

## ASPI Rebounds from 58-Month Low ... Policy Rates Steady Despite Anticipation of a Hike

ASPI  $\uparrow$  0.37% | S&P SL20  $\uparrow$  0.29%

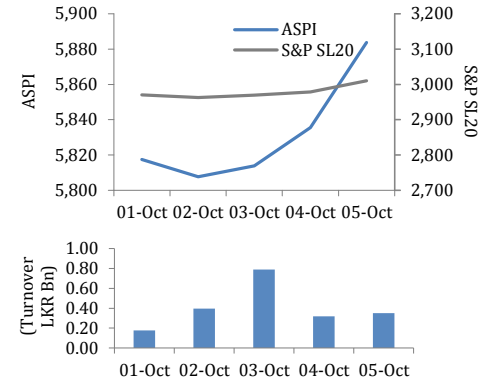
The Bourse ended the week... *Cont. P2*

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

Despite touching a 4<sup>1/2</sup> year low ..... *Cont. P4*

Economic Snapshot..... *P5*

## Indices vs. Turnover (01<sup>st</sup> Oct – 05<sup>th</sup> Oct)



### KEY STATISTICS

Week ending	05-Oct	28-Sep	+/-
ASPI	5,883.77	5,862.18	0.37%
S&P SL20	3,010.60	3,002.00	0.29%
Banking & Finance	15,487.60	15,456.49	0.20%
Food & Beverage	24,506.00	24,519.08	-0.05%
Diversified	1,476.95	1,465.23	0.80%
Hotel & Travel	2,652.75	2,644.15	0.33%
Plantations	748.56	732.17	2.24%
Manufacturing	2,768.24	2,741.20	0.99%
Turnover (LKR Bn)	2.03	1.67	21.65%
Foreign Buying (LKR Mn)	1,052.19	752.61	39.81%
Foreign Selling (LKR Mn)	1,361.08	1,031.67	31.93%
Daily Average Turnover (LKR Bn)	0.41	0.42	-2.68%
Daily Average Foreign Buying (LKR Mn)	210.44	188.15	11.84%
Daily Average Foreign Selling (LKR Mn)	272.22	257.92	5.54%

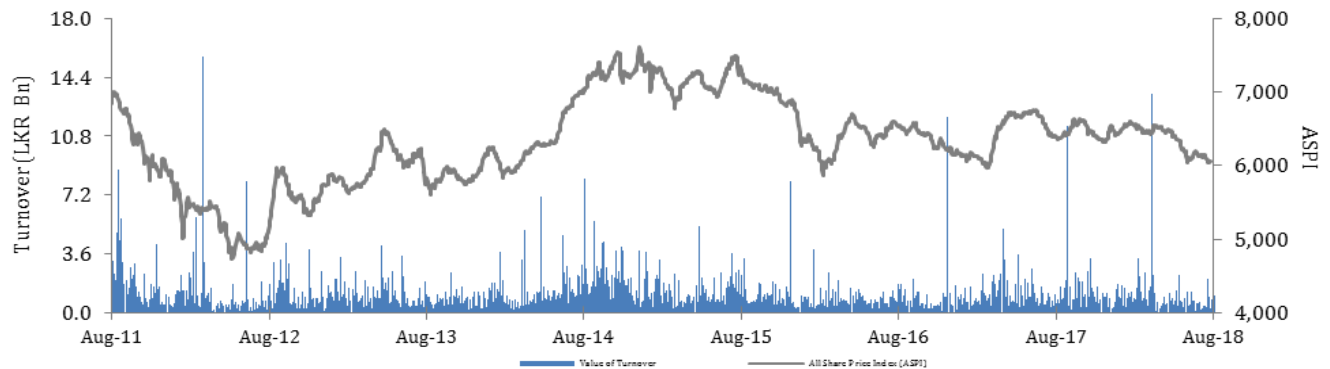
### TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
CITRUS WASKADUWA	CITWN	2.4	3.0	25.0%
SIERRA CABL	SIRAN	1.9	2.3	21.1%
ABANS FINANCIAL	AFSLN	17.1	20.0	17.0%
BERUWALA RESORTS	BERUN	0.6	0.7	16.7%
MULLERS	MULLN	0.6	0.7	16.7%
LUCKY LANKA[NV]	LLMPX	0.6	0.7	16.7%
MORISONS	MORIN	625.0	720.9	15.3%
RENUKA CITY HOT.	RENUN	214.4	246.9	15.2%
MALWATTE	MAL N	6.9	7.9	14.5%
NATION LANKA	CSF N	0.7	0.8	14.3%

### TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
ADAM INVESTMENTS	AINVN	0.2	0.1	-50.0%
C M HOLDINGS	COLON	49.3	42.1	-14.6%
THE FINANCE CO.	TFC N	2.4	2.1	-12.5%
NATIONS TRUST[NV]	NTB X	90.0	79.0	-12.2%
BANSEI RESORTS	BRR N	6.3	5.6	-11.1%
GESTETNER	GESTN	110.0	98.0	-10.9%
KELANI CABLES	KCABN	81.9	74.0	-9.6%
INDUSTRIAL ASPH.	ASPHNN	374.2	340.0	-9.1%
ASIA SIYAKA	ASIYN	2.2	2.0	-9.1%
AMAYA LEISURE	CONNN	44.9	40.9	-8.9%

## Market Review



### Indices |

The Bourse turned around to end the week on a positive note as the ASPI increased by 21.59 points (or +0.37%) to close at 5,883.77 points, while the S&P SL20 Index also increased by 8.60 points (or +0.29%) to close at 3,010.60 points.

### Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.03Bn or 50.73% of total turnover value. Commercial Bank followed suit, accounting for 9.10% of turnover (value of LKR 0.18Bn) while Sampath Bank contributed LKR 0.08Bn to account for 4.18% of the week's turnover. Total turnover value amounted to LKR 2.03Bn (cf. last week's value of LKR 1.67Bn), while daily average turnover value amounted to LKR 0.41Bn (-2.68% W-o-W) compared to last week's average of LKR 0.42Bn. Market capitalization meanwhile, increased by 0.37% W-o-W (or LKR 10.14Bn) to LKR 2,763.00Bn cf. LKR 2,752.86Bn last week.

### Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 54.82% (or LKR 1.11Bn) of market turnover. Sector turnover was driven primarily by JKH & Expolanka Holdings which accounted for 96.93% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 26.52% (or LKR 0.54Bn) of the total turnover value, with turnover driven primarily by Commercial Bank, Sampath Bank, NDB & HNB which accounted for 72.79% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 5.64% (or LKR 0.11Bn) to the market driven by Ceylon Cold Stores which accounted for 63.75% of the sector turnover.

### Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 32.44% (or 24.41Mn shares) of total volume, with a value contribution of LKR 1.11Bn. The Banks, Finance & Insurance sector followed suit, adding 14.39% to total turnover volume as 10.83Mn shares were exchanged. The sector's volume accounted for LKR 0.54Bn of total market turnover value. The Hotels & Travels sector meanwhile, contributed 6.83Mn shares (or 9.08%), amounting to LKR 0.02Bn.

### Top Gainers & Losers |

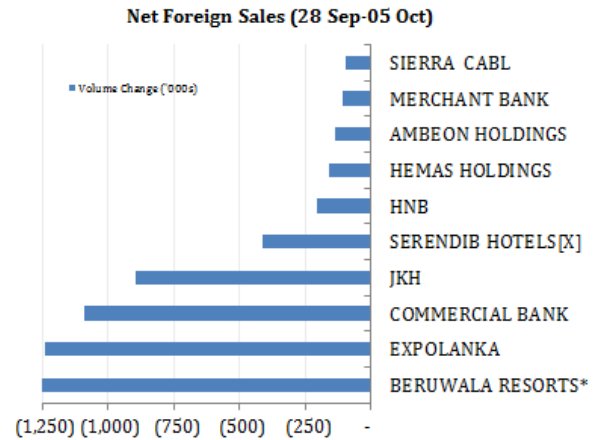
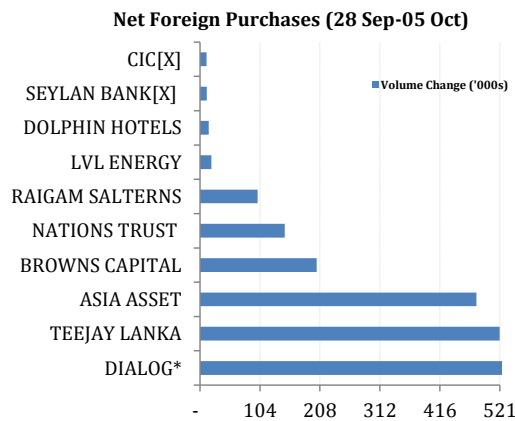
Citrus Waskaduwa was the week's highest price gainer; increasing 25.0% W-o-W from LKR2.40 to LKR3.00 while Sierra Cables (+21.1% W-o-W), Abans Finance (+17.0% W-o-W) and Beruwala Resorts (+16.7% W-o-W) were also amongst the top gainers.

Adam Investments was the week's highest price loser; declining 50.0% W-o-W to close at LKR0.10 while CM Holdings (-14.6% W-o-W), The Finance Co. (-12.5% W-o-W) and Nations Trust [NV] (-12.2% 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	131.5	133.9	1,030.06
COMMERCIAL BANK	COMBN	113.0	113.5	184.79
SAMPATH	SAMPN	239.9	240.6	84.81
NAT. DEV. BANK	NDB N	104.0	105.0	73.34
COLD STORES	CCS N	848.9	800.0	73.06
HNB	HNB N	210.0	207.0	48.96
EXPOLANKA	EXPON	4.0	4.0	48.67
DIALOG	DIALN	11.9	11.9	31.18
UNITED MOTORS	UML N	82.7	85.0	25.98
CHEVRON	LLUBN	65.1	67.3	25.45

Market Review (Cont'd)



\*Volume change of Dialog (2.33Mn shares) and Beruwala Resorts (2.48Mn shares) from 28<sup>th</sup> Sep – 05<sup>th</sup> Oct not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.31Bn relative to last week's total net outflow of LKR 0.28Bn (-10.7% W-o-W). Total foreign purchases increased by 39.8% W-o-W to LKR 1.05Bn from last week's value of LKR 0.75Bn, while total foreign sales amounted to LKR 1.36Bn relative to LKR 1.03Bn recorded last week (-31.9% W-o-W). In terms of volume, Dialog Axiata & Teejay Lanka led foreign purchases while Beruwala Resorts & Expolanka led foreign sales. In terms of value, Dialog Axiata & Teejay Lanka led foreign purchases while Commercial Bank & JKH led foreign sales.

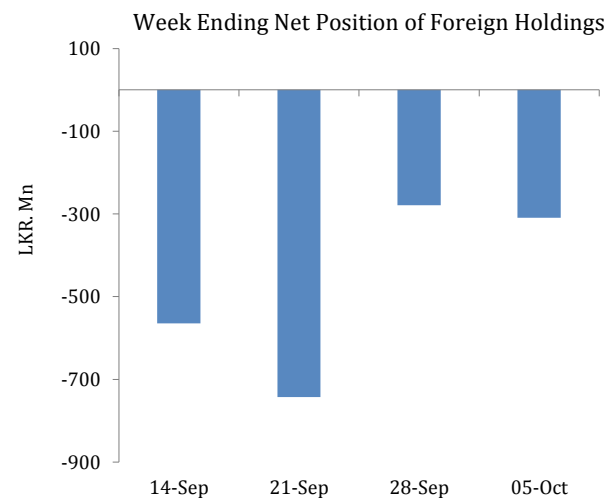
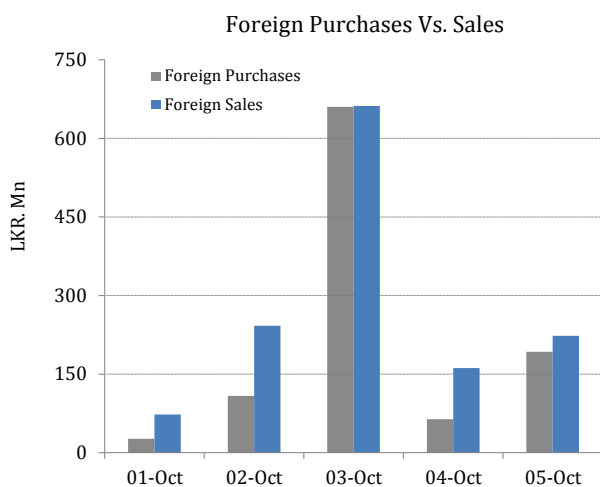
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	05/10/18	28/09/18		
DIALOG	94.36%	94.33%	2,330,500	27.73
TEEJAY LANKA	45.87%	45.79%	520,244	15.30
NATIONS TRUST	24.57%	24.51%	146,903	13.22
BROWNS CAPITAL	0.73%	0.71%	202,649	0.75
AITKEN SPENCE	24.04%	24.04%	10,810	0.51
SEYLAN BANK[X.0000]	6.50%	6.50%	12,000	0.48
ASIA ASSET	60.44%	60.39%	479,999	0.48
VALLIBEL FINANCE	0.51%	0.50%	7,000	0.46
SIGIRIYA VILLAGE	0.45%	0.34%	10,000	0.42
HOTEL SIGIRIYA	2.62%	2.48%	8,500	0.42

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	05/10/18	28/09/18		
COMMERCIAL BANK	33.60%	33.71%	(1,092,962)	(124.05)
JKH	55.51%	55.57%	(893,030)	(119.58)
COLD STORES	10.64%	10.70%	(59,698)	(47.76)
HNB	35.92%	35.97%	(204,842)	(42.40)
HEMAS HOLDINGS	30.29%	30.32%	(159,941)	(13.59)
SERENDIB HOTELS[X.0000]	21.75%	22.90%	(415,000)	(5.40)
EXPOLANKA	81.74%	81.80%	(1,240,000)	(4.96)
CHEVRON	22.09%	22.12%	(70,131)	(4.72)
COMMERCIAL BANK[X.0000]	24.06%	24.10%	(26,721)	(2.51)
BERUWALA RESORTS	0.03%	0.44%	(2,480,000)	(1.74)

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



## Announcements for the Week

### Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
DIPPED PRODUCTS	1.50	Interim	15-10-18

### Point of View

Despite touching a 4<sup>1/2</sup> year low mid-week, Sri Lankan equities closed the week on a relatively positive note to reverse 3-consecutive weeks of W-o-W losses. The broad-share ASPI lost ~55 points early in the week to touch a low since Dec 2013 (5807.74 points) as currency woes continued to beleaguer markets. The ASPI has lost ~ 256 points since early September, but this freefall on the Index was stymied this week as markets recovered ~76 points between Wednesday and Friday to wipe off the ~55 point loss early in the week. The CBSL's decision to hold rates steady (despite market expectations that rates would be raised) along with the CBSL governor's reassertion that state-owned pension funds (EPF) would re-enter the market under strict guidelines, revived market sentiment, helping the Index close up ~22 points over the week. The CBSL Governor added that 'investment and trading guidelines' for the EPF's Rs.2 Trillion fund have now been agreed upon to ensure necessary safeguards and that while the percentage of the fund traded in the stock market will be capped at 5%, the exact date as to when the EPF will re-enter the market will be decided post a meeting with the Trade Unions Advisory Committee. Weekly average turnover levels on the Colombo bourse meanwhile remained in line with that of last week (Rs. 0.41Bn cf. Rs. 0.42Bn last week) while crossings over the week rose to 48% of total market turnover (cf. 12% last week). The foreign sell-off on the Sri Lankan equities however rose over the week, with net foreign sales for the week totaling Rs. 0.31Bn cf. outflows of Rs. 0.28Bn last week. Markets in the week ahead are likely to take cues from domestic and external economic conditions.

### Policy Rates Steady Despite Anticipation of a Hike

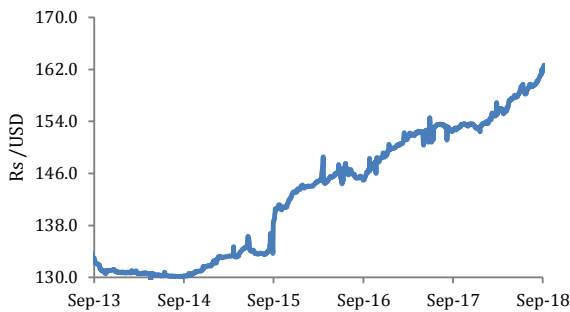
Despite markets widely anticipating a rate hike, the CBSL held policy rates steady at its 6<sup>th</sup> Monetary policy review citing its goal of stabilizing inflation at mid-single digits in the medium term to support growth. A Reuters poll of 15 economists surveyed indicated that 9 of the 15 expected the CBSL to raise both the standing deposit facility rate (SDFR) and standing lending facility rate (SLFR), both of which have been left unchanged since the CBSL's 25Bps cut in SDFR in April'18. Despite market expectations that the CBSL would hike rates to support the LKR amid heightened foreign outflows from government bonds following the US Fed's rate hike last week, the CBSL held SDFR (7.25%) and SLFR (8.50%) rates steady for the 4<sup>th</sup> time this year. The Monetary Authority noted that the broadbased strengthening of the USD (subsequent to the increase in policy interest rates by the Fed and expectations of further interest rate hikes in 2018 and 2019) have exerted pressure on Emerging Market economies, and that some of the EM's with significant pressure on their local currencies have responded by raising policy interest rates. The CBSL added that its decision to hold policy rates steady in an environment of other EM's increasing their policy rates is due to Sri Lanka's real interest rates still remaining well above that of several peer EMs; the Monetary Authority noted further that i) Sri Lanka's short term interest rates have adjusted upwards, ii) an uptick is evident in both primary and secondary market G-sec yields and, iii) market rates, especially lending interest rates in many market segments- continue to remain at elevated levels reflecting "reflecting already a tightening bias in monetary policy".

## Economic Snapshot

	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18
<b>Interest Rates</b>								
Prime Lending Rate	11.29	11.27	11.10	11.27	11.34	11.20	11.41	11.65
Ave. Wtd. Deposit Rates	9.08	9.05	9.00	8.98	8.91	8.92	8.64	8.66
Ave. Wtd. Fixed Dep. Rates	11.54	11.45	11.41	11.38	11.23	11.26	10.82	10.81
<b>CCPI Inflation Y-o-Y % (Base 2013)</b>	<b>5.8</b>	<b>4.5</b>	<b>4.2</b>	<b>3.8</b>	<b>4.0</b>	<b>4.4</b>	<b>5.4</b>	<b>5.9</b>
<b>GDP Growth (Base 2010)</b>								
	2012	2013	2014	2015	2016	2017	Q1'18	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	3.2%	

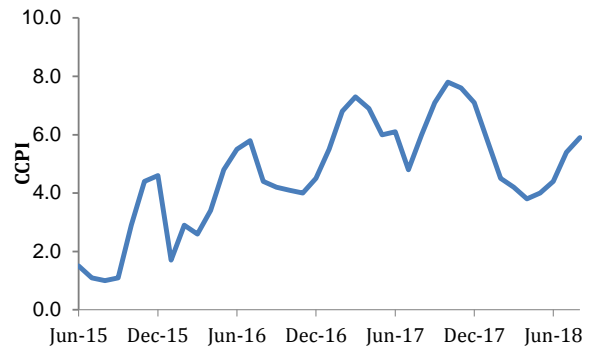
Source Central Bank

### Exchange Rate, Rs. vs. US\$



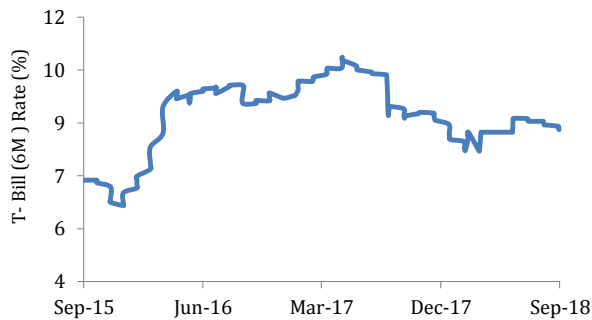
Source: Central Bank

### Inflation (CCPI-N) YoY%



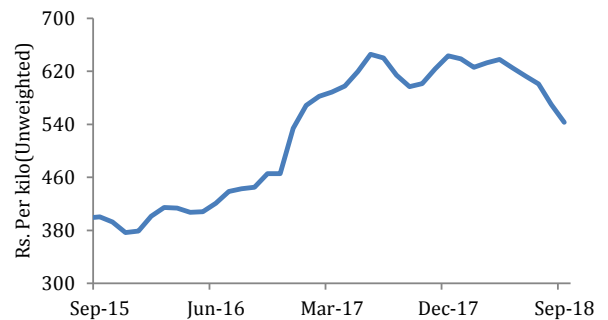
Source: Central Bank

### 6 Month T-Bill Yield



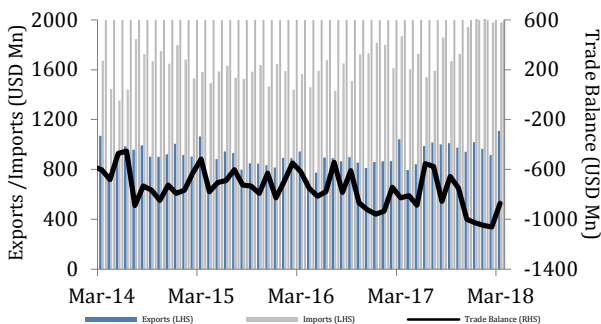
Source: Central Bank

### Tea Prices



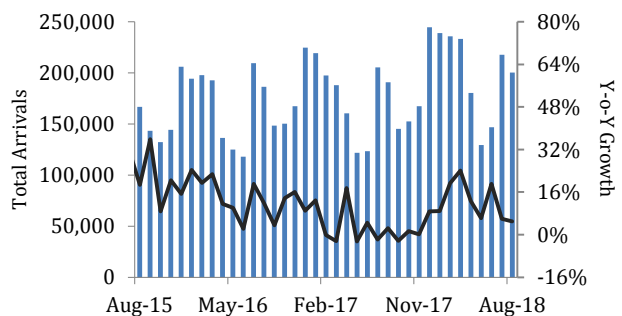
Source: Sri Lanka Tea Board

### Export & Trade Balance



Source: Central Bank

### Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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