry providing end-to-end solutions covering air, land and sea. It is committed towards being an innovator in the industry, setting the pace and shaping the logistics category. (DailyFt)

Weekly weighted averages decrease

The weighted average yields at yesterday’s weekly Treasury bill auction were seen decreasing once again in comparison to its previous weeks weighted averages. The 182-day and 364-day maturities recorded a drop of 04 basis points each to 9.99% and 11.20% respectively.

The auction had on offer a total amount of Rs. 18 billion which was successfully subscribed as the bid to offer ratio increased to eight week high of 3.49:1.

The secondary bond market remained active yesterday as yields continued to decline, mainly on the short end of the yield curve. The yield on the three-year maturity of 15.12.21 was seen dipping to an intraday low of 11.70% against its days opening high of 11.80% while two-way quotes on the rest of the curve dipped as well. Furthermore, buying interest in the secondary bill market saw the 364-day bill change hands at 11.05% post auction.

The total secondary market Treasury bond Transacted volume for 18 December was Rs. 13.31 billion.

In the money market, the overnight call money and repo rates averaged at 9% and 8.96% respectively as the net liquidity shortfall stood at Rs. 91.30 billion yesterday.

The OMO Department of the Central Bank, conducted two reverse repo auctions of Rs. 17.5 billion and Rs. 20 billion for durations of overnight and seven days, which were successfully subscribed at weighted average yields of 8.86% and 8.93%. In addition, a further amount of Rs. 57.78 billion was injected at the Standing Lending Facility Rate (SLFR) of 9.00%.

Rupee dips further

Continued buying interest by banks in the Forex market saw the USD/LKR rate on spot contacts losing further to close the day at Rs. 180.50/65 against its previous day’s closing of Rs. 180.10/30.

The total USD/LKR traded volume for 18 December was \$ 40.19 million.

Some of the forward USD/LKR rates that prevailed in the market were: One month – 181.50/00; three months – 183.50/00; six months – 186.50/00. (DailyFt)

Rupee ends weaker as foreign outflows hurt; CSE gains

The Sri Lankan rupee ended weaker yesterday amid pressure on the currency due to foreign outflows from bonds and stocks as uncertainty from a political crisis dented sentiment.

The rupee ended at 180.50/70 per dollar, compared with 180.10/30 in the previous session. The Colombo stock index ended up 0.06% at 6,050.95 yesterday. Turnover was Rs. 3.6 billion, the highest since 13 November and more than four times of this year's daily average of Rs. 834.1 million.

Foreigners were net sellers of a net Rs. 333.5 million (\$ 1.85 million) worth of stocks yesterday. They have been net sellers of Rs. 11.7 billion since the political crisis began on 26 October. The bond market saw outflows of about Rs. 56 billion between 25 October and 14 December, Central Bank data showed. Credit rating agencies Fitch and S&P downgraded Sri Lanka's sovereign rating early December, citing refinancing risks and an uncertain policy outlook, after Sirisena's sacking of his prime minister in October triggered the political crisis.

This year, there have been Rs. 21.1 billion of outflows from stocks and Rs. 148.2 billion from government securities, the latest data from the bourse and Central Bank showed.

The rupee had touched a record low of 180.85 to the dollar on 28 November. It has weakened about 4.1% since the political crisis began. The currency dropped 1.8% in November, and has lost 17.5% this year.

Moody's downgraded Sri Lanka on 20 November for the first time since it started rating the country in 2010, blaming the political turmoil for aggravating its already problematic finances.

Five-year government bond yields have risen 55 basis points since the political crisis began, while yields on Sri Lanka's dollar bonds due in 2022 which have risen around a percentage point to 8.0% through Friday, fell 0.35% to 7.7% yesterday.

The political crisis was expected to ease after President Maithripala Sirisena reinstated Ranil Wickremesinghe, whom he had ousted in October. The country plunged into a 51-day crisis following the ousting. However, delay in appointing Cabinet Ministers dented sentiment, dealers said.

Political paralysis remained the main concern for investors since Sirisena abruptly sacked Wickremesinghe and replaced him with Mahinda Rajapaksa, who failed to win a parliamentary majority and resigned on Saturday as a government shutdown loomed.

Wickremesinghe sworn in as Sri Lanka's Prime Minister on Sunday, making a remarkable comeback weeks after being ousted by President Sirisena under controversial circumstances. The Sri Lankan rupee strengthened in early trade on Monday, while bond yields dropped as a seven-week political crisis appeared to ebb, but investors took a cautious stance to observe whether Sirisena and Wickremesinghe could work well together.

(DailyFt)

Asian Stocks Decline After Fed; Treasuries Retreat: Markets Wrap

Asian stocks dropped after Federal Reserve Chairman Jerome Powell failed to quell investor concerns that tightening policy will choke economic growth. Treasuries pared back some of Wednesday's gains and U.S. stock futures ticked higher.

Equities fell from Tokyo to Hong Kong. Gains in U.S. stock futures come off the back of a tumultuous session for the S&P 500 Index, which turned an advance of as much as 1.5 percent into a loss of the same magnitude to a 15-month low. Policymakers cut forecasts for interest-rate hikes next year to two from three, though markets had been priced for just one. Powell said the Fed's balance sheet normalization would continue "on automatic pilot."

The yen was steady after the Bank of Japan maintained its monetary policy settings as its meeting concluded.

Investors had hoped for a less aggressive approach after U.S. stocks tumbled into a correction amid concern that global growth is slowing. The Fed ignored repeated calls from U.S. President Donald Trump in the lead up to the decision to refrain from lifting borrowing costs again amid the volatility in financial markets.

"The Fed's been a huge friend of the stock market and they are now a little bit of an enemy and probably become worse of an enemy before this is all over," Bob Doll, Nuveen chief equity strategist and senior portfolio manager said on Bloomberg Television.

Beyond the Fed, trade and politics remain dominant themes. The U.S. Senate passed a stopgap fund bill to avert a partial federal shutdown and keep the government funded until Feb. 8. Meanwhile, Treasury Secretary Steven Mnuchin said America and China are planning to hold meetings in January to negotiate a broader trade truce.

U.S. Dollar Will Remain Strong for Coming Year, Says Barclays's Pepper

Hamish Pepper, strategist at Barclays, discusses the outlook for the dollar.
Source: Bloomberg

Here are some events investors will focus on in the coming days:

- Bank of Japan Governor Haruhiko Kuroda is due to give a briefing.
- Bank of England policy decision is due Thursday.

And these are the main moves in markets:

Stocks

- The MSCI Asia Pacific Index lost 1 percent as of 10:55 a.m. in Hong Kong.
- Japan's Topix index fell 1.4 percent.
- Shanghai Composite slid 0.4 percent.
- Hang Seng index dropped 0.5 percent.
- South Korea's Kospi index fell 0.6 percent.
- S&P 500 futures rose 0.2 percent. The S&P 500 fell 1.5 percent at the close in New York.

Currencies

- The yen was little changed at 112.48 per dollar.
- The offshore yuan traded at 6.9118 per dollar.
- The Bloomberg Dollar Spot Index was steady.

- The euro was flat at \$1.1379.
- The British pound rose 0.1 percent to \$1.2618.

Bonds

- The yield on 10-year Treasuries rose about three basis points to 2.78 percent, unwinding some of its six-point slide following the Fed's decision.

Commodities

- West Texas Intermediate crude slid 1.6 percent to \$47.40 a barrel, trimming a 3.4 percent rally Wednesday.
- Gold was steady at \$1,244.30 an ounce.

(Bloomberg)