

Markets Remain Above 6000-Mark Amid SC Decision... Robust Domestic Demand to Aid

ASPI v 0.11% | S&P SL20 v 1.40%

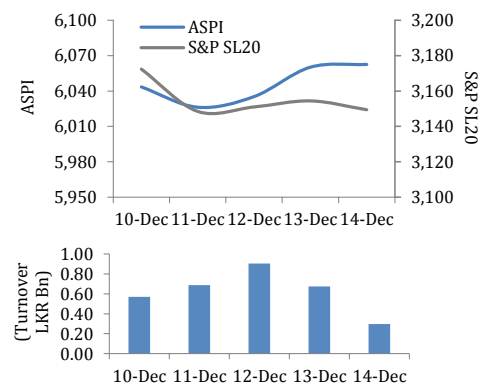
The Bourse ended the week... *Cont. P2*

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

Sri Lankan equity market *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (10th Dec – 14th Dec)



KEY STATISTICS

| Week ending | 14-Dec | 07-Dec | +/- |
|--|-----------|-----------|--------|
| ASPI | 6,062.55 | 6,069.22 | -0.11% |
| S&P SL20 | 3,149.43 | 3,193.99 | -1.40% |
| Banking & Finance | 16,593.40 | 16,359.16 | 1.43% |
| Food & Beverage | 24,451.49 | 24,687.08 | -0.95% |
| Diversified | 1,586.76 | 1,585.49 | 0.08% |
| Hotel & Travel | 2,648.58 | 2,648.72 | -0.01% |
| Plantations | 716.27 | 720.75 | -0.62% |
| Manufacturing | 2,842.88 | 2,863.34 | -0.71% |
| Turnover (LKR Bn) | 3.14 | 3.07 | 2.05% |
| Foreign Buying (LKR Mn) | 687.26 | 741.89 | -7.36% |
| Foreign Selling (LKR Mn) | 1,650.72 | 1,671.01 | -1.21% |
| Daily Average Turnover (LKR Bn) | 0.63 | 0.61 | 2.05% |
| Daily Average Foreign Buying (LKR Mn) | 137.45 | 148.38 | -7.36% |
| Daily Average Foreign Selling (LKR Mn) | 330.14 | 334.20 | -1.21% |

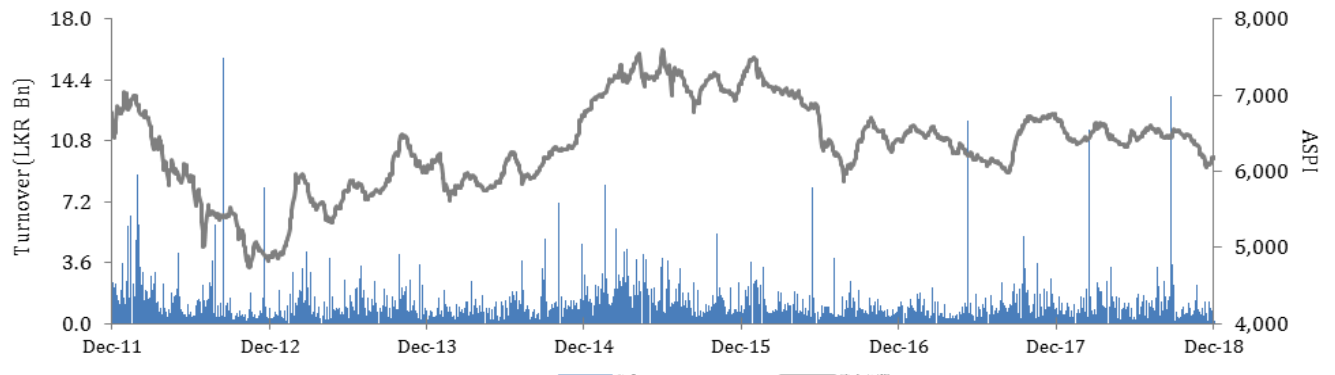
TOP 10 GAINERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|------------------|-------|---------------|---------------|--------------|
| A I A INSURANCE | CTCEN | 1259.3 | 1826.5 | 45.0% |
| MORISONS[NV] | MORIX | 432.2 | 532.9 | 23.3% |
| DUNAMIS CAPITAL | CSECN | 35.4 | 42.0 | 18.6% |
| JETWING SYMPHONY | JETSN | 10.8 | 12.0 | 11.1% |
| HNB ASSURANCE | HASUN | 113.5 | 125.5 | 10.6% |
| RENUKA CAPITAL | KZOOM | 3.9 | 4.3 | 10.3% |
| ANILANA HOTELS | ALHPN | 1.2 | 1.3 | 8.3% |
| SINGHE HOSPITALS | SINH | 1.2 | 1.3 | 8.3% |
| RENUKA FOODS[NV] | COCOX | 10.0 | 10.8 | 8.0% |
| UNION ASSURANCE | UALN | 324.9 | 350.6 | 7.9% |

TOP 10 LOSERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|-------------------|-------|---------------|---------------|--------------|
| S M B LEASING[NV] | SEMBX | 0.3 | 0.2 | -33.3% |
| BLUE DIAMONDS | BLUEN | 0.6 | 0.5 | -16.7% |
| PARAGON | PARAN | 59.1 | 50.1 | -15.2% |
| MULLERS | MULLN | 0.7 | 0.6 | -14.3% |
| CEYLON PRINTERS | CPRTN | 75.5 | 65.0 | -13.9% |
| PRIME FINANCE | GSFN | 21.0 | 18.2 | -13.3% |
| MTD WALKERS | KAPIN | 12.5 | 11.0 | -12.0% |
| LAXAPANA | LITEN | 12.3 | 10.9 | -11.4% |
| ON'ALLY | ONALN | 102.5 | 92.8 | -9.5% |
| THE FINANCE CO. | TFCN | 2.2 | 2.0 | -9.1% |

Market Review



Indices |

The Bourse ended the week on a negative note as the ASPI decreased by 6.67 points (or -0.11%) to close at 6,062.55 points, while the S&P SL20 Index also decreased by 44.56 points (or -1.40%) to close at 3,149.43 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 0.79Bn or 22.15% of total turnover value. Commercial Bank followed suit, accounting for 22.07% of turnover (value of LKR 0.69Bn) while Odel contributed LKR 0.45Bn to account for 14.25% of the week's turnover. Total turnover value amounted to LKR 3.14Bn (cf. last week's value of LKR 3.07Bn), while daily average turnover value amounted to LKR 0.63Bn (+2.05% W-o-W) compared to last week's average of LKR 0.61Bn. Market capitalization meanwhile, decreased by -0.11% W-o-W (or LKR 3.13Bn) to LKR 2,844.22Bn cf. LKR 2,847.35Bn last week.

Liquidity (in Value Terms) |

The Banks, Finance & Insurance sector was the highest contributor to the week's total turnover value, accounting for 44.39% (or LKR 1.39Bn) of market turnover. Sector turnover was driven primarily Commercial Bank, Sampath Bank, HNB, HNB Assurance, NDB & Janashakthi Insurance which accounted for 88.78% of the sector's total turnover. The Diversified sector meanwhile accounted for 28.82% (or LKR 0.90Bn) of the total turnover value, with turnover driven primarily by JKH which accounted for 87.26% of the sector turnover. The Footwear & Textile sector was also amongst the top sectorial contributors, contributing 14.33% (or LKR 0.45Bn) to the market driven by Odel which accounted for 99.43% of the sector turnover.

Liquidity (in Volume Terms) |

The Banks, Finance & Insurance sector dominated the market in terms of share volume, accounting for 26.39% (or 18.46Mn shares) of total volume, with a value contribution of LKR 1.39Bn. The Footwear & Textile sector followed suit, adding 24.22% to total turnover volume as 16.94Mn shares were exchanged. The sector's volume accounted for LKR 0.45Bn of total market turnover value. The Telecom sector meanwhile, contributed 10.38Mn shares (or 14.84%), amounting to LKR 0.11Bn.

Top Gainers & Losers |

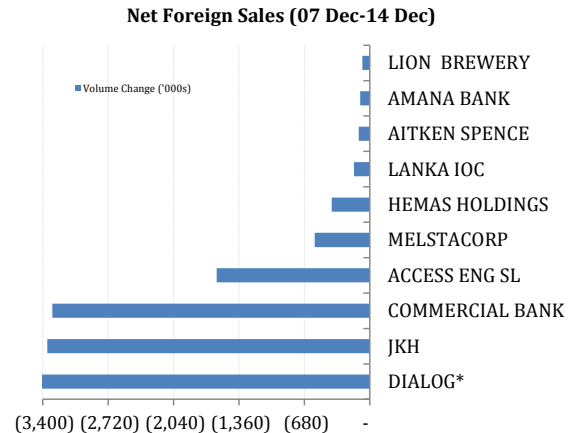
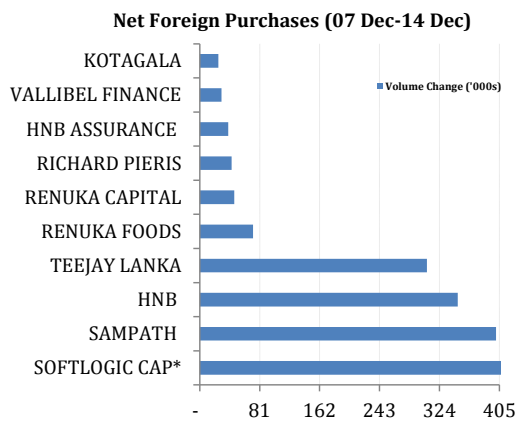
AIA Insurance was the week's highest price gainer; increasing 45.0% W-o-W from LKR1,259.30 to LKR1,826.50 while Morisons (+23.3% W-o-W), Dunamis Capital (+18.6% W-o-W) and Jetwing Symphony (+11.1% W-o-W) were also amongst the top gainers.

SMB Leasing [NV] was the week's highest price loser; declining 33.3% W-o-W to close at LKR0.20 while Blue Diamonds (-16.7% W-o-W), Paragon (-15.2% W-o-W), and Mullers (-14.3% 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 | 161.0 | 160.5 | 788.61 |
| COMMERCIAL BANK | COMBN | 118.8 | 116.0 | 692.01 |
| ODEL PLC | ODELN | 30.0 | 29.2 | 446.79 |
| SAMPATH | SAMPN | 242.7 | 237.0 | 136.58 |
| HNB | HNB N | 219.3 | 215.0 | 131.14 |
| HNB ASSURANCE | HASUN | 113.5 | 125.5 | 118.99 |
| DIALOG | DIALN | 10.9 | 10.3 | 109.70 |
| LION BREWERY | LIONN | 555.0 | 555.0 | 103.90 |
| NAT. DEV. BANK | NDB N | 108.9 | 106.9 | 82.52 |
| JANASHAKTHI INS. | JINSN | 28.0 | 29.8 | 74.69 |

Market Review (Cont'd)



*Volume change of Softlogic Capital (0.98Mn shares) and Dialog (7.36Mn shares) from 07th Dec -14th Dec not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.96Bn relative to last week's total net outflow of LKR 0.93Bn (-3.7% W-o-W). Total foreign purchases decreased by 7.36% W-o-W to LKR 0.69Bn from last week's value of LKR 0.74Bn, while total foreign sales amounted to LKR 1.65Bn relative to LKR 1.67Bn recorded last week (-1.2% W-o-W). In terms of volume, Sampath Bank & Softlogic Capital led foreign purchases while Dialog & JKH led foreign sales. In terms of value, Sampath Bank & HNB led foreign purchases while JKH & Commercial Bank led foreign sales.

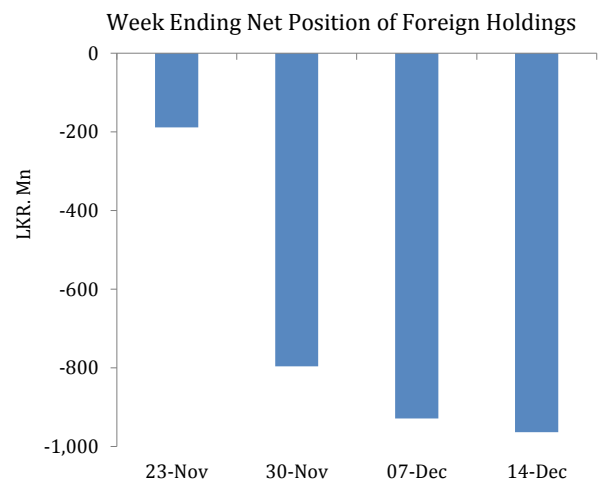
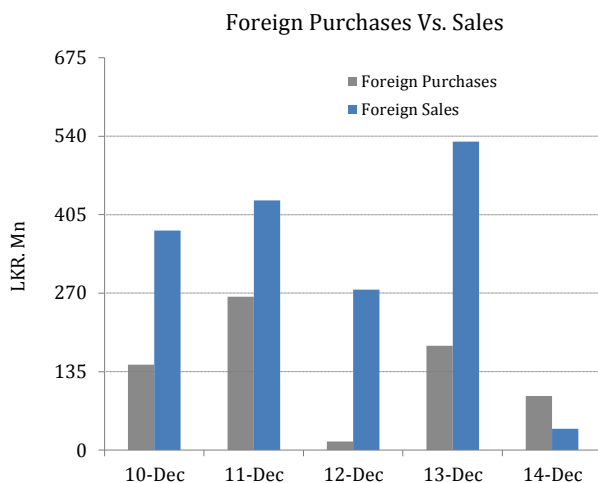
Net Foreign Purchases (By Transaction Value)

| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|------------------|---------------------|----------|------------|------------------|
| | 14/12/18 | 07/12/18 | | |
| SAMPATH | 22.62% | 22.48% | 400,545 | 94.93 |
| HNB | 35.56% | 35.47% | 348,781 | 74.99 |
| TEEJAY LANKA | 46.43% | 46.39% | 307,144 | 10.11 |
| SOFTLOGIC CAP | 1.03% | 0.89% | 980,000 | 6.08 |
| HNB ASSURANCE | 1.83% | 1.75% | 38,615 | 4.85 |
| VALLIBEL FINANCE | 2.01% | 1.96% | 29,227 | 2.06 |
| CEYLON BEVERAGE | 22.85% | 22.84% | 1,951 | 1.43 |
| LANKA ALUMINIUM | 56.61% | 56.48% | 17,694 | 1.10 |
| RENUKA FOODS | 25.43% | 25.37% | 72,150 | 0.98 |
| CENTRAL FINANCE | 14.25% | 14.25% | 10,816 | 0.97 |

Net Foreign Sales (By Transaction Value)

| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|-----------------------|---------------------|----------|-------------|------------------|
| | 14/12/18 | 07/12/18 | | |
| JKH | 49.98% | 50.22% | (3,351,104) | (537.85) |
| COMMERCIAL BANK | 33.06% | 33.41% | (3,300,572) | (382.87) |
| DIALOG | 94.17% | 94.26% | (7,355,717) | (75.76) |
| LION BREWERY | 37.10% | 37.19% | (75,981) | (42.17) |
| HEMAS HOLDINGS | 30.02% | 30.09% | (396,041) | (34.85) |
| MELSTACORP | 25.54% | 25.59% | (572,680) | (29.78) |
| ACCESS ENG SL | 7.24% | 7.40% | (1,590,895) | (24.02) |
| NESTLE | 95.45% | 95.46% | (3,700) | (6.29) |
| AITKEN SPENCE | 23.92% | 23.95% | (114,539) | (5.36) |
| CEYLINCO INS.[X.0000] | 54.57% | 54.65% | (5,490) | (5.23) |

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> |
|--------------------|------------------|-------------|----------------|
| JOHN KEELLS HOTELS | 0.15 | Interim | 21-12-2018 |
| PANASIAN POWER | 0.06 | Interim | 21-12-2018 |

Point of View

Sri Lankan equity market performance continued to remain mixed this week as investors awaited the outcome of the Supreme Court's judgment on the President's sudden dissolution of Parliament on November 9th. The main-share ASPI lost ~43 points at the start of the week ahead of the court ruling, but gained ~36 points during the rest of the week as the Supreme Court unanimously ruled that the Gazette issued by the President dissolving Parliament was unconstitutional and that the Parliament cannot be dissolved until 4.5 out of its 5-year term is completed. The week's mixed performance resulted in the ASPI closing the week ~ 0.1% W-o-W (or 7 points) lower, but staunchly above the key psychological mark of 6000-points (at 6062.55 points). Activity levels on the market meanwhile remained in line with that of last week, with average daily turnover at Rs.0.6Bn(relative to 0.6Bn last week), but 22% lower than the YTD average of Rs.0.8Bn. Local institutions and HNIs accounted for ~38% of total market activity this week (cf. ~42% so far this year), with buying interests focused mainly on Odel (~38% of total crossings), Commercial Bank (~29% of total crossings) and HNB (~11% of total crossings). Foreign investors meanwhile, continued to sell-off Sri Lankan equities with net selling for the week amounting to Rs.963Mn (cf. Rs.929Mn last week). Although foreign individual investors have recorded a net purchase of Rs.5.4Bn between Jan-Nov'18, foreign institutional investors have off-loaded Sri Lankan equities to the tune of Rs.24.0Bn to bring the total net foreign outflow from domestic equities to Rs.18.5Bn (by Nov'18). Foreign investors sold a further Rs.1.9Bn in the first two week's of December, dragging the Colombo bourse's YTD net foreign selling position to ~Rs.20.4Bn relative to net foreign purchases of 17.7Bn last year. Markets in the week ahead are likely to remain influenced by domestic political developments especially the President's decision on the new cabinet and prime minister.

Robust Domestic Demand to Aid Developing Asia

The ADB this week noted that its outlook for global growth has firmed (since its last update in Sep'18 amid the escalating US-China trade conflict) due to the 90-day truce between the two countries as they engage in bilateral negotiations. The Group added that although this downside risk remains (given the significant policy differences to be reconciled between China and USA), developing Asia continues to "weather the external headwinds" due to robust domestic demand (6.0% in 2018 and 5.8% in 2019)¹. South Asia meanwhile still remains the fastest-growing sub-region in developing Asia, with growth on track to meet its estimate of 7% in 2018 and reach 7.1% in 2019 especially as India maintains its growth momentum on rebounding exports and higher industrial and agricultural output. ADB noted however that i) tighter credit as the nonbank finance sector experiences stress, ii) limited fiscal space for public capital expenditure, and, iii) escalating trade tensions¹ remain downside risks in India although some of these risks could be offset by the recent decline in oil prices and greater export competitiveness as the Indian rupee has weakened 10% since early 2018. The Group also noted that although GDP growth in Sri Lanka grew by 3.7% in Q2'18 (amid revived private consumption), continued tightening of government current spending, stagnant fixed investment and the recent political uncertainty are likely to dampen Sri Lanka's short-term growth prospects. The growth projections for major industrial economies (US, Euro Area and Japan) meanwhile were retained as despite contraction in Japan in Q3, favorable outcomes in the US and the euro area confirm that the major industrial economies are on track to meet growth projections of 2.3% in 2018 and 2.1% in 2019¹.

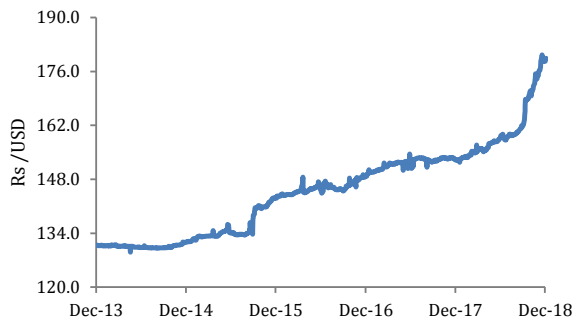
Notes: 1. Source-ADO Supplement_Dec'18

Economic Snapshot

| | Apr'18 | May'18 | Jun'18 | Jul'18 | Aug'18 | Sep'18 | Oct'18 | Nov'18 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Interest Rates | | | | | | | | |
| Prime Lending Rate | 11.27 | 11.34 | 11.20 | 11.41 | 11.65 | 11.72 | 12.34 | 12.12 |
| Ave. Wtd. Deposit Rates | 8.98 | 8.91 | 8.92 | 8.64 | 8.66 | 8.69 | 8.73 | 8.77 |
| Ave. Wtd. Fixed Dep. Rates | 11.38 | 11.23 | 11.26 | 10.82 | 10.81 | 10.84 | 10.78 | 10.81 |
| CCPI Inflation Y-o-Y % (Base 2013) | 3.8 | 4.0 | 4.4 | 5.4 | 5.9 | 4.3 | 3.1 | 3.3 |
| 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% | |

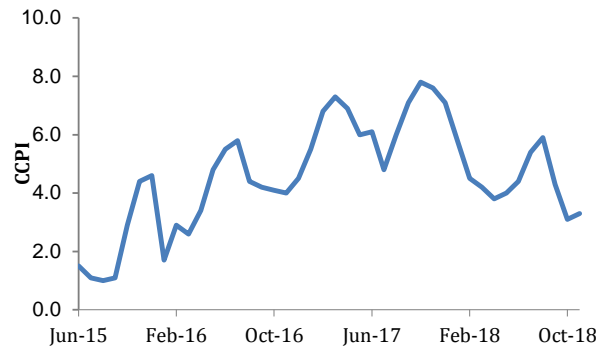
Source Central Bank

Exchange Rate, Rs. vs. US\$



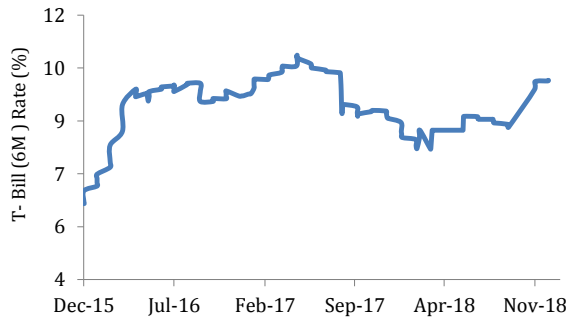
Source: Central Bank

Inflation (CCPI-N) YoY%



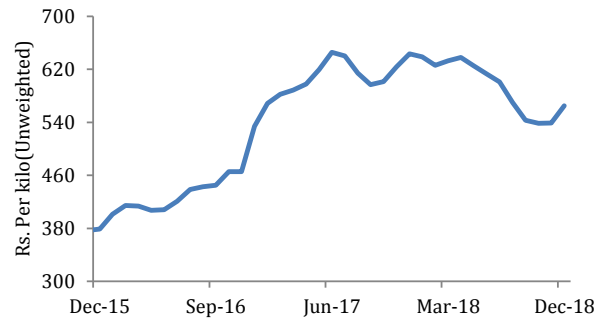
Source: Central Bank

6 Month T-Bill Yield



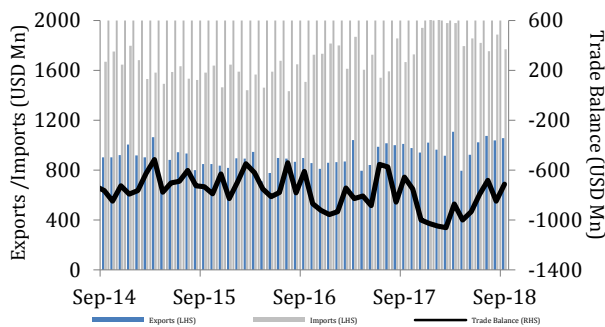
Source: Central Bank

Tea Prices



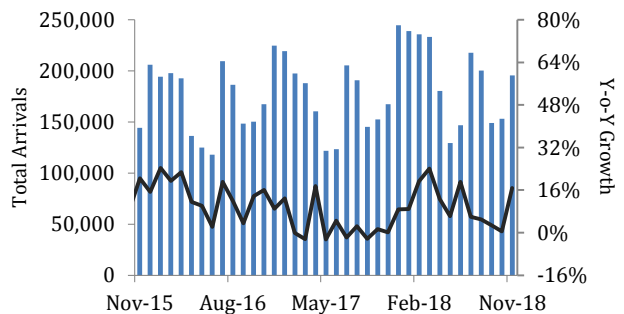
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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