

NEWS ROUND UP

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Contents

Indian tea may benefit from Sri Lanka wage hike, Vietnam problems.....	2
Rupee hits record low as foreign outflows continue.....	2
Sri Lankan stocks up, foreign selling in Dialog Axiata	3
Japan's Stocks Pare Gain; U.S. Futures Fluctuate: Markets Wrap	4

Indian tea may benefit from Sri Lanka wage hike, Vietnam problems

Indian tea is expected to benefit from the wage hike in Sri Lankan plantations and residue (pesticide) problems in Vietnam, traders said.

Domestic tea production during 2018 is expected to stay more or less the same as last year despite lower rainfall, while exports are expected to marginally increase.

India is the second-largest producer of tea in the world and contributes 26% to the global production.

MK Jokai Agri Plantations Vice President Parimal Shah said tea production is estimated to be marginally lower at about 1,300 million kilograms (mkg), against 1,322 mkg in 2017. According to the State-run Tea Board data, India's tea production for January-October 2018 stands at 1,117.6 mkg, against 1,127.2 mkg from the year before.

South Indian tea production for the first 10 months of 2018 stands at 187.6 mkg, against 197.3 mkg in 2017. North Indian tea production for the first 10 months of 2018 was 929.98 mkg, against 929.85 mkg of the same period last year.

Shah said, on the price front, it has been a modest year with nothing spectacular. "Movement of tea was a bit erratic due to the sanction problems in Iran and the prices were low. But, once it became clear that India could export to Iran, tea prices have picked up sharply. Wage hike across plantations is a big concern for the organised sector."

He added that the share of wages come to 60-65% of the total production cost for organised players of tea plantations.

Average auction prices for the first 11 months of 2018 was 138.20 per kg, against 132.79 per kg in 2017.

The expected wage hike in Sri Lankan plantations is estimated to help South Indian orthodox production, according to Global Tea Brokers President Sriram Narayanaswamy.

"We have seen good demand for South Indian orthodox tea with problems seen in Vietnam and Indonesia. An increase in Sri Lankan tea production cost could help South Indian tea, and more producers have been seen moving to orthodox from CTC (crush, tear, curl)," he said.

Sriram adds that the export of CTC tea to Egypt and Pakistan was also higher this year.

India exports the CTC tea variety mainly to Egypt, Pakistan, and the UK, and the premium orthodox variety to Iraq, Iran, and Russia. (Source: FinancialExpress.com) (Dailyft)

Rupee hits record low as foreign outflows continue

The Sri Lankan rupee fell to a record low on Monday due to continued outflows of foreign funds from bonds and stocks as political uncertainty dented investor sentiment.

The rupee hit an all-time low of 181.67 to the dollar in early trade, surpassing its previous record of 181.25 marked in the previous session. It has weakened about 4.7% since the political crisis began. The currency dropped 1.8% in November, and has lost 18.2% this year.

Sri Lankan President Maithripala Sirisena appointed a 30-member Cabinet on Thursday, retaining control over the Police while they investigate an alleged plot to kill him that triggered a row with the Premier and led to a lengthy political crisis.

The political crisis was expected to ease after Sirisena reinstated Ranil Wickremesinghe, whom he had ousted in October. The country plunged into a 51-day crisis following the ouster. However, a delay in appointing Cabinet Ministers dented sentiment, dealers said.

Political paralysis remained the main concern for investors since Sirisena abruptly sacked Wickremesinghe and replaced him with Mahinda Rajapaksa, who failed to win a Parliamentary majority and resigned on 15 December as a Government shutdown loomed.

Sri Lanka's Parliament passed a Rs. 1.77 trillion (\$9.39 billion) Vote on Account on Friday, to meet the expenditures of the first four months of 2019 and avert a Government shutdown from 1 January.

Wickremesinghe was sworn in as Sri Lanka's Prime Minister on 16 December, making a remarkable comeback weeks after being ousted by Sirisena under controversial circumstances. The Sri Lankan rupee strengthened early last week, while bond yields dropped as the political crisis appeared to ebb, but investors took a cautious stance to observe whether Sirisena and Wickremesinghe could work well together.

Foreigners were net sellers of Rs. 5.6 million (\$30,888.03) worth of stocks on Monday. They have been net sellers of Rs. 13.7 billion since the political crisis began on 26 October. The bond market saw outflows of about Rs. 56.7 billion between 25 October and 19 December, Central Bank data showed.

The rupee ended at 181.50/70 per dollar, compared with 181.30/50 in the previous session. Credit rating agencies Fitch and S&P downgraded Sri Lanka's sovereign rating early December, citing refinancing risks and an uncertain policy outlook, after Sirisena's sacking of his Prime Minister in October triggered the political crisis.

This year, there have been Rs. 23.1 billion of outflows from stocks and Rs. 148.9 billion from Government securities, the latest data from the Bourse and Central Bank showed.

Moody's downgraded Sri Lanka on 20 November for the first time since it started rating the country in 2010.

Five-year Government bond yields have risen 22 basis points since the political crisis began, while yields on Sri Lanka's dollar bonds due in 2022, which have risen around one percentage point to 8.0% through Dec. 14, fell 0.42% to 7.6% on Monday.

The Colombo stock index ended 0.32% firmer at 6,025.12 on Monday. Turnover was Rs. 326.2 million, well below this year's daily average of Rs. 841 million.(Dailyft)

Sri Lankan stocks up, foreign selling in Dialog Axiata

Sri Lanka's stock market closed higher Monday with foreign investors net sellers, the selling mainly in Dialog Axiata with volumes at a one month low ahead of the Christmas break, brokers said.

The All Share Price Index ended at 6,025.12, up 19.47 points or 0.3 percent while the more liquid S&P SL20 index rose 16.55 points or 0.5 percent, to close at 3,124.73.

Crossings or negotiated block deals in Ceylinco Insurance accounted for 87 percent of the turnover of 326 million rupees, while volumes slumped to a one month low, First Capital Holdings said.

Asia Securities said foreign investors were net sellers of 5.5 million rupees worth of shares, with the highest selling in Dialog Axiata while there was foreign buying in Central Finance.
(Colombo/December 24/2018)(Dailyft)

Japan's Stocks Pare Gain; U.S. Futures Fluctuate: Markets Wrap

Japanese stocks recouped a portion of their biggest daily slide in more than two years, though came off their highs Wednesday after CNN reported that President Donald Trump's frustration with Treasury Secretary Steven Mnuchin is rising. U.S. equity futures dipped.

The yen eased, while Treasury yields ticked higher. Korean shares fell after a holiday, and Shanghai stocks were little changed. Australia and Hong Kong were closed. Personnel developments in Washington continue to be a focus for investors as they determine how much selling pressure remains in what's been the most brutal month for global stocks since 2008. The CNN report followed Trump comments about the Federal Reserve that were less abrasive than earlier this month.

Elsewhere, West Texas Intermediate crude traded around \$43 a barrel. The offshore yuan was little changed after China released new rules promising to treat all companies equally, the latest positive step on the trade and investment front since U.S. and Chinese tariff hikes were set on pause.

While economic indicators suggest the world is in the midst of a slowdown, much of the market turbulence this month appeared to stem from tumbling confidence in policy makers. Mnuchin unsettled investors at the weekend by revealing he'd reached out to the heads of top American banks to confirm they have adequate liquidity. Trump expressed confidence in Mnuchin Tuesday, but the Treasury chief could be in serious jeopardy after his attempts to shore up confidence failed, CNN said, citing a source close to the White House.

A steady outflow of U.S. cabinet members, including the Defense secretary, and a partial shutdown of the federal American government have also proved unnerving. Potentially more constructive for investors were comments by Trump on Tuesday about his belief the U.S. central bank will "get it pretty soon." He spoke days after Bloomberg reported he had discussed firing Chairman Jerome Powell out of frustration over interest-rate hikes.

"It does look like some substantial post-Xmas holiday sales are on offer in global equity markets. However, given the unfavorable climate, it's still unclear if investors' cheerless mood will improve before the end of the year," said Stephen Innes, head of Asia-Pacific trading at Oanda Corp. in Singapore. "As we've seen so often over the last three months downside momentum has a way of building through the day."

Tech Stock Sell-Off Isn't Justified, Cornell Capital's Berry Says

Ann Berry, Cornell Capital partner, discusses the sell-off in U.S. stocks.

Read more on the turmoil in global markets:

- The 10-year bull market is coming to a close
- Trump points to Powell as villain in stock slide
- Notes from the stock-trader trenches
- Political tensions are seen undermining the dollar
- A round-up of investor comments on Trump's Fed bashing

Here are some events investors may focus on in coming days:

- Bank of Japan Governor Haruhiko Kuroda speaks at Japan's top business lobby, Keidanren, on Wednesday.
- India's central bank releases a financial-stability report Wednesday.
- U.S. new-home sales are due Thursday.

And these are the main moves in markets:

Stocks

- The MSCI Asia Pacific Index was up 0.3 percent as of 11:07 a.m. Tokyo time.
- The Topix Index rose 1.2 percent after advancing as much as 2 percent. It slumped 4.9 percent Tuesday.
- Futures on the S&P 500 Index dipped 0.2 percent. The underlying gauge is 7 points away from completing a full-blown bear-market drop.
- The Kospi Index was down 1.4 percent.
- Shanghai Composite fell 0.2 percent.

Currencies

- The Japanese yen slipped 0.1 percent to 110.44 per dollar.
- The euro was up 0.2 percent at \$1.1413.
- The offshore yuan was little changed at 6.8934 per dollar.
- The Bloomberg Dollar Spot Index was little changed.

Bonds

- Japan's 10-year bond yield was little changed at 0.021 percent.
- Ten-year Treasury yields edged up about 1 basis point to 2.75 percent.

Commodities

- West Texas Intermediate crude was up 0.9 percent at \$42.91 a barrel.
- Gold gained 0.3 percent to \$1,272.16 an ounce.

(Bloomberg)