

NEWS ROUND UP

Tuesday, 23rd July, 2019

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Sri Lanka stocks down 0.97-pct on profit taking

Sri Lanka stocks closed 0.97 percent lower on Monday, ending a rally that lasted two weeks.

The fall in the index was owing to profit-taking, brokers said.

Colombo's All Share Price index (ASPI) closed 55.37 points down at 5,659.77.

The S&P SL20 index of more liquid stocks closed 1.12 percent or 30.87 points lower at 2,731.17.

The market turnover dropped to 210 million rupees with 24 stocks gaining and 109 stocks declining.

John Keells Holdings closed 2.70 rupees down at 147.30 rupees a share contributing most to the fall of the ASPI.

Brokers said that the profit-taking and the selling pressure which was seen in some companies will most likely continue for a few days.

John Keells Holdings dragged the index down by 7.5 index points while Carson Cumberbatch PLC contributed to the decline by 5.46 index points.

Commercial Bank of Ceylon and Nestlé Lanka contributed mostly for the turnover having turnovers amounting to 27 million rupees and 20.5 million rupees respectively.

The number of trades were highest in Browns Investment (295 trades) and Access Engineering (166 trades).

No crossings were carried out for the day.

Carson Cumberbatch closed 13.10 rupees down at 165 rupees a share and Nestlé Lanka PLC closed 34.40 rupees down at 1,340.20 rupees a share, also pushing the ASPI down.(EconomyNext)

Sri Lanka rupee ends weaker, bond yields steady

Sri Lanka's rupee closed weaker at 175.90/176.00 against the US dollar on Monday while gilt yields were steady, dealers said.

The rupee closed 175.80/85 against the greenback on Friday.

Liquidity in the overnight money market was 42.04 billion rupees, up from 31.41 billion rupees on Friday.

In the bond market, yields were stable amid moderate activity, dealers said.

Dealers said 2024 maturities were the most liquid.

A bond maturing on 15.10.2021 closed at 8.85/95 percent on Monday, steady from 8.85/92 percent on Friday close.

A bond maturing on 15.03.2023 closed at 9.50/55 percent, gaining from 9.48/55 percent.

A bond maturing on 05.06.2024 closed at 9.78/82 percent, falling from 9.80/85 percent.

A bond maturing on 01.08.2026 closed at 9.92/96 percent, steady from 9.92/97 percent.

A bond maturing on 15.01.2027 closed at 9.96/10.00 percent, easing from 9.98/10.02 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.05/10.12 percent, stable from 10.05/10 percent. (EconomyNext)

Securities and Exchange Commission of Sri Lanka engages with listed companies

Sri Lanka's Securities and Exchange Commission is meeting with the senior leadership of listed companies to interact with the regulator, allowing two way feedback to work towards common interests.

"This is also an opportunity to help the regulator build capacity and be more aware, as well as to provide an opportunity for the Chair, CEO and senior Directors of regulatees to build capacity within new board members and key management personnel such as the Chief Internal Auditor, Chief Risk Officer and the Head of Compliance," SEC chairman Ranel Wijesinha said in a statement.

"Over time, we hope these will help to bridge the gap between the regulator and regulatee, such that we align interest."

The session on July 23 will focus on the role of chief executive and chairman and a controversial rule on minimum public holdings, which is driving firms out of the stock market.

"In order to provide each stakeholder group with adequate opportunity to engage the capital market regulator, we intend to have dates dedicated to each stakeholder group in future," Wijesinha said.

"These fora will be scheduled frequently and the idea of having such fora is to enable the Director General and directors to meet and interact with regulatees and stakeholders regularly whilst yet retaining their Independence and objectivity and at the same time providing the regulatee an opportunity to seek clarifications.

"Over time, we hope these will help to bridge the gap between the regulator and regulatee, such that we align interest. This is also an opportunity to help the regulator build capacity and be more aware, as well as to provide an opportunity for the Chair, CEO and senior Directors of regulatees to build capacity within new board members and key management personnel such as the Chief Internal Auditor, Chief Risk Officer and the Head of Compliance. (EconomyNext)

Sri Lanka Hayleys rejects allegations of waste imports, to re-export used mattresses

Sri Lanka's Hayleys group rejected allegations of importing waste, saying its logistics arm was moving fast to ship a consignment of used mattresses after the consignee was unable to continue processing and re-export as it was in financial trouble.

Ruwan Waidyaratne, Managing Director of Hayleys Free Zone Limited, a logistics and entrepot trading firm, said it suspended further imports of used mattresses after advice from the Board of Investment (BOI) and would re-export remaining containers at its own expense.

He rejected allegations the 130 containers of used mattresses at the centre of a controversy were hospital waste, saying Hayleys was merely the logistics provider, not the shipments' importer or owner.

Hayleys Free Zone Limited also was not connected with another consignment of 102 boxes of mattresses shipped by the same importer lying abandoned at Colombo port, Waidyaratne told a news conference.

It was held to give the company's point of view after allegations that imported used mattresses its entrepot centre was handling on behalf of the shipper were polluting the environment.

The BOI said last week Hayleys Free Zone Limited had failed to fulfil commitments the cargo would be re-exported, after it was observed in January 2018 as having been stored within the free zone premises without being re-exported as envisaged for a long time.

“The company however, has failed to meet this commitment and has from time to time requested extensions to comply, citing technical and other constraints,” the BOI said, noting it would take stern action against the company.

“Unfortunately, this whole operation has been misconstrued,” Waidyaratne said. “We were accused (in the media) of bringing garbage to destroy the environment. It is a story orchestrated with very vicious motives.

“We have nothing to do with the 102 containers stuck in the port. We are not the importer of the 130 containers and they are not hospital waste,” Waidyaratne said.

Hayleys Free Zone Limited is one of six operators at the free zone in Katunayake, an offshore entrepot centre near the main international airport, of whom it was one of the three multi-user facilities or logistics companies.

Hayleys Free Zone was established under the Commercial Hub Regulation Act, and operates as an offshore location providing logistics services to global clients, mainly offering storage and value added services for re-export, as done in other free zones elsewhere.

Waidyaratne said the problem arose when the importer of the used mattresses, Ceylon Metal Processing Corporation Pvt Ltd., got into financial trouble and was unable to continue processing and re-export of the shipments, after having re-exported 29 boxes.

Hayleys Free Zone Limited was named the consignee of the used mattress cargo under the entrepot hub law under which all entrepot shipments are destined to one of the six free zone operators.

“We handle over 100 clients in our free zone facility,” Waidyaratne said. “This shipment in question is one of those shipments that have come into the free zone for re-working and re-export.

“What we do as reworking is, we break the mattresses into four components - fabric, felt, sponge, and steel – and everything is bundled and pressed and shipped out. We are only paid for storage and handling of goods – the logistics services we do.” (EconomyNext)

Sri Lanka expects revenues to improve by third quarter

Sri Lanka is expecting revenues to improve from the third and fourth quarter of 2019, while spending was being 'rationalized' to manage the deficit, Treasury Secretary R H S Samarasinghe said.

The government is cutting capital spending by 15 percent in 2019 and will also trim some current

spending.

But security spending has increased while revenues were down, Samaratunga said.

Sri Lanka was targeting a deficit of 4.5 percent of gross domestic product for 2019.

Samaratunga said authorities were re-assessing the deficit target.

In the first four months of 2019 Sri Lanka collected 551 billion rupees of tax revenues, 91.5 billion rupees below target as imports fell in the wake of monetary instability and trade controls imposed in 2019.

In April economic activity reduced following Easter Sunday bombings, which hit hard the tourism sector.

The government had also given tax waivers for tourism and subsidized credit.

The rupee collapsed from 153 to 182 to the US dollar in 2019 and has since appreciated to 176 to the US dollar, but a prolonged liquidity shortages and the currency collapse has killed demand.

In the first four months the deficit was already at 2.3 percent of GDP, up from 1.7 percent last year.(EconomyNext)

US tech giants gain ahead of earnings deluge, oil prices up

US technology companies rallied Monday ahead of earnings from high-tech heavyweights later in the week, while oil prices gained amid lingering unease over Middle Eastern supplies.

On a day when European bourses and the Dow could muster only mild gains, the tech-rich Nasdaq jumped 0.7 percent ahead of expected earnings reports from industry giants like Amazon, Facebook and Google.

Oil prices spiked higher meanwhile, before easing back to conserve modest gains amid ongoing tension in the Gulf, where Iran still held a British-flagged tanker seized late last week.

With the second-quarter earnings season underway, "so far companies are beating low expectations, which may just be enough to avert an earnings recession," commented Neil Wilson at Markets.com.

"By the end of the week we should know a lot more about the state of corporate America," he added.

Besides the tech companies, this week's slate also include Boeing, Caterpillar, American Airlines and Coca-Cola.

On oil markets, concern focused on the Gulf, as Britain repeated its demand that Iran release the Stena Impero, which the Islamic Revolutionary Guard Corps seized on Friday in the strategic Strait of Hormuz.

"Traders are clearly a little on edge due to the importance of the passage for global oil supplies," remarked Craig Erlam at the Oanda brokerage.

"Oil prices haven't risen too much yet but if the situation deteriorates further, we should possibly brace for higher prices," he added.

Meanwhile, the International Energy Agency said Monday that "the oil market is currently well supplied", and added that it was "ready to act quickly and decisively in the event of a disruption."

- Asian stocks slide -

Asian equities retreated earlier in the day on dimming hopes for a sharp interest rate cut by the US Federal Reserve, although all the firms on a new tech-focused board in China rallied on its opening day.

Traders took a step back after last week's gains as the New York Federal Reserve tempered comments from its president, John Williams, who had suggested the central bank could cut borrowing costs by 50 basis points at its policy meeting this month.

Bets that the Fed will only reduce rates by 25 basis points provided support to the dollar against most high-yielding, riskier currencies.

- Key figures around 2130 GMT -

New York - Dow: UP 0.1 percent at 27,171.90 (close)

New York - S&P 500: UP 0.3 percent at 2,985.03 (close)

New York - Nasdaq: UP 0.7 percent at 8,204.14 (close)

London - FTSE 100: UP 0.1 percent at 7,514.93 (close)

Frankfurt - DAX 30: UP 0.2 percent at 12,289.40 (close)

Paris - CAC 40: UP 0.3 percent at 5,567.02 (close)

EURO STOXX 50: UP 0.3 percent at 3,489.92 (close)

Tokyo - Nikkei 225: DOWN 0.2 percent at 21,416.79 (close)

Hong Kong - Hang Seng: DOWN 1.4 percent at 28,371.26 (close)

Shanghai - Composite: DOWN 1.3 percent at 2,886.97 (close)

Euro/dollar: DOWN at \$1.1209 from 1.1221

Dollar/pound: DOWN at \$1.2477 from \$1.2502

Dollar/yen: UP at 107.86 yen from 107.71 yen

Brent North Sea crude: UP 79 cents at \$63.26 per barrel

West Texas Intermediate: UP 59 cents at \$56.22 per barrel.(AFP)