

# NEWS ROUND UP

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## ***EPF to enter Sri Lanka stock market soon, already in secondary bonds market***

Sri Lanka's Employees Provident Fund has returned to the secondary market in government bonds and will enter the stock market shortly, Central Bank Governor Indrajit Coomaraswamy said.

"The EPF has recently started operating in the government bonds secondary market," Governor Coomaraswamy said .

"We are working towards coming to the stock market fairly soon."

The central bank-managed fund left the secondary market bonds amid a so-called bond scam in 2015-2016 where dealers of the EPF was helping Perpetual Treasuries, a primary dealer in Treasuries engaged in pump and dump scams.

Governor Coomaraswamy said investment guidelines had been set and a committee was now meeting.

The stock market is at record lows in terms of valuations at the moment. The EPF also drew criticism for buying stock at high prices from companies like Perpetual Capital during the 2011 bubble. (EconomyNext)

## ***Sri Lanka to start flexible inflation targeting from 1Q 2019***

Sri Lanka is on track to start a modified inflation targeting framework from the first quarter of 2019, with amendments to the country's monetary law to stop deficit financing with printed money.

"We are on track to introduce flexible inflation targeting regime by the end of the first quarter of next year," Central Bank Governor Indrajit Coomaraswamy said.

"We will be putting in place a legal framework which will make it not possible to have fiscal forbearance."

Sri Lanka has had high inflation and currency depreciation due to money printed to keep interest rates low in a bid to finance the budget deficit (fiscal forbearance), but the rupee has also been pushed down due to devaluationist ideology, or a belief that the path to prosperity lies in unsound money.

Sri Lanka's inflation has reduced in recent years, down from the 20 percent levels seen in the 1980s when the rupee depreciated at a much faster rate.

The central bank was making progress in several fronts amid investigations and forensic audits into past activities, Coomaraswamy said.

Under Coomaraswamy public confidence and credibility of the central bank has improved and policy debates are now on civil technical grounds.

Reports by the International Monetary Fund are made public promptly.

Coomaraswamy said Sri Lanka's banks were moving fast on implementing Basel III standards. Banks were 'sound' though there was an uptick on non-performing loans, he said.

Bad loans usually followed periods of steep credit growth. (EconomyNext)

### ***Sri Lanka's RIL Property seeks further diversification***

Sri Lankan commercial real estate developer RIL Property Plc will be further diversifying its investments, a senior official said.

“The company will continue to pursue new market opportunities to stimulate growth, which may not necessarily be focused on the realty business,” Chief Executive Hiroshini Fernando said in the annual report.

The report said that a subsidiary, United Motors Lanka Plc (UML) will also diversify into non-core segments.

This will be a continuation of the strategy RIL has adopted over the past three years.

“We have already brought under our wing a world-famous food chain and a premier automobile marketer, and envision a future of many more additions of premier businesses to our product portfolio,” Fernando said.

RIL Property, which was founded in 2009 and operates two Grade ‘A’ commercial spaces, acquired the franchise of Singapore-based bakery chain BreadTalk in 2015.

The company acquired a 30 percent stake in automobile dealer UML from a related party for 2.4 billion rupees in late 2017 and bought another 21 percent shares through a mandatory offer for 1.7 billion rupees.

The established vehicle dealership was mainly acquired for the land it owns adjacent to RIL’s

flagship PARKLAND property on Park Street.

Meanwhile, the BreadTalk franchise narrowed its net losses to 18.9 million rupees in 2018 from 34.6 million rupees a year earlier.

Revenue from the franchise increased to 402.4 million rupees in 2018 from 367.4 million rupees a year earlier with two more outlets being added in 2018 using some of the money raised in RIL's initial public offering in 2017. This brought the total number of BreadTalk outlets to nine.

However, the centralised production facility for BreadTalk can accommodate 16 outlets, and the under-utilisation of the facility has contributed to the loss in the segment.

BreadTalk's financials also improved as it developed new bakery items 'to cater to a wide range of tastes and pocket' Chairman Sunil Wijesinha said.

Many corporates in Sri Lanka have been following a diversification strategy to mitigate risks from one segment, but some have failed and had to divest or separate their non-core operations.(EconomyNext)

## ***Sri Lanka to enforce minimum hotel room rates with fines***

Almost all hotels in Colombo have sold rooms below the regulated minimum rates and violators will be severely punished going forward, Sri Lanka's Tourism Minister said amid concerns that price floors were making dynamic pricing difficult.

In recent months many hotels have violated the floor prices, Tourism Minister John Amaratunga said.

"An audit has been done, a report has been produced," he said. "All have violated it."

Amaratunga said even the hoteliers backing the minimum room rates have violated the regulation and the government is pushing for answers.

"They are giving various excuses," he said.

The minimum room rates were introduced in 2009 following lobbying by 4-star hoteliers, so that they can compete easily against 5-star rated hotels.

Economic analysts say as a result 4-star hotels are able to compete against 5-star hotels in East Asia, but Sri Lanka's product at the price is not the same. Minimum rates may also contribute to tourists leaving Colombo as fast as possible for new hotspots which offer more activity at competitive rates.

Price controls also make it difficult to dynamically price hotel rooms, especially online, which has become a key feature of Asian tourism over the past decade.

It may also make it more difficult to flatten peak by developing the off-season.

The price floor can benefit the newer hotels by blocking competition from older hotels by forcing them to sell at unrealistic rates, and can also help lower rated hotels win business from higher rated hotels.

The lobby has managed to influence the government on many occasions in the past two years to reverse policy decisions to remove the minimum rates.

Amaratunga had initially supported market forces over the price control.

Shangri-La, an international hotel chain which opened a 5-star Colombo operation in November 2017 is backing the minimum rates, according to the state-run Daily News.

Each violation under the regulations is liable to a fine of 1,000 US dollars and the difference between the minimum price and the rate at which a hotel room was sold.

Amaratunga said past violations will not be fined.

"They (hoteliers) are crying that they're running at a loss," he said. "Of course, no hotelier admits that they're making money."

Most 5-star hotels in Colombo are publicly listed companies, with transparent finances.

When questioned how a regulation can be in place without enforcing the punishment, Amaratunga who is a lawyer by profession, said that the government will sporadically audit hotels and punish violators more severely in the future.

"Now I'm going to implement it," he said. "We will fine them and suspend their liquor license for 6 months."

The 2009 gazette on the minimum room rates expired on 31 March 2018. However, Amaratunga said that the gazette could be renewed and he is still enforcing the minimum rates.

The Prime Minister has been pushing for the private sector to compete in the market. However, minimum rates discourage competition and distort the market.

Amaratunga was questioned on the differences between overall government policy articulated by the Prime Minister and the anti-competitive policy in the tourism sector driven by special

interests.

"That is the debate we are having," Amaratunga said. "We're trying to reach a compromise that is best for the country."

He said that minimum rates shouldn't be removed if that makes hotels run at a loss. However, he said that according to hoteliers who back the minimum rate, tourists stay in Colombo for a very short duration.

M Shanthikumar, a backer of price controls denied that Sri Lanka was losing tourists due to the price floor.

In other regional cities such as Bangkok and Kuala Lumpur hotel prices are lower than in Colombo, and they manage to attract more leisure and business tourists to their cities.(EconomyNext)

## ***Stocks are at record highs***

The longest bull market in American history is still hot. The S&P 500 and Nasdaq just closed at record highs.

But that doesn't mean there aren't risks.

So which sectors should investors focus on, and which should they avoid?

Liz Ann Sonders, chief investment strategist at Charles Schwab, will join CNN's Alison Kosik to talk about it Wednesday on "Markets Now."

Sonders and Kosik will also talk about how to interpret global trade fears, as well as what to expect from the Federal Reserve.

CNNMoney's "Markets Now" streams live from the New York Stock Exchange every Wednesday at 12:45 p.m. ET. Hosted by CNNMoney editor-at-large Richard Quest and others, the 15-minute program features incisive commentary from experts.

You can watch "Markets Now" at [CNNMoney.com/MarketsNow](http://CNNMoney.com/MarketsNow) from your desk or on your phone or tablet. If you can't catch the show live, check out highlights online and through the Markets Now newsletter, delivered to your inbox every afternoon. (CNN)

## ***JPMorgan just made another high-profile artificial intelligence hire***

JPMorgan Chase just made another hire that proves it's serious about artificial intelligence.

Apoorv Saxena, a Google executive in charge of cloud-based AI products, joins the bank later this week as head of artificial intelligence and machine learning services. The role also places him in charge of asset and wealth management artificial intelligence technology, according to an internal memo seen by CNNMoney.

Saxena, who will work in Palo Alto, is the company's second high-profile AI hire in recent months.

The company named Manuela Veloso, who led the machine learning department at Carnegie Mellon University, its first head of artificial intelligence research in May.

The recruiting push comes as Wall Street's biggest players race to deploy AI, which could eventually be used for services from fraud detection to loan approval, while making internal operations more efficient.

JPMorgan has a tech budget of \$10.8 billion for the year, with \$5 billion set aside for new investments.

"We are always exploring ways to offer our clients faster, better and simpler ways to do business with us," Daniel Pinto, JPMorgan's co-president and head of its corporate and investment bank, said in an April letter to shareholders. "The banks that don't invest will lose ground and will have a long, difficult catchup process."

Recruiting talent is part of those efforts, he added.

"Looking five to 10 years out, the pace of technological innovation will only quicken as artificial intelligence, robotics, machine learning, distributed ledgers and big data will all shape our future," Pinto said.

JPMorgan has made clear it's willing to branch out as it examines new digital opportunities.

The company announced last week that it will get into free online stock trading as it attempts to build deeper relationships with the 47 million customers at the bank who use mobile or online banking services. The move sets up JPMorgan to compete with startups like Robinhood and discount brokerages such as Charles Schwab and E\*Trade. (CNN)