

Political Uncertainty Dominates Sentiment ... Foreign Outflows from Capital Markets Continue

ASPI v 1.86% | S&P SL20 v 3.56%

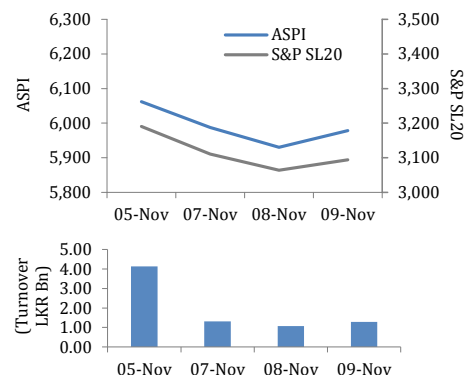
The Bourse ended the week... *Cont. P2*

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

Domestic political uncertainty *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (05th Nov – 09th Nov)



KEY STATISTICS

Week ending	09-Nov	02-Nov	+/-
ASPI	5,978.63	6,092.21	-1.86%
S&P SL20	3,094.21	3,208.43	-3.56%
Banking & Finance	15,807.90	16,242.78	-2.68%
Food & Beverage	24,413.03	24,368.96	0.18%
Diversified	1,537.10	1,591.90	-3.44%
Hotel & Travel	2,644.00	2,677.50	-1.25%
Plantations	744.24	749.11	-0.65%
Manufacturing	2,874.97	2,963.05	-2.97%
Turnover (LKR Bn)	7.80	9.92	-21.33%
Foreign Buying (LKR Mn)	1,450.20	2,656.24	-45.40%
Foreign Selling (LKR Mn)	5,370.52	6,519.96	-17.63%
Daily Average Turnover (LKR Bn)	1.95	1.98	-1.66%
Daily Average Foreign Buying (LKR Mn)	362.55	531.25	-31.76%
Daily Average Foreign Selling (LKR Mn)	1,342.63	1,303.99	2.96%

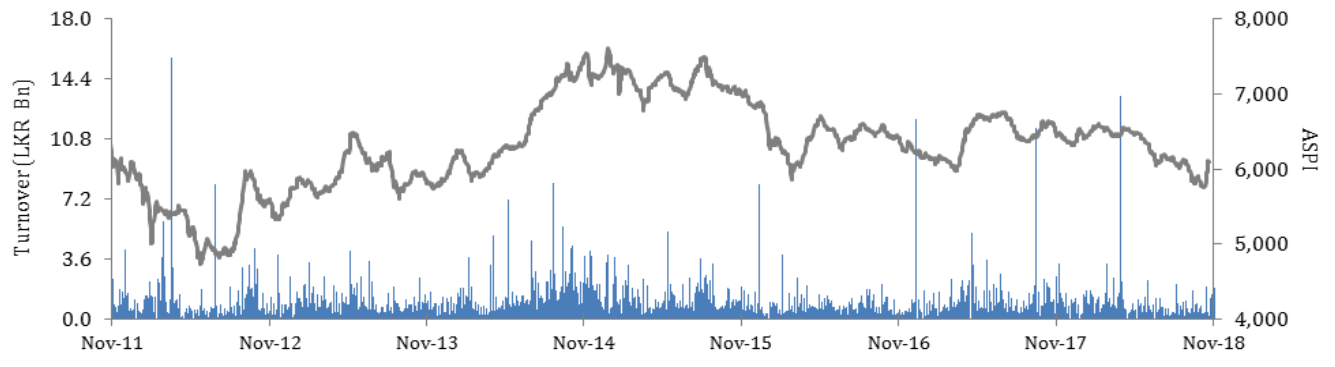
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
ADAM INVESTMENTS	AINVN	0.1	0.2	100.0%
S M B LEASING	SEMBN	0.4	0.5	25.0%
SOFTLOGIC LIFE	AAICN	31.3	34.8	11.2%
UDAPUSSELLAWA	UDPL	29.6	32.9	11.1%
RENUKA CITY HOT.	RENUN	215.3	238.0	10.5%
NAMUNUKULA	NAMUN	63.0	68.5	8.7%
HUNAS FALLS	HUNAN	76.8	82.7	7.7%
CITY HOUSING	CHOUN	4.9	5.2	6.1%
SINHAPUTHRA FIN	SFLN	8.3	8.8	6.0%
RAIGAM SALTERNS	RWSLN	1.9	2.0	5.3%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
EDEN HOTEL LANKA	EDENN	14.5	12.1	-16.6%
SOFTLOGIC FIN	CRLN	29.9	25.0	-16.4%
LANKA ALUMINIUM	LALUN	62.3	54.1	-13.2%
LIGHTHOUSE HOTEL	LHLN	33.0	28.8	-12.7%
MULLERS	MULLN	0.8	0.7	-12.5%
GUARDIAN CAPITAL	WAPON	25.0	22.0	-12.0%
LANKEM CEYLON	LCEYN	30.8	27.3	-11.4%
ABANS FINANCIAL	AFSLN	20.5	18.2	-11.2%
LUCKY LANKA[NV]	LLMPX	0.9	0.8	-11.1%
TRANS ASIA	TRANN	83.8	75.6	-9.8%

Market Review



Indices |

The Bourse ended the week on a negative note as the ASPI decreased by 113.58 points (or -1.86%) to close at 5,978.63 points, while the S&P SL20 Index also decreased by 114.22 points (or -3.56%) to close at 3,094.21 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 5.20Bn or 66.60% of total turnover value. NDB followed suit, accounting for 10.36% of turnover (value of LKR 0.81Bn) while Sampath Bank contributed LKR 0.51Bn to account for 6.55% of the week's turnover. Total turnover value amounted to LKR 7.80Bn (cf. last week's value of LKR 9.92Bn), while daily average turnover value amounted to LKR 1.95Bn (-1.66% W-o-W) compared to last week's average of LKR 1.98Bn. Market capitalization meanwhile, decreased by 1.86% W-o-W (or LKR 53.29Bn) to LKR 2,804.85Bn cf. LKR 2,858.14Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 67.83% (or LKR 5.29Bn) of market turnover. Sector turnover was driven primarily by JKH & Melstacorp which accounted for 99.34% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 21.38% (or LKR 1.67Bn) of the total turnover value, with turnover driven primarily by NDB, Sampath Bank, HNB, LB Finance & Vallibel Finance which accounted for 89.27% of the sector turnover. The Manufacturing sector was also amongst the top sectorial contributors, contributing 6.68% (or LKR 0.52Bn) to the market driven by Chevron & Teejay Lanka which accounted for 84.63% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 42.36% (or 40.56Mn shares) of total volume, with a value contribution of LKR 5.29Bn. The Banks, Finance & Insurance sector followed suit, adding 21.77% to total turnover volume as 20.84Mn shares were exchanged. The sector's volume accounted for LKR 1.67Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 12.24Mn shares (or 12.79%), amounting to LKR 0.52Bn.

Top Gainers & Losers |

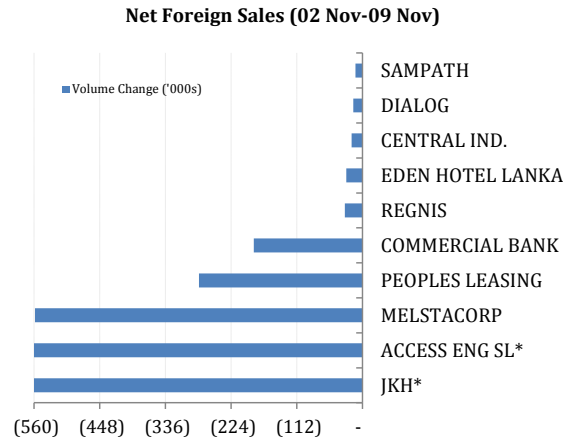
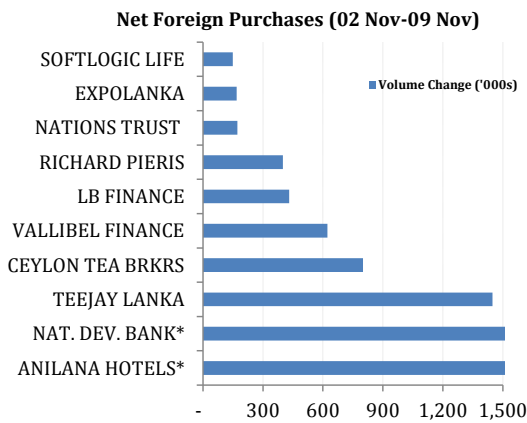
Adam Investments was the week's highest price gainer; increasing 100.0% W-o-W from LKR0.10 to LKR0.20 while SMB Leasing (+25.0% W-o-W), Softlogic Life (+11.2% W-o-W) and Udupussellawa (+11.1% W-o-W) were also amongst the top gainers.

Eden Hotel was the week's highest price loser; declining 16.6% W-o-W to close at LKR12.10 while Softlogic Finance (-16.4% W-o-W), Lanka Aluminium (-13.2% W-o-W) and Lighthouse Hotel (-12.7% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
JKH	JKH N	151.0	145.0	5,196.49
NAT. DEV. BANK	NDB N	105.0	100.0	808.57
SAMPATH	SAMPN	235.0	230.0	510.74
CHEVRON	LLUBN	72.5	70.1	290.88
ACCESS ENG SL	AEL N	17.1	17.0	158.56
TEEJAY LANKA	TJL N	34.3	33.0	150.16
HNB	HNB N	220.0	212.4	67.14
MELSTACORP	MELSN	54.0	51.1	61.60
LB FINANCE	LFINN	122.3	118.6	56.96
VALLIBEL FINANCE	VFINN	69.5	70.8	45.99

Market Review (Cont'd)



*Volume change of Anilana Hotels (138.37Mn shares), NDB (4.14Mn Shares), Access Engineering (4.54Mn Shares) and JKH (30.14Mn shares) from 02nd Nov – 09th Nov not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 3.92Bn relative to last week's total net outflow of LKR 3.86Bn (-1.47% W-o-W). Total foreign purchases decreased by 45.40% W-o-W to LKR 1.45Bn from last week's value of LKR 2.66Bn, while total foreign sales amounted to LKR 5.37Bn relative to LKR 6.52Bn recorded last week (-17.63% W-o-W). In terms of volume, Anilana Hotels & NDB led foreign purchases while JKH & Access Engineering led foreign sales. In terms of value, NDB & Anilana Hotels led foreign purchases while JKH & Access Engineering led foreign sales.

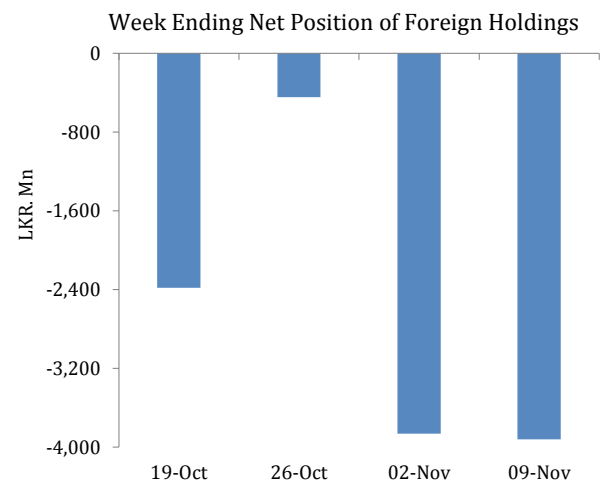
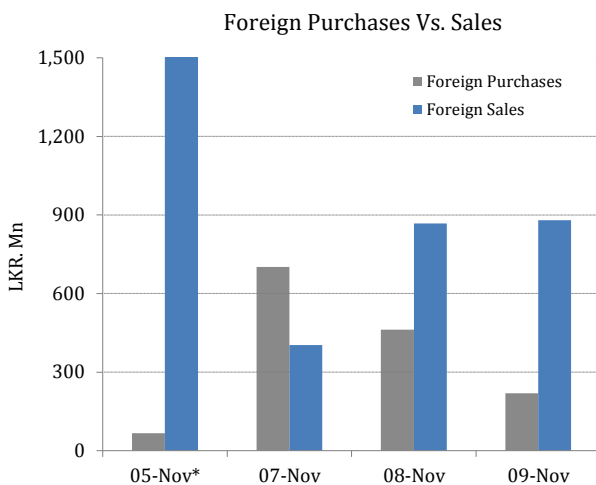
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	09/11/18	02/11/18		
NAT. DEV. BANK	14.17%	12.20%	4,141,599	414.16
ANILANA HOTELS	78.06%	64.31%	138,367,882	179.88
LB FINANCE	3.25%	2.94%	431,000	51.12
TEEJAY LANKA	46.37%	46.16%	1,447,950	47.78
VALLIBEL FINANCE	1.56%	0.51%	622,500	44.07
NATIONS TRUST	24.95%	24.87%	171,746	15.46
SEYLAN BANK	1.57%	1.49%	137,408	9.51
CHEVRON	22.29%	22.25%	88,095	6.18
SOFTLOGIC LIFE	45.54%	45.50%	148,500	5.17
RICHARD PIERIS	73.95%	73.93%	400,000	4.20

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	09/11/18	02/11/18		
JKH	51.11%	53.28%	(30,138,746)	(4,370.12)
ACCESS ENG SL	7.93%	8.38%	(4,535,538)	(77.10)
MELSTACORP	25.59%	25.64%	(558,538)	(28.54)
COMMERCIAL BANK	33.67%	33.68%	(185,303)	(21.44)
PEOPLES LEASING	6.51%	6.52%	(278,990)	(4.60)
SAMPATH	22.23%	22.24%	(11,862)	(2.73)
REGNIS	3.37%	3.64%	(30,179)	(2.25)
CENTRAL IND.	3.65%	3.75%	(18,500)	(0.54)
EDEN HOTEL LANKA	0.49%	0.52%	(27,574)	(0.33)
SEYLAN BANK[X.0000]	6.51%	6.51%	(7,490)	(0.30)

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



*Foreign Sales of Rs.3.22Bn on 05/11/2018 not displayed.

Announcements for the Week

Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
CEYLON TOBACCO	19.00	Third Interim	21-11-18
C T LAND DEVELOPMENT	1.00	Interim	16-11-18
C T HOLDINGS	1.80	Interim	16-11-18
CARGILLS	1.90	Interim	15-11-18
VIDULLANKA	0.15	Interim	27-11-18

Point of View

Domestic political uncertainty continued to dominate market movement this week with the broadshare Index falling ~2% from its 2-month high last week. Equity markets in most Emerging and Frontier market peers by contrast, hit one-month highs as investors perceived the outcome from the US mid-term elections (ie: a divided Congress) positively. Sri Lanka's benchmark Index however, recorded consecutive losses between Mon-Thur, falling ~162 points as last week's heavy local retail and institutional buying eased-off amid some profit-taking from last week's market rally and as the country's political stalemate worsened over the week. On Friday however, the ASPI rebounded, gaining ~48 points to pare down the week's earlier losses. Activity levels too remained robust despite the holiday-shortened trading week, and average weekly turnover remained in line with that of last week's average of Rs.2.0Bn. Foreign investors on the Colombo Bourse meanwhile continued to remain net sellers over the week, maintaining their pace of selling amid the ongoing political fallout. Foreigners sales amounted to Rs5.4Bn during the week cf. Rs.6.5Bn last week, and the majority of selling was in Sri Lanka's main blue-chip JKH which was collected by key local HNIs. Foreign selling on JKH totaled Rs.4.4Bn, but foreign buying in NDB (Rs.0.4Bn) and Anilana Hotels (Rs.0.2Bn) helped pare down the net selling on the market to Rs. 3.9Bn. Net outflows from domestic equities in Q4'18 so far has risen to Rs.11.4Bn cf. just Rs.6.2Bn recorded between Jan-Sep'18. Political developments surrounding the reconvening of parliament next week is likely to influence market movement in the week ahead.

Foreign Outflows from Capital Markets Continue

The foreign sell-off on Sri Lankan capital markets continued this week, with net outflows of Rs. 10Bn from Govt. Bond markets and net outflows of Rs.3.9Bn from Sri Lankan equities pushing the LKR 0.5% lower against the USD this week. The LKR has lost 1.3% of its value since the start of the political crisis on Oct'26, adding to the 11% loss on the LKR up till then and taking the cumulative YTD loss on the LKR to 12% to make the LKR one of the worst performing EM/FM currencies so far this year. The country's political stalemate worsened over the week, prompting the EU to urge the Sri Lankan Government to allow the Parliament to "demonstrate its confidence by voting immediately" when it reconvenes next week. The EU added that the move is vital in order to resolve the "serious political uncertainties" the country currently faces. Earlier in the week, the EU cautioned that it would consider stripping Sri Lanka of the GSP+ access it reinstated last year (May'17) if the country does not meet the commitments it agreed to adhere to under the terms of the agreement. The EU remains Sri Lanka's largest exporter, accounting for ~29% of the country's total exports and ~42% of Sri Lanka's main industrial export Apparel. In the 12M after GSP+ reinstatement, total exports to the EU rose 11%, with increases among the majority of goods including Apparel, Rubber products, Coconut products & Gems¹. Sri Lanka's Export growth has slowed in previous instances when GSP+ access was withdrawn, and when GSP+ access was withdrawn in 2010, export growth between 2010-14 slowed to 7.4% relative to the growth of 16.4% between 2005-09 when Sri Lanka had GSP+ access.²

1. EDB, Ministry of Development Strategies and International Trade

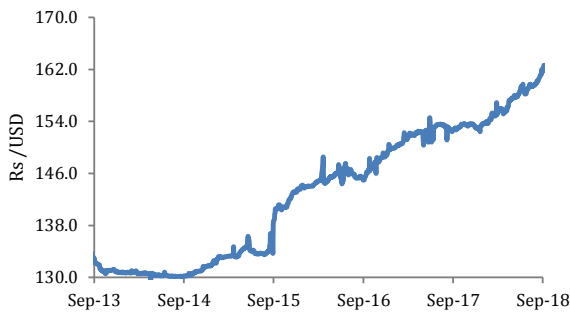
2. Felix A. Fernando, "The Difficulties Faced by an Apparel Manufacturer after GSP Plus Was Withdrawn"

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%	

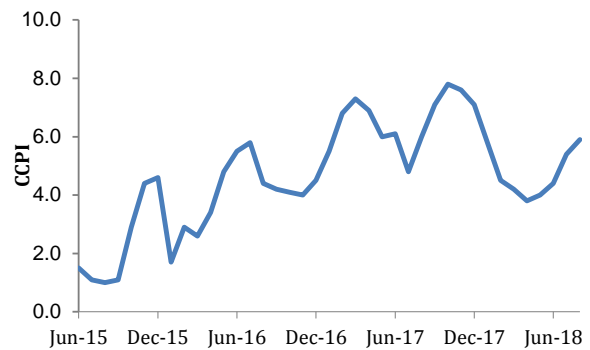
Source Central Bank

Exchange Rate, Rs. vs. US\$



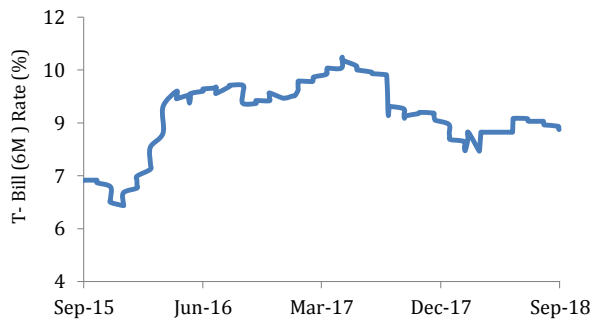
Source: Central Bank

Inflation (CCPI-N) YoY%



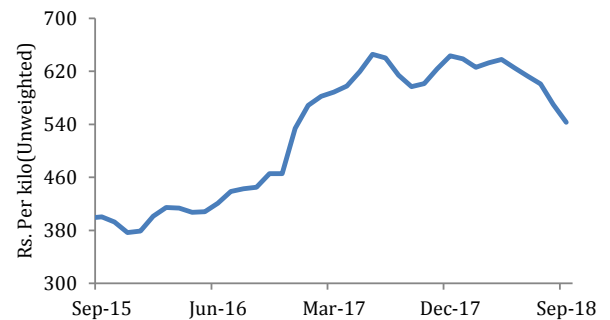
Source: Central Bank

6 Month T-Bill Yield



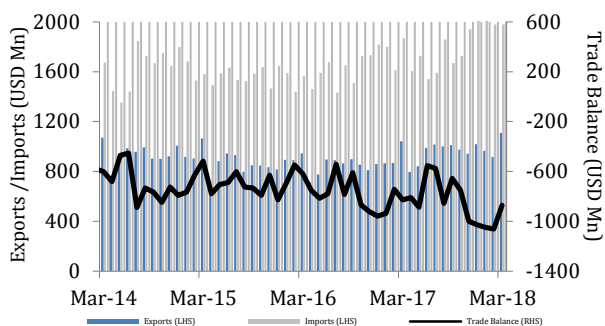
Source: Central Bank

Tea Prices



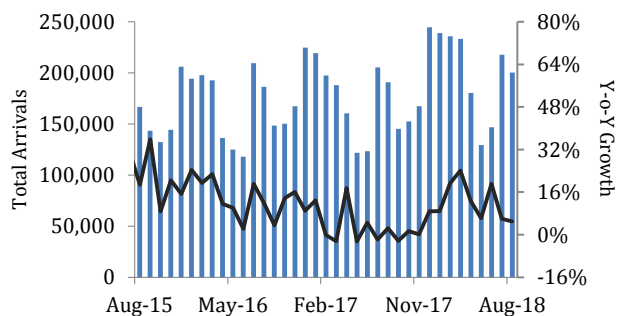
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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