

NEWS ROUND UP

Wednesday, 26th June, 2019

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Sri Lanka stocks close 0.22-pct lower

Sri Lanka stocks closed 0.22 percent lower on Tuesday with the market dominated by four crossings.

Colombo's All Share Price index (ASPI) closed 12.04 points lower at 5,342.49.

The S&P SL20 index of more liquid stocks was 0.23 percent or 5.83 points down at 2,483.79.

The market turnover was 1.6 billion rupees with 36 stocks gaining and 62 stocks declining.

Two crossings each of Harischandra Mills (755 million rupees) and Swadeshi Industrial Works (525 million rupees) accounted for more than 80 percent of the market turnover today.

Two other crossings of Asiri Hospitals totaled up to 42 million rupees.

The market was dull today with very low retail activities, brokers said.

John Keells Holdings fell 1.30 rupees to close at 138.50 rupees a share, contributing most to the ASPI's fall.

Central Finance Company closed 4.70 rupees down at 83.00 rupees a share and Commercial Bank of Ceylon fell 60 cents to 91.40 rupees a share, also pushing the ASPI down. (EconomyNext)

Sri Lanka rupee ends strong, bond yields ease

Sri Lanka's rupee closed firm at 176.40/55 against the US dollar in the spot market on Tuesday while bond yields eased, dealers said.

The rupee closed at 176.50/55 against the greenback on Monday.

Liquidity in the overnight money market was down at 19.60 billion rupees from 20.33 rupees on Monday.

Central Bank has mopped up 10 billion rupees at 7.71 percent via an overnight repo auction.

In the secondary market, bond yields eased ahead of the weekly bill auction, dealers said.

A bond maturing on 15.10.2021 closed at 9.33/39, easing from 9.38/43 percent at Monday's

close.

A bond maturing on 15.12.2021 closed at 9.40/45 percent, falling from 9.45/50 percent.

A bond maturing on 15.03.2023 closed flat at 9.82/88 percent.

A bond maturing on 15.03.2024 closed at 9.97/10.01 percent, down from 9.98/10.03 percent.

A bond maturing on 01.08.2026 closed at 10.20/24 percent, falling from 10.23/30 percent.

A bond maturing on 15.01.2027 ended at 10.26/33 percent, declining from 10.28/35 percent.

A 10-year bond maturing on 01.05.2029 ended flat at 10.45/52 percent. (EconomyNext)

US investors buy 30-pct of Sri Lanka US\$2bn sovereign bonds, Europe 60-pct

A 2.0 billion US dollar international sovereign bond received 6.2 billion dollars in orders, with fund managers from the US buying 60 percent of the issued, the central bank said.

Sri Lanka sold 500 million US dollars in 5-year bonds and 1.5 billion US dollars in 10-year bonds on June 24, in the second such issuance this year.

The central bank, which issued bonds for the Treasury said that the 5-year bonds received 1.8 billion US dollars of orders while the 10-year bonds received 4.4 billion dollars.

It said that 30 percent of the orders for the 5-year bonds came from the US, 50 percent from Europe, Middle East and Africa (EMEA) and 20 percent from Asia.

Investors in the 5-year bond were 80 percent fund managers, 9 percent insurance, pension funds and corporates, 8 percent bank treasuries and 2 percent to private banks and other investors.

For the 10-year bond, 44 percent of the subscriptions came from the US, 40 percent from Middle East and 16 percent from Asia.

For the 10-year bond 87 percent of investors bond were fund managers, 6 percent insurance, pension funds and corporates, 5 percent bank treasuries and 2 percent private banks and other investors.

The 5-year bond was sold at 6.35 percent, down from an initial guidance of 6.60 percent and a final price guidance of 6.40 percent, the central bank said.

The 10-year bond was sold at 7.55 percent, down from an initial price guidance of 7.80 percent and a final price guidance of 7.60 percent.

Sri Lanka had timed the bonds after US Treasuries yields eased and the Fed has indicated a rate cut ahead, getting a lower absolute rate than a March bond sale.

However, the yield spread with US Treasuries widened between Sri Lanka's March and June bond sales.

A 5-year bond was sold about 441 basis points above similar tenor US Treasuries in March, while a 10-year bond was sold 521 basis points higher.

At June issue, the spread was about 460 basis points for the 5-year bond and 553 basis points for a 10-year bond based on published US Treasury yields. (EconomyNext)

Sri Lanka coconut auctions in limbo after price floor

Sri Lanka's main coconut auction has been in limbo for over a month after a floor price of 28 rupees a per nut was set by authorities, in the wake of falling nut prices and a recovery in production.

The floor price was set by the ministry in charge following requests from growers, who said they could not sell below 28 rupees a nut, industry officials said.

With no bids below 28,000 rupees accepted, lots offered at the auction are withdrawn.

Coconuts were last auctioned at the weekly auction in Colombo on May 23 at an average price of 24,700 rupees per 1,000 nuts. No coconuts have been traded at auctions since then.

However growers are selling below that price out of the auction.

Desiccated coconut exporters usually buy at the auctions.

In the retail markets the price has fallen to 40 rupees a nut. Last year around April, coconuts were above 65 rupees a nut.

Global coconut prices soared after droughts in Asia including Sri Lanka, but production has recovered.

In the first four months of 2019, the coconut crop was estimated at 1,036 million nuts, up 30 percent from 781 million nuts last year. (EconomyNext)

Stocks mixed ahead of G20, Iran and weak dollar lift gold

Asian equities were mixed Tuesday as investors sat on their hands days before this week's crucial meeting between Donald Trump and Xi Jinping, while gold hit a fresh six-year high on a weaker

dollar and the US-Iran crisis.

While the stand-off between Washington and Tehran is fuelling concerns of a conflict between the old foes, the main focus for investors is the tete-a-tete between the leaders of the world's two biggest economies in Osaka.

World markets have rallied since the US president last week flagged positive phone talks with Xi and said they would discuss their trade spat on the sidelines of the G20 summit.

On Tuesday Chinese state media said top-level negotiators for both sides had held discussions ahead of the meeting, and "exchanged opinions on economic and trade issues". The call took place "at the request of the US side" and they agreed to maintain contact, the Xinhua news agency said.

"The G20 will not get going until midweek, but the anticipation of a meeting between the leaders of China and the US is keeping markets guessing," said OANDA senior market analyst Alfonso Esparza.

"The prolonged trade war between the two largest economies has downgraded global growth as more barriers to trade means higher prices. Optimism remains high, but more details need to emerge before the market can fully price in how far apart the two sides really are from a deal."

In early trade Hong Kong and Shanghai each dropped 0.7 percent after a recent healthy run-up, while Tokyo finished the morning 0.2 percent lower. Taipei was also down.

However, Sydney and Singapore were both 0.1 percent higher while Seoul and Wellington added 0.2 percent apiece. Manila and Jakarta were also up.

- Bitcoin holds gains -

It is "a pretty good guess that we won't see a whole lot of movement in front of the big upcoming meetings (G20 and OPEC)," Matt Maley, equity strategist at Miller Tabak & Co, said. "The results of those meetings should be quite important to the stock market's next move."

Gold prices continue to rise -- sitting at highs not seen since September 2013 -- as investors seek out the safe haven to hedge against a possible US-Iran conflagration, while the softening dollar is also providing support.

The White House ramped up sanctions on Tehran, imposing strict measures against supreme leader Ayatollah Ali Khamenei and military top brass following the downing of a US drone.

The move raised tensions between the two, though NAB's Tapas Strickland said the measures "appear to be more gloss than substance given US sanctions are already very harsh".

Oil prices were unable to sustain the surge started last week by the drone incident, with both main contracts dipping Tuesday.

Iran and the US have said they do not want a war, with the US content with trying to cripple Iran economically.

Oil traders are also keenly awaiting a meeting of OPEC and other major producers this weekend, hoping for clarity on their output reduction programme, which has supported prices.

The greenback was down against most other currencies, weighed by expectations the Federal Reserve will cut interest rates as soon as July, while bitcoin held above \$11,000 after breaking the marker for the first time in 16 months.

- Key figures around 0230 GMT -

Tokyo - Nikkei 225: Down 0.2 percent at 21,241.28 (break)

Hong Kong - Hang Seng: DOWN 0.7 percent at 28,305.31

Shanghai - Composite: DOWN 0.7 percent at 2,986.46

Euro/dollar: UP at \$1.1409 from \$1.1395 at 2050 GMT

Pound/dollar: UP at \$1.2750 from \$1.2740

Dollar/yen: DOWN at 107.14 yen from 107.29 yen

Gold: UP at \$1,426.02 per ounce from \$1,407.41 per ounce

Bitcoin - UP at \$11,077.45 from \$10,925.27

West Texas Intermediate: DOWN 12 cents at \$57.78 per barrel

Brent North Sea oil: DOWN eight cents at \$64.78 per barrel

New York - Dow: UP less than 0.1 percent at 26,727.54 (close)

London - FTSE 100: UP 0.1 percent at 7,416.69 (close) (AFP)

