

ASPI Hits One-Week Low Amid Credit Downgrades ...

S&P and Fitch Ratings Downgrade Sri Lanka

ASPI \uparrow 0.83% | S&P SL20 \uparrow 0.49%

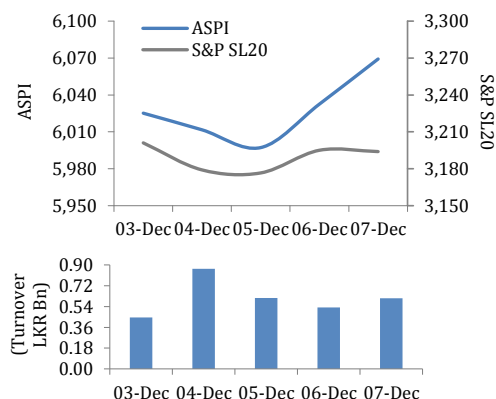
The Bourse ended the week... *Cont. P2*

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

Markets remained mixed *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (03rd Dec – 07th Dec)



KEY STATISTICS

Week ending	07-Dec	30-Nov	+/-
ASPI	6,069.22	6,019.33	0.83%
S&P SL20	3,193.99	3,178.51	0.49%
Banking & Finance	16,359.16	15,912.19	2.81%
Food & Beverage	24,687.08	24,335.39	1.45%
Diversified	1,585.49	1,593.93	-0.53%
Hotel & Travel	2,648.72	2,668.97	-0.76%
Plantations	720.75	721.11	-0.05%
Manufacturing	2,863.34	2,856.80	0.23%
Turnover (LKR Bn)	3.07	3.78	-18.65%
Foreign Buying (LKR Mn)	741.89	989.52	-25.02%
Foreign Selling (LKR Mn)	1,671.01	1,785.44	-6.41%
Daily Average Turnover (LKR Bn)	0.61	0.76	-18.65%
Daily Average Foreign Buying (LKR Mn)	148.38	197.90	-25.02%
Daily Average Foreign Selling (LKR Mn)	334.20	357.09	-6.41%

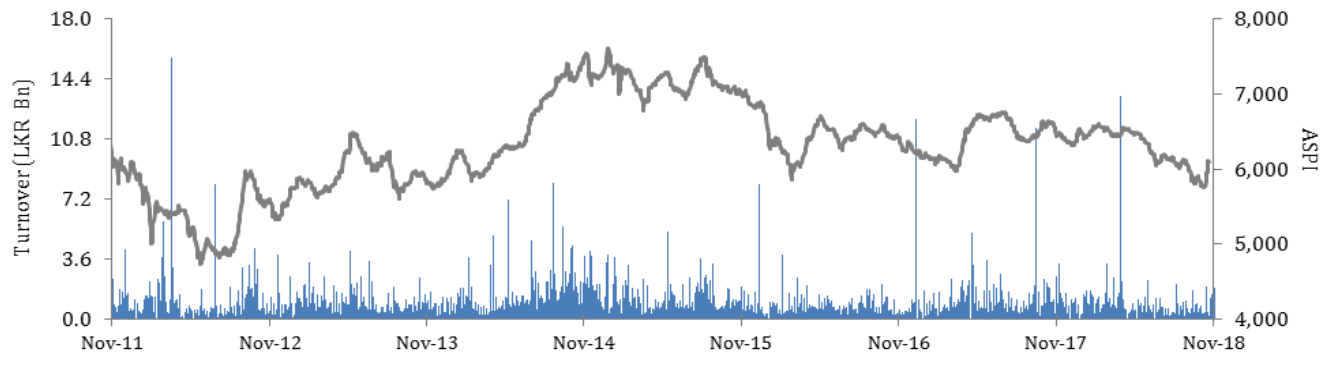
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
A I A INSURANCE	CTCEN	990.0	1259.3	27.2%
S M B LEASING	SEMBN	0.4	0.5	25.0%
TESS AGRO[NV]	TESSX	0.4	0.5	25.0%
BLUE DIAMONDS	BLUEN	0.5	0.6	20.0%
TESS AGRO	TESSN	0.5	0.6	20.0%
BERUWALA RESORTS	BERUN	0.6	0.7	16.7%
SUNSHINE HOLDING	SUN N	46.3	53.8	16.2%
O DEL PLC	O DELN	26.0	30.0	15.4%
C M HOLDINGS	COLON	45.0	51.9	15.3%
LUCKY LANKA[NV]	LLMPX	0.7	0.8	14.3%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
BLUE DIAMONDS[NV]	BLUEX	0.3	0.2	-33.3%
EQUITY TWO PLC	ETWON	59.6	45.9	-23.0%
HUNTERS	HUNTN	460.3	373.6	-18.8%
RENUKA CITY HOT.	RENUN	292.7	248.5	-15.1%
NATION LANKA	CSF N	0.7	0.6	-14.3%
SINGHE HOSPITALS	SINH	1.4	1.2	-14.3%
MULLERS	MULLN	0.8	0.7	-12.5%
RAMBODA FALLS	RFL N	20.4	18.0	-11.8%
ASIA ASSET	AAF N	1.0	0.9	-10.0%
JETWING SYMPHONY	JETSN	12.0	10.8	-10.0%

Market Review



Indices |

The Bourse ended the week on a positive note as the ASPI increased by 49.89 points (or +0.83%) to close at 6,069.22 points, while the S&P SL20 Index also increased by 15.48 points (or +0.49%) to close at 3,193.99 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.36Bn or 44.17% of total turnover value. Sampath Bank followed suit, accounting for 12.05% of turnover (value of LKR 0.37Bn) while Janashakthi Insurance contributed LKR 0.19Bn to account for 6.23% of the week's turnover. Total turnover value amounted to LKR 3.07Bn (cf. last week's value of LKR 3.78Bn), while daily average turnover value amounted to LKR 0.61Bn (-18.65% W-o-W) compared to last week's average of LKR 0.76Mn. Market capitalization meanwhile, increased by +0.83% W-o-W (or LKR 23.41Bn) to LKR 2,847.35Bn cf. LKR 2,823.95Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 45.26% (or LKR 1.39Bn) of market turnover. Sector turnover was driven primarily JKH which accounted for 97.58% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 36.66% (or LKR 1.13Bn) of the total turnover value, with turnover driven primarily by Sampath Bank, Janashakthi Insurance, HNB, Seylan Bank [NV], and Orient Finance which accounted for 75.45% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 5.60% (or LKR 0.17Bn) to the market driven by Lion Brewery which accounted for 78.60% of the sector turnover.

Liquidity (in Volume Terms) |

The Banks, Finance & Insurance sector dominated the market in terms of share volume, accounting for 47.62% (or 49.19Mn shares) of total volume, with a value contribution of LKR 1.13Bn. The Diversified sector followed suit, adding 12.96% to total turnover volume as 13.39Mn shares were exchanged. The sector's volume accounted for LKR 1.39Bn of total market turnover value. The Power & Energy sector meanwhile, contributed 9.91Mn shares (or 9.59%), amounting to LKR 0.05Bn.

Top Gainers & Losers |

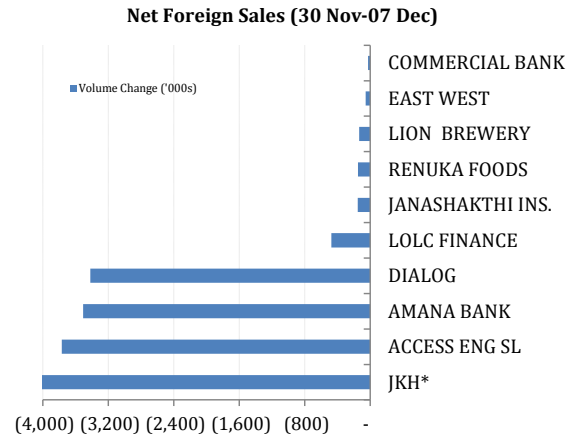
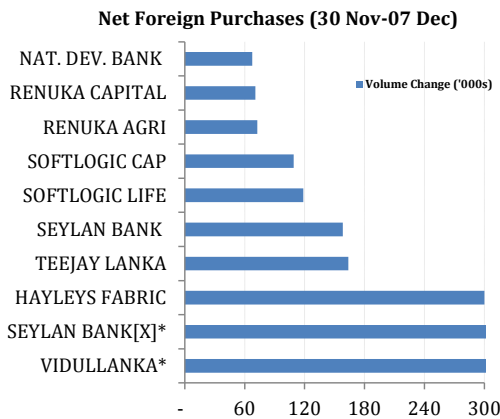
AIA Insurance was the week's highest price gainer; increasing 27.2% W-o-W from LKR990.0 to LKR1,259.30 while SMB Leasing (+25.0% W-o-W), Tess Agro [NV] (+25.0% W-o-W) and Blue Diamonds (+20.0% W-o-W) were also amongst the top gainers.

Blue Diamonds [NV] was the week's highest price loser; declining 33.3% W-o-W to close at LKR0.20 while Equity Two (-23.0% W-o-W), Hunters (-18.8% W-o-W), and Renuka City Hotel (-15.1% 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	160.5	161.0	1,357.04
SAMPATH	SAMPN	237.5	242.7	370.29
JANASHAKTHI INS.	JINSN	24.5	28.0	191.55
LION BREWERY	LIONN	555.0	555.0	135.34
HNB	HNB N	215.1	219.3	124.49
SEYLAN BANK[NV]	SEYBX	44.0	47.5	112.91
ACCESS ENG SL	AEL N	16.0	16.0	84.10
DIALOG	DIALN	11.3	10.9	66.74
ORIENT FINANCE	ORINN	13.9	15.8	50.79
HAYLEYS FABRIC	MGT N	9.6	9.5	45.00

Market Review (Cont'd)



*Volume change of Vidullanka (3.00Mn shares), Seylan Bank [NV] (1.48Mn Shares) and JKH (5.30Mn shares) from 30th Nov -07th Dec not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.93Bn relative to last week's total net outflow of LKR 0.80Bn (-16.7% W-o-W). Total foreign purchases decreased by 25.0% W-o-W to LKR 0.74Bn from last week's value of LKR 0.99Bn, while total foreign sales amounted to LKR 1.67Bn relative to LKR 1.79Bn recorded last week (-6.4% W-o-W). In terms of volume, Vidullanka & Seylan Bank [NV] led foreign purchases while JKH & Access Engineering led foreign sales. In terms of value, Seylan Bank [NV] & Vidullanka led foreign purchases while JKH & Lion Brewery led foreign sales.

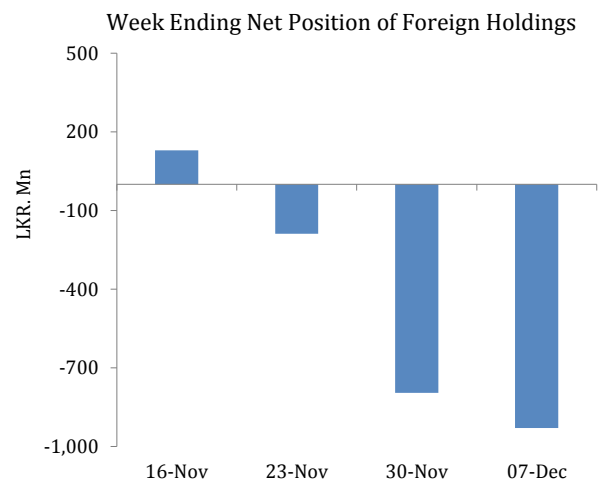
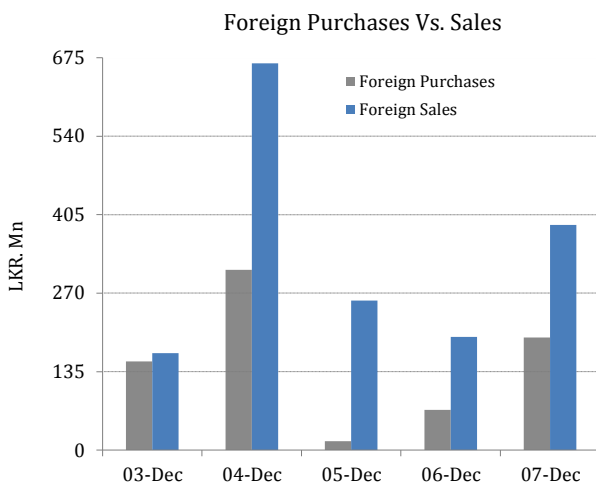
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	07/12/18	30/11/18		
SEYLAN BANK[X.0000]	7.38%	6.57%	1,476,936	70.15
VIDULLANKA	37.45%	37.09%	3,000,000	14.40
SEYLAN BANK	1.96%	1.88%	158,309	12.74
NAT. DEV. BANK	14.79%	14.76%	67,559	7.36
TEEJAY LANKA	46.39%	46.37%	163,835	5.32
SOFTLOGIC LIFE	46.38%	46.35%	118,685	4.47
HAYLEYS FABRIC	1.37%	1.22%	300,000	2.85
NESTLE	95.46%	95.46%	1,493	2.61
SAMPATH	22.48%	22.48%	6,063	1.47
DOCKYARD	52.94%	52.91%	20,000	1.16

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	07/12/18	30/11/18		
JKH	50.22%	50.60%	(5,296,575)	(852.75)
LION BREWERY	37.19%	37.36%	(135,140)	(75.00)
ACCESS ENG SL	7.40%	7.78%	(3,767,217)	(60.28)
DIALOG	94.26%	94.30%	(3,417,169)	(37.25)
AMANA BANK	63.11%	63.25%	(3,507,483)	(10.52)
CEYLON TOBACCO	97.46%	97.46%	(6,573)	(9.46)
JANASHAKTHI INS.	0.75%	0.81%	(151,206)	(4.23)
COMMERCIAL BANK	33.41%	33.41%	(24,150)	(2.87)
RENUKA FOODS	25.37%	25.50%	(150,000)	(2.18)
LOLC FINANCE	0.10%	0.11%	(472,995)	(1.75)

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



Announcements for the Week

Dividend Announcements

No dividend announcements for the week.

Point of View

Markets remained mixed this week with the benchmark ASPI hitting a one-week low as international credit rating agencies S&P and Fitch Ratings downgraded Sri Lanka's sovereign rating citing the country's protracted political stalemate. This week's downgrade came on the heels of a similar credit downgrade on Nov 20th when Moody's downgraded Sri Lanka for the 1st time since it started rating the country in 2010. The benchmark ASPI lost ~28 points following the downgrades early in the week, pushing the Index below the key 6000-mark to hit a low of 5997.23 points. The Index however gained in the subsequent days, gaining ~72 points as the resumption of Supreme Court hearings regarding the dissolution of Parliament continued over the week. Turnover levels too remained in broadly in line with that of last week, averaging Rs. 3.1Bn over the week relative to last week (Rs.3.8Bn) as Local Institutional and HNI investors continued to pick up undervalued stocks. Local institutions and HNIs accounted for ~36% of total market activity (cf. ~48% in the last two weeks) with buying interest mainly focused on heavy-weight JKH (~40% of the total crossings) and banking sector stocks (~47% of total crossings in Sampath Bank, HNB and Seylan Bank). Foreign investors meanwhile, continued to remain net sellers this week as well, with the sell-off on domestic equities amounting to Rs. 929Mn relative to last week's net selling of Rs. 796Mn. The foreign equity sell-off on Sri Lanka equities has heightened drastically since the political upheaval on Oct 26th, with net selling in the 7 weeks between Oct'26-to date totaling Rs.10Bn, in line with the net sell-off of Rs.9Bn recorded in the 9^{1/2} months to Oct'26. Markets in the week ahead are likely to remain influenced by domestic political developments, especially the pending Supreme Court decisions.

S&P and Fitch Ratings Downgrade Sri Lanka

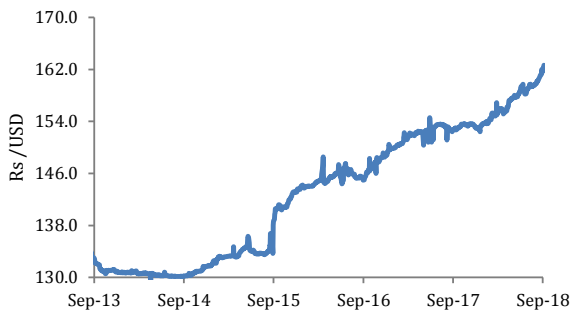
Ratings agencies S&P and Fitch Ratings downgraded Sri Lanka's sovereign rating this week (from 'B+' (Stable) to 'B' (Stable)) citing heightened external financing risks on the back of the political crisis stemming from the sudden dismissal of the country's Prime Minister on Oct'26. The credit rating agencies added that the risk of a slowdown/delay in fiscal and economic reforms also underlies its rationale for the downgrade. Both agencies noted though that its outlook for the sovereign is 'stable', with S&P adding that the cyclical recovery in the economy is likely to continue (as weather-related disruptions dissipate) while the GoSL is able to meet its 2019 debt repayments and with Fitch estimating a recovery in growth supported by remittances, a recovery in the Agriculture sector and, construction activity from commercial, real-estate and infrastructure projects. The CBSL meanwhile countered the international credit rating agency downgrades, adding a rating downgrade based only on the "premise of heightened political uncertainty" is unwarranted, especially since there is "no evidence of slippages in macroeconomic policies or fundamentals". The CBSL added that the soundness of the country's underlying macroeconomic conditions is reinforced by the fact that a staff-level agreement (at the 5th review of the IMF's EFF program) was reached in principle on Oct'26th just prior to the sudden political upheaval. The CBSL added that it expects to more than cover all ISB payments due in 2019 both due to the space provided under the Active Liability Management initiative and from proceeds from the divestment of non-strategic assets, syndicated loans, FX Swap facilities with SAARC, enhanced credit lines with the Middle East and disbursements from bilateral and multilateral agencies.

Economic Snapshot

	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18
Interest Rates								
Prime Lending Rate	11.10	11.27	11.34	11.20	11.41	11.65	11.72	12.34
Ave. Wtd. Deposit Rates	9.00	8.98	8.91	8.92	8.64	8.66	8.69	8.73
Ave. Wtd. Fixed Dep. Rates	11.41	11.38	11.23	11.26	10.82	10.81	10.84	10.78
CCPI Inflation Y-o-Y % (Base 2013)	4.2	3.8	4.0	4.4	5.4	5.9	4.3	3.1
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%	

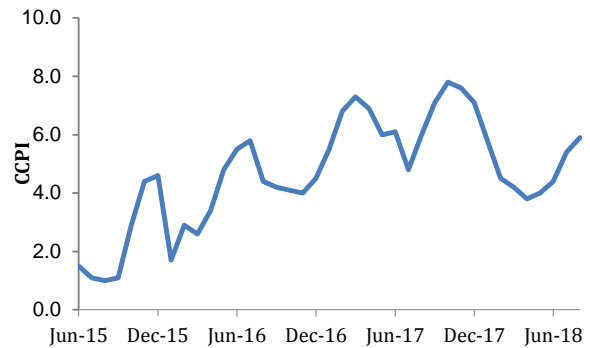
Source Central Bank

Exchange Rate, Rs. vs. US\$



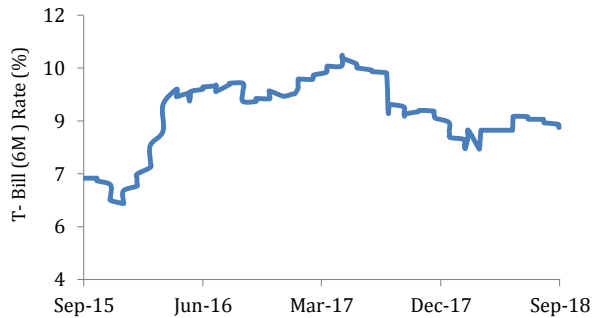
Source: Central Bank

Inflation (CCPI-N) YoY%



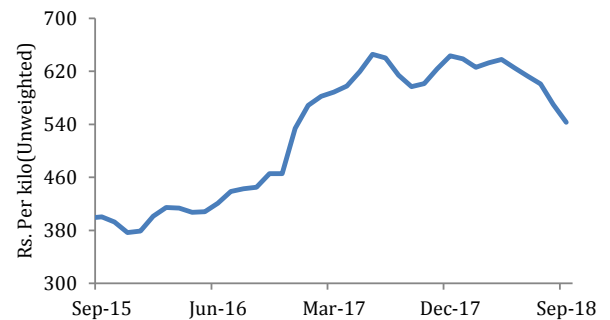
Source: Central Bank

6 Month T-Bill Yield



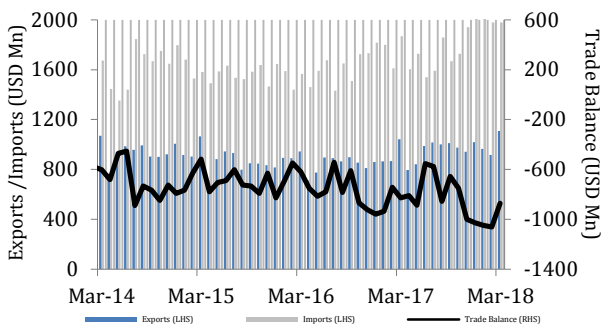
Source: Central Bank

Tea Prices



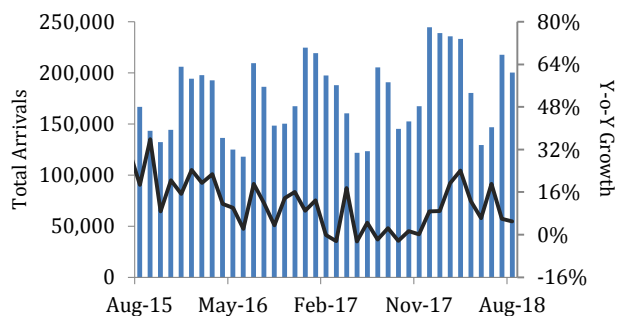
Source: Sri Lanka Tea Board

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.