

NEWS ROUND UP

Thursday, 21st February, 2019

Contents

Sri Lanka rupee stronger, bond yields slightly up in dull trade	2
Sri Lanka's northern Jaffna Peninsula gets two more wind power plants for Rs 4.4bn	3
Sri Lanka's Piramal Glass sees strong export growth if fuel is formula-priced	3
Sri Lanka's Sampath Bank sells Rs7bn 13.9-pct bail-in bonds	4
US stocks edge up on dovish Fed minutes; British pound retreats	4

Sri Lanka rupee stronger, bond yields slightly up in dull trade

Sri Lanka's rupee closed stronger around 179.60/75 to the US dollar in the spot market on Wednesday, while bond yields were slightly up, and stocks fell 0.29 percent, dealers and brokers said.

The rupee closed at 179.85/00 to the US dollar in the spot market on Monday, falling sharply.

Tuesday was a market holiday.

At the Wednesday's bill auction, the one year Treasury Bill yield edged up one basis point to 10.73 percent.

The state debt department accepted 20.4 billion rupees of 01-year bills, having offered 10.5 billion rupees worth of bills and getting offers of 44.5 billion rupees.

Dealers said the secondary bond market was quiet with little active trading.

Twelve-month bills were quoted at 10.70/80 percent on Wednesday's close, up from Monday's close of 10.67/75 percent.

A bond maturing on 01.08.2021 was quoted at 10.97/03 percent, up from the previous close of 10.95/11 percent. A bond maturing on 15.12.2023 was quoted at 11.15/22 percent, up from Monday's close of 11.10/20 percent. A 7-year bond maturing 01.08.2026 was quoted at 11.34/36 percent, narrower to Monday's 11.32/38 percent.

A bond maturing on 15.01.2027, was quoted at 11.37/45 percent, up from the previous close of 11.36/42 percent.

A bond maturing on 01.09.2028 was quoted at 11.46/52 percent on Wednesday, narrower from 11.45/53 percent at Monday's close.

At the Colombo Stock Exchange, the All Share Price Index fell 0.29 percent or 17.16 points to 5,880.17 while the more liquid S&P SL20 Index was down 0.54 percent or 16.44 points to 3,006.41.

Market turnover was 172.8 million rupees, with net foreign outflows of 35.8 million rupees.

The All Share was weighed down by Trans Asia Hotels, closing 9.30 rupees lower at 73.20 rupees per share and Distilleries Company of Sri Lanka, down 40 cents to 15.50 rupees per share.

Selling was also seen on Commercial Bank, with the share falling 1.40 rupees to 108.10 rupees at close, and Chevron Lubricants Lanka, down 4.60 rupees to 70.70 rupees per share.

John Keells Holdings' share gained 1 rupee, closing at 154 rupees. Overall, share prices of 45 companies gained, and 64 fell. (EconomyNext)

Sri Lanka's northern Jaffna Peninsula gets two more wind power plants for Rs 4.4bn

Two more renewable energy power plants are to be built in Sri Lanka's northern Jaffna peninsula with an investment of 4.4 billion rupees, the Board of Investment (BOI) said in a statement.

They are among three new ventures awaiting commercial operation, the investment promotion agency said.

One wind power plant, Vayu Sakthi Vitpannar (Pvt) Ltd., has an investment of 2.2 billion rupees and the other, Yarl Vayu Pagavan (Pvt) Ltd. has an investment of 2.2 billion rupees.

"They will contribute 10 MW of electricity to the national grid," the BOI statement said.

"The contribution of these projects will reduce the dependence on electric generation by fossil fuel sources."

The BOI said Sakthi Agro International(Pvt) Ltd., a firm making coconut fiber products, is also awaiting commercial operation.

This company will use 35,000-40,000 coconut husks per day for their manufacturing process.

The project, with an investment of 72.75 million rupees, will initially provide employment to nearly 35 people.

The coco peat fiber products will be exported to markets such as the USA, Netherlands, Malaysia, and Japan. (EconomyNext)

Sri Lanka's Piramal Glass sees strong export growth if fuel is formula-priced

Sri Lanka's Piramal Glass Ceylon Plc says it can compete better with foreign producers and boost exports if furnace oil is priced on a formula linked to crude oil.

Furnace oil now costs 92 Sri Lanka rupees a litre, and it is not linked to crude oil prices.

Chief Executive Sanjay Tiwari says the comparable cost in India is 72 rupees.

"Furnace oil prices linked to crude oil will make exports more competitive," Tiwari said.

"We are not asking for subsidies."

Piramal Glass now exported about 150 containers a month with about 45 containers going to India. It also exports to the USA, Canada, Australia, New Zealand and Myanmar.

"We are working on to increase our exports percentage to total capacity up to 40 percent," he said. "This may take two years."

The company is now building a fifth production line with an investment of 1.3 billion rupees.

The new line will increase capacity to 300 tonnes per day from the current 260 tonnes.

In the nine months to December, Piramal increased exports revenues 31 percent to 2.123 million rupees amid as domestic sales fell 3 percent to 3,362 million rupees. (EconomyNext)

Sri Lanka's Sampath Bank sells Rs7bn 13.9-pct bail-in bonds

Sri Lanka's Sampath Bank Plc said it is closing an offer of 5-year bail-in bonds after more than 7.0 billion rupees of subscription were received.

The 5-year bonds will pay an annual interest of 13.9 percent.

Sampath Bank offered 5.0 billion rupees of 5-year Basel III compliant bonds with an option to raise another 2.0 billion rupees of securities if more orders came in.

Basel III bonds can be converted to shares on the orders of the regulator to make up for capital shortfalls.

The security is rated A(lka) by Fitch. (EconomyNext)

US stocks edge up on dovish Fed minutes; British pound retreats

Wall Street stocks edged higher Wednesday following more dovish Federal Reserve signals, while the British pound declined after a ratings agency warned it could downgrade Britain due to the risk of a "hard" Brexit.

The Fed minutes lent color to the central bank's decision of January 30 to keep interest rates steady, and confirmed a cautious stance towards further tightening made clear by Fed Chairman Jerome Powell.

The minutes noted that amid rising global risks and concerns about trade tensions, US growth would "step down" from last year's rapid pace.

"Anyone thinking maybe the Fed did not intend to send the message Powell delivered at the press conference can stop wondering," FTN Financial economist Chris Low said. "The Fed really is on long-term hold and the next policy move really could be a cut."

US stocks rose just after the minutes were released at 1900 GMT but pulled back after that around the same time President Donald Trump renewed his threat to impose tariffs on European auto imports if no new trade deal is reached with the EU.

The S&P 500 finished up 0.2 percent.

European and Asian bourses rose on the heels of a positive Wall Street session Tuesday amid optimism over US-China trade talks.

- POUND RETREATS -

But the pound was under pressure as Fitch warned it could slash Britain's credit rating due to the economic hit from a potential no-deal Brexit.

A British departure from the European Union without a divorce agreement would put the country at risk of "substantial disruption to UK economic and trade prospects, at least in the near term," Fitch said.

The action came as Prime Minister Theresa May met with European Commission President Jean-Claude Juncker in Brussels, a round that yielded no major breakthrough.

In a further blow to May, three MPs on Wednesday quit Britain's governing Conservatives over Brexit, saying the issue had "re-defined" the party and was "undoing all the efforts to modernise it".

With less than six weeks until Brexit day, fears are rising that Britain could crash out of the EU without a deal.

Among individual companies, British supermarket giant Sainsbury plunged 18.7 percent after UK regulators warned that a planned mega-merger with Walmart-owned Asda raised "extensive competition concerns" and could spark higher prices and less choice. Walmart lost 2.3 percent during the US session.

US-traded shares of UBS sank 3.6 percent after a Paris court fined the Swiss banking giant 3.7 billion euros (\$4.2 billion) for encouraging customers to commit tax fraud.

Meanwhile, American Airlines, United Continental and Delta Air Lines all lost about one percent after smaller rival Southwest Airlines said the US government shutdown dented business more than previously thought.

Southwest now expects a revenue hit of \$60 million, up from the previous projection of \$10 to \$15 million. Shares of Southwest slumped 5.7 percent.

- KEY FIGURES AROUND 2200 GMT -

New York - DOW: UP 0.2 percent at 25,954.44 (close)
New York - S&P 500: UP 0.2 percent at 2,784.70 (close)
New York - Nasdaq: UP less than 0.1 percent at 7,489.07 (close)
London - FTSE 100: UP 0.7 percent at 7,228.62 (close)
Frankfurt - DAX 30: UP 0.8 percent at 11,401.97 (close)
Paris - CAC 40: UP 0.7 percent at 5,195.95 (close)
EURO STOXX 50: UP 0.6 percent at 3,259.49 (close)
Tokyo - Nikkei 225: UP 0.6 percent at 21,431.49 (close)
Hong Kong - Hang Seng: UP 1.0 percent at 28,514.05 (close)
Shanghai - Composite: UP 0.2 percent at 2,761.22 (close)
Euro/dollar: DOWN at \$1.1335 from \$1.1341 at 2200 GMT
Pound/dollar: DOWN at \$1.3045 from \$1.3062
Euro/pound: UP at 86.90 pence from 86.80 pence
Dollar/yen: UP at 110.89 yen from 110.63 yen
Oil - Brent Crude: UP 63 cents at \$67.08 per barrel
Oil - West Texas Intermediate: UP 83 cents at \$56.92 per barrel. (AFP)