

NEWS ROUND UP

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Sri Lanka gets ready to raise US\$2bn in sovereign bonds

Sri Lanka's cabinet of ministers has given the nod to raise up to 2 billion US dollars in sovereign bonds in 2019, State Minister of Finance Eran Wickramaratne said.

Sri Lanka will go to market with differed tenors and volumes at opportune times, he said.

A sovereign bond usually has a volume of at least 500 million US dollars.

Sri Lanka's sovereign bond yields had edged up in 2018 amid rising US rates, but yields soared to prohibitive levels of after President Maithripala Sirisena triggered a political crisis on October 26.

On January 14 Sri Lanka repaid a billion US dollar bond without rolling it over.

Sri Lanka bond yields have fallen sharply close to level seen before the so-called constitutional coup in October. (EconomyNext)

Sri Lanka's Talawakelle Tea December quarter profit up 16-pct

Sri Lanka's Talawakelle Tea Estates said net profit rose 16 percent to 178 million rupees in the December 2018 quarter from a year ago.

Sales rose 11 percent to 969 million rupees, according to interim accounts filed with the Colombo stock exchange.

December quarter earnings per share were 7.50 rupees. The share last traded at 49 rupees.

In the nine months to December 2018 EPS fell to 9.82 rupees from 12.16 rupees the year before with net profit at 233 million rupees. Sales fell two percent to 2.89 billion rupees.

The accounts of the Hayleys group firm showed that earnings from tea fell slightly while rubber made a loss.

Profits doubled in the firm's mini hydro power business to 34 million rupees compared from a year ago.(EconomyNext)

Sri Lanka to start talks over Bank of China loan

Sri Lanka's cabinet of ministers had given the nod to begin talks with Bank of China for a 3-year loan, Minister Eran Wickramaratne said.

Bank of China had offered to give 300 million dollars at 2.6 percent above the London Interbank Offered Rate to Sri Lanka for three years.

The loan could be upsized to a billion US dollars.

China Development Bank had earlier given another loan for 8-year at a below market rate to bailout Sri Lanka.

Sri Lanka has a soft-pegged exchange rate, where the central bank intervenes in forex markets to target an exchange rate under multiple convertibility undertakings and then prints money to target an interest rate, generating monetary instability forex 'shortages'. (EconomyNext)

Sri Lanka's EPF loses most from Laugfs, Dockyard, Carsons; gains from banks

Sri Lanka's Employees Provident Fund, managed by the central bank has lost 9.2 billion rupees on its stock portfolio up to June 2018 despite investments in banks gaining it about 9 billion rupees led by Sampath Bank, a report from the agency said.

The stocks have been bought at different times, but among the most controversial were those made at the height of a stock market bubble which ended around 2011.

The Employees' Provident Fund (EPF) Department on January 16 said the 2 trillion rupee fund made up of private sector employee retirement savings has lost 8.4 billion rupees in the value of stocks held for investment, since it first purchased each stock, up to June 2018.

This was a fall of 10.9 percent to 68.88 billion rupees.

Stocks held for trading lost 24.9 percent of their value, or 742.7 million rupees, with the biggest hit coming from Aitken Spence and its hotel subsidiary.

The EF had lost about 2.0 billion rupees on Colombo Dockyard shares which It had bought for 2,791 million rupees and was in its books at 765 million rupees, losing about three fourths of the value.

Market value of Laugfs Gas Plc voting and non-voting stocks fell 56.9 percent or 1.9 billion rupees. Voting stock the EFP bought for 2.68 billion rupees was worth 1.15 billion rupees, by

June 2018.

A 1.7 billion rupee fall in value came through Carsons Cumberbatch Plc, which is currently attempting to delist most of its companies from the stock exchange, with the initial investment value down 64.5 percent compared to the market value in June 2018.

The EPF had bought Carsons Cumberbatch, which owned several Malaysian oil palm firm, for 2.59 billion rupees, but it was now worth 919 million rupees.

Another 1.7 billion hit came from Carsons oil palm unit Bukit Darah Plc. Bukit stock had been bought for 2.3 billion rupees and was now worth 577 million rupees.

Over a billion rupees each were also slashed from market values of Browns & Co Plc, the troubled The Finance Company Plc and the John Keells hotel subsidiary Asian Hotels & Properties Plc.

In total 43 stocks lost value for EPF shareholders after being bought, out of 66 stocks held in the investment portfolio.

Five of the six bank stocks, adding 9 billion rupees to market value of the investment equity portfolio.

Sampath Bank, Hatton National Bank and Commercial Bank, three of the country's systemically important banks, contributed 88.8 percent to the gain.

Sampath stock bought for 4.8 billion rupees were worth 8.4 billion rupees.

DFCC was the sole bank to lose market value after being purchased by the EPF, devaluing by 842.1 million rupees or 24.8 percent.

The central bank has been criticized for buying bank shares through the EPF, as the central bank then becomes both a controlling shareholder and the regulator, but had bought the most gains.

The EPF had invested 10.8 billion rupees in companies not listed publicly, most of which had generated had not paid dividends up to end-2017, the central bank said in a disclosure under the right to information law in 2018.

Sri Lanka's stock market is now at lower price to earnings multiples, unlike the 2011 bubble, leading to some making a cases for it to enter the market.

Current governor Indrajit Coomaraswamy had said that corporate Sri Lanka was going at 'fire sale' prices.

Coomaraswamy had said he was setting up a more transparent framework for stock market investments.

He had said stock investments make up around 2.5 percent of EPF assets, and the central bank plans to increase this to around 5 percent.

The EPF dealers had earlier made controversial 'pump and dump' deals with some market participants in the run up to 2011, earning it the sobriquet 'buyer of last resort.'

Some critics suspect that the relationships made at the time made the so-called 'bondscam' possible. (EconomyNext)

British PM turns to Brexit 'Plan B'

British Prime Minister Theresa May unveils her Brexit "Plan B" to parliament on Monday after MPs shredded her EU divorce deal, deepening the political gridlock 10 weeks from departure day.

Britain will leave the European Union on March 29 without a deal unless MPs can force a delay or get their act together in time and come up with an alternative plan that Brussels is also happy with.

The world's fifth-biggest economy could lose preferential access to its largest export market overnight, affecting every sector, leading to rising costs and disruption at British ports.

London and Brussels have spent the best part of two years working on a divorce agreement but MPs in parliament's lower House of Commons comprehensively rejected it on Tuesday.

May's government then survived a confidence vote on Wednesday and set about talks with figures from rival parties.

But the main opposition leader Jeremy Corbyn stayed away, saying a "no-deal" departure must be ruled out first -- something May says is impossible.

May spoke to Dutch Prime Minister Mark Rutte and German Chancellor Angela Merkel on Thursday, and to EU leaders Jean-Claude Juncker and Donald Tusk by telephone Friday to discuss where to go next on Brexit.

EU chiefs have so far ruled out renegotiating the agreement, but have signalled they could postpone the withdrawal if May changes her "red lines" on leaving the EU's customs union and blocking free movement of citizens.

- Amendments -

After May sets out her plans for the way ahead, lawmakers are set to table a series of amendments, to be voted upon on January 29.

At least two cross-party groups of MPs are planning to table amendments to enable backbenchers to delay or frustrate May's proposals.

One would suspend the withdrawal process if there is no new deal with Brussels by the end of February.

A second would enable backbenchers to choose to debate and vote on Brexit issues, one day a week -- breaking the convention that the government controls the parliamentary timetable.

May's Downing Street office has called them "extremely concerning".

"You've got a Leave population and a Remain parliament," said International Trade Secretary Liam Fox, one of the senior Brexiteers in May's cabinet.

"Parliament has not got the right to hijack the Brexit process... and in fact steal the result from the people," he told BBC television.

Britain voted by a 52-48 margin in favour of leaving the EU in a referendum in 2016 that exposed deep divisions in British society.

- Irish backstop -

One of the most problematic areas of the divorce deal is the so-called backstop on the Irish border -- a legal guarantee that the frontier would remain free-flowing if Britain and the EU cannot agree a long-term free trade pact.

Britain could not unilaterally pull out of the backstop.

The Sunday Times newspaper claimed that May would propose a separate arrangement with Dublin.

"She wants to offer a bilateral treaty to Ireland that would remove the hated 'backstop' from the EU withdrawal treaty and prevent a hard border by other means," the weekly broadsheet said.

Aides believe that would help win over Conservative eurosceptics on her backbenches, and the party's Democratic Unionist Party allies -- counted upon for a majority. The DUP are Northern Ireland's biggest party.

Graham Brady, who chairs the Conservative backbenchers' group, said he thought May could get her Brexit deal past Conservative rebels if the Irish backstop "can be sorted out".

"So much of the vote against was from people who simply cannot support a potentially permanent backstop, if that can be sorted out then I think we might get that withdrawal agreement through," he told BBC radio.

He said it was in Ireland's interests to help Britain leave the EU with a deal, saying they would be far more hurt by a no-deal Brexit that Britain as most of their trade comes through the UK.

Irish Foreign Minister Simon Coveney said Sunday that he and Prime Minister Leo Varadkar were in no mood to support alterations to the withdrawal agreement (WA) or the backstop.

"We remain united and focused on protecting Ireland," he said.

"That includes continued support for the EU/UK agreed WA in full, including the backstop as negotiated." (AFP)