

## Retailers back in the game at CSE

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The May 31 policy interest rate cut by the Central Bank and the caps on bank deposits have pretty much moved Colombo's retail activity considerably with analysts hinting that the Colombo Stock Exchange's (CSE) rebound has begun.

They say that since July 1 retail activity has been augmented considerably and CSE's main All Share Index (ASI) was up by 300 points in the past two months with the daily turnover touching Rs. 500 million.

Some analysts told the Business Times that the release of second quarter corporate results over the next few weeks and signs of a fast recovery in tourism after Easter Sunday's

suicide attacks will further improve the optimistic investor sentiment.

The Treasury's recent announcement on the mini-stimulus programme of Rs.40 billion towards increasing public sector salaries and pensions coupled with the Japanese-funded US \$2.2 billion light railway transit (LRT) project to relieve the traffic congestion in Colombo and suburbs have also bolstered CSE sentiment, according to analysts.

"The heavy decline in interest rates is expected to lower finance costs, thereby improving earnings of most listed entities towards 4Q2019. Lower fixed income returns has already got investors eyeing the CSE for higher returns," an analyst told *the Business Times*.

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Another analyst agreed noting that there will be an improvement in demand for stocks in the market. He noted that the currency is stable, foreign reserves are good and that the country has a balance of trade that is positive. "We also see inflows coming in. These are aid to rebuild that was destroyed in the Easter Sunday attacks

which will help increase in money supply," he added. The impending election-related costs, including for campaigns, polls management, and development, and current spending, are likely to add plenty of money into the economy which in turn will infuse the CSE with some positive retailer sentiment which it desperately needs, he said.