

# NEWS ROUND UP

*Friday, November 30th, 2018*

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## ***Sri Lanka rupee ends steady, stocks up 0.19-pct***

The Sri Lanka rupee closed steady at around 179.60/90 rupees against the US dollar in the spot market Thursday, while gilt yields eased and stocks gained 0.19 percent, market participants said.

The currency traded at an intraday low of 179.70 rupees to the US dollar.

The rupee ended Wednesday at around 179.60/90 rupees to the US dollar, strengthening from an intraday low of 180.85 rupees after monetary authorities intervened, market participants said.

Sri Lanka's unprecedented constitutional crisis deepens by the day.

On Thursday, parliament voted to cut spending by the office of the disputed Prime Minister Mahinda Rajapaksa.

A majority of 123 legislators of the 225-assembly backed the move.

Earlier in the week, legislators loyal to President Sirisena announced a boycott of parliament.

It's now more than a month since Sirisena sacked Ranil Wickremesinghe as prime minister and replaced him with Rajapaksa, dissolving parliament and calling for elections in January.

The country's Supreme Court issued an interim injunction against the dissolution of parliament which has since twice passed a no-confidence motion against Rajapaksa.

Seven judges will hear the case against the dissolution of parliament next month.

The court of appeal will hear a case this Friday disputing the legality of Rajapaksa's cabinet.

In equities, Colombo's All Share index gained 0.19 percent, closing 11.54 points higher at 5,992.70, and the S&P SL20 was up 0.34 percent, gaining 10.80 points to 3,159.76.

Market turnover was 745.9 million rupees with 62 stocks gaining and 62 declining.

John Keells Holdings (up 1.10 rupees to 159.10 rupees), Sri Lanka Telecom (up 60 cents to 22 rupees) and Trans Asia Hotels (up 4.40 rupees to 80 rupees) contributed to the benchmark index gain.

Aitken Spence Hotel Holdings closed 2.60 rupees higher at 28.50 rupees.

Net foreign selling was 143.1 million rupees, down from 202 million rupees the previous day.

Foreign selling in John Keells Holdings was 199.1 million rupees according to Asia Securities.

There were two crossings in John Keells Holdings for 194 million rupees, and one each in Lion Brewery for 55.5 million rupees and NDB Bank for 42 million rupees.

Lion Brewery was unchanged at 555 rupees and NDB Bank ended 80 cents lower at 106.50 rupees.

Bond yields edged slightly lower in the secondary market, dealers said.

A five-year bond maturing in 2023 closed at 11.90/12.00 percent, easing from the 12.10/25 percent closing the previous day.

A bond maturing in 2027 ended at 12.25/30 percent, down from 11.26/35 percent.

However, a three-year bond maturing in 2021 ended at 11.80/90 percent, up from Wednesday's closing of 11.75/85 percent. (EconomyNext)

## ***Sri Lanka's Sept exports up 4.4-pct to \$1,055mn***

Sri Lanka's exports grew 4.4 percent in September 2018 to 1,055 million US dollars from a year ago, exceeding a billion dollars for the fourth straight month, but the trade gap widened as import spending rose faster.

The central bank said spending on merchandise imports increased by 6.1 percent to 1,768 million dollars in September 2018 from a year ago mainly due to high expenditure incurred on fuel and personal vehicle imports.

Earnings from industrial exports, which account for 77 percent of the total export earnings, grew by 9.4 percent during September 2018 to 814 million dollars owing to high demand for garments from the USA and Canada, India and Japan although exports to Europe fell.

Earnings from agricultural exports fell by 10.8 percent to 234 million dollars, reflecting poor performance of tea and almost all other categories except seafood, a statement said.

The central bank said that on a cumulative basis, the trade deficit widened to 7.95 billion dollars during the first nine months of 2018 from 6.8 billion dollars the previous year.

In September 2018, spending on fuel imports, categorised under intermediate goods, increased significantly during the month reflecting the combined effect of higher import prices and volumes of crude oil and refined petroleum products.

Under consumer goods, personal motor vehicle imports continued to increase in September 2018 mainly due to higher imports of motor cars with less than 1,500 cylinder capacity (cc).

This partly reflected the impact of increase in vehicle import orders placed before higher tariffs came into effect from 01 August 2018.

Import expenditure on hybrid and electric motor vehicles also increased during the period.

“However, expenditure on personal vehicle imports is expected to decline in the coming months

with policy measures taken by the Government and the Central Bank to curtail vehicle imports,” the central bank said. (EconomyNext)

## ***Sri Lanka’s LAUGFS commissions Bangladesh gas cylinder repair plant***

Sri Lankan liquid petroleum gas (LPG) supplier LAUGFS Gas said it had commissioned a new cylinder repair and refurbishing plant in Bangladesh’s Mongla port where it also plans to expand storage capacity.

LAUGFS Group Managing Director Thilak De Silva said the facility, known as a cylinder requalification plant, was part of its strategy to expand infrastructure in Bangladesh to support market expansion.

“It will enable us to serve the Bangladesh market with the safest LPG cylinders, as part of our firm commitment to safety, quality and reliability,” De Silva said in a statement.

“We see tremendous potential in the Bangladesh LPG market and will continue to invest to strengthen our operations there.”

LAUGFS Gas Bangladesh Limited, a unit of the Sri Lankan group, has an import, bottling and distribution facility in Mongla Port and sells over 60,000 metric tonnes of LPG in the country with annual sales of more than US\$50 million.

It plans to expand storage capacity to 5,000MT, which is due to be commissioned in mid-2019.

Requalification is the repair and refurbishing of used gas cylinders which are subject to wear and tear and sometimes damage owing to rough handling which can affect safety and be costly for the company.

LPG cylinders usually cost more than the gas they contain. (EconomyNext)

## ***Investors eye Fed relief on interest rates***

Oil prices gained Thursday after the US benchmark slid below \$50 a barrel following reports Russia could join a production cut at next month's OPEC meeting.

The gains in petroleum prices came on a mixed day for global stocks as traders worldwide weighed Federal Reserve comments that were widely seen as dovish on monetary policy.

Robust petroleum supply and a weakening global economic outlook have weighed on oil prices

since early October, pushing US benchmark West Texas Intermediate below \$50 a barrel for the first time in more than a year.

But oil prices reversed following reports that Russia could join Saudi Arabia and other producers in cutting output at a December 6 Vienna meeting to defend prices.

Still, analysts view oil prices as vulnerable, with some skeptical that action from OPEC will be substantial enough to boost prices.

"The oil market is clearly not 100 percent convinced that the OPEC+ will cut supplies next week but the pressure is certainly building as prices continue to fall amid ongoing concerns over excessive supply and lower demand growth," Forex.com analyst Fawad Razaqada told AFP.

European stocks finished mostly higher as investors took a speech by Federal Reserve Chairman Jerome Powell to mean the central bank might not raise interest rates much higher, a shift from earlier statements seen as more hawkish.

Fed minutes released Thursday showed the US central bank still expected to hike rates again in December.

But policymakers may be divided over what to do after that, with some worried that raising rates after December could "unduly slow" the American economy, just as signs of vulnerability are beginning to gather, the minutes showed.

US stocks finished modestly lower, ending a three-day winning streak.

Investors meanwhile remained wary ahead of the weekend's crunch trade talks between US President Donald Trump and China counterpart Xi Jinping at the G20 summit in Buenos Aires.

Among individual stocks, Deutsche Bank dropped 3.4 percent after German prosecutors raided several bank offices in Frankfurt over suspicions of money laundering based on revelations from the 2016 "Panama Papers" data leak.

Another big German company, Bayer, shed 0.7 percent following an announcement it will slash 12,000 jobs in a major restructuring following the mammoth takeover of Monsanto, enabling it to save 2.6 billion euros (\$3 billion) a year from 2022.

- Key figures around 2140 GMT -

New York - Dow Jones: DOWN 0.1 percent at 25,338.84 (close)

New York - S&P 500: DOWN 0.2 percent at 2,737.80 (close)

New York - Nasdaq: DOWN 0.3 percent at 7,273.08 (close)

London - FTSE 100: UP 0.5 percent at 7,038.95 (close)

Frankfurt - DAX 30: FLAT at 11,298.23 (close)

Paris - CAC 40: UP 0.5 percent at 5,006.25 (close)

EURO STOXX 50: UP 0.2 percent at 3,174.16 (close)

Tokyo - Nikkei 225: UP 0.4 percent at 22,262.60 (close)

Hong Kong - Hang Seng: DOWN 0.9 percent at 26,451.03 (close)

Shanghai - Composite: DOWN 1.3 percent at 2,567.44 (close)

Pound/dollar: DOWN at \$1.2783 from \$1.2825 at 2200 GMT

Euro/pound: UP at 89.01 pence from 88.63 pence

Euro/dollar: UP at \$1.1387 from \$1.1366

Dollar/yen: DOWN at 113.45 yen from 113.68

Oil - West Texas Intermediate: UP \$1.16 at \$51.45 per barrel

Oil - Brent Crude: UP 75 cents at \$59.51 per barrel. (AFP)

## ***Oil fell below \$50 a barrel for the first time in over a year***

US crude oil briefly fell below \$50 a barrel early Thursday for the first time in more than a year before rebounding on a report that Russia might be willing to cut its output.

Oil's recent slide has shaved more than a third off its price. Crude fell more than 1% Thursday to as low as \$49.41 a barrel. The last time oil closed below \$50 was in October 4, 2017. By mid morning the price had climbed back to above \$51.

Concerns about oversupply have sent oil prices into a virtual freefall: Crude hit a four-year high above \$76 a barrel less than two months ago.

Traders looking for a rebound in the price of oil were hoping that Russian President Vladimir Putin and Saudi Arabian Crown Prince Mohammed bin Salman might reach an agreement about

production cuts when they meet at the G20 meeting this weekend. But Putin said Thursday the current depressed price of oil suits him just fine, dashing hopes of further cuts in production.

But Reuters reported later in the morning that Russia is becoming increasingly convinced that it needs to cut output in tandem with OPEC. That was enough to end the slide and lift prices.

**Still** investors are worried that US production is increasing as economic activity overseas slows. As the price of oil rose earlier this year, US shale oil production surged. The United States passed Saudi Arabia to become the world's largest oil producer.

US gasoline prices have also started to fall. A gallon of gas dropping 30 cents on average over the past month, according to AAA. That's an 11% drop.(CNN)