NEWS ROUND UP

Thursday, July 25, 2019

Contents

Amendments to Companies Act approved by P'ment

- Govt. says changes will improve Ease of Doing Biz rankings
- Amendments to help investors register businesses more easily in SL
- Brings Companies Act in alignment with Secured Transactions Act

The Companies (Amendment) Bill 2019 received House approval yesterday, further reducing the difficulties investors undergo to register a new business in Sri Lanka. Industry and Commerce Deputy Minister Buddhika Pathirana moved the Motion in Parliament, highlighting the impact it would have in attracting much-desired foreign investment to the country.

"The Companies Act No. 7 of 2007 was passed in the Parliament and came into effect from 3 May 2007. This Bill will amend Clauses 5, 9, 10 of the Companies Act.

These Amendments will have a direct impact on the World Bank's Doing Business Index. These Amendments are prescribed as a part of the reforms to attract more investments, as per the Cabinet decision reached in September 2018. All in all, this Bill further simplifies and reduced the burden followed to register a business," he said.

Clause 2 of the Bill amends Section 427 of the Companies Act, and the legal effect of the Section as amended is to make floating charges granted by a company subjected to the provisions of the Secured Transactions Act, No. of 2019, as consequential to the enactment of the said Act to make provisions applicable to secured transactions in movable property.

Clause 3 of the Bill amends Section 428 of the Companies Act, and the legal effect of the Section as amended is to make provisions for the registration of any instrument creating a floating charge over any movable property under the Secured Transactions Act 2019.

Clause 4 amends Section 431 of the Companies Act, and the legal effect of the section as amended is to make the provisions of the Secured Transactions Act 2019 applicable when determining the priority of floating charges created over any movable property. Clause 5 inserts the new Section 433A in the Companies Act, to provide for an interpretation of the term "floating charge" for the purposes of the application of the Secured Transactions Act 2019. (AH)
(DailyFt)

Stock market gains to highest in nearly 20 weeks; rupee falls

Sri Lankan shares jumped more than 1% on Wednesday to hit their highest close in nearly 20 weeks, led by gains in banking and diversified stocks, while the rupee weakened on higher importer dollar demand.

The country's benchmark stock index ended 1.1% up at 5,745.97 its highest close since 7 March. The index is down about 5.06% so far this year.

The country's stock market had a turnover of Rs. 1.1 billion ($ 6.25 million), well above this year's daily average of about Rs. 610.1 million so far. Last year's daily average came in at Rs. 834 million.

Foreign investors bought a net Rs. 362,201 worth of shares, extending year-to-date net buying to Rs. 1.47 billion worth of equities so far this year, index data showed.

Shares of Sri Lanka Telecom PLC jumped 3.9%, Sampath Bank PLC rose 4.6%, conglomerate John Keells Holdings PLC climbed 1.2%, and the country's biggest listed lender Commercial Bank of Ceylon ended 2.5% firmer.

The currency ended 0.06% weaker at 176.10/25 per dollar, compared with Tuesday's close of 176.00/10, as importer demand for the greenback outpaced the dollar selling by banks.

The rupee is up 3.69% so far this year.

Foreign investors bought a net Rs. 1.22 billion worth of government securities in the week ended 17 July, but the market has seen a year-to-date net foreign outflow of Rs. 18.46 billion, the Central Bank data showed. (DailyFt)

Asian brand Next to open hotel with 164 rooms and suites in Colombo in November

Asian brand Next Hotel will open its first property with 164 guest rooms and suites in Colombo in November.

The Next Story Group currently owns, manages and franchises 37 hotels and resorts in Australia, Laos and Thailand and manages five Kafnu spaces in Taipei, Hong Kong, Sydney, Ho Chi Minh City and Bengaluru. Next has identified Sri Lanka as a fast-growing tourist and business destination and says the hotel is the perfect launch pad to explore the rich culture and natural beauty of Sri Lanka and it is also among the best venues in Colombo for corporate meetings.

Next Hotel Colombo which features Kafnu Colombo, will be located in the iconic Colombo City Centre, a premier lifestyle destination in Sri Lanka. Colombo City Centre is a mixed-use development which consists of a Next Hotel, luxury apartments and the first international shopping mall in the country.

The hotel provides direct access to this upscale mall which has more than 50 international brands, 20 food and beverage outlets, a six-screen cineplex and a virtual reality world.

Next Hotel Colombo will occupy the eighth to the 17th floor of the iconic 47-storey building within Colombo City Centre. The hotel will showcase the hallmarks of the upper upscale Next Hotels brand, which offers modern, innovative hospitality and focuses on empathetic and efficient service to deliver a uniquely stimulating experience with every visit.

Next Hotel Colombo will feature the first Kafnu within a Next Hotel. Conceptualised as an urban village for the new generation of creators, Kafnu is a physical, intellectual and social launch pad for today’s trailblazers. It is designed for its members to co-create, co-explore and collaborate in an open and supportive environment that elevates their individual and collective potential.

Kafnu members enjoy access to strategic partnerships, premium services and private events. A members-only club, Kafnu Colombo will join the Kafnu network which includes Hong Kong, Taipei, Bengaluru, Ho Chi Minh City and Sydney.

Next Hotel Colombo captures the essence of contemporary Sri Lanka. The hotel features the radiant colours of the country as it incorporates design inspirations from local crafts and reimagining them with international flair. In addition, the hotel will have art corridors, displaying local artwork. The overall design concept of the hotel is edgy yet practical. Public areas and the Kafnu space within the hotel will be designed to be engaging and will provide the right ambience to encourage guests to share experiences and ideas.

Next Hotel Colombo will have 164 guest rooms and suites, with stunning views of the city skyline and the India Ocean. The hotel will have unique sleep pods that provide restful moments for guests who arrive early or require a late checkout. Guests will enjoy the outdoor pool on the ninth floor and have access to the gym and yoga room.

Located on the ninth floor terrace, the specialty restaurant serving Mediterranean cuisine will feature a show kitchen and offer views of the city, Beira Lake and the Indian Ocean. Guests will be treated to an exceptional dining experience at this restaurant with its offering of innovative gastronomical delights centred on local produce. The hotel is also the ideal venue for corporate meetings and social functions for up to 100 guests.

Colombo is known as the world's No.1 "must photograph" destination. It has also been ranked top place to travel to in the world in 2019 by Lonely Planet. Guests will appreciate that the hotel is within walking distance to major sights including Beira Lake, Gangaramaya Temple and Park, Viharamahadevi Park, the National Art Gallery, the National Museum, the Town Hall and Galle Face Green ocean-side park. It is a 10-minute drive to visit the Fort and Old Town. The hotel is 45 minutes from Bandaranaike International Airport Colombo and 35 minutes from Colombo Ratmalana Airport.
(DailyFt)

IMF downgrades world growth to 3.2%, warns of 'precarious' 2020

Global trade tensions and continued uncertainty are sapping the strength of the world economy, which faces a "precarious" 2020, the International Monetary Fund warned on Tuesday.

Trade conflicts are undercutting investment, and the IMF urged countries not to use tariffs in place of negotiations.

IMF Research Department Economic Consellor/Director Gita Gopinath Speaks during a news conference in Santiago- Reuters

In its quarterly update of its World Economic Outlook the IMF trimmed the global forecast issued in April by 0.1 this year and next, with growth expected to hit 3.2% in 2019 and 3.5% in 2020. But the report sounded the alarm, saying things could easily go wrong.

"The projected growth pickup in 2020 is precarious" and presumes there will be "stabilisation in currently stressed emerging market and developing economies and progress toward resolving trade policy differences," the IMF said.

However, the United States, which is at the centre of most of the trade tensions, saw one of the rare upgrades in the report, as it got a short-term boost from growth in the early part of the year.

The IMF raised the US GDP forecast by three-tenths to 2.6% for 2019, but weakening demand, in part due to the trade conflicts and tariffs, points to "slowing momentum over the rest of the year." The US economy is then expected to slow to 1.9% in 2020.

China, which is the main target of US trade actions, was already experiencing a slowdown. But "the negative effects of escalating tariffs and weakening external demand have added pressure," the report said.

The report downgraded Chinese growth by a tenth this year and next, to 6.2% and 6.0%.

The IMF cautioned that there are an abundance of “potential triggers” for the situation to turn negative quickly, including the possibility of more US tariffs on China or on European autos, as well as a no-deal Brexit and the high debt levels in many countries.

“While the tensions abated in June, durable agreements to resolve differences remain subject to possibly protracted and difficult negotiations,” the report said.

The latest forecast was once again full of downgrades, with small downward revisions for Germany and Japan, but much larger cuts for Brazil, Mexico, Russia, India and South Africa -- countries that were the engine for global growth in the wake of the 2008 financial crisis.

The IMF again stressed that resolving uncertainty remains the most pressing issue for the global economy and said governments should avoid “policy missteps” which could have “a severely debilitating effect on sentiment, growth and job creation.” And “countries should not use tariffs to target bilateral trade balances,” the report said, while recognising that “trade disputes may be symptoms of deeper frustration with gaps in the rules-based multilateral trading system.”

President Donald Trump and Chinese leader Xi Jinping in June agreed to a truce in their trade hostilities. Senior officials from Washington and Beijing have held two phone calls in recent weeks but no face-to-face meetings have yet been scheduled.
(DailyFt)

Weekly averages decrease for fifth consecutive week

The declining trend in the weekly Treasury bill weighted average yields continued for a fifth consecutive week with the 182 day bill dipping below the 8.00% psychological mark for the first time since 7 February 2018.

The 182-day bill recorded the sharpest decline of 13 basis points to 7.96% closely followed by the 91-day maturity by 10 basis points to 7.89% and the 364-day maturity by eight basis points to 8.38%. The exact offered amount of Rs. 25 billion was accepted at the auction as the bid to offer ratio increased to 3.13: 1.

The expectations of the outcome of the weekly Treasury bill auction saw yields in the secondary bond market decrease once again yesterday, mainly on the short end of the curve. The yields on the liquid maturities of three 2021’s (i.e. 01.05.21, 01.08.21, 15.10.21 & 15.12.21), two 2023’s (i.e. 15.03.23 & 15.07.23) and 15.06.24 were seen dipping to intraday lows of 8.75% each, 8.87%, 8.90%, 9.50% each and 9.80% respectively against its previous day’s closing levels of 8.78/88, 8.83/93, 8.90/00, 8.95/00, 9.45/55, 9.57/60 and 9.82/84. In addition, the 15.03.35 maturity traded at a level of 10.32% as well. In the secondary bill market, January 2020 maturities were seen changing hands at levels of 7.85% to 7.90% subsequent to the auction results. The total secondary market Treasury bond/bill transacted volumes for 23 July was Rs. 4.75 billion.

In money markets, the overnight call money and repo rates averaged 7.79% and 7.86% respectively as the overnight net liquidity surplus increased to Rs. 41.85 billion yesterday.

Rupee losses further

In the Forex market, the downward trend on the rupee continued as the USD/LKR rate on spot contracts were seen closing the day at a level of Rs. 176.20/30 against its previous day's closing level of Rs. 176.00/10 driven by continued importer demand.

The total USD/LKR traded volume for 24 July was $ 91.64 million.

Some forward USD/LKR rates that prevailed in the market were 1 month – 176.80/90, 3 months – 178.05/20, 6 months – 179.95/15.
(DailyFt)

Stocks Trade Mixed in Asia, Australia Bonds Rally: Markets Wrap

Asian stocks saw muted trading Thursday amid a mixed picture for corporate earnings. Australia's benchmark bond yields fell to a record low after the central bank governor said he's prepared to cut interest rates again if needed.

Benchmark indexes nudged higher in Japan, Hong Kong, China and Australia. Korean stocks declined. U.S. futures were flat, while Nasdaq contracts slid. Earlier, U.S. stocks closed at record highs. After regular trading finished, Facebook climbed on higher-than-forecast revenue, while Ford and Tesla slumped on disappointing results. Australia's dollar dipped after Reserve Bank Governor Philip Lowe's remarks, which included the expectation for borrowing costs to be low for an "extended period."
Earnings growth largely explains S&P 500's gains during the past decade

Broadly positive earnings reports have buoyed U.S. stocks so far this week, though Asia has seen initial gains dwindle amid lingering trade concerns and worries about the global economy. Central banks remain in focus with the European Central Bank meeting Thursday, where its message will be closely parsed for signs of a September move as poor economic data ramps up pressure to deliver stimulus.

"Our clients are really struggling with what to do," Christine Hurtsellers, chief executive officer at Voya Investment Management, told Bloomberg TV. "When you think about the Fed and the pivot and just seeing interest rates go down, clients have this tension of needing to stay invested, needing to earn some kind of return, but fearful that equities look overvalued."

Meanwhile, geopolitical risk remains a concern, after South Korea reported that North Korea launched two projectiles from the eastern part of the Korean Peninsula.
Developed-Market Stocks Favored, Aegon Asset Says

Frank Rybinski, chief macro strategist at Aegon Asset Management, talks about stocks and fixed income.

Elsewhere, oil held losses as economic uncertainty outweighed a drop in U.S. supply. European bonds surged, pushing yields sharply lower on optimism over a September rate cut. The pound rebounded after Boris Johnson became the U.K.'s new prime minister.

Here are some key events coming up:

- Earnings season rolls on with companies including Amazon.com, Alphabet, Unilever and McDonald's still to report this week.
- Thursday brings the European Central Bank policy decision. Economists widely expect officials to signal their readiness to cut interest rates and potentially broaden stimulus. Some see the chance of an immediate rate cut. ECB President Mario Draghi holds a briefing afterward.

These are the main moves in markets:
Stocks

- MSCI Asia Pacific Index edged up 0.1% as of 12:18 p.m. in Tokyo.
- Japan's Topix index rose 0.2%.
- Australia's S&P/ASX 200 Index added 0.5%.
- South Korea's Kospi index fell 0.9%.
- Hong Kong's Hang Seng Index rose 0.3%.
- S&P 500 futures were flat after the index closed at the highest on record. Nasdaq futures fell 0.3%.

Currencies

- The Japanese yen was little changed at 108.14 per dollar.
- The offshore yuan was flat at 6.8764 per dollar.
- Bloomberg Dollar Spot Index was little changed.
- The euro traded at $1.1135, near the weakest in almost eight weeks.
- The British pound was steady at $1.2474 after rising 0.4%.

Bonds

- The yield on 10-year Treasuries traded at 2.04%.
- Australia's 10-year bond yield dropped 5 basis points to 1.25%.

Commodities

- West Texas Intermediate crude added 0.3% to $56.05 a barrel.
- Gold was steady at $1,422.40 an ounce.

(Bloomberg)