NEWS ROUND UP

Tuesday, 25th February, 2019

Contents

Sri Lanka bond markets dull, rupee weaker

Sri Lanka's rupee closed slightly weaker at 179.65/85 to the US dollar on Monday, while bond yields were marginally lower in a dull market and stocks fell, dealers and brokers said.

The rupee had risen to an intra-day high of 179.40/60 to the US dollar.

The rupee closed at 179.55/65 to the US dollar on Friday.

Dealers said the bond market was quiet with no trades, after being highly active on Friday.

The Central Bank had on Friday announced that it will injected liquidity into the banking system on March 01, which had resulted in buying interest.

This interest has died down, as market participants are waiting for the money to come into the system, dealers said.

The market is now awaiting a bill auction on Wednesday. The 2019 budget, to be read on March 05, is also playing a part in a quiet market, dealers said.

Indicative bond yields fell marginally on Monday.

A bond maturing on 01.08.2021 was quoted at 10.80/85 percent at today's close, compared to Friday's 10.80/88 percent.

A bond maturing on 15.12.2023 quoted at 10.90/11.05 percent, slightly down from Friday's closing of 11.00/05 percent.   A 7-year bond maturing 01.08.2026 was quoted at 11.15/25 percent on Monday compared to Friday's closing of 11.20/24 percent.

A bond maturing on 15.06.2027, quoted at 11.22/30 percent, down from Friday's 11.27/32 percent. 11.22/30

A bond maturing on 01.09.2028 quoted at 11.30/45 percent, down marginally from Friday's close of 11.35/45 percent.

At the Colombo Stock Exchange, the All Share Price Index fell 0.20 percent or 11.46 points to 5,826 on Monday's close, while the more liquid S&P SL20 Index was flat at 2,977.83.

Market turnover was 765.3 million rupees

Hemas Holdings share closed 3.90 rupees lower at 80.10 rupees.

The share of Commercial Bank of Ceylon, after reporting losses for its December quarter, fell 1.10 rupees to 106 rupees.

Dialog Axiata share closed 10 cents lower at 9.80 rupees.

John Keells Holdings gained 30 cents, closing at 154.80 rupees, after opening at 153 rupees on Monday. (EconomyNext)

Sri Lanka vehicle registrations recover in January

Sri Lanka's vehicles registrations recovered in January 2019 from a steep slump in December 2018, but were below last year's levels, on supply shortages following higher standards imposed by government, an analysis by an equities research house shows.

There were 3,147 motor car registrations in January 2019, up from 2,669 units in December 2018 but significantly down from 5,318 units 12 months ago, the report by JB Securities, a Colombo-based brokerage, said.

Brand new car registrations rose to 429 units in January, from 352 units in December but significantly down from 837 units 12 months ago.

Small cars continued to dominate imports, with those below 1,000cc engine capacity accounted for 78.1 percent of the total, JB Securities said.

“The decline in volumes is more to do with a lack of supply than demand,” the report said.

The last budget specified that all new imports have to be Euro 4 compliant and have dual airbags in the front, which India has mandated only from mid-2019.

“Hence there is a lack of supply from Indian OEMs (original equipment manufacturers) – Maruti, Datsun and Renault - which have accounted for the steep drop in volumes,” the report said.

“A classic case of consequences mattering more than intentions.” (EconomyNext)

Fitch confirms Sri Lanka’s Singer Finance at 'BBB(lka)'

Fitch Ratings said it has confirmed Singer Finance (Lanka) PLC's (SFL) national long-term rating at 'BBB(lka)' with a stable outlook although the firm faced tough operating conditions with bad loans rising.

The rating agency has also confirmed SFL's senior debentures at 'BBB(lka)'.

“Fitch expects SFL's asset quality to remain under pressure from challenging operating conditions and exposure to customers who are more susceptible to economic downturns,” a statement said.

The full rating report follows:

Fitch Ratings-Colombo-22 February 2019: Fitch Ratings has affirmed Singer Finance (Lanka) PLC's (SFL) National Long-Term Rating at 'BBB(lka)'. The Outlook is Stable. The agency has also affirmed SFL's senior debentures at 'BBB(lka)'.

Key Rating Drivers

NATIONAL RATING

The rating of SFL reflects its small franchise and heightened risk appetite at a time when operating conditions are likely to stay challenging, which may exert pressure on some of its financial metrics.

Fitch expects SFL's asset quality to remain under pressure from challenging operating conditions and exposure to customers who are more susceptible to economic downturns. SFL's reported regulatory six-month NPL ratio had increased to 2.8% by end-September 2018 from 2.5% at FYE18 (end-March 2018). Fitch expects SFL's loans to remain dominated by vehicle financing, which accounted for 79% of total loans at end-September 2018.

SFL's capitalisation has been supported through rights issues, with the most recent being the LKR551 million in FY18. SFL's capitalisation is higher than that of similar rated peers, but may ecline and converge with the Sri Lankan peer average should strong loan expansion continue.

SFL continued to record a strong increase in loans - of 20% in 9MFY19 (25% in FY18) – reflecting management's greater focus on growth.

The rating is supported by Fitch's view that the rating of SFL's parent, retail company Singer (Sri Lanka) PLC (Singer; A-(lka)/Stable) provides a floor for SFL's rating that is two notches lower, at 'BBB'. This reflects Singer's majority ownership in SFL and the shared Singer brand.

DEBT RATINGS

The rating on the senior debentures is in line with SFL's National Long-Term Ratings, as they constitute unsubordinated obligations of the company. Fitch has not provided any rating uplift for the collateralisation of SFL's secured notes as their recovery prospects are considered to be average and comparable with those of unsecured notes in a developing legal system.
Rating Sensitivities

NATIONAL RATING

An upgrade of SFL's ratings from an improvement in its standalone strength is unlikely, in our view, as we expect its franchise to remain materially weaker than that of its more established, higher-rated peers. The more likely driver of an upgrade of SFL's rating would be an increase in its strategic importance to its parent Singer.

A sustained deterioration in SFL's standalone credit profile relative to similarly rated peers would not result in a downgrade of SFL's rating, unless our assessment of parental support were also to change.

DEBT RATINGS

The ratings on the senior debt of SFL will move in tandem with the National Long-Term Rating. (EconomyNext)

Sri Lanka to make Colombo 'smart port' with automated functions

Sri Lanka's ports and shipping ministry said it will spend 929 million rupees to modernise information technology at Colombo port to make it a 'smart port' with many automated functions to improve efficiency.

Ports, Shipping and Southern Development Minister Sagala Ratnayaka said he expects the process of IT upgrades to streamline terminal management and cargo systems to be completed in 12-18 months.

"There are many technical aspects to this. For instance, the upgraded Terminal Management System will include gate automation, yard automation, (and) quay side automation."

The initiative will include using satellite-based DGPS or Differential Global Positioning Systems which provide improved location accuracy to make best use of container handling equipment within port terminals and increase productivity.

It will also include business intelligence tools, web portals and simulation tools, Ratnayaka said in a statement.

'Smart ports' globally use IT and data analytics to make the best use of available terminal space, equipment and time to become more competitive and attractive to customers.

"In layman's terms, this means Colombo Port will operate with greater efficiency and handle a greater volume of activities within a shorter period of time with the use of advanced IT and information systems," Ratnayaka explained.

"Transforming Colombo into a Smart Port is a timely need."

A full-scale IT infrastructure drive is currently underway to transform Colombo — Sri Lanka's busiest port — into a 'smart port'.

Ratnayaka said 929 million rupees has been allocated for the project, which has been included in the Asian Development Bank-supported master plan for Sri Lanka's port development.

Colombo's transformation into a Smart Port will ensure the development of a collaborative approach that will make the port 'smart' in terms of flow, situation or customer management, Ratnayaka said.

"This is a long-drawn process that will happen over time with rapidly advancing technology. But our Smart Port initiative will lay the groundwork for the longer-term transformation with the right IT and tech infrastructure.

"What we need to understand is that being smart is a mindset," Ratnayaka said.

"Colombo must embrace the Smart Port concept with the right frame of mind. This is not about upgrading IT and information systems and forgetting everything else. Cleanliness of the port, the attitude of workers, its administration and welfare should also be geared towards the same transformation," he added.(EconomyNext)

World stocks rally as Trump delays China tariffs

Global stocks rose Monday after US President Donald Trump said he would delay a hike in tariffs on Chinese goods and described the two countries as being in "advanced stages" of negotiations towards a deal.

Trump said expects to hold a "signing summit" with China's President Xi Jinping and touted the rally in US stocks over the course of his presidency as evidence "we are bringing back American faster than anyone thought possible."

China's Xinhua news agency also said Washington and Beijing had "made substantial progress on specific issues" including on transfer of technology, intellectual property and agriculture.

The trade confrontation has dogged markets for months, but the latest positive signs provided a boost, lifting equities worldwide, although Wall Street profit taking late in the session cut into the gains in New York.

Most key European markets were firmly in the black by the close, but London underperformed, finishing narrowly positive.

Shanghai had spearheaded gains across Asia with a surge of more than five percent, while Hong Kong and Tokyo each rose 0.5 percent.

"Global markets are on the rise... as markets celebrate the news of an indefinite delay to the deadline beyond which US will ramp up tariffs on Chinese imports," said IG analyst Joshua

Mahony.

Trump also made a splash in the oil market on Monday, causing petroleum prices to fall by more than three percent from three-month peaks when he urged OPEC to help cut "high" prices and aid the "fragile" world economy. (EconomyNext)