

LKR Strength and US Fed's Revised Policy Stance Fail to Revive ASPI ...LKR Recovers 2.5% Over Jan

ASPI ^ 0.06% | S&P SL20 ^ 0.86%

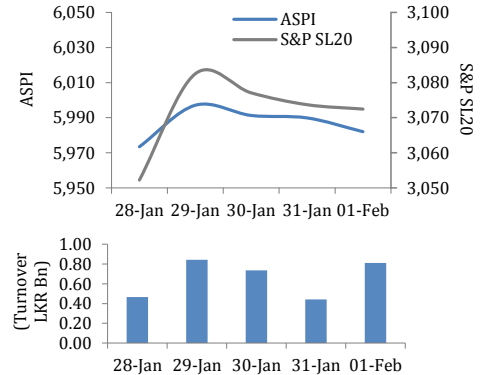
The Bourse ended the week... *Cont. P2*

Foreign investors closed the week... *Cont. P3*

Equity markets remained largely flat *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (28th Jan – 01st Feb)



KEY STATISTICS

Week ending	01-Feb	25-Jan	+/-
ASPI	5,982.05	5,978.30	0.06%
S&P SL20	3,072.46	3,046.23	0.86%
Banking & Finance	16,354.97	16,190.54	1.02%
Food & Beverage	24,199.73	24,314.24	-0.47%
Diversified	1,537.05	1,541.23	-0.27%
Hotel & Travel	2,658.74	2,667.73	-0.34%
Plantations	786.85	820.43	-4.09%
Manufacturing	2,854.78	2,843.16	0.41%
Turnover (LKR Bn)	3.30	2.39	38.02%
Foreign Buying (LKR Mn)	1,072.08	1,430.25	-25.04%
Foreign Selling (LKR Mn)	1,486.82	1,149.85	29.31%
Daily Average Turnover (LKR Bn)	0.66	0.48	38.02%
Daily Average Foreign Buying (LKR Mn)	214.42	286.05	-25.04%
Daily Average Foreign Selling (LKR Mn)	297.36	229.97	29.31%

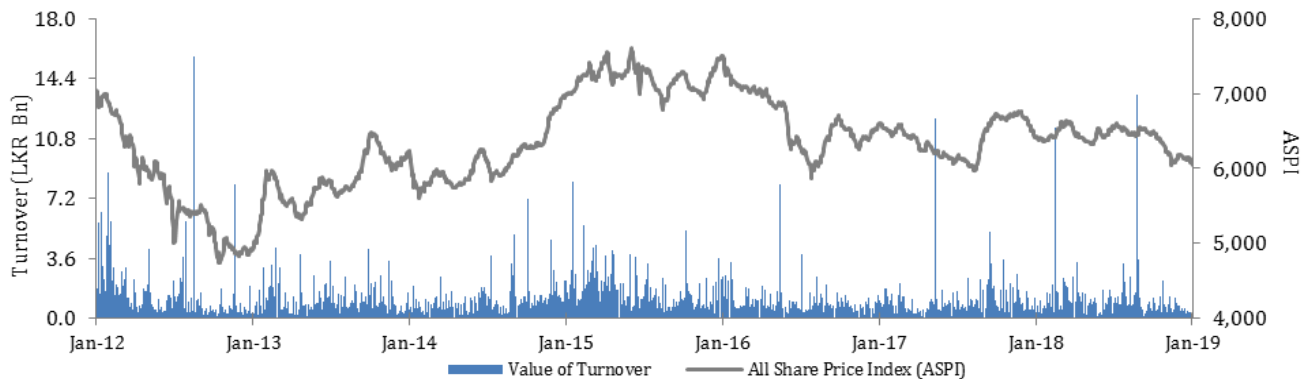
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
BLUE DIAMONDS[NV]	BLUEX	0.2	0.3	50.0%
S M B LEASING	SEMBN	0.4	0.5	25.0%
MTD WALKERS	KAPIN	15.4	18.8	22.1%
NATION LANKA	CSF N	0.6	0.7	16.7%
RENUKA HOLDINGS[NV]	RHL X	12.6	14.7	16.7%
ORIENT FINANCE	ORINN	14.0	16.2	15.7%
RENUKA FOODS[NV]	COCOX	11.9	13.4	12.6%
PRINTCARE PLC	CAREN	30.0	33.7	12.3%
THE FINANCE CO.[NV]	TFC X	0.9	1.0	11.1%
PRIME FINANCE	GSF N	17.7	19.6	10.7%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
BLUE DIAMONDS	BLUEN	0.6	0.5	-16.7%
KELSEY	KDL N	31.9	28.0	-12.2%
BALANGODA	BALAN	17.2	15.1	-12.2%
LANKA IOC	LIOC N	23.0	20.3	-11.7%
ARPICO	ARPIN	182.0	163.2	-10.3%
HATTON	HPL N	7.8	7.0	-10.3%
UDAPUSSELLAWA	UDPL	31.9	28.7	-10.0%
THE FINANCE CO.	TFC N	2.0	1.8	-10.0%
RAMBODA FALLS	RFL N	19.8	17.9	-9.6%
HAPUGASTENNE	HAPUN	20.4	18.5	-9.3%

Market Review



Indices |

The Bourse ended the week on a positive note this week as the ASPI increased by 3.75 points (or +0.06%) to close at 5,982.05 points, while the S&P SL20 Index also increased by 26.23 points (or +0.86%) to close at 3,072.46 points.

Turnover & Market Capitalization |

Central Finance was the highest contributor to the week's turnover value, contributing LKR 0.78Bn or 23.65% of total turnover value. Ceylinco Insurance followed suit, accounting for 14.55% of turnover (value of LKR 0.48Bn) while JKH contributed LKR 0.41Bn to account for 12.49% of the week's turnover. Total turnover value amounted to LKR 3.30Bn (cf. last week's value of LKR 2.39Bn), while daily average turnover value amounted to LKR 0.66Bn (+38.02% W-o-W) compared to last week's average of LKR 0.48Bn. Market capitalization meanwhile, decreased by 0.32% W-o-W (or LKR 8.97Bn) to LKR 2,795.73Bn cf. LKR 2,804.70Bn last week.

Liquidity (in Value Terms) |

The Banks, Finance & Insurance sector was the highest contributor to the week's total turnover value, accounting for 54.04% (or LKR 1.78Bn) of market turnover. Sector turnover was driven primarily by Central Finance, Ceylinco Insurance, Commercial Bank & Sampath Bank which accounted for 91.78% of the sector's total turnover. The Diversified sector meanwhile accounted for 18.65% (or LKR 0.61Bn) of the total turnover value, with turnover driven primarily by JKH & Browns Investments which accounted for 95.88% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 14.07% (or LKR 0.46) of the total turnover, where sector turnover was primarily driven by Ceylon Tobacco & Cold Stores which accounted for 90.09% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 63.24% (or 103.37Mn shares) of total volume, with a value contribution of LKR 0.61Bn. The Banks, Finance & Insurance sector followed suit, adding 11.63% to total turnover volume as 19.01Mn shares were exchanged. The sector's volume accounted for LKR 1.78Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 12.88Mn shares (or 7.88%), amounting to LKR 0.12Bn.

Top Gainers & Losers |

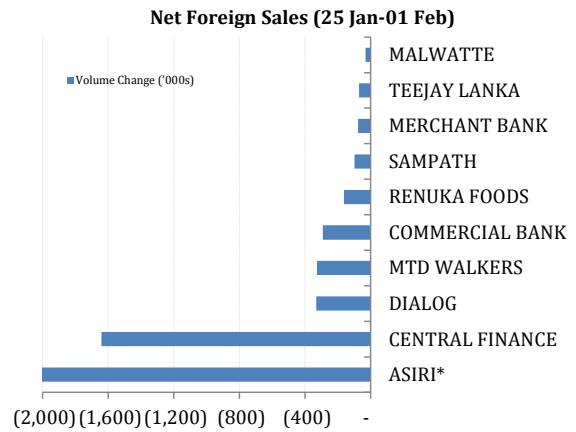
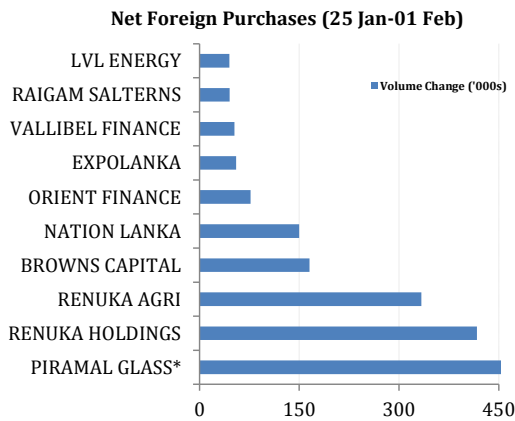
Blue Diamonds[NV] was the week's highest price gainer; increasing 50.0% W-o-W from LKR0.20to LKR0.30 while SMB Leasing(+25.0% W-o-W), MTD Walkers (+22.1% W-o-W) and Nation Lanka (+16.7% W-o-W) were also amongst the top gainers.

Blue Diamonds were the week's highest price loser; declining 16.7% W-o-W to close at LKR0.50 while Kelsey Developments(-12.2% W-o-W), Balangoda Plantations (-12.2% W-o-W) and Lanka IOC(-11.7% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
CENTRAL FINANCE	CFINN	89.9	95.0	779.49
CEYLINCO INS.	CINSN	1920.0	1999.0	479.63
JKH	JKH N	154.5	156.0	411.83
CEYLON TOBACCO	CTC N	1430.0	1430.0	357.11
COMMERCIAL BANK	COMBN	113.5	114.0	253.76
BROWNS INVSTMNTS	BIL N	1.8	1.9	177.53
SAMPATH	SAMPN	230.0	238.0	122.17
ASIRI	AAICN	22.0	22.0	85.69
MTD WALKERS	KAPIN	15.4	18.8	75.36
COLD STORES	CCS N	683.3	620.0	60.90

Market Review (Cont'd)



*Volume change of Piramal Glass (10.1Mn Shares) & Asiri Hospitals(3.8Mn Shares) from 25th Jan – 01st Feb not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.41Bn relative to last week's total net inflow of LKR 0.28Bn (-247.9% W-o-W). Total foreign purchases decreased by 25.0% W-o-W to LKR 1.07Bn from last week's value of LKR 1.43Bn, while total foreign sales amounted to LKR 1.49Bn relative to LKR 1.15Bn recorded last week (+29.3% W-o-W). In terms of volume, Piramal Glass & Renuka Holdings led foreign purchases while Asiri Hospitals & Central Finance led foreign sales. In terms of value, Piramal Glass & Lion Brewery led foreign purchases while Central Finance & Asiri Hospitals led foreign sales.

Net Foreign Purchases (By Transaction Value)

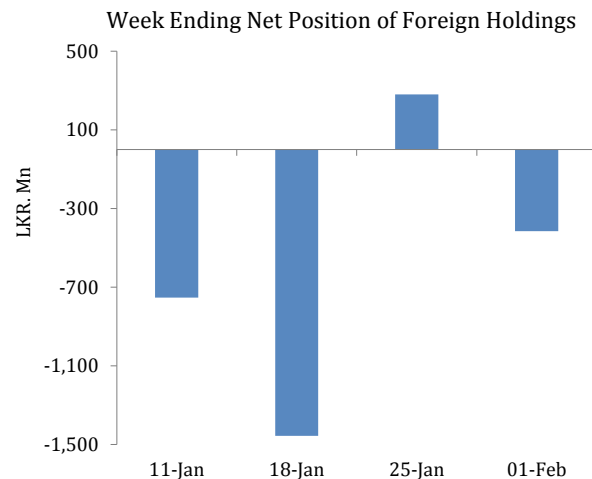
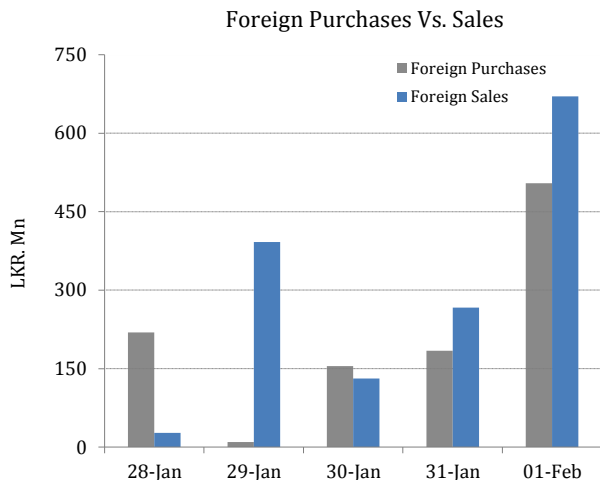
Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	01/02/19	25/01/19		
PIRAMAL GLASS	64.00%	62.94%	10,059,905	38.23
LION BREWERY	37.16%	37.12%	25,000	14.85
RENUKA HOLDINGS	11.77%	11.30%	417,341	7.93
CEYLINCO INS.[X.0000]	54.64%	54.56%	5,000	4.60
VALLIBEL FINANCE	2.68%	2.59%	52,425	3.64
COLD STORES	10.66%	10.65%	4,462	2.77
HUNTERS	87.97%	87.90%	4,000	1.60
CARGILLS	7.23%	7.23%	7,000	1.40
CHEVRON	22.21%	22.20%	17,500	1.28
ORIENT FINANCE	0.10%	0.05%	76,625	1.24

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	01/02/19	25/01/19		
CENTRAL FINANCE	15.47%	16.22%	(1,639,749)	(155.78)
ASIRI	37.18%	37.51%	(3,800,000)	(83.60)
COMMERCIAL BANK	32.79%	32.82%	(290,913)	(33.16)
SAMPATH	22.76%	22.80%	(97,975)	(23.32)
MTD WALKERS	91.57%	91.77%	(325,722)	(6.12)
DIALOG	94.04%	94.04%	(330,235)	(3.34)
RENUKA FOODS	25.24%	25.37%	(161,871)	(2.72)
TEEJAY LANKA	46.59%	46.60%	(69,590)	(2.41)
RICH PIERIS EXP	0.77%	0.86%	(10,499)	(2.39)
NESTLE	95.46%	95.46%	(1,003)	(1.73)

Note: *Value based on closing price and not on actual traded price

Please note that the foreign shares data displayed above include private transfers done outside of the market.



Announcements for the Week

Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
B P P L HOLDINGS	0.24	Second Interim	07-02-2018
JOHN KEELLS HOLDINGS	2.00	Second Interim	12-02-2018
VALLIBEL POWER ERATHNA	0.40	Interim	13-02-2018

Point of View

Equity markets remained largely flat this week, gaining just 3.8 index points as it skirted around the 6000-mark for most of the week. Markets gathered some momentum early in the week, gaining ~24 points and closing just 3-points shy of the key 6000-mark on Tuesday. However, the early momentum was lost over the remainder of the week, and the benchmark Index lost ~15 points over the rest of the week to pare down the gains and push the Index down to 5982.05 points by Friday. Equity markets failed to be revived either by the US Fed's sudden pivot in its monetary policy stance (towards a more dovish stance) or by the strong recovery in the LKR which gained 1.9% over the week due to inward remittances and renewed foreign buying of short term Government bills. The return of Local HNI and Institutional investors to the market this week however, revived market activity levels to some extent, and daily average turnover levels rose 38% W-o-W to average Rs. 0.66Bn (from Rs. 0.48Bn last week). Crossings for the week consequently rose to ~55% of total turnover, up from last week when Local HNI and institutional investors accounted for just 25% of total market activity. Meanwhile, despite the renewed buying interest by foreigners in domestic T-bills, foreign investors continued their equity-sell off on Sri Lankan stocks, selling down Rs.1.5Bn over the week to bring the net foreign selling position on the Colombo Bourse to Rs. 0.41Bn. With the exception of last week (when it invested Rs. 0.28Bn in domestic equity markets), so far this year foreign investors have been net sellers to the tune of Rs. 2.49Bn (net selling for FY 2018 was Rs.23.2Bn) helping push the loss on the ASPI over Jan'19 down to 1.2%. Markets in the week ahead are likely to take cues from corporate earnings to be released over the week.

LKR Recovers 1.9% Over Week & 2.5% Over Jan

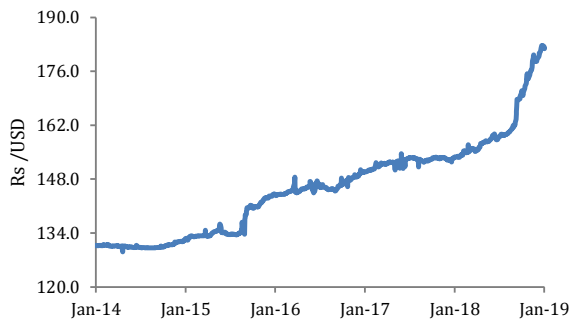
The LKR strengthened notably this week, gaining 1.9% against the USD (to close at an average of 178.27) as inward remittances and foreign investor purchases of Government securities helped prop its value. Foreign buying of local G-Secs resumed for the first time in a year last week, and this momentum continued this week too as global investor appetite for risky EM/FM assets revived further amid the US Fed's shift in its policy stance. In a notable pivot from its previously hawkish stance, the US Fed on Wednesday signalled that it may temporarily pause raising interest rates and be more flexible in reducing its bond holdings as the outlook for the U.S. economy has suddenly dulled due to global and domestic (ongoing impasse over trade and government budget negotiations) headwinds. Appetite for EM/FM assets (such as Sri Lankan G-secs) consequently improved, and foreign holdings of Sri Lankan short-term bills rose to Rs. 151Bn (from Rs 150Bn last week and Rs. 145Bn the week prior). The renewed appetite for risky assets globally along with the recovery/stabilization of investor confidence in Sri Lanka after it repaid a \$1Bn sovereign bond in mid-January has helped the LKR so far this year and the LKR appreciated 2.5% against the USD over the month of January. Although the majority (~75%) of the gains came from this week's recovery in the LKR, the LKR has been edging up gradually over January, gaining on average 0.2% per week over the last 3 weeks. Concerns over the country's heavy debt repayments this year (\$5.9Bn due in 2019) and last year's political turmoil and have caused investors to adopt a cautious stance, but the mid-January repayment of a \$1Bn sovereign bond helped stabilize (to some extent) the sentiment of investors who have been watching closely for cues on the GoSLs borrowing and repayments.

Economic Snapshot

	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18
Interest Rates								
Prime Lending Rate	11.34	11.20	11.41	11.65	11.72	12.34	12.12	11.94
Ave. Wtd. Deposit Rates	8.91	8.92	8.64	8.66	8.69	8.73	8.77	8.81
Ave. Wtd. Fixed Dep. Rates	11.23	11.26	10.82	10.81	10.84	10.78	10.81	10.85
CCPI Inflation Y-o-Y % (Base 2013)	4.0	4.4	5.4	5.9	4.3	3.1	3.3	2.8
GDP Growth (Base 2010)								
	2012	2013	2014	2015	2016	2017	Q3'18	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	2.9%	

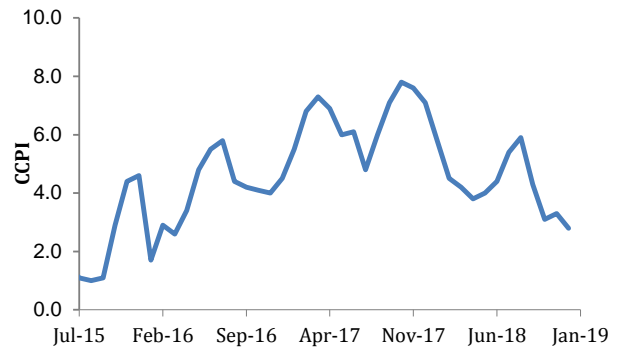
Source Central Bank

Exchange Rate, Rs. vs. US\$



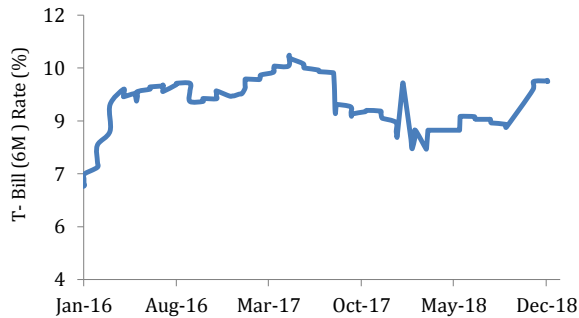
Source: Central Bank

Inflation (CCPI-N) YoY%



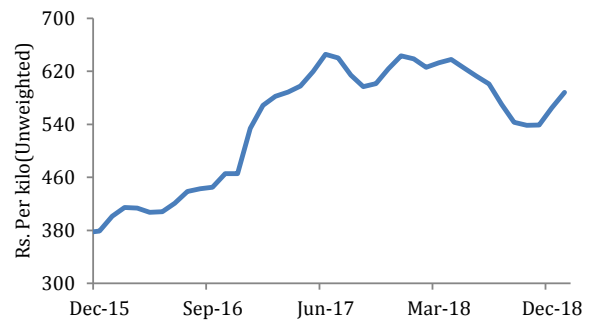
Source: Central Bank

6 Month T-Bill Yield



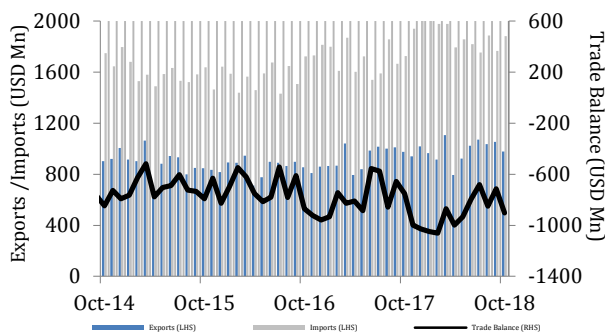
Source: Central Bank

Tea Prices



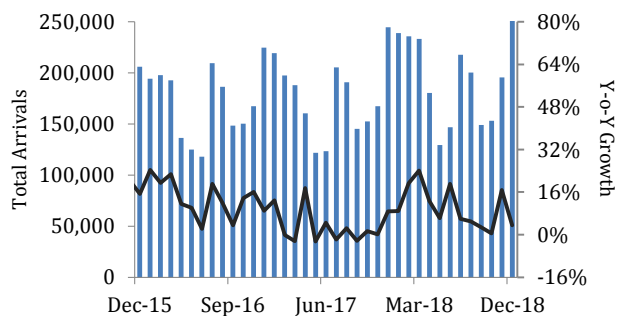
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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