

# NEWS ROUND UP

*Wednesday, July 11, 2018*

## Contents

CIFC laws before Cabinet in two months: PM .....	2
COMBank goes for Rs. 10 b Basel III compliant debentures.....	3
Fuel prices increased .....	3
Swarnamahal depositors get 10% repayment.....	4
Biz confidence stays subdued .....	4
Secondary bond market continues dull mode.....	5
Softlogic Life wins ‘Best Insurance Company’ award at Emerging Asia Insurance Awards 2018.....	5
Shares end steady; turnover at near 3-month low.....	6
Rupee ends steady after 6 sessions of decline .....	7
Stocks Decline as Trump Reloads the Tariff Bazooka: Markets Wrap.....	8

### ***CIFC laws before Cabinet in two months: PM***

The Colombo International Financial City (CIFC) project is expected to take a step forward in the next two months when laws drafted to govern and lay the groundwork for the venture are presented to Cabinet, Prime Minister Ranil Wickremesinghe told a business forum in Singapore

yesterday.

The Prime Minister, who embarked on a visit to Singapore on Sunday, outlined the investment expected from the CIFC, more commonly known as the Port City project, at a business forum organised for potential investors in Singapore.

Wickremesinghe noted that even though the Port City project was primarily started as a real estate development venture, his administration had decided it would become an international financial center and was currently working out the modalities of how it should function.

“Land reclamation will be completed next year and construction is expected to start afterwards. There are already several financial centers around the Indian Ocean so it is imperative for us to understand how we can differentiate ourselves. This is a project with a 10-year development plan. A few weeks ago while I was on a tour of Britain I participated in several discussions and the UK has offered us assistance in setting up the financial center,” he said during the question and answer session.

Laws to govern the financial center are already being drafted by top officials and the Government is dedicated to resolving any issues through consultations with the Attorney General, he added. The Prime Minister also said that the laws, once formulated, and their implementation framework ironed out, would be presented to Cabinet in two months.

The CIFC would be a facet in the Sri Lankan Government’s dedication to improve relations with a range of countries including India, Singapore, Malaysia, Vietnam, South Korea, Japan and China, Wickremesinghe said. Outlining extensive plans made by the Government to establish investment corridors to promote exports and investment, the Prime Minister had also spoken about the Western

Megapolis project, which has a master plan drafted by Singaporean company Surbana Jurong. The project aims to uplift the living standards of nine million people and rapidly expand Sri Lanka's economy.

The Prime Minister also responded to queries on entrepreneurship in Sri Lanka, insisting that the country remained dedicated to new ventures and was being assisted by Government funding programs such as 'Enterprise Sri Lanka'. He went on to acknowledge that funding remained one of the biggest hurdles for entrepreneurs as local banks still followed "traditional" systems when supplying credit.

"We must fast-track providing credit to medium-sized companies. We have to change the banking system and encourage them to assist these companies and introduce an export bias to medium companies."

Concentrating on building and bringing together these different pieces has resulted in the Government laying the plans for Sri Lanka to become a developed country by 2050, Wickremesinghe told the audience.

"This is a massive challenge and it requires us working very carefully but closely with people who hold a variety of views. We must take forward these plans very carefully and vigilantly."

(DailyFt)

### ***COMBank goes for Rs. 10 b Basel III compliant debentures***

Commercial Bank Plc has decided to raise Rs. 10 billion via Basel III compliant Tier 2 listed rated unsecured subordinated redeemable debentures.

It will offer 50 million debentures of Rs. 100 each and in the event of oversubscription issue a further 50 million debentures. The allotment and secondary market trading of these debt securities is limited to qualified investors.

The issue will officially open for subscription on 16 July.

Managers to the issue is Commercial Bank's Investment Banking Unit and the Registrars are S.S.P Corporate Services Ltd.

(DailyFt)

### ***Fuel prices increased***

Following a meeting with President Maithripala Sirisena, a decision was made to increase fuel prices with effect from last midnight.

Accordingly, the new Ceylon Petroleum Corporation (CPC) fuel price revision increased Petrol 92 Octane by Rs. 8, Petrol 95 Octane by Rs. 7, Diesel by Rs. 9 and Super Diesel by Rs. 10.

The initial price increase, which was announced earlier this month, was rowed back on the instructions of President Sirisena.

However, Finance Minister Mangala Samaraweera and Treasury officials who were present at the discussion yesterday had explained to the President that a transparent fuel pricing formula was implemented by the Government in May under which prices were to be changed every three months based on the average prices of the last two months. It was under this measure that prices were changed earlier this month.

The President had also been apprised of the significant losses incurred by the Ceylon Petroleum Corporation (CPC) and the need to increase prices to reduce pressure on Government finances. Central Bank Governor Dr. Indrajit Coomaraswamy last week said the increase in fuel prices was unlikely to affect inflation significantly with Sri Lanka expected to maintain a mid-single-digit inflation rate this year.

Fuel pricing formulas are followed by many countries around the world with prices fluctuating on a daily, weekly or monthly basis.

(DailyFt)

### ***Swarnamahal depositors get 10% repayment***

The Central Bank yesterday said that it has instructed Swarnamahal Financial Services PLC to immediately begin repayment of 10% of deposit liabilities. The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the requests of the depositors, instructed Swarnamahal Financial Services PLC (SFSP) to pay urgently 10% of deposit liabilities of SFSP commencing from Tuesday, the monetary authority said in a statement.

“The details of the payment plan will be informed to depositors by SFSP shortly. The CBSL, while thanking all relevant parties for their assistance extended during the past six months, wishes to request all depositors to be patient until the business activities of SFSP are restructured and to cooperate with the Central Bank appointed management panel for the implementation of such activities. Further information with this regard will be communicated in due course.”

(DailyFt)

### ***Biz confidence stays subdued***

According to the latest edition of business magazine LMD, the LMD-Nielsen Business Confidence Index (BCI) declined by four basis points to 102 in June, yet again falling short of its 12-month average of 115.

As for the reasons behind the recent drop, in the July issue of LMD, Nielsen’s Managing Director Sharang Pant states that “while inflation has been steadily coming down, there is a fear of it moving up again on account of an increase in fuel prices”.

He adds: “Prices of commodities are stable, but they’re still high compared to last year, and the tax on personal income is now higher.”

When it comes to corporate sensitivities, LMD reports that high taxes, political interference and the value of the rupee are the main concerns among businesspeople. A survey respondent opines that “the economy has suffered due to constant political interference and a lack of consistency in policy implementation by the Government,” adding that “we need political stability if our economy is to

improve”.

Looking forward, a spokesperson for LMD observes that its assessment from last month – i.e. that there was little in the way of positive news to propel a major turnaround in business sentiment – continues to hold true, citing the impact of “the plummeting rupee, the prospect of spiralling costs and events on the world stage” on the local economy.

Media Services, which publishes LMD, says the July edition of the magazine will be released to leading bookstores and supermarkets on 6 July.

(DailyFt)

## ***Secondary bond market continues dull mode***

Activity in the secondary bond market remained at a standstill yesterday as most market participants continued to stay on the sidelines ahead of today's weekly bill auction and scheduled Treasury bond auctions for Thursday.

At today's auction, an total amount of Rs.14 billion will be on offer consisting of Rs.3 billion on the 91 day, Rs.4 billion on the 182 day and Rs.7 billion on the 364 day maturity respectively.

At last week's auction, the weighted average yield of the 91 day and 364 day bill increased by 03 and 04 basis points respectively to 8.35% and 9.43% while the 182 day maturity remained steady at 8.85%.

The total volume of Treasury bonds/bills transacted in the secondary market on 9 July was Rs.2.47 billion.

In the money market, the overnight call money and repo rates averaged at 8.48% and 8.38% respectively as the Open Market Operations (OMO) department of Central Bank was seen injecting an amount of Rs.20.00 billion by way of an overnight reverse repo auction at 8.41%. The net liquidity shortfall stood at Rs.17.16 billion yesterday.

Rupee holds steady

The USD/LKR rate on spot contracts remained steady yesterday to close the day at Rs.159.30/35.

The total USD/LKR traded volume for 9 July was \$ 39.00 million.

Given are some forward USD/LKR rates that prevailed in the market: one month – 160.10/25; three months – 161.80/00; six months – 164.30/60.  
(DailyFt)

## ***Softlogic Life wins 'Best Insurance Company' award at Emerging Asia Insurance Awards 2018***

Continuing their winning spirit, Sri Lanka's number one health insurance company Softlogic Life bagged the top three country awards at Emerging Asia Insurance Awards 2018, including the coveted 'Best Life Insurance Company of the Year' award.

At the competition organised by the Indian Chamber of Commerce, Softlogic Life received two other awards – Best Service Provider of the Year and Best Growth in Insurance – at a gala awards ceremony held in Bangkok, Thailand. Emerging Asia Insurance Awards honours upcoming insurance companies from India, Thailand, Bangladesh, Nepal, Bhutan, Myanmar, Laos and Cambodia by acknowledging and recognising their efforts and encouraging industry players to further contribute more meaningfully towards the growth of the insurance sector.

The 'Best Life Insurance Company of the Year' award recognised Softlogic Life's track record of innovation and growth, leadership in product portfolio, a broad strategic vision, a high level of employee satisfaction and a strong commitment to meet customer demands. As the fastest-growing life insurance company in Sri Lanka, Softlogic Life was the quickest in the sector to reach revenue of Rs. 7.5 billion. The Company has embraced creativity and disruptive innovation such as its Life Up smart application, One Day Claim Settlement, Digital Branch, Medicine to Door Step, Express Digital Policy Insurance, Per Day Insurance and a bundle of digital-first initiatives to elevate the standards of Sri Lankans by bringing together world-class solutions that enhance quality of life for their customers.

Whilst Softlogic Life's rapid growth in the local life insurance industry within the last five years - 31% compound annual growth against an industry average of 14% - was recognised by the 'Best Growth in Insurance' award, the 'Best Service Provider of the Year' award recognised Softlogic Life's excellence in response to their innovative approach towards claim settlements. Their pioneering 'One Day Claim Settlement' has made waves in the industry and extended the credibility of this measure by publishing their 'claim meter', with a score of over 90% claims paid in one single day achieved during the second half of the year. Their unwavering efforts were honoured with the prestigious 'Excellence in Claims Service' award at the Sri Lanka National Insurance Industry Awards 2017 by Fintelekt.

Commenting on Softlogic Life's latest global achievement, Softlogic Life Managing Director Iftikar Ahamed said, "It is a great honour for Softlogic Life to be felicitated at one of the most important insurance awards ceremonies in Asia. We have grown at double the rate of the industry growth over the past six years, which has helped us to deliver outstanding financial results and gain substantial market share. Our range of innovative life insurance solutions that have been crafted to meet the various needs of our customers has set us apart from other industry players."

"As a company, we have always focused on instilling quality in our business and will carry on with our continuous improvement framework. These awards are an acknowledgement of our efforts to build a customer-centric and authentic life insurance business. While these accolades encourage us to bring best-in class products and services for our customers, Softlogic Life exists to nurture our customer's well-being so that they can enjoy their life today," Ahamed commented further.

Since August 2017, Softlogic Life has won a number of awards which includes Gold award in the Overall Insurance Sector at the National Business Excellence Awards 2017, Excellence in Agency Distribution and Excellence in Claims Service awards at the Sri Lanka Insurance Industry Awards by Fintelekt, the Most Innovative Mobile Messaging Campaign award at the Global Smarties Awards in New York and the Gold award at the APAC Mobile Marketing Awards for the same mobile campaign. The company was also recognised at the CMA Excellence in Integrated Reporting Awards 2017, winning an award as one of the Ten Best Integrated Reports among Sri Lankan corporates and was chosen as a great place to work in Sri Lanka by the Great Place to Work Institute for the second consecutive year.

Softlogic Life Insurance PLC is a subsidiary of Softlogic Capital PLC and is part of the Softlogic Group, which is recognised as one of Sri Lanka's most diversified and fastest-growing conglomerates, with interests in Healthcare, Retail, ICT, Leisure, Automobiles and Financial Services. Significant stakeholders in the company also include FMO and DEG, who are rated 'AAA' Development Financial Institutions from the Netherlands and Germany, respectively.

(DailyFt)

### ***Shares end steady; turnover at near 3-month low***

Shares closed steady on Tuesday, while the turnover slumped to a near three-month low as many investors remained on the sidelines due to a lack of bullish news amid concerns over political uncertainty, stockbrokers said.

Turnover stood at Rs. 142.7 million (\$ 896,357), its lowest since 16 April, and less than a sixth of this year's daily average of Rs. 909 million.

The Colombo stock index ended flat at 6,077.37, hardly changed from Monday's close.

"All this is due to the political uncertainty and no catalysts to move the market," said Dimantha Mathew, head of research, First Capital Holdings.

“However, the good news is that lower turnover levels mean the sellers are not desperate to sell and the market is likely to recover soon.”

The index hit its lowest close since 30 March 2017, on Wednesday and has declined for a 19th session in 22 through Monday. It dropped 1.4% for the week, sliding for a seventh straight week.

Lower economic growth outlook has also hit sentiment after the Central Bank cut its estimate, analysts said.

Economic growth in 2018 is likely to be between 4% and 4.5%, falling short of an earlier estimate of 5%, Central Bank Governor Indrajit Coomaraswamy told reporters on Friday, adding that the earlier estimate was “ambitious”.

Foreign investor are selling and concerns about lower economic growth weighed on sentiment, analysts said.

They net bought equities worth Rs. 1.7 million on Tuesday, but the Bourse has seen a year-to-date foreign outflow of Rs. 2.25 billion.

Gains led by Ceylon Tobacco Co, which closed 0.6% firmer, were offset by losses in Softlogic Holdings, which ended 3.4% lower.

Investors are waiting for some positive news both on the economic and political fronts, said analysts, adding that the government’s policy implementation had been sluggish since both main parties in the ruling coalition lost local polls in February.

The International Monetary Fund (IMF) said on 20 June that Sri Lanka’s economy remained vulnerable to adverse shocks because of sizable public debt and large refinancing needs.

(DailyFt)

### ***Rupee ends steady after 6 sessions of decline***

The rupee closed steady on Tuesday after six straight sessions of decline, as importer dollar demand offset mild exporter dollar sales, traders said.

The rupee closed flat at 159.25/35 per dollar. It has declined 3.8% so far this year.

“We think the rupee will hold at this level for the moment. We haven’t seen much volatility in the last three sessions,” a currency dealer said.

The Central Bank left its key rates unchanged as expected on Friday, saying a low rates environment and stabilising inflation would support its economy in the face of a fragile currency.

Central Bank Governor Indrajit Coomaraswamy said the depreciation was mainly driven by external factors and that emerging-market currencies were under pressure.

The International Monetary Fund (IMF) said last month that Sri Lanka’s economy remained vulnerable to adverse shocks due to a sizeable public debt and large refinancing needs.

Currency dealers said the rupee was weakening gradually after a brief recovery.

Dealers said the downward pressure on emerging market currencies was due to the hike in US rates, trade tensions between China and the United States, and rising oil prices. The spot rupee hit an all-time low of 160.17 per dollar on 20 June.

A strengthening dollar since mid-April has increased the credit risk of several emerging markets, including Sri Lanka, due to currency depreciation, ratings agency Moody's said late last month.

Foreign investors sold government securities worth a net Rs. 674 million (\$ 4.24 million) in the week ended 4 July, bringing the outflows so far this year to Rs. 29.6 billion (\$ 185.9 million), Central Bank data showed.

(DailyFt)

## ***Stocks Decline as Trump Reloads the Tariff Bazooka: Markets Wrap***

Stocks in Asia declined with U.S. equity futures, industrial metals and China's yuan after the Trump administration released the biggest list yet of Chinese goods it may hit with tariff increases.

The reaction was more muted in the currency and bond markets, with the yen giving up initial gains and some emerging currencies holding up even as the yuan retreated. Equity benchmarks in Japan, Shanghai and Hong Kong declined more than 1 percent after the U.S. released a proposed list of \$200 billion of Chinese imports to be hit by tariff increases. U.S. futures also fell, ending the positive tone to equities enjoyed at the start of the week thanks to optimism about the corporate-earnings season. Copper, nickel and zinc all slumped.

Follow our live blog as China's response is awaited.

China has yet to respond in full to President Donald Trump's follow-through on plans to take the trade war to the next step. A Commerce Ministry official said that China will take countermeasures, without specifying what they will be. One pattern seen so far in the escalating battle between the world's top two economies is that the tensions have hit Chinese shares harder than American ones -- they are now in a bear market, while the S&P 500 is within 3 percent of a record high.

A bumper corporate earnings season could still support sentiment, with expectations that strong results can complement a recent run of positive economic data and overshadow growth concerns stemming from the trade tensions.

"In the short run it's very difficult to see what's going to bring an end to this escalation of tit-for-tat," Richard Turnill, chief investment strategist at BlackRock Inc., told Bloomberg TV in Hong Kong. "It's those increasing concerns that are going to weigh on market returns and force investors increasingly to look for more resilience in their portfolios."

Terminal users can read more in Bloomberg's Markets Live blog.  
Equities Will Be First to Feel Impact of Tariffs, Says BNY Mellon's Loh

Marvin Loh, managing director at BNY Mellon, discusses the market impact of escalating trade tensions.  
Source: Bloomberg

Elsewhere, oil dropped below \$74 a barrel, even as an industry report was said to show shrinking U.S. crude stockpiles. Emerging-market currencies were largely weaker against the greenback.

These are some events to look out for this week:

- Earnings season gets going with JPMorgan Chase & Co. and Citigroup Inc. among the largest companies due to give results, as well as India's Infosys Ltd.
- The most noteworthy U.S. data may be the June inflation report on Thursday, which consensus expects will show both headline and core price growth picking up. There's another deluge of Treasury debt sales too, with a total \$156 billion of notes and bills offered.
- Chinese trade data due at the end of the week will probably show slightly slower export growth, after early indicators pointed to softer overseas demand and weaker export orders, Bloomberg Economics said.

Here are the main market moves:

#### Stocks

- Futures on the S&P 500 were down 0.6 percent as of 12:02 p.m. in Tokyo after dropping as much as 1.1 percent earlier.
- Japan's Topix index dropped 1.1 percent as of the lunch break in Tokyo.
- Hong Kong's Hang Seng fell 1.6 percent and the Shanghai Composite lost 1.7 percent.
- Australia's S&P/ASX 200 Index fell 0.7 percent.
- South Korea's Kospi dropped 0.7 percent.
- Futures on the U.K.'s FTSE 100 declined 0.6 percent.

#### Currencies

- The Japanese yen slipped 0.1 percent to 111.06 per dollar, compared with 111.27 before the tariff report came out.
- The offshore yuan fell 0.3 percent to 6.6716 per dollar.
- The euro fell 0.1 percent to \$1.1728.
- The Aussie was down 0.6 percent at 74.15 U.S. cents.

#### Bonds

- The yield on 10-year Treasuries slipped about one basis point to 2.84 percent.
- Australian 10-year government bond yields dropped two basis points to 2.61 percent.

#### Commodities

- West Texas Intermediate crude slid 0.8 percent to \$73.52 a barrel.
- Copper futures in London lost 2.9 percent to \$6,149 a ton.
- Gold lost 0.3 percent to \$1,251.57 an ounce.

(Bloomberg)