

NEWS ROUND UP

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Sri Lanka stocks gain on banks, near 5-month high

Sri Lanka's stocks closed 0.85 percent higher on Thursday with banks pushing the market up, brokers said.

Colombo's All Share Price index (ASPI) closed 48.69 points higher at 5,794.66 after reaching an intra-day high of 5,819.12 in the first hour of trading.

The ASPI is now near a 5-month high, going past the 5,770.57 recorded on March 05. The year had started with the market at 6,062.20.

The S&P SL20 index of more liquid stocks closed 2.52 percent or 70.95 points up at 2,881.01 on Thursday.

The market turnover was 744 million rupees with 113 stocks gaining and 56 stocks declining.

A report from First Capital, an investment house, said that a fall in the market is possible.

“With the market gaining 9 percent over 2 months we believe there could be some profit taking leading to a market correction. As it is the results season, weak earnings are also likely to support dim returns in the market,” First Capital Research said in its Equity Strategy report.

“We believe that any profit taking in the market would lead to a great opportunity for bargain hunting. We expect market earnings to bottom out in June 2019 quarter and show gradual improvement in September 2019 and December 2019 quarters.”

Two crossings in Commercial Bank of Ceylon stocks added up to 53.7 million rupees in turnover, priced at 109 rupees a share.

Retail activity remained strong with more than 10,000 trades done, brokers said.

Banking stock gained 4.25 percent on Thursday.

Commercial Bank of Ceylon closed 5.10 rupees up at 109.00 rupees a share contributing most to the rise of the ASPI.

Hatton National Bank closed 7.80 rupees up at 158 rupees a share and DFCC Bank closed 6.40 rupees down at 92.10 rupees a share and Sampath Bank closed 4.20 rupees up at 165.10 rupees a share, also pushing the ASPI up. (EconomyNext)

Sri Lanka's rupee ends weaker, bond yields stable

Sri Lanka's rupee closed weaker at 176.17/25 against the US dollar on Thursday while bond yields were stable, dealers said.

The rupee closed at 176.20/30 against the greenback on Wednesday.

Liquidity in the overnight money market was 46.22 billion rupees, up from 41.85 billion rupees on Wednesday.

In the secondary bond market, yields were steady in a dull trading, dealers said.

Dealers said there were just two transactions for the day.

A bond maturing on 15.10.2021 closed at 8.90/96 percent on Thursday, up from 8.82/88 percent at Wednesday's close.

A bond maturing on 15.03.2023 closed at 9.48/53 percent, steady from 9.48/52 percent.

A bond maturing on 05.06.2024 closed at 9.80/84 percent, up from 9.76/80 percent.

A bond maturing on 01.08.2026 closed at 9.90/10.00 percent, gaining from 9.90/96 percent.

A bond maturing on 15.01.2027 closed at 9.98/10.02 percent, up from 9.95/10.03 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.00/10 percent, down from 10.02/12 percent. (EconomyNext)

Teejay Sri Lanka to make lace with LFT of China

Sri Lanka's Teejay Lanka Plc, one of South Asia's largest fabric mills, is planning to diversify into lace production in a partnership with China's Luen Fung Textiles (LFT), officials said.

"Teejay is pursuing different growth avenues with diversification of products and this will be the start of this new journey," Teejay Chairman Bill Lam said.

Teejay's plants in India will start dyeing, finishing and scalloping of raw lace material supplied by LFT under a signed agreement.

The finished lace will be sold to customers of both Teejay and LFT.

Teejay, which has operations in Sri Lanka and India, specializes in weft knitted fabrics, and in recent years has ventured into lace dyeing, yarn dyeing and synthetic fabric production.

The firm is backed by one of Sri Lanka's largest apparel exporters Brandix (33 percent stake) and Hong Kong's Pacific Textiles (28 percent stake).

LFT, founded in 2006 in Hong Kong, China, manufactures for popular global brands.

It manufactures, sells, conducts research and development and supplies raw materials for lace and related products. (EconomyNext)

Lanka IOC back in losses in June quarter

Lanka IOC a unit of Indian Oil Corporation reported a loss of 239.18 million rupees for the June 2019 quarter, reversing from a profit of 246 million rupees a year earlier.

The firm reported a loss of 45 cents per share for the quarter In the March 2019 quarter LIOC reported a profit of 937 million rupees.

Revenues fell 3.5 percent to 18.46 billion rupees in the June quarter from a year earlier, and cost of sales fell at a slower 0.4 percent to 17.91 billion rupees, shrinking gross profits 53 percent to 527 million rupees.

Sri Lanka's government announces price formula for state-run Ceylon Petroleum Corporation which LIOC is not compelled to follow. But in April the finance ministry said it was holding prices for the festival season, despite imports costs going up.

The firm also reported finance income of 57 million rupees down from 125 million rupees a year earlier. Finance expenses fell from 184 million rupees to 44 million rupees. (EconomyNext)

Euro gyrates as ECB signals likely rate cut

The euro gyrated Thursday after the European Central Bank signaled it could soon undertake new stimulus measures and cut rates to boost flagging growth and inflation in Europe.

The single currency plunged to two-year lows following the ECB's statement emphasizing economic weakness in the region but later rallied as traders judged the announcement less dovish than expected.

European stocks fell, with investors focused on the region's tepid outlook. Wall Street stocks also retreated, with major indices pulling back from records following disappointing results from Tesla, American Airlines and others.

Quincy Krosby of Prudential Financial said strong US economic data, including Thursday's report showing an increase in durable goods sales in June, could lead to a less dovish Federal Reserve announcement next week.

"Good news has become bad news with the fear that the Fed will not be as accommodating as anticipated," she said.

But if some US data has been strong, lackluster reports in Germany and other key centers in recent days had set expectations for Thursday's ECB meeting. Some experts guessed the central bank might immediately pull the trigger and cut rates.

The ECB governing council left the rate on the bank's main refinancing operations at zero, on its marginal lending facility at 0.25 percent and on its deposit facility at -0.4 percent.

But crucially, it hinted rates could fall still further -- saying they would be kept at "their present or lower levels at least through the first half of 2020."

In addition, the ECB said officials had been tasked to look at other options, including "new net asset purchases."

- 'Out with a bang?' -

"ECB president Mario Draghi all but confirmed another round of easing by the central bank, but with expectations already being sky-high before the meeting, investors reacted in a mixed fashion," said Gorilla Trades strategist Ken Berman in a note.

An aggressive mix of stimulus measures at the September ECB meeting "looks like a done deal," said Ken Wattret, chief European economist at IHS Markit.

"There are only two policy-setting meetings left for Mario Draghi beyond today and he will want to go out with a bang."

Earlier in Asia, gains in stock markets were tempered by the emergence of doubts over a US-Chinese trade meeting next week and the announcement of massive job cuts at beleaguered Japanese automaker Nissan.

Nissan announced after the market close that it would shed 12,500 jobs, following a 95-percent net profit plunge in the first quarter to \$59 million.

A heavy schedule of corporate earnings battered shares of some companies that disappointed, including Tesla, which plunged 13.6 percent, Ford, which sank 7.5 percent and American Airlines, which tumbled 8.4 percent.

- Key figures around 2040 GMT -

New York - Dow: DOWN 0.5 percent at 27,140.98 (close)

New York - S&P 500: DOWN 0.5 percent at 3,003.67 (close)

New York - Nasdaq: DOWN 1.0 percent at 8,238.54 (close)

London - FTSE 100: DOWN 0.2 percent at 7,489.05 (close)

Paris - CAC 40: DOWN 0.5 percent at 5,578.05 (close)

Frankfurt - DAX 30: DOWN 1.3 percent at 12,362.10 (close)

EURO STOXX 50: DOWN 0.6 percent at 3,510.15 (close)

Tokyo - Nikkei 225: UP 0.2 percent at 21,756.55 (close)

Hong Kong - Hang Seng: UP 0.3 percent at 28,594.30 (close)

Shanghai - Composite: UP 0.5 percent at 2,937.36 (close)

Euro/dollar: UP at \$1.1145 from \$1.1140 at 21H00 GMT Wednesday

Pound/dollar: DOWN at \$1.2452 from \$1.2484

Dollar/yen: UP at 108.66 yen from 108.19 yen

West Texas Intermediate: UP 14 cents at \$56.02 per barrel

Brent North Sea crude: UP 18 cents at \$63.39 per barrel.(EconomyNext)