

NEWS ROUND UP

Wednesday, 31st July, 2019

Contents

Sri Lanka stocks in correction after rally	2
Sri Lanka rupee ends weaker, bond yields steady.....	2
Sri Lanka's Seylan Bank profits down 11-pct in June quarter	3
Sri Lanka rice prices down with competition	4
European stocks slump, US also lower ahead of Fed decision	5

Sri Lanka stocks in correction after rally

Sri Lanka's stocks fell 0.72 percent on Tuesday, ending a five day rally amid higher volumes, brokers said.

The All Share Price Index (ASPI) closed 43.45 points lower at 5,951.75 amid high volatility, reaching a daily high of 6,045.29 in the first half hour of trading and then falling to an intra-day low of 5,930.17 over the next hour.

The benchmark index had closed at a 6-month high of 5,995.20 on Monday after gaining 335.43 points in five straight days.

The more liquid S&P SL20 Index closed 0.85 percent or 25.83 points lower at 3,024.99 on Tuesday.

Market turnover was 2.2 billion rupees, with 55 stocks gaining and 126 falling.

Strong rallies are usually followed by corrections. In the early days of the rally, volumes were thin, more selling came in the last two days, brokers said.

Punters of margin were also sitting on profits and were willing to sell, brokers said. When the market turns, those on margin were also likely to sell.

Sri Lanka's economy is recovering from a currency collapse in 2018 and the central bank has also used its coercive power to enforce controversial deposit rate cuts, making stocks an alternative option especially for people who are not poor unlike small bank depositors, analysts have said.

There was heavy foreign participation with net inflows of 274 million rupees into the market.

There were crossings (negotiated deals) worth 283 million rupees in John Keells Holdings, 135 million rupees in Melstacorp.

Sri Lanka's largest beer producer, Lion Brewery Ceylon, contributed most to the ASPI fall, closing 49.50 rupees down at 550.50 rupees a share.

Sri Lanka Telecom closed 1.70 rupees down at 29.60 rupees a share, while Commercial Bank closed 2.10 rupees down at 111 rupees a share and Sampath Bank closed 4.10 rupees down at 175.50 rupees a share, also pushing the ASPI down. (EconomyNext)

Sri Lanka rupee ends weaker, bond yields steady

Sri Lanka's rupee closed weaker at 176.28/35 against the US dollar on Tuesday while bond yields were steady, dealers said.

The rupee closed at 176.15/25 against the greenback on Monday.

Liquidity in the overnight money market was 50.60 billion rupees, up from 45.20 billion rupees previous day.

The central bank mopped up 26.91 billion rupees through an overnight repo auction at 7.67 percent.

Sri Lanka's debt office will be offering 22 billion rupees in bills at an auction on Wednesday.

In the secondary bond market, yields were steady in moderate trading, dealers said.

Dealers said activity centered on 2021 maturities ahead of the weekly bills auction.

A bond maturing on 15.10.2021 closed at 8.76/83 percent on Tuesday, down from 8.82/87 percent on Monday.

A bond maturing on 15.03.2023 closed at 9.45/48 percent, steady from 9.45/50 percent.

A bond maturing on 05.06.2024 closed at 9.78/81 percent, easing from 9.80/82 percent.

A bond maturing on 01.08.2026 closed at 9.90/95 percent, stable from 9.90/96 percent.

A bond maturing on 15.01.2027 closed at 9.94/98 percent, gaining from 9.93/98 percent.

A 10-year bond maturing on 01.05.2029 closed at 10.00/10.05 percent, stable from 10.00/10.03 percent. (EconomyNext)

Sri Lanka's Seylan Bank profits down 11-pct in June quarter

Profits at Sri Lanka's Seylan Bank Plc group fell 11.3 percent from a year earlier to 547 million rupees in the June 2018 quarter amid flat net interest income, higher taxes and continuing loan loss provisions, interim accounts showed.

The group reported earnings of 1.71 rupees per share for the quarter. In the six months to June the group reported earnings 3.88 rupees per share on total profits of 1.46 billion rupees which was down 1.45 percent.

The stock closed at 74.90 rupees, up 30 cents on Tuesday.

Group interest income grew 16.3 percent to 13.75 billion rupees, interest expenses grew at a faster 25.9 billion rupees and net interest income was flat at 4.4 billion rupees.

Loans at Seylan grew 5.2 percent to 343 billion rupees from December to June. Loan loss provisions were down 8.6 percent to 1.13 billion rupees.

At standalone bank level gross non-performing loan ratio grew to 6.49 percent in June from 5.98 percent in December.

There was a 209 million rupee, debt repayment levy.

Deposits grew 4.8 percent to 374 billion rupees from June to December. Seylan said there was a shift towards higher yielding fixed deposits and the current and savings (CASA) deposit ratio was 27.9 percent.

Group gross assets grew 3.23 percent to 484 billion rupees from December to June 2019. Net assets grew 7.59 percent to 38.5 billion rupees.(EconomyNext)

Sri Lanka rice prices down with competition

Sri Lanka's rice prices have fallen, partly helped by greater competition from revived smaller mills that were going out of business, Economic and Public Distribution Minister Harsha de Silva said.

"The selling price of popular varieties of rice like Samba have fallen from 108 a kilogram to about 95 rupees now," de Silva said.

"While it is newsworthy when food prices go up, not much attention is paid when prices go down."

De Silva said his ministry had helped revive mills that were closing down and provided competition to an oligopoly that was setting prices.

He said about 300 small rice millers were now supplying rice under a brand called 'Shakthi' which was under Sri Lanka standards.

"Though the market share is small, the intervention has helped keep prices stable," he said.

He said farmers were given prices of about 39 to 41 rupees per kilogram, and now about 41 to 43 rupees a kilogram.

De Silva said the bagged rice complied with Sri Lanka Standards. Each bag also had QR code a batch number, date and co-operative and the miller which was traceable.

"This is a paradigm shift," he said.

The rice was available and Sathosa and key super markets.

"We cannot keep up with demand," de Silva said. "We sell at Keells, we have orders from Cargills, Softlogic."

The brand had only 1 percent of the market, but had a impact beyond its size. He said state run Paddy Marketing Board also had 6 to 7 percent of the market.

Talks were underway whether to raise guaranteed price.(EconomyNext)

European stocks slump, US also lower ahead of Fed decision

European stock markets slumped on Tuesday on lackluster earnings and economic data, while Wall Street edged lower ahead of a key Federal Reserve decision.

Adding to the angst were comments from US President Donald Trump accusing China of going back on commitments as trade talks resumed in Shanghai.

Frankfurt's benchmark DAX 30 index tumbled by more than two percent, with German airline Lufthansa slumping after weak profits and Bayer dropping on worries about mounting litigation at the company's Monsanto business over weed killer Roundup.

Paris was hurt by figures showing France's economy grew by less than expected in the second quarter.

London stocks also pulled back but outperformed eurozone markets as the weak pound lifted British-based multinationals who sell their goods abroad.

The British pound continued its slide to fresh two-year lows as more investors were betting on a no-deal Brexit, with newly-installed Prime Minister Boris Johnson's government taking shape.

"No one, probably including Boris himself, knows how close he will drive the UK car towards the 31 October cliff edge before applying the brakes -- or, indeed, whether he would stop," said a note from Eurasia Group.

Uncertainty about Brexit and the US-China trade talks add to the factors that the Fed was weighing as it began a two-day monetary policy meeting. The central bank is expected to cut interest rates on Wednesday but investors are not sure how big the cut will be.

- Consumers stay strong -

US consumer confidence in July rebounded strongly as survey respondents reported robust labor and business conditions and increased optimism, according to the Conference Board.

The report coincided with Commerce Department data showing a fifth consecutive monthly increase in personal income, suggesting retail spending should be healthy in the summer.

But analysts said the consumer data and other recent solid figures could complicate the Fed's course.

The better economic data means "the uncertainty surrounding the central bank's future policies has increased," said Gorilla Trades strategist Ken Berman.

Among individual companies, Procter & Gamble led the Dow's gainers, jumping 3.8 percent as it reported that quarterly sales rose 3.6 percent to \$17.1 billion, which was better than expected.

The consumer products giant still reported a \$5.2 billion quarterly loss following an \$8 billion accounting hit on the lower value of the Gillette shaving business.

Pfizer plunged 6.4 percent as its deal announced Monday to merge its off-patent business with Mylan drew negative reviews.

A note on Pfizer from UBS said there was "not much to be excited about" in the deal, while both Morgan Stanley and Bank of America downgraded Pfizer. Mylan gained 3.1 percent.

In after-hours trading, Apple shares rose 2.9 percent after the technology giant reported a 13 percent decline in quarterly profit to \$10 billion, but topped analyst expectations due to higher revenues from digital content and services.

- Key figures around 2040 GMT -

New York - Dow: DOWN 0.1 percent at 27,198.02 (close)

New York - S&P 500: DOWN 0.3 percent at 3,013.18 (close)

New York - Nasdaq: DOWN 0.2 percent at 8,273.61 (close)

London - FTSE 100: DOWN 0.5 percent at 7,646.77 (close)

Frankfurt - DAX 30: DOWN 2.2 percent at 12,147.24 (close)

Paris - CAC 40: DOWN 1.6 percent at 5,511.07 (close)

EURO STOXX 50: DOWN 1.7 percent at 3,462.85 (close)

Tokyo - Nikkei 225: UP 0.4 percent at 21,709.31 (close)

Hong Kong - Hang Seng: UP 0.1 percent at 28,146.50 (close)

Shanghai - Composite: UP 0.4 percent at 2,952.34 (close)

Pound/dollar: DOWN at \$1.2151 from \$1.2219 at 2100 GMT

Euro/pound: UP at 91.79 pence from 91.21

Euro/dollar: UP at \$1.1154 from \$1.1145

Dollar/yen: DOWN at 108.59 yen from 108.78

Brent North Sea crude: UP 1.6 percent at \$64.72 per barrel

West Texas Intermediate: UP 2.1 percent at \$58.05 per barrel.(AFP)