NEWS ROUND UP

Tuesday, November 27th, 2018

Contents

Sri Lanka rupee weakens, stocks end 0.22-pct higher

The Sri Lanka rupee continues to weaken closing Monday at a new low of around 180.10/30 rupees against the US dollar amidst a deepening political crisis, and stocks ended 0.22 percent higher on buying interest in diversified holdings, market participants said.

The currency traded at an intraday low of 180.40 rupees against the greenback in the spot market.

The rupee ended Friday at around 179.50/180.00 rupees to the US dollar.

Sri Lanka's president Maithripala Sirisena said he will not reappoint Ranil Wickremesinghe as prime minister even if there is a no-confidence motion to his satisfaction against Mahinda Rajapaksa.

Meanwhile on Monday the island's Court of Appeal accepted a 26-page petition filed by 122 legislators against disputed prime minister Mahinda Rajapaksa and 48 others who have been named as ministers, state ministers and deputy ministers in a purported government.

The case is to be taken up for the preliminary hearing on Friday.

Colombo's All Share index gained 0.22 percent, up 13.09 points to 5,943.07, and the S&P SL20 of more liquid stocks closed 0.44 percent higher, up 13.64 points to 3,116.98.

Market turnover was 736.7 million rupees with 73 stocks gaining during the day against 42 that declined.

John Keells Holdings (up 1.90 rupees to 156 rupees), Melstacorp (up 70 cents to 53.20 rupees) and Nations Trust Bank (up 3.20 rupees to 90.20 rupees) contributed to the benchmark index gain.

Sunshine Holdings gained 3.20 rupees to 55 rupees.

Net foreign buying was 17.1 million rupees, against selling of 51.4 million rupees the previous day.

Foreign buying in Sampath Bank was 35.7 million rupees, according to Asia Securities. Foreign selling in John Keells Holdings was 48.4 million rupees.

Sampath Bank gained 1.70 rupees to 231.70 rupees.

Off-market negotiated trades, or crossings amounted to 471 million rupees, with on in Vidullanka for 300 million rupees, two in John Keells Holdings for 89.5 million rupees and one each in Sampath Bank for 57.3 million rupees and Commercial Bank for 23.9 million rupees.

Vidullanka closed unchanged at 4.70 rupees and Commercial Bank ended 50 cents higher at 113 rupees.

Bond yields were ended relatively steady on dull activity levels in the secondary market.

A three-year bond maturing in 2021 ended at 11.85/12.00 percent, up marginally from Friday's closing of 11.85/90 percent.

A five-year bond maturing in 2023 closed at 12.05/25 percent, narrowing from 12.00/25 percent the previous close.

A bond maturing in 2027 ended at 12.45/50 percent, unchanged from Friday. (EconomyNext)

Sri Lanka tea exports fall 8-pct in October

Sri Lanka's exports of black tea, its main agricultural product, fell eight percent to 23.3 million kilos in October 2018 from a year ago, brokers said.

Asia Siyaka Commodities said shipments were lower in all three categories, tea in bulk, packets and bags.

Exports of bulk tea were down 12 percent, packets by six percent and tea bags by five percent in October 2018 compared with a year ago, they said in a report. (EconomyNext)

SriLankan Airlines capital injection in 2012 broke budget limit

Sri Lanka debt office managed by the Central Bank had issued 14.2 billion rupees in Treasury Bonds as capital injection to state-run SriLankan Airlines had exceeded a budget allocation in 2012, a commission of inquiry was told.

Central Bank Governor Indrajit Coomaraswamy, testifying at a Presidential Commission of Inquiry on incidents that took place before his appointment in 2016, said that only 10 billion rupees in capital injection was allowed for SriLankan Airlines in the 2012 budget.

The issuance of 14.2 billion rupees in Treasury Bonds would have required further approvals, he said.
The request for the issuance had come to the Central Bank from the Director General of Treasury Operations based on a
directive from the Deputy Treasury Secretary.

Senior Deputy Solicitor General Neil Unamboowe said that the Deputy Treasury Secretary did not have the required approval to order such a transaction.

He questioned how the Deputy Treasury Secretary could request for such an issuance, when the Central Bank could only issue securities on behalf of the Minister of Finance.

Coomaraswamy said that according to the Monetary Law Act No. 58 of 1949 (MLA), which governs the central bank, it should consider requests from the Minister of Finance or a government agency or institution acting on behalf of him.
However, according to the Registered Stocks and Securities Ordinance No. 07 of 1937 (RSSO), which is a more specific law, only the Finance Minister has the power, Unamboowe argued.

Coomaraswamy agreed, but said that from the point of view of the Central Bank and MLA, as long as a responsible senior official from the Treasury made a request, the Central Bank had to honour it.

He said whether the Deputy Treasury Secretary had the delegated power to act in accordance with the RSSO was a problem of the Treasury.

Coomaraswamy said that he has not seen any document that a Finance Minister has issued delegating his power to a Deputy Treasury Secretary.

However, he also said that there may have been reasons for the Deputy Secretary's actions.(EconomyNext)

Asian markets mostly up as eyes turn to Trump-Xi talks

Most Asian markets rose Monday as investors tentatively pick up cheap stocks, with focus on an expected meeting between Donald Trump and Xi Jinping at the weekend that will be watched for signs of a softening in the China-US trade war.

The broad gains came despite more hefty selling in energy firms after another collapse in oil prices on Friday, while the pound was flat against the dollar after European Union leaders approved a Brexit deal but which must be cleared by British MPs who mostly oppose it.

The positive mood comes at the start of a key week that sees a speech by Federal Reserve boss Jerome Powell and the release of the bank's last policy meeting minutes, before culminating in the G20 in Buenos Aires.

While the summit will focus on several global issues, the meeting between Trump and Xi will get the most attention with the economic superpowers engaged in a trade war just as global growth starts to stutter.

But expectations for a deal to end the standoff are low.

"It would seem that President Xi and President Trump have every incentive to come to an agreement on trade issues, even if that agreement does not significantly change the status quo," said JP Morgan Asset Management chief global strategist David Kelly.

"However, perceptions are important on both sides. While some hold out the hope that an agreement in principle will be reached, it seems more likely that an agreement will have to wait for more posturing on both sides."

Stephen Innes, head of Asia-Pacific trade at OANDA, called the meeting "possibly the best and last opportunity for the two leaders to share middle ground".

"The big question is are we going to see Trump the 'deal maker' or Trump the 'trade warrior' who wants China to 'feel more pain'? Keeping in mind that betting against the latter has been a poor bet for traders this year."

- Crude woes -

Still, the week has started on an upbeat note with Hong Kong jumping 1.5 percent and Shanghai 0.4 percent higher, while Tokyo went into the break 0.8 percent higher.

Singapore added 0.6 percent, Seoul and Taipei each jumped more than one percent, and Manila gained 0.6 percent.

However, Wellington and Sydney both declined.

Oil prices edged up slightly but remain well beaten down after Friday's hammering, which saw WTI sink 7.7 percent and Brent more than six percent, putting them at lows not seen for more than a year.

The commodity has plunged by about a third from its four-year highs touched at the start of October owing to a range of issues, including a global slowdown, the trade row, rising supplies, softer-than-expected US sanctions on Iran, a stuttering China and strong dollar.

The retreat comes ahead of a meeting of the Organization of the Petroleum Exporting Countries on December 6.

"At the root of the oil market woes, there is too much supply and too little demand," said Innes. "But much of the near term price recovery will be driven by what happens in G20 in Buenos Aires and at the OPEC summit in Vienna a week later."

The losses in crude prices have battered energy firms over the past two months, and they continued to fall Monday.

Hong Kong-listed PetroChina fell 1.5 percent, while Sinopec was one percent off. Inpex dropped 2.9 percent in Tokyo and Woodside Petroleum sank 2.2 percent in Sydney.

On currency markets, the pound was barely moved against the dollar as British Prime Minister Theresa May faces an uphill struggle pushing through her draft Brexit deal, with MPs on both sides against it.

May has staked her political future on the agreement and failure would likely lead to the toppling of her government, fuelling fresh uncertainty and hitting the sterling.

EU leaders have said the deal is the best possible one Britain could hope for, meaning a rejection of it will more than likely see the country crash out of the bloc.

- Key figures around 0230 GMT -

Tokyo - Nikkei 225: UP 0.8 percent at 21,815.55 (break)

Hong Kong - Hang Seng: UP 1.5 percent at 26,314.63

Shanghai - Composite: UP 0.4 percent at 2,590.89

Pound/dollar: UP at $1.2810 from $1.2805 at 1930 GMT Friday

Euro/dollar: UP at $1.1333 from $1.1331

Dollar/yen: UP at 113.07 yen from 112.85 yen

Oil - West Texas Intermediate: UP 40 cents at $50.82 per barrel

Oil - Brent Crude: UP 67 cents at $59.47 per barrel

New York - Dow Jones: DOWN 0.7 percent at 24,285.95 (close)

London - FTSE 100: DOWN 0.1 percent at 6,952.86 (close) (AFP)

Trump dims hopes of China trade deal with fresh tariff threat on Apple phones

President Donald Trump appears to be shutting the door on a temporary ceasefire in an ongoing tit-for-tat trade war with China just days ahead of an upcoming summit in Argentina.

The President told the Wall Street Journal in an interview published Monday that it was "highly unlikely" he would accept an offer by Chinese leader Xi Jinping aimed at averting Trump's plan to raise tariffs on more than $200 billion of Chinese goods to 25% in January.

He also warned once again he was poised to slap a third round of tariffs on Chinese goods if the two leaders fail to broker an end to the trade rift when they meet later this week in Buenos Aires, Argentina, on the sidelines of the G20 summit.

"If we don't make a deal, then I'm going to put the $267 billion additional on," said Trump in the interview, adding the tariff level could either be 10% or 25%.Trump said in the interview that could include tariffs on Apple products imported from China, including iPhones and laptops. Apple's stock fell 1.5% in after-hours trading, erasing earlier gains from the day.

"Maybe. Maybe. Depends on what the rate is," the president said. "I mean, I can make it 10%, and people could stand that very easily."

The tariffs have drawn complaints from American businesses, who are responsible for paying the import duties. It's also spurred concerns about renewed inflation, just as the Federal Reserve is set to raise interest rates in December.

More than 100 S&P companies have already pre-emptively telegraphed during the third quarter earnings calls the damage further tariffs would impose on the US economy. Multiple companies including Walmart, the country's biggest retailer, have warned that prices on everyday goods like shampoo, detergents and paper goods — such as napkins — will get more expensive for consumers.

In the lead-up to this weekend's leaders meeting, Trump surrogates have continuously warned Beijing negotiators that threats by the President should be taken seriously.

Vice President Mike Pence said earlier this month that Trump wasn't in any rush to end the trade war and was willing to "more than double" the tariffs it has already placed on $250 billion in Chinese goods. The United States "will not change course until China changes its ways," Pence said in his speech at the Asia-Pacific Economic Cooperation summit in Papua New Guinea.

The upcoming meeting is the only imminent opportunity for a direct encounter between Trump and Xi before the January 1 deadline, and investors are eagerly looking for signs for a truce between the two sides.

Speaking on the South Lawn with reporters, Trump hedged bets on any possible deal making with his Chinese counterpart. "It could happen. They have to treat us fairly," he said.

While so far much of the attention on the undo harm of the existing tariffs has fallen on China, political scientists and economists also warn there could be deeper ramifications for American corporations, if the Chinese opt to restrict American investment.

"A lot of the problem for business is uncertainty," said David Dollar, a senior fellow in the John L. Thornton China Center at the Brookings Institution and a former economic and financial emissary to China for the Treasury Department under President Barack Obama. "They can live with whatever policy regime there is whether we are taxing everything from China or not. They just hate the uncertainty." (CNN)