

ASPI Falls Below 6100-Mark for 1st Time in 5-Weeks ... Moody's Maintains Credit Rating at B1 (Negative)

ASPI v 1.47% | S&P SL20 v 2.36%

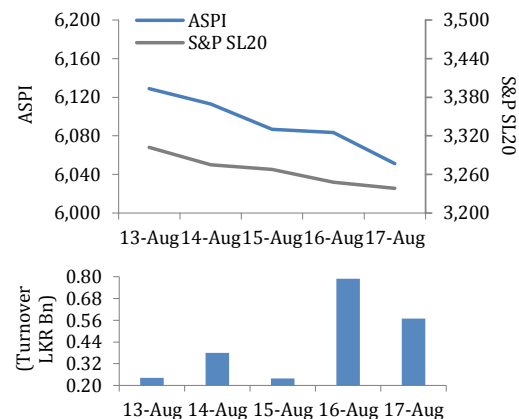
The Bourse ended the week... *Cont. P2*

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

Sri Lankan equities extended *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (10th Aug - 17th Aug)



KEY STATISTICS

Week ending	17-Aug	10-Aug	+/-
ASPI	6,051.10	6,141.55	-1.47%
S&P SL20	3,238.25	3,316.47	-2.36%
Banking & Finance	15,769.72	16,032.59	-1.64%
Food & Beverage	24,996.47	24,905.89	0.36%
Diversified	1,512.08	1,560.64	-3.11%
Hotel & Travel	2,636.51	2,673.76	-1.39%
Plantations	746.09	761.98	-2.09%
Manufacturing	3,011.63	3,098.19	-2.79%
Turnover (LKR Bn)	2.22	4.28	-48.11%
Foreign Buying (LKR Mn)	780.95	2,242.13	-65.17%
Foreign Selling (LKR Mn)	1,460.64	2,414.80	-39.51%
Daily Average Turnover (LKR Bn)	0.44	0.86	-48.11%
Daily Average Foreign Buying (LKR Mn)	156.19	448.43	-65.17%
Daily Average Foreign Selling (LKR Mn)	292.13	482.96	-39.51%

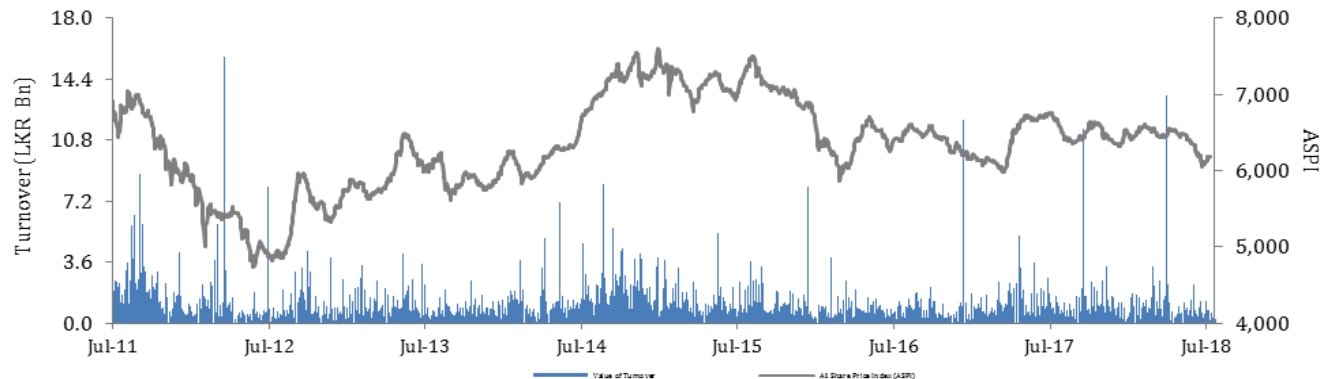
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
S M B LEASING	SEMBN	0.4	0.5	25.0%
BLUE DIAMONDS	BLUEN	0.5	0.6	20.0%
BERUWALA RESORTS	BERUN	0.6	0.7	16.7%
OFFICE EQUIPMENT	OFEQN	73.6	84.7	15.1%
ON'ALLY	ONALN	97.5	111.2	14.1%
UNION ASSURANCE	UAL N	250.0	270.8	8.3%
KANDY HOTELS	KHC N	4.9	5.2	6.1%
PRINTCARE PLC	CAREN	28.0	29.7	6.1%
LANKA ALUMINIUM	LALUN	64.5	68.2	5.7%
C.W.MACKIE	CWM N	44.5	47.0	5.6%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
BLUE DIAMONDS [NV]	BLUEX	0.4	0.2	-50.0%
AMANA LIFE	ATLLN	13.4	10.3	-23.1%
EDEN HOTEL LANKA	EDENN	12.6	10.3	-18.3%
KELSEY	KDL N	31.0	25.5	-17.7%
BRAC LNKA FNANCE	NIFLN	44.9	37.1	-17.4%
LANKA CEMENT	LCEMN	2.9	2.4	-17.2%
LAUGFS GAS [NV]	LGL X	15.0	12.6	-16.0%
AHOT PROPERTIES	AHPLN	41.8	35.2	-15.8%
MERCHANT BANK	MBSLN	9.4	8.0	-14.9%
MASKELIYA	MASKN	12.8	10.9	-14.8%

Market Review



Indices |

The Bourse ended the week on a negative note as the ASPI decreased by 90.45 points (or -1.47%) to close at 6,051.10 points, while the S&P SL20 Index also decreased by 78.22 points (or -2.36%) to close at 3,238.25 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.15Bn or 51.80% of total turnover value. Nestle followed suit, accounting for 6.53% of turnover (value of LKR 0.14Bn) while Sampath Bank contributed LKR 0.11Bn to account for 5.08% of the week's turnover. Total turnover value amounted to LKR 2.22Bn (cf. last week's value of LKR 4.28Bn), while daily average turnover value amounted to LKR 0.44Bn (-48.11% W-o-W) compared to last week's average of LKR 0.86Bn. Market capitalization meanwhile, decreased by 1.43% W-o-W (or LKR 41.05Bn) to LKR 2,834.86Bn cf. LKR 2,875.91Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 53.20% (or LKR 1.18Bn) of market turnover. Sector turnover was driven primarily by JKH which accounted for 97.37% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 18.63% (or LKR 0.41Bn) of the total turnover value, with turnover driven primarily by Sampath Bank, Commercial Bank, Amana Bank and HNB which accounted for 62.19% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 13.07% (or LKR 0.29Bn) to the market driven by Nestle, Lion Brewery, and Ceylon Tobacco which accounted for 90.55% of the sector turnover.

Liquidity (in Volume Terms) |

The Banks, Finance & Insurance sector dominated the market in terms of share volume, accounting for 32.80% (or 22.10Mn shares) of total volume, with a value contribution of LKR 0.41Bn. The Diversified sector followed suit, adding 19.16% to total turnover volume as 12.91Mn shares were exchanged. The sector's volume accounted for LKR 1.18Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 7.04Mn shares (or 10.45%), amounting to LKR 0.15Bn.

Top Gainers & Losers |

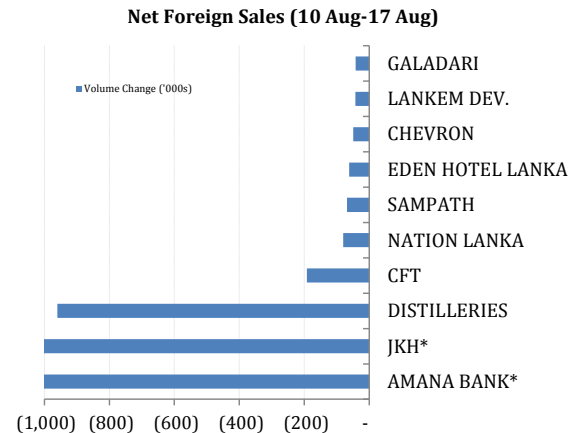
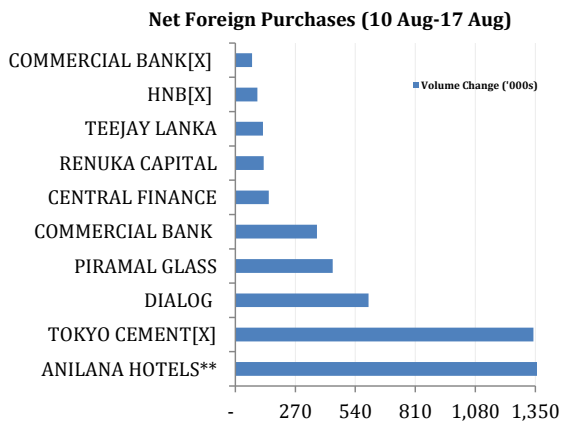
SMB Leasing was the week's highest price gainer; increasing 25.0% W-o-W from LKR0.40 to LKR0.50 while Blue Diamonds (+20.0% W-o-W), Beruwala Resorts (+16.7% W-o-W) and Office Equipment (+15.1% W-o-W) were also amongst the top gainers.

Blue Diamonds [NV] was the week's highest price loser; declining 50.0% W-o-W to close at LKR0.20 while Amana Life (-23.1% W-o-W), Eden Hotel Lanka (-18.3% W-o-W) and Kelsey Developments (-17.7% 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	144.9	138.0	1,149.47
NESTLE	NESTN	1840.0	1800.0	144.80
SAMPATH	SAMPN	282.0	278.6	112.83
TOKYO CEMENT [NV]	TKYOX	24.9	25.0	90.75
COMMERCIAL BANK	COMBN	124.0	123.1	76.35
LION BREWERY	LIONN	620.0	639.5	63.93
CEYLON TOBACCO	CTC N	1230.0	1251.9	53.83
AMANA BANK	ABL N	3.1	3.1	42.48
RENUKA HOTELS	RCHN	48.0	49.9	27.45
HNB	HNB N	223.9	220.1	25.35

Market Review (Cont'd)



*Volume change of Amana Bank (10.94Mn Shares) and JKH (5.51Mn Shares) from 10th Aug – 17th Aug not displayed.
 **Volume change of Anilana Hotels includes the private placement of 513.4Mn shares.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.68Bn relative to last week's total net outflow of LKR 0.17Bn (-293.6% W-o-W). Total foreign purchases decreased by 65.2% W-o-W to LKR 0.78Bn from last week's value of LKR 2.24Bn, while total foreign sales amounted to LKR 1.46Bn relative to LKR 2.41Bn recorded last week (-39.5% W-o-W). In terms of volume, Anilana Hotels (via Private Placement) & Tokyo Cement (Non-Voting) led foreign purchases while Amana Bank & JKH led foreign sales. In terms of value, Anilana Hotels & Commercial Bank led foreign purchases while JKH & Amana Bank led foreign sales.

Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	17/08/18	10/08/18		
ANILANA HOTELS**	64.21%	13.21%	513,443,555	616.13
COMMERCIAL BANK	33.78%	33.74%	367,143	45.20
TOKYO CEMENT[X.0000]	43.43%	42.42%	1,342,219	33.56
LION BREWERY	37.26%	37.21%	39,441	25.22
HNB[X.0000]	46.80%	46.70%	98,772	16.89
HNB	35.91%	35.89%	72,544	15.97
CENTRAL FINANCE	13.44%	13.37%	150,000	14.40
DIALOG	94.40%	94.39%	599,234	8.51
COMMERCIAL BANK[X.0000]	24.27%	24.16%	74,808	7.11
ROYAL CERAMIC	11.44%	11.39%	50,000	4.45

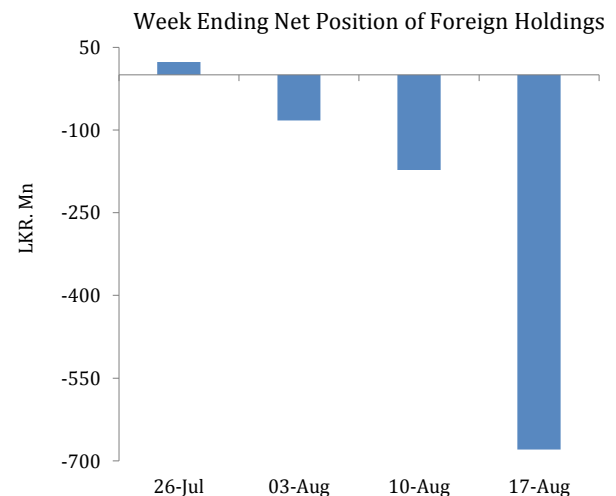
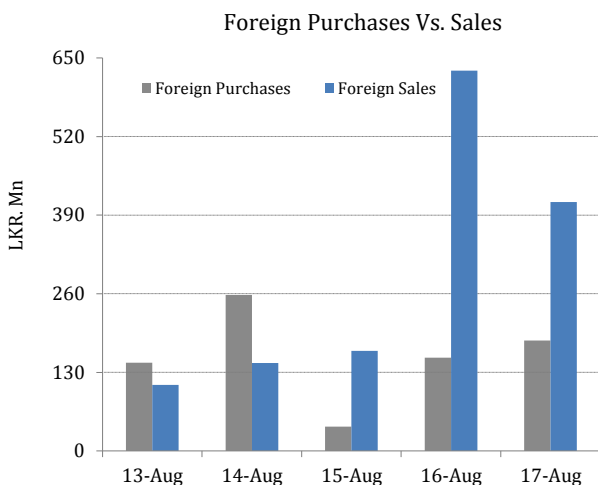
Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	17/08/18	10/08/18		
JKH	56.77%	57.17%	(5,508,714)	(760.20)
AMANA BANK	63.27%	63.71%	(10,937,500)	(33.91)
DISTILLERIES	1.83%	1.85%	(960,000)	(19.30)
SAMPATH	22.70%	22.72%	(68,281)	(19.02)
CEYLON TOBACCO	97.47%	97.47%	(10,182)	(12.75)
CHEVRON	21.23%	21.25%	(49,340)	(4.37)
UNION ASSURANCE	0.11%	0.12%	(6,001)	(1.63)
AITKEN SPENCE	24.10%	24.11%	(24,206)	(1.09)
RENUKA HOTELS	0.41%	0.47%	(20,849)	(1.04)
SOFTLOGIC LIFE	45.58%	45.60%	(39,600)	(1.03)

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

** Transaction value of Anilana Hotels includes private placement of 513.4Mn shares

Please note that the foreign shares data displayed above include private transfers done outside of the market.



Announcements for the Week

Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
CHEVRON LUBRICANTS	2.25	Second Interim	23-08-18
RENUKA CAPITAL	0.13	Interim	24-08-18
LANKA ALUMINIUM INDUSTRIES	2.00	Final	17-09-18
LANKA VENTURES	2.75	Final	01-10-18
RENUKA CITY HOTEL	6.00	First & Final	19-09-18
RENUKA HOTELS	1.00	First & Final	19-09-18
CARGO BOAT DEVELOPMENT	1.60	First & Final	19-09-18
ROYAL PALMS BEACH HOTELS	1.00	First & Final	19-09-18
CONVENIENCE FOODS (LANKA)	5.00	Final	To be notified

Point of View

Sri Lankan equities extended its losing streak since mid-July, with the benchmark index dropping 90 points or 1.5% W-o-W to end notably below the psychological 6100-mark (6051.1). This week's drop below the 6100-mark is the first time since early July that the Index has ranged at this levels and was largely prompted by bargain hunting on Sri Lanka's key blue-chip JKH which dropped 4.8% this week relative to last week. The Index remained below this level for 3-consecutive days to trade between a narrow 35 point range. Whether or not 6100 remains the Index's support level or whether 6000 will be the new support level for the Index will be tested next week since in the previous 2 instances this year when the Index fell below the 6100 mark it rebounded within a short span of 2-3 days. This week's 90-point loss dragged the YTD loss on the ASPI to 5.6% from 4.2% last week, and while the Index lost 4.4% in Q2'18, so far in Q3'18 it has already wiped off 2.3% of its value. Activity levels in the market meanwhile remained mostly dull during the week and weekly turnover decreased 48.1% W-o-W to Rs.2.2Bn cf. Rs.4.3Bn. Average daily turnover over the week consequently declined to Rs.0.44Bn from Rs.0.86 last week as local institutional and HNI investor involvement in the market remained dull and crossings for the week reduced to Rs.0.9Bn (cf. 2.3Bn last week) with JKH accounting for the bulk (45%) of the week's total crossings. Foreign investors meanwhile continued to sell-off Sri Lankan equities and net foreign outflows this week totaled to Rs.0.7Bn (cf.0.2Bn outflow last week) widening the YTD net foreign outflow from the Colombo Bourse to Rs.3.5Bn. Markets in the week ahead are likely to look for direction from the conclusion of the June-quarter earnings season.

Moody's Maintains Credit Rating at B1 (Negative)

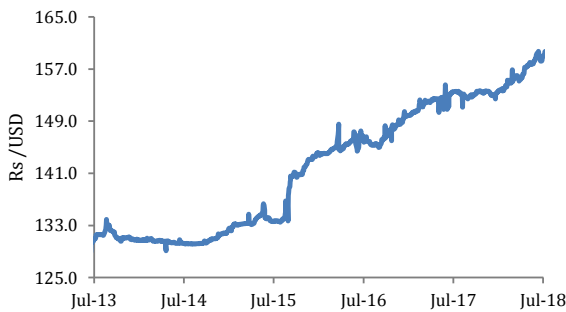
Credit ratings agency Moody's maintained Sri Lanka's sovereign credit rating a B1 (Negative) adding that the country's credit profile reflects the balance between progress in implementing reforms (fiscal consolidation and a build-up of FX), moderate per capita income levels and stronger institutions (than most similarly rated peers) against its vulnerability to tightening financial conditions. The agency added that Sri Lanka's credit challenges include high government debt levels, very low debt affordability and a fragile external payments position. Moody's added that the negative outlook on the sovereign's credit profile signals that a rating upgrade is unlikely and is reflective of the Agency's view that Sri Lanka's credit profile is dominated by the government's and country's elevated exposure to refinancing risk, particularly in the context of significantly tighter external refinancing conditions during the next five years. Moody's added that it would consider raising the outlook to back to stable if these external and domestic refinancing risks were to ease, adding that faster and more sustained non-debt-creating FX flows (eg: FDI) along with clear evidence of the effectiveness of the country's liability management strategies and a marked improvement in fiscal strength could prompt a return to a stable outlook. However, the Agency may consider downgrading Sri Lanka's sovereign rating if i) external and domestic refinancing capacity don't improve, ii) there is a notable weakening in reserve adequacy (from the current low levels), or iii) there is a halt/reversal in the current fiscal consolidation process which raises the possibility of higher government debt and prevents a decline in gross borrowing requirements.

Economic Snapshot

	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18
Interest Rates								
Prime Lending Rate	11.33	11.29	11.27	11.10	11.27	11.34	11.20	11.41
Ave. Wtd. Deposit Rates	9.07	9.08	9.05	9.00	8.98	8.91	8.92	8.64
Ave. Wtd. Fixed Dep. Rates	11.48	11.54	11.45	11.41	11.38	11.23	11.26	10.82
CCPI Inflation Y-o-Y % (Base 2013)	7.1	5.8	4.5	4.2	3.8	4.0	4.4	4.4
GDP Growth (Base 2010)								
	2012	2013	2014	2015	2016	2017	Q1'18	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	3.2%	

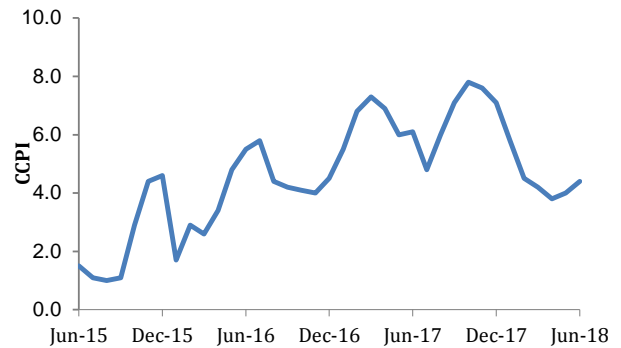
Source Central Bank

Exchange Rate, Rs. vs. US\$



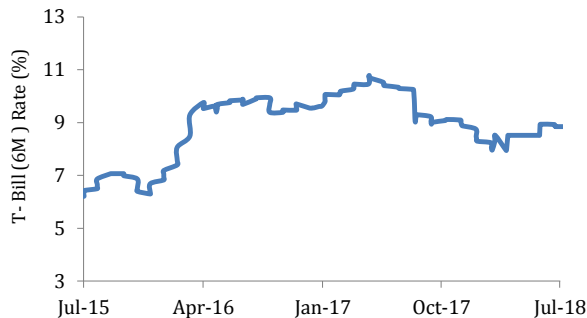
Source: Central Bank

Inflation (CCPI-N) YoY%



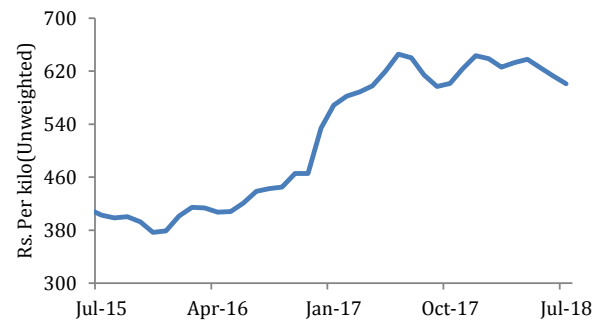
Source: Central Bank

6 Month T-Bill Yield



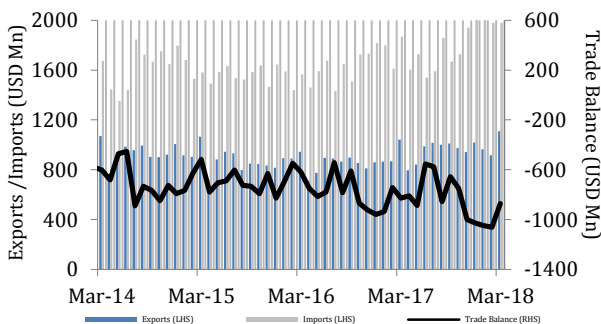
Source: Central Bank

Tea Prices



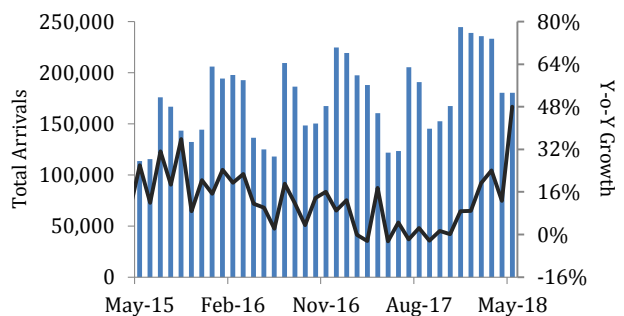
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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