NEWS ROUND UP

Tuesday, July 31st, 2018

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CSE lacklustre in the wake of JKH data

The first quarter PBT of Sri Lanka's largest conglomerate John Keells Holdings PLC (JKH) dropped by 29 percent compared to the corresponding period last year due to negative performances in the consumer and retail segments, sources said,

JKH being the premier blue chip company has reported Profit Before Tax (PBT) at Rs.2.91 billion in the first quarter of the financial year 2018/19, which is a decrease of 29 percent over the Rs.4.09 billion recorded in the previous financial year.

The group's Profit After Tax has decreased by 26 percent compared to year earlier from Rs. 3 billion to Rs. 2.2 billion for the first quarter of 2018/19.

According to stock market analysts, the Colombo Stock Exchange (CSE) was lacklustre yesterday due to JKH's negative performance,.

During the day both indices indicated downward trends, ie, the All Share Price Index by 23 points and S and P SL20 by 21.01 points. The day's turnover recorded Rs. 169.61 million, one of the lowest day's turnovers during the year and very much below the daily average turnover of Rs. 950 million.

The companies that mainly contributed to the day's turnover were: JKH Rs. 63.8 million (456,026 shares), Sampath Bank Rs. 17.7 million (590,944 shares) and Distilleries Sri Lanka Rs. 15.35 million (748,797 shares) During the day 10.3 million share volumes changed hands in 2629 transactions.

"The market is slowly coming down on blue-chip selling and is back to its support level of 6,100 again, stock market analysts said.

'A downward revision in economic growth estimates earlier this month by the Central Bank has hurt sentiment, analysts said.

Meanwhile, -

ASPI: 6,128.95 (-25.04 pts; -0.41%); Val T/O: Rs. 170mn (US$1.07mn); Vol T/O: 10.3mn; Trades: 2,629

Advance/decline ratio: 72/87; Top gainer: SEMB.X (+50.00%) ; Top loser: AINV.N (-33.33%)

Highlights:

• The ASPI ended lower amid weak turnover levels. JKH, SAMP, and DIST led market turnover with trading in JKH amounting to 38% of total turnover.

• Diversified Holdings was the most actively traded sector (-0.71%)

• Trading was the best performing sector (+0.68%), supported by gains on BRWN.N (+1.67%)

• Services was the worst performing sector (-1.59%), dragged down by declines on KZOO.N (-4.65%) (The Island)

Aberdeen Standard Investments Head of Asian Debt says positive on longer term outlook for SL

Aberdeen Standard Investments, the largest active manager in the UK and second largest in Europe, Head of Asian Sovereign Debt, Fixed Income – Asia Kenneth Akintewe says he remains positive on Sri Lanka's long-term outlook despite politics and upcoming elections. Akintewe's personal views, recapping key findings from a recent visit, has been posted on www.aberdeenstandard.com/en/insights-thinking-aloud/article-page/letter-from-sri-lanka.

The article assesses the current state of the economy and political instability as well as various challenges.

However, Akintwewe says: "Even taking into account the political backdrop and election risks in 2020, we remain positive on the longer term outlook for Sri Lanka, supported by improvements in policy coordination, infrastructure development and strategic geographic advantages."

He also notes that, compared with some of the other frontier and even core bond markets in Asia, Sri Lanka has a relatively liquid market. Foreign ownership is low, having been around only 5% as it is an off-benchmark trade for most investors and one that requires a significant amount of due diligence.

"The local currency market is primarily domestically driven, which gives it a lower correlation and some resilience in the face of some of the external shocks that have hit broader emerging markets," he said.

"At the levels the market has traded at in recent years, an investor has more than adequately been paid to take risk. And therefore, even taking into account some anticipated currency depreciation, Sri Lanka has delivered some of the stronger returns in the region," he added.

He noted that the sequencing of Presidential, General and Parliamentary elections, which are all due around the same time, will have important implications for political outcomes. "Uncertainty is likely to crescendo through 2019 and as a bond investor, we are bracing ourselves for a messy and complicated election cycle ahead. Investors should be mindful of appropriately managing risk during this period, but also be on a lookout for opportunities that elevated uncertainty will likely create," he added. (Daily FT)

Sri Lanka's Kelani Valley Plantations back in profit in June quarter

Sri Lankan regional plantation company Kelani Valley Plantations returned to profit in the June 2018 quarter with net earnings of 14.4 million rupees, interim accounts filed with the stock exchange showed.

The firm, part of the Hayleys group, had made a loss of 8.6 million rupees in the same period a year ago.

June 2018 quarter sales rose two percent to 2.5 billion rupees.

Kelani Valley Plantations had earnings per share of 42 cents in the quarter. The share was last traded at 74 rupees.

The accounts showed both sales and profits from the tea business fell while rubber made a loss compared with a profit a year ago.(EconomyNext)

Sri Lanka's People's Leasing June quarter profits up 25-pct

Profits at Sri Lanka's listed People's Leasing and Finance grew 25.3 percent from a year earlier to 997 million rupees in the June 2018 quarter on improving interest margins, interim accounts showed.

The finance company which is a unit of state-controlled People's Bank reported earnings of 63 cents a share in the quarter, interim accounts filed with the Colombo Stock Exchange showed.

People's Leasing and Finance closed 10 cents lower at 15.20 rupees on Monday.

In the June quarter, interest income increased 16.5 percent from a year earlier to 7.5 billion rupees, and interest expenses grew a slower 5.4 percent to 3.7 billion rupees expanding net interest income by 30 percent to 3.8 billion rupees.

Net earned premiums from an insurance subsidiary increased 16 percent to 1.1 billion rupees.

Bad loans provisioning grew 56 percent to 859 million rupees.

Personnel costs increased 29 percent to 972 rupees, while benefits, claims and underwriting expenses of the insurance subsidiary grew 20.4 percent to 821 million rupees.

Income tax expenses grew 31.5 percent to 388 million rupees.

People's Leasing and Finance's loan book expanded 3.7 percent from the previous March quarter to 148 billion rupees at end June 2018.

Deposits grew 0.4 percent to 69.7 billion rupees in the same period.

Debt securities issued increased 22 percent to 32 billion rupees while bank borrowings declined 12.6 percent to 27.4 billion rupees. (EconomyNext)

Tokyo stocks open lower ahead of BoJ decision

Tokyo stocks opened lower on Tuesday in cautious trade as investors waited for the Bank of Japan's policy decision later in the day.

The benchmark Nikkei 225 index was down 0.40 percent, or 90.66 points, at 22,454.18 in early trade, while the broader Topix index slipped 0.36 percent, or 6.44 points, to 1,761.71.

The dollar fetched 110.94 yen in early Asian trade, against 111.00 yen in New York late Monday.

"Japanese stocks trade today depends on the result of the Bank of Japan policy making meeting," Okasan Online Securities said in a commentary.

Its chief strategist Yoshihiro Ito added that early trade was cautious ahead of the Bank's decision, while bargain hunting for individual shares with brisk earnings reports remained active.

On Wall Street, US tech equities suffered another significant tumble on worries of slowing growth in the influential sector, with the tech-rich Nasdaq Composite Index in New York shedding 1.4 percent while the Dow closed down 0.6 percent.

In Tokyo, Panasonic was up 0.13 percent at 1,434 yen while Sony was down 0.95 percent at 5,809 yen ahead of their April-June earings reports later Tuesday.

Automakers were mixed, with Toyota edging down 0.84 percent to 7,430 yen and Nissan gaining 0.47 percent to 1,060 yen. (AFP)

Deutsche Bank shifts key business away from London. Brexit could spark an exodus

Two years ago, London had a lock on a key financial business called euro clearing. Then came Brexit.

Germany's largest lender confirmed Monday that it has moved "a large part" of its euro clearing activity from London to Frankfurt. The bank declined to specify how much of the activity had moved, but it said a majority would eventually take place in Frankfurt.

"We expect that other banks will follow as well," said Frank Hartmann, a spokesperson at Deutsche Bank(DB). The move was first reported by the Financial Times.

London has long been the primary go-between for buyers and sellers of financial products priced in euros, a business known as euro clearing. The volume flowing through the city has been enormous: About $1.5 trillion is traded daily, or about 75% of all such transactions.

Massive clearing houses have been built in London to facilitate the trade of these products. The largest is London Clearing House, which is controlled by the London Stock Exchange Group (LDNXF).

Although the number of people employed directly by the four clearing houses that handle the majority of transactions only numbers in the hundreds, the supporting financial ecosystem is massive. If banks move euro clearing out of London, or the European Union forces them to relocate that activity following Brexit, the loss of scale would cause the ecosystem to become less efficient.

The European Central Bank has long argued that euro clearing should take place inside the group of 19 countries that use the currency. Britain has never adopted the euro, choosing instead to stick with the pound.

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