

NEWS ROUND UP

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Sri Lankan stocks down, foreign selling in JKH

Sri Lanka's stock market closed lower Thursday with foreign selling in John Keells Holdings (JKH) boosting turnover, while bond yields fell, brokers and dealers said.

The All Share Price Index ended at 6,016.36, down 34.59 points or 0.6 percent) while the more liquid S&P SL20 index closed at 3,120.49, down 8.18 points (0.3 percent).

Turnover was almost 3.3 billion rupees and was dominated by crossings or negotiated block deals

Crossings accounted for 87 percent of turnover with twelve crossings in JKH, amounting to 2.3 billion rupees, three crossings in National Development Bank, and two each in Sampath Bank and Ceylon Tobacco Company.

Bartleet Religare Securities said foreigners continued to exit Sri Lanka's equities with a net foreign outflow of 1.8 billion rupees.

The highest foreign outflow was in JKH while the highest inflow was in Sampath Bank.

In the bond market, yields fell with the political instability easing,

A new Cabinet of ministers was sworn in and approved an interim budget for the next four months.

"The secondary market yield curve was seen slightly shifting downwards while overall market witnessed moderate volumes," it said in a report.

Buying interest was seen on the short end of the curve with 01.08.21 and 15.12.21 bonds trading at 11.55%-11.65% levels, while mid-tenure maturities of 15.05.23 traded at 11.75%.

At the long end of the curve 01.08.26 and 15.06.27 bonds were trading at 11.85%-11.90% levels. (EconomyNext)

Sri Lanka's markets regulator upgrades qualification framework

Sri Lanka's capital markets regulator said it was updating its training programs and certification to improve professional standards among stock brokers and investment advisors with a new qualification framework from January 2019.

The revised qualification framework provides for the certification of aptitude in each asset class, be it equity, debt, derivatives or unit trusts, the Securities and Exchange Commission (SEC) said in a statement.

“Under the revised QF, the existing Registered Investment Advisor (RIA) qualification has been enhanced to an apex qualification in the securities industry.”

The Certificate in Capital Markets (CCM) of the revised qualification framework consists of seven course modules: Securities Markets and Instruments, Equity Securities, Debt Securities, Derivatives, Unit Trusts, Financial Planning, Advising and Marketing, and Securities Regulation and Ethics.

The SEC said investment advisors were awarded RIA designation by CSE prior to 2008 or in accordance with the existing qualification framework are required to fulfill Continuous Professional Development requirements to get the RIA status under the new framework. (EconomyNext)

Sri Lanka’s Commercial Bank to raise Rs7.5bn through debenture issue

Sri Lanka’s Commercial Bank of Ceylon said it plans to raise 7.5 billion rupees through a new debenture issue with an option to double the amount in the event of an oversubscription.

A statement said the bank will issue 75 million listed, unsecured, rated, redeemable subordinated Basel III compliant debentures at 100 rupees each with a non-viability conversion feature, making them hybrid instruments convertible into equity.

The debentures, which will have a minimum tenure of five years and maximum tenure of 10 year, are subject to shareholder and regulatory approval. (EconomyNext)

Sri Lanka interim budget to parliament on Dec21

Sri Lanka will present an interim budget or vote-on-account to parliament on December 21, which will cover spending for the first four months of 2019, Finance Minister Mangala Samaraweera said.

The vote on account will have allocations for 480 billion rupees of current spending and 310 billion rupees of capital spending.

The vote-on-account will also have provisions for 970 billion rupees in debt service, the Finance Ministry said.

Sri Lanka has to repay a billion dollar sovereign bond in January, as well as rollover domestic and multilateral foreign debt.

Land Minister Gayantha Karunathilake said the cabinet had passed the vote on account at its first meeting Thursday morning. (EconomyNext)

Global stocks battered amid US budget brawl, Brent at \$55

Global stocks plunged Thursday as worries about a possible US government shutdown compounded fears of slowing global growth that pushed oil prices to fresh multi-month lows.

Even before the specter of a US government shutdown reappeared, European and Asian bourses had fallen sharply after the US Federal Reserve again raised interest rates on Wednesday.

But US stocks retreated further on news of the latest impasse between President Donald Trump and congressional lawmakers on a stopgap budget bill over border security funding.

The Dow Jones Industrial Average closed the day 2.0 percent lower at 22,859.60, a loss of 460 points.

A bruising December has set up Wall Street for its worst year since the financial crisis. The S&P 500 is currently down 7.7 percent for the year and the Nasdaq is on the verge of a "bear market," which is a drop of 20 percent from its peak this year.

The revived possibility of a shutdown -- which also weighed on the US dollar -- worsened the downbeat mood on markets after the Fed announced another interest rate hike on Wednesday and made only subtle adjustments to the course of monetary policy tightening next year despite rising worries about global growth and a big pullback in the stock market.

However, US Treasury Secretary Steven Mnuchin said the market's response to the Fed went too far.

"I think clearly you have a situation here where the market has overreacted to the Fed's comments, and you see programmed trading taking over," Mnuchin said in an interview with Fox Business News.

And he said if inflation remains low, the Fed may not need to raise rates next year, even though the median forecast of central bankers is for two more increases.

Analysts also said the US indictment of two Chinese hackers tied to Beijing's security services reminded investors of the unsettled state of US-China trade relations.

"We have a trade war, the economy weakening, and now the possibility of a shutdown," said Peter Cardillo of Spartan Capital Securities. "All that is feeding by itself."

Earlier, the Nikkei plunged to a 15-month low after the Dow struck its lowest level of 2018 on Wednesday.

- Oil falls further -

In Europe, London's benchmark FTSE 100 index slid 0.8 percent, with losses capped by stronger-than-expected UK retail sales data.

In the eurozone, Frankfurt's DAX 30 shed 1.4 percent and the Paris CAC 40 slumped 1.8 percent. Both are near lows for the year.

Oil prices meanwhile continued to retreat on mounting worries over global growth.

US benchmark West Texas Intermediate slumped nearly five percent to \$45.88 a barrel, its lowest level since July 2017.

On the corporate front, shares in Airbus plunged nearly 10 percent after French daily newspaper Le Monde said the European aircraft maker could face fines of several billion dollars under a US corruption probe, before recovering somewhat to end the day down 4.4 percent.

On Wall Street, Altria finished 1.9 percent lower after announcing it will buy a 35 percent stake in popular e-cigarette maker Juul for \$12.8 billion, betting on a key growth market amid declines in conventional cigarette sales.

- Key figures around 2200 GMT -

New York - Dow: DOWN 2.0 percent at 22,859.60 (close)

New York - S&P 500: DOWN 1.6 percent at 2,467.42 (close)

New York - Nasdaq: DOWN 1.6 percent at 6,528.41 (close)

London - FTSE 100: DOWN 0.8 percent at 6,711.93 (close)

Frankfurt - DAX 30: DOWN 1.4 percent at 10,611.10 (close)

Paris - CAC 40: DOWN 1.8 percent at 4,692.46 (close)

EURO STOXX 50: DOWN 1.7 percent at 3,000.06 (close)

Tokyo - Nikkei 225: DOWN 2.8 percent at 20,392.58 (close)

Hong Kong - Hang Seng: DOWN 0.9 percent at 25,623.53 (close)

Shanghai - Composite: DOWN 0.5 percent at 2,536.27 (close)

Euro/dollar: UP at \$1.1450 from \$1.1376 at 2200 GMT

Dollar/yen: DOWN at 111.24 yen from 112.48 yen

Pound/dollar: UP at \$1.2659 from \$1.2610

Oil - Brent Crude: DOWN \$2.76 at \$54.48 per barrel

Oil - West Texas Intermediate: DOWN \$2.29 at \$45.88 per barrel (AFP)

China has some companies worried. Not Nike

Signs that the world economy is starting to weaken have alarmed investors. Some global companies have warned of a slowdown in China. But things are looking good for Nike.

Nike's sales surged 10% in the three months that ended November 30 from the same quarter a year ago, the company said Thursday. That included a 26% increase in China, thanks to sales from the country's Black Friday-like Singles Day and demand for sneakers like Air Jordan.

Nike (NKE) is considered a bellwether of the broader economy. Its stock has fallen 18% over the last three months during the wider market slide. Shares rallied 7% after hours.

Investors are worried about the possibility of Chinese tariffs on clothing and sneakers, which would strike at Nike, the world's largest sportswear company.

The Chinese economy has weakened lately, in part from the trade war between Beijing and Washington. The dollar has strengthened against the yuan, which makes US products more expensive for Chinese consumers. Last month, Tiffany said Chinese tourists were spending less on jewelery.

But Nike has bucked the trend, due in part to its aggressive digital growth.

"A key part of our strategy to win in this environment is to double down on digital," CEO Mark Parker said.

Nike has reinvented itself for the digital era. It wants to sell more shoes and clothes directly to consumers, instead of through retailers. These sales carry higher margins and also give Nike total control over how its products are displayed and marketed.

The company has taken several steps toward its goal, including narrowing its focus to a dozen major cities, cutting out struggling retail partners and relaunching its membership app, NikePlus.

In North America, Nike's biggest market, sales increased 9% from the same time last year.

The results show there were no side effects from its decision to make Colin Kaepernick a face of its "Just Do It" anniversary campaign in September.

The former San Francisco 49ers quarterback, who has not played in the NFL since the 2016 season, sparked a firestorm when he sat and later knelt during the National Anthem to protest police brutality and racial injustice. President Donald Trump even rebuked Nike after the campaign launched, asking, "What was Nike thinking?" on Twitter.

Nike's decision was a bet on its core customers: Younger Americans in big cities. More people aged 18 to 34 supported the Kaepernick ad than those who opposed it, according to an SSRS Omnibus poll provided exclusively to CNN in September.

Nike said on Thursday that it sees more opportunities to sell mid-priced sneakers, instead of its usual pricey basketball shoes. It will also launch yoga clothing for men for the first time to tap into the athleisure market. Gap recently made a similar move. It launched Hill City in September after success with its women's Athleta brand. (CNN)