

ASPI Hits 2-Month High Amid Higher Volatility... LKR Falls as Foreign Sell-Off of Assets Increases...

ASPI \uparrow 4.46% | S&P SL20 \uparrow 7.04%

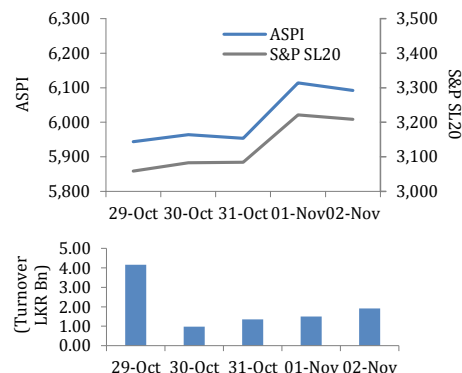
The Bourse ended the week... *Cont. P2*

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

Equity market volatility *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (29th Oct – 02nd Nov)



KEY STATISTICS

Week ending	02-Nov	26-Oct	+/-
ASPI	6,092.21	5,831.96	4.46%
S&P SL20	3,208.43	2,997.33	7.04%
Banking & Finance	16,242.78	15,368.05	5.69%
Food & Beverage	24,368.96	24,096.79	1.13%
Diversified	1,591.90	1,482.33	7.39%
Hotel & Travel	2,677.50	2,642.53	1.32%
Plantations	749.11	725.44	3.26%
Manufacturing	2,963.05	2,742.56	8.04%
Turnover (LKR Bn)	9.92	3.15	215.37%
Foreign Buying (LKR Mn)	2,656.24	1,959.06	35.59%
Foreign Selling (LKR Mn)	6,519.96	2,403.48	171.27%
Daily Average Turnover (LKR Bn)	1.98	0.79	152.29%
Daily Average Foreign Buying (LKR Mn)	531.25	489.76	8.47%
Daily Average Foreign Selling (LKR Mn)	1,303.99	600.87	117.02%

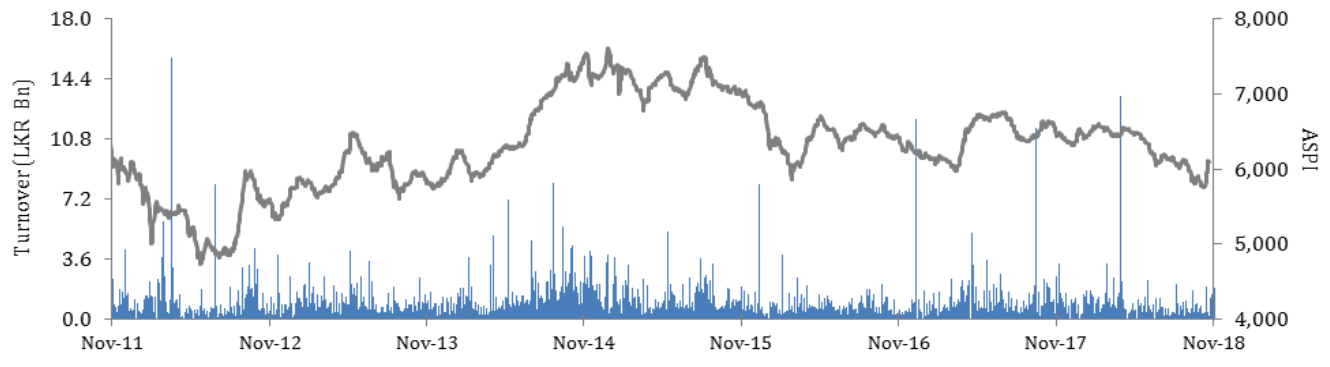
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
MTD WALKERS	KAPIN	8.0	12.9	61.3%
BLUE DIAMONDS[NV]	BLUEX	0.2	0.3	50.0%
AMANA LIFE	ATLLN	9.0	12.9	43.3%
SERENDIB HOTELS[NV]	SHOTX	11.2	15.1	34.8%
ADAM CAPITAL	PCHHN	0.3	0.4	33.3%
RENUKA FOODS[NV]	COCOX	8.0	10.3	28.8%
LUCKY LANKA[NV]	LLMPX	0.7	0.9	28.6%
LANKEM CEYLON	LCEYN	24.7	30.8	24.7%
ACCESS ENG SL	AEL N	13.8	17.1	23.9%
HUNAS FALLS	HUNAN	62.0	76.8	23.9%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
KELSEY	KDL N	35.0	29.5	-15.7%
UDAPUSSELLAWA	UDPL	35.0	29.6	-15.4%
MERC. SHIPPING	MSL N	70.0	61.2	-12.6%
TALAWAKELLE	TPL N	49.0	44.6	-9.0%
C.W.MACKIE	CWM N	46.0	43.1	-6.3%
HOTEL SIGIRIYA	HSIGN	52.0	49.0	-5.8%
LANKA IOC	LIOCN	27.3	26.4	-3.3%
MULTI FINANCE	MFL N	12.2	11.8	-3.3%
KEELLS FOOD	KFP N	130.0	126.5	-2.7%
DILMAH CEYLON	CTEAN	582.4	567.0	-2.6%

Market Review



Indices |

The Bourse turned around to end the week on a positive note as the ASPI increased by 260.25 points (or +4.46%) to close at 6,092.21 points, while the S&P SL20 Index also increased by 211.10 points (or +7.04%) to close at 3,208.43 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 4.19Bn or 42.20% of total turnover value. HNB followed suit, accounting for 12.50% of turnover (value of LKR 1.24Bn) while Commercial Bank contributed LKR 0.57Bn to account for 5.74% of the week's turnover. Total turnover value amounted to LKR 9.92Bn (cf. last week's value of LKR 3.15Bn), while daily average turnover value amounted to LKR 1.98 (+152.29% W-o-W) compared to last week's average of LKR 0.79Bn. Market capitalization meanwhile, increased by 4.46% W-o-W (or LKR 122.10Bn) to LKR 2,858.14Bn cf. LKR 2,736.04Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 50.10% (or LKR 4.97Bn) of market turnover. Sector turnover was driven primarily by JKH, Melstacorp & Softlogic Holdings which accounted for 97.48% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 29.20% (or LKR 2.90Bn) of the total turnover value, with turnover driven primarily by HNB, Commercial Bank, Sampath Bank & NDB which accounted for 88.86% of the sector turnover. The Manufacturing sector was also amongst the top sectorial contributors, contributing 11.16% (or LKR 1.11Bn) to the market driven by Chevron & Tokyo Cement which accounted for 79.23% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 32.31% (or 71.87Mn shares) of total volume, with a value contribution of LKR 4.97Bn. The Banks, Finance & Insurance sector followed suit, adding 16.58% to total turnover volume as 36.87Mn shares were exchanged. The sector's volume accounted for LKR 2.90Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 34.81Mn shares (or 15.65%), amounting to LKR 1.11Bn.

Top Gainers & Losers |

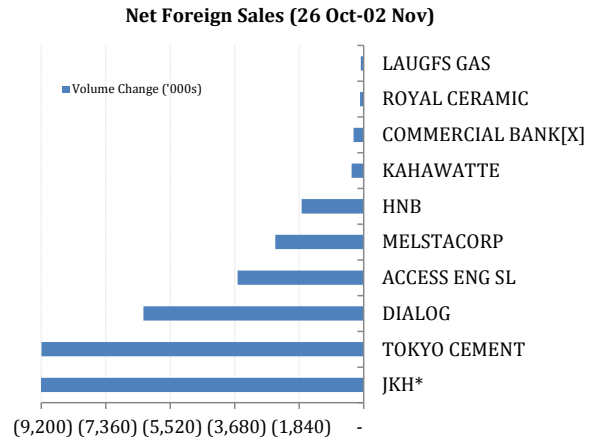
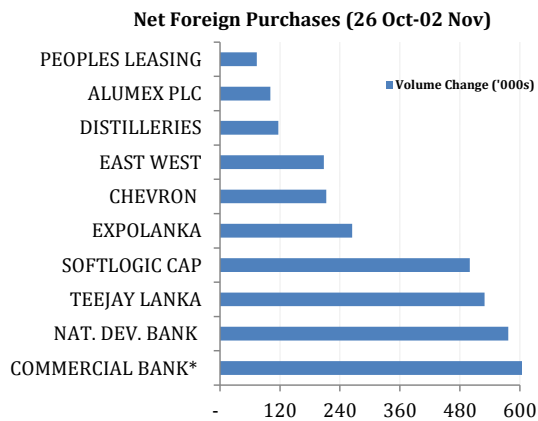
MTD Walkers was the week's highest price gainer; increasing 61.3% W-o-W from LKR8.00 to LKR12.90 while Blue Diamond [NV] (+50.0% W-o-W), Amana Life (+43.3% W-o-W) and Serendib Hotels [NV] (+34.8% W-o-W) were also amongst the top gainers.

Kelsey Development was the week's highest price loser; declining 15.7% W-o-W to close at LKR29.50 while Udapussellawa (-15.4% W-o-W), Merc. Shipping (-12.6% W-o-W) and Talawakelle (-9.0% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
JKH	JKH N	140.1	151.0	4,185.78
HNB	HNB N	208.3	220.0	1,240.27
COMMERCIAL BANK	COMBN	110.3	123.9	569.27
CHEVRON	LLUBN	68.0	72.5	499.82
SAMPATH	SAMPN	231.9	235.0	391.36
TOKYO CEMENT	TKYON	23.9	27.9	377.45
NAT. DEV. BANK	NDB N	101.9	105.0	372.55
MELSTACORP	MELSN	50.0	54.0	335.72
SOFTLOGIC	SHL N	19.6	21.8	322.58
ACCESS ENG SL	AEL N	13.8	17.1	295.68

Market Review (Cont'd)



*Volume change of Commercial Bank (1.70Mn shares) and JKH (22.98Mn shares) from 26th Oct – 02nd Oct not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 3.86Bn relative to last week's total net outflow of LKR 0.44Bn (-769.4% W-o-W). Total foreign purchases increased by 35.59% W-o-W to LKR 2.66Bn from last week's value of LKR 1.96Bn, while total foreign sales amounted to LKR 6.52Bn relative to LKR 2.40Bn recorded last week (+171.27% W-o-W). In terms of volume, Commercial Bank & NDB led foreign purchases while JKH & Tokyo Cement led foreign sales. In terms of value, Commercial Bank & NDB led foreign purchases while JKH & HNB led foreign sales.

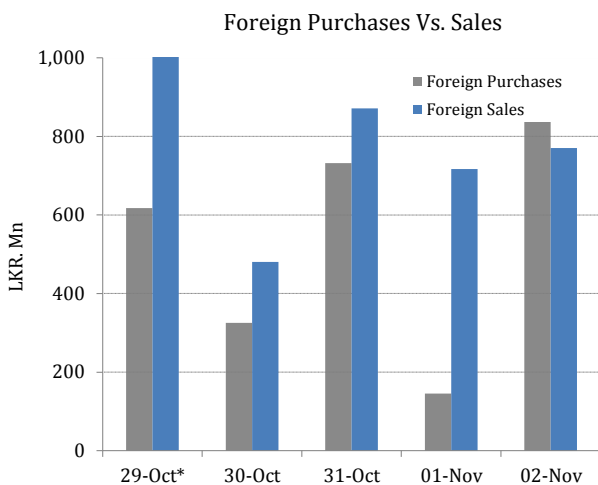
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	02/11/18	26/10/18		
COMMERCIAL BANK	33.68%	33.51%	1,698,443	210.44
NAT. DEV. BANK	12.20%	11.93%	576,750	60.56
TEEJAY LANKA	46.16%	46.08%	529,512	18.16
CHEVRON	22.25%	22.16%	212,605	15.41
UNION ASSURANCE	0.78%	0.74%	24,364	7.80
HNB[X.0000]	47.20%	47.16%	39,608	6.50
CARGILLS	7.07%	7.06%	28,289	5.66
EAST WEST	28.68%	28.53%	207,716	2.89
SOFTLOGIC CAP	0.36%	0.28%	500,000	2.80
SAMPATH	22.24%	22.23%	11,542	2.71

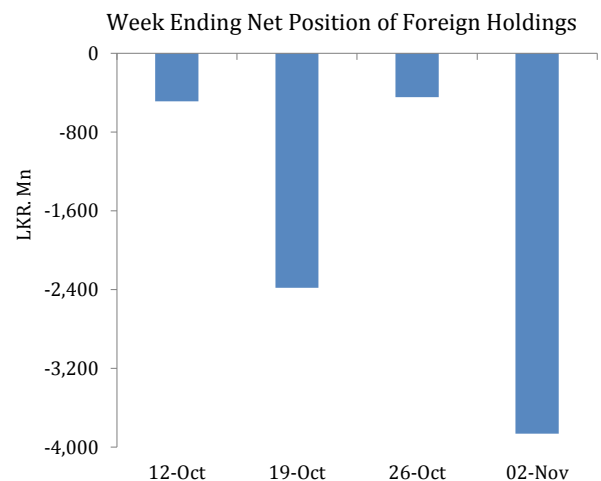
Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	02/11/18	26/10/18		
JKH	53.28%	54.93%	(22,975,943)	(3,469.37)
HNB	35.29%	35.74%	(1,773,134)	(390.09)
TOKYO CEMENT	21.35%	24.79%	(9,193,608)	(256.50)
MELSTACORP	25.64%	25.86%	(2,523,755)	(136.28)
DIALOG	94.33%	94.40%	(6,279,447)	(75.35)
ACCESS ENG SL	8.38%	8.74%	(3,598,504)	(61.53)
COMMERCIAL BANK[X.0000]	23.51%	23.96%	(290,240)	(29.02)
KAHAWATTE	0.08%	0.51%	(341,000)	(13.64)
ROYAL CERAMIC	11.24%	11.34%	(102,200)	(8.40)
GRAIN ELEVATORS	61.33%	61.44%	(61,930)	(3.75)

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



*Foreign Sales of Rs.3.68Bn on 29/10/2018 not displayed.



Announcements for the Week

Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
CHEVRON LUBRICANTS	2.00	Third Interim	08-11-18
JOHN KEELLS HOLDINGS	2.00	Interim	08-11-18
COMMERCIAL BANK(V & NV)	1.50	First Interim	09-11-18
LVL ENERGY FUND	0.34	Interim	14-11-18

Point of View

Equity market volatility rose to its highest since early 2016 as heightened political uncertainty following the sudden dismissal of and appointment of a new Prime Minister prompted sharp movements in stock prices over the week. The broad share Index surged past the 6000-mark for the 1st time since mid-Sept supported by a record high weekly gain of ~260 points (+4.5% W-o-W) as local retailers, HNI and Institutionals returned strongly to the market despite the political upheaval. Some profit taking on Friday meanwhile, resulted in the ASPI losing ~22 points from its 8-week high of 6114.13 on Thursday. Activity levels too rose sharply over the week, with weekly turnover hitting a 6-month high of ~Rs.10Bn amid increased participation by both retail and local HNI and institutional investors (crossings for accounted for ~58% of weekly turnover cf. 41% so far this year). The heightened local buying interest in markets however, stood in contrast to foreign investor activity which increased its pace of selling over the week as the ongoing political standoff prompted credit rating agencies to issue caution on Sri Lanka due to the impact it may have on the country's ongoing fiscal & economic reform program and refinancing ability. Net foreign sales over the week consequently totaled Rs.3.9Bn, the highest weekly outflow since Mar'18 when a strategic transaction in LOLC resulted in a net outflow of Rs.9.8Bn from the Colombo Bourse. This week's heavy foreign selling helped push the total outflow from domestic equities over October to ~Rs.7.0Bn, relative to the cumulative net outflow of Rs.6.0Bn recorded between Jan-Sep'18. The reconvening of parliament next week and subsequent political developments are likely to influence market movement in the week ahead.

LKR Falls as Foreign Sell-Off of Assets Increases

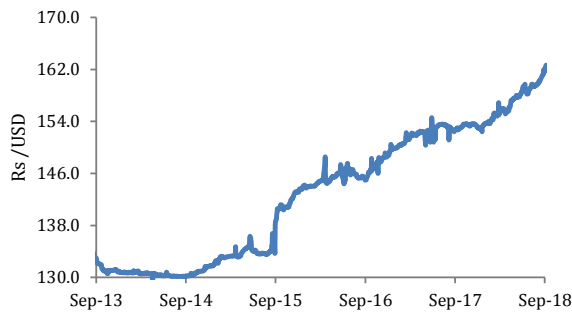
Sri Lanka's currency slid 0.8% against the USD this week to hit an all-time low of Rs.175.6 as the Country's political stalemate triggered greater foreign investor outflows from Sri Lankan capital markets and prompted greater LKR sales by importers. Government Securities held by foreigners fell 4.7% over the week to Rs. 221Bn (cf. Rs. 232 Bn at the close of markets last week), adding to the Rs.98Bn of outflows from Sri Lankan debt markets over the year so far. Outflows from Equity markets meanwhile rose 769% over the week to Rs. 3.9Bn, helping widen the Bourse's net outflow position to Rs. 13.6 (cf. Rs.10.3Bn last week). Although the LKR lost 1.5% of its value in the first three days following the political crisis that unfolded over the weekend and heightened over the week, greater dollar sales by the Central Bank on Thursday and Friday helped trim the loss on the LKR to 0.8%. The LKR has lost ~12% of its value so far this year amid the strengthening USD, with the bulk of the losses stemming from a heightened sell-off of the LKR in September when the LKR lost -4.5% of its value. International Credit Agencies S&P, Moody's & Fitch meanwhile all issued caution on Sri Lanka's political crisis and the impact it could have on the country's ongoing fiscal & economic reform program and ability to refinance its future debt repayments. Fitch Ratings added that policy decisions that derail the IMF programme or lead to a loss of investor confidence could increase refinancing risk, noting further that of Sri Lanka's external debt stock (~60% of GDP currently) almost 30% (ie: \$15Bn) matures in 2019-2022 while almost 50% of public debt is foreign currency denominated.

Economic Snapshot

	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18
Interest Rates								
Prime Lending Rate	11.27	11.10	11.27	11.34	11.20	11.41	11.65	11.72
Ave. Wtd. Deposit Rates	9.05	9.00	8.98	8.91	8.92	8.64	8.66	8.69
Ave. Wtd. Fixed Dep. Rates	11.45	11.41	11.38	11.23	11.26	10.82	10.81	10.84
CCPI Inflation Y-o-Y % (Base 2013)	4.5	4.2	3.8	4.0	4.4	5.4	5.9	4.3
GDP Growth (Base 2010)								
	2012	2013	2014	2015	2016	2017	Q2'18	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	3.7%	

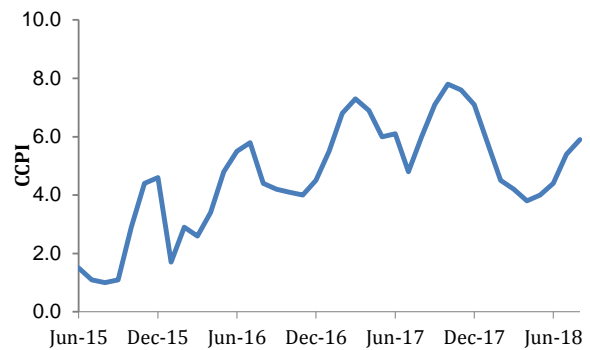
Source Central Bank

Exchange Rate, Rs. vs. US\$



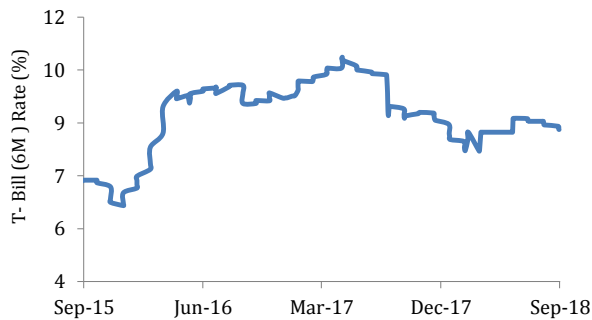
Source: Central Bank

Inflation (CCPI-N) YoY%



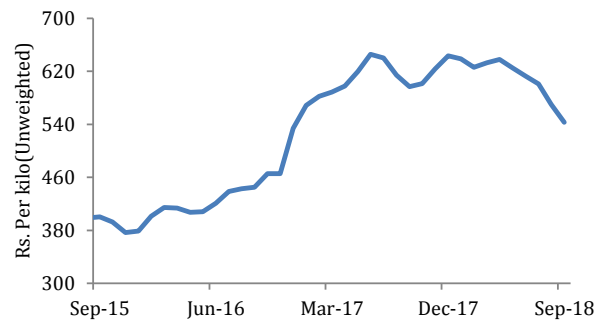
Source: Central Bank

6 Month T-Bill Yield



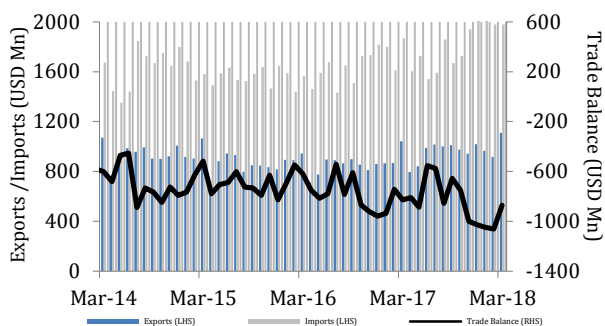
Source: Central Bank

Tea Prices



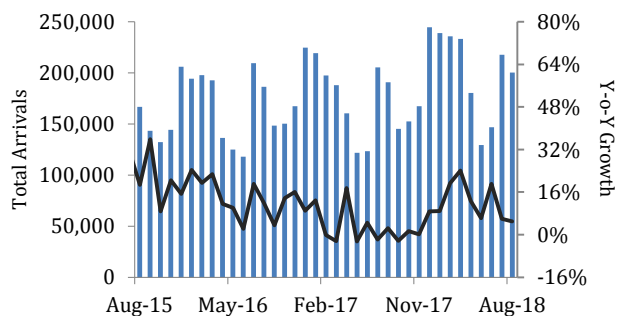
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

Research Team

Chethana Ellepola, CFA
(+94) 112 206 256
chethana@acuitystockbrokers.com

Sugirthan Alagesan, CFA
(+94) 112 206 255
sugirthan@acuitystockbrokers.com

Sahrah Surajdeen
(+94) 112 206 253
Sahrah@acuitystockbrokers.com

Maxtina Fernando
(+94) 112 206 251
maxtina@acuitystockbrokers.com

Sales Team

Prashan Fernando
(+94) 112 206 222
prashan@acuitystockbrokers.com

Arjuna Dasanayake
(+94) 112 206 235
arjuna@acuitystockbrokers.com

Kapila Pathirage
(+94) 112 206 227/228
kapila.p@acuitystockbrokers.com

Naren Godamunne
(+94) 112 206 225
naren@acuitystockbrokers.com

Chathura Siyambalapitiya
(+94) 112 206 232
chathura.s@acuitystockbrokers.com

Dhammika Wanniarachchi
(+94) 112 206 229
dhammika.w@acuitystockbrokers.com

Kumar Dias Desinghe
(+94) 814 474 443
hnbkandy@slt.net.lk

Susil Fernando
(+94) 112 206 234
susil@acuitystockbrokers.com

Auburn Senn
(+94) 112 206 239
auburn@acuitystockbrokers.com

S. Vasanthakumar
(+94) 112 206 250/251
vasantha.k@acuitystockbrokers.com

Prasanna Semasinghe
(+94) 814 474 443
hnbkandy@slt.net.lk

Warana Sumanasena
(+94) 112206 231
warana@acuitystockbrokers.com

Dinuk Subasinghe
(+94) 112206 237
dinuk@acuitystockbrokers.com

Danuksha Koralage
(+94) 112206 233
danuksha@acuitystockbrokers.com

Nishanthi Ratnayake
(+94) 112206 248
nishanthi@acuitystockbrokers.com

Disclaimer:

"Distributed in Sri Lanka and abroad by Acuity Stockbrokers (Private) Limited (ASB) and its authorized representatives. ASB is fully owned by Acuity Partners (Pvt) Ltd (APL) and APL is a joint venture of DFCC Bank and Hatton National Bank PLC. The Information contained herein has been compiled from sources that ASB ("The Research Institution") believes to be reliable but None of the Research Institution holds itself responsible for its completeness or accuracy. It is not an offer to sell or a solicitation of an offer to buy any securities. The Research Institution and its affiliates and its officers and employees may or may not have a position in or with respect to the securities mentioned herein.

The Research Institution and its affiliates may from time to time have consulting relationship with any company, which is being reported upon. This may involve the Research Institution providing significant corporate finance services or acting as the company's official or sponsoring broker.

All opinions and estimates included in this report constitute judgment as of this date of the Research Institution and are subject to change or amendment without notice. The Research Institution has the copyright for this report and the views herein cannot be reproduced and/or distributed in any form without the explicit (written or otherwise) permission from Research Institution.