

# Rupee ends weaker on foreign outflows

**REUTERS:** The Sri Lankan rupee ended weaker on Tuesday amid pressure on the currency due to foreign outflows from bonds and stocks as uncertainty from a lingering political crisis weighed on sentiment.

The rupee ended at 180.10/30 per dollar, compared with 179.90/180.00 in the previous session.

The Colombo stock index ended up 0.33% at 6,047.48 on Tuesday. Turnover was Rs. 979.2 million, more than this year's daily average of Rs. 822.3 million.

The political crisis was expected to ease after President Maithripala Sirisena

reinstated Ranil Wickremesinghe, whom he ousted in October and plunged the country into a 51-day crisis.

Political paralysis remained the main concern for investors since Sirisena abruptly sacked Wickremesinghe and replaced him with Mahinda Rajapaksa, who failed to win a parliamentary majority and resigned on Saturday as a Government shutdown loomed.

Wickremesinghe was sworn in as Sri Lanka's Prime Minister on Sunday, making a remarkable comeback weeks after being ousted by President Sirisena under contro-

versial circumstances. The Sri Lankan rupee strengthened in early trade on Monday, while bond yields dropped as a seven-week political crisis appeared to ebb, but investors took a cautious stance to observe whether Sirisena and Wickremesinghe could work well together.

Foreigners were net sellers of a net Rs. 785 million (\$4.37 million) worth of stocks on Tuesday. They have been net sellers of Rs. 11.4 billion since the political crisis began on 26 October. The bond market saw outflows of about Rs. 56 billion between 25 October and 14 December, Central

Bank data showed. Credit rating agencies Fitch and S&P downgraded Sri Lanka's sovereign rating early December, citing refinancing risks and an uncertain policy outlook, after Sirisena's sacking of his Prime Minister in October triggered the political crisis.

This year, there have been Rs. 20.8 billion of outflows from stocks and Rs. 148.2 billion from Government securities, the latest data from the Bourse and Central Bank showed.

The rupee hit a record low of 180.85 to the dollar on 28 November. It has weakened about 3.8% since the political

crisis began. The currency dropped 1.8% in November, and has lost 17.1% this year.

Moody's downgraded Sri Lanka on 20 November for the first time since it started rating the country in 2010, blaming the political turmoil for aggravating its already problematic finances.

Five-year Government bond yields have risen 50 basis points since the political crisis began, while yields on Sri Lanka's dollar bonds due in 2022, which have risen around a percentage point to 8.0% through Friday, fell 0.4% to 7.6% on Tuesday.