

ASPI Recovers from 17-Month Low ... Jun'18

Corporate Earnings Declines 10% Y-o-Y

ASPI \uparrow 0.03% | S&P SL20 \downarrow 0.78%

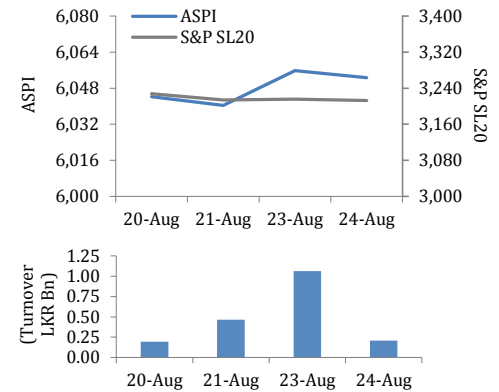
The Bourse ended the week... *Cont. P2*

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

Equity markets closed on a flat note *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (20th Aug - 24th Aug)



KEY STATISTICS

Week ending	24-Aug	17-Aug	+/-
ASPI	6,052.69	6,051.10	0.03%
S&P SL20	3,212.86	3,238.25	-0.78%
Banking & Finance	15,724.28	15,769.72	-0.29%
Food & Beverage	25,538.62	24,996.47	2.17%
Diversified	1,507.00	1,512.08	-0.34%
Hotel & Travel	2,643.67	2,636.51	0.27%
Plantations	734.70	746.09	-1.53%
Manufacturing	2,964.68	3,011.63	-1.56%
Turnover (LKR Bn)	1.93	2.22	-12.93%
Foreign Buying (LKR Mn)	1,013.26	780.95	29.75%
Foreign Selling (LKR Mn)	958.24	1,460.64	-34.40%
Daily Average Turnover (LKR Bn)	0.48	0.44	8.84%
Daily Average Foreign Buying (LKR Mn)	253.31	156.19	62.18%
Daily Average Foreign Selling (LKR Mn)	239.56	292.13	-17.99%

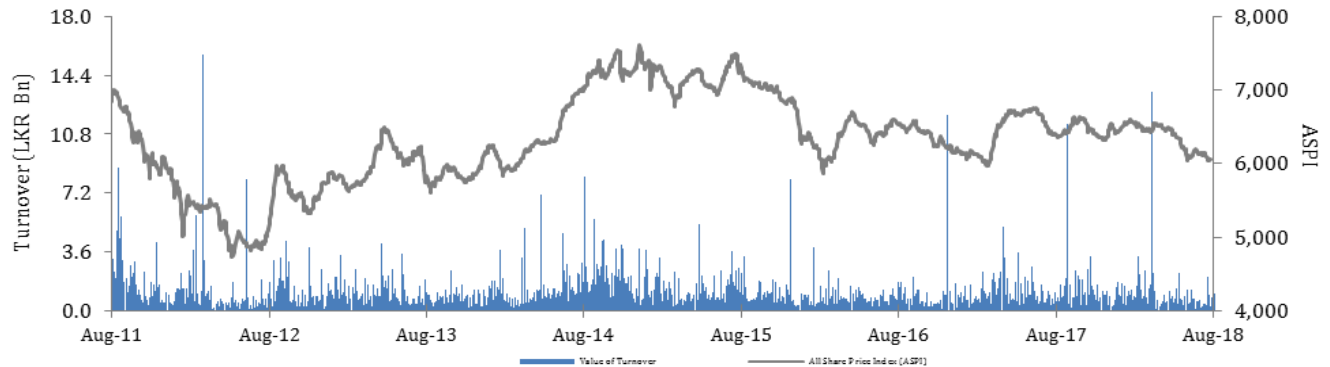
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
S M B LEASING[NV]	SEMBX	0.2	0.3	50.0%
BLUE DIAMONDS[NV]	BLUJEX	0.2	0.3	50.0%
RAMBODA FALLS	RFL N	17.0	20.3	19.4%
EDEN HOTEL LANKA	EDENN	10.3	12.1	17.5%
COLOMBO CITY	PHARN	671.0	782.9	16.7%
BRAC LNKA FNANCE	NIFLN	37.1	42.8	15.4%
HAPUGASTENNE	HAPUN	17.9	20.5	14.5%
EASTERN MERCHANT	EMERN	4.0	4.4	10.0%
MAHAWELI REACH	MRH N	15.0	16.3	8.7%
ANILANA HOTELS	ALHPN	1.2	1.3	8.3%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
S M B LEASING	SEMBN	0.5	0.4	-20.0%
AGALAWATTE	AGALN	15.9	12.8	-19.5%
LANKA CEMENT	LCEMN	2.4	2.1	-12.5%
LANKA ALUMINIUM	LALUN	68.2	60.0	-12.0%
NATION LANKA	CSF N	0.9	0.8	-11.1%
AMBEON CAPITAL	TAP N	4.8	4.3	-10.4%
ACME	ACMEN	4.7	4.3	-8.5%
ON'ALLY	ONALN	111.2	101.8	-8.5%
KEGALLE	KGALN	59.2	54.2	-8.4%
ASCOT HOLDINGS	ASCON	24.1	22.1	-8.3%

Market Review



Indices |

The Bourse ended the week on a mixed note as the ASPI increased by 1.59 points (or +0.03%) to close at 6,052.69 points, while the S&P SL20 Index also decreased by 25.39 points (or -0.78%) to close at 3,212.86 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 0.53Bn or 27.42% of total turnover value. Melstacorp followed suit, accounting for 15.04% of turnover (value of LKR 0.29Bn) while Hemas Holdings contributed LKR 0.20Bn to account for 10.19% of the week's turnover. Total turnover value amounted to LKR 1.93Bn (cf. last week's value of LKR 2.22Bn), while daily average turnover value amounted to LKR 0.48Bn (+8.84% W-o-W) compared to last week's average of LKR 0.44Bn. Market capitalization meanwhile, increased by 0.03% W-o-W (or LKR 0.74Bn) to LKR 2,835.60Bn cf. LKR 2,834.86Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 54.97% (or LKR 1.06Bn) of market turnover. Sector turnover was driven primarily by JKH, Melstacorp & Hemas Holdings which accounted for 95.78% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 18.67% (or LKR 0.36Bn) of the total turnover value, with turnover driven primarily by Commercial Bank, Sampath Bank and HNB which accounted for 64.87% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 13.79% (or LKR 0.27Bn) to the market driven by Ceylon Tobacco, LMF & Cargills which accounted for 90.22% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 28.16% (or 16.25Bn shares) of total volume, with a value contribution of LKR 1.06Bn. The Banks, Finance & Insurance sector followed suit, adding 20.33% to total turnover volume as 11.73Mn shares were exchanged. The sector's volume accounted for LKR 0.36Bn of total market turnover value. The Beverage, Food & Tobacco sector meanwhile, contributed 5.95Mn shares (or 10.32%), amounting to LKR 0.27Bn.

Top Gainers & Losers |

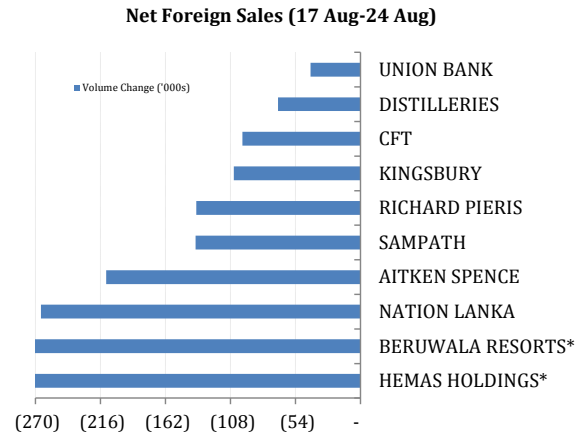
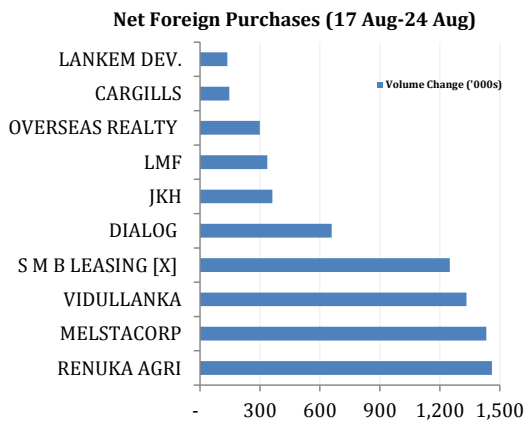
SMB Leasing [NV] was the week's highest price gainer; increasing 50.0% W-o-W from LKR0.30 to LKR0.20 while Blue Diamonds[NV] (+50.0% W-o-W), Ramboda Falls (+19.4% W-o-W) and Eden hotel (+17.5% W-o-W) were also amongst the top gainers.

SMB Leasing was the week's highest price loser; declining 20.0% W-o-W to close at LKR0.40 while Agalawatte (-19.5% W-o-W), Lanka Cement (-12.5% W-o-W) and Lanka Aluminium (-12.0% 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	138.0	139.0	529.75
MELSTACORP	MELSN	50.0	50.4	290.63
HEMAS HOLDINGS	HHL N	94.3	90.5	196.81
CEYLON TOBACCO	CTC N	1251.9	1325.0	156.34
COMMERCIAL BANK	COMBN	123.1	121.0	91.83
SAMPATH	SAMPN	278.6	277.0	86.45
DIALOG	DIALN	14.2	13.4	73.97
HNB	HNB N	220.1	219.9	55.77
LMF	LMF N	159.9	159.0	54.20
CARGILLS	CARGN	197.7	203.0	29.86

Market Review (Cont'd)



*Volume change of Hemas Holdings (2.03Mn Shares) and Beruwala Resorts (1.26Mn Shares) from 17th Aug – 24th Aug not displayed.

Foreign investors closed the week in a net buying position with total net inflow amounting to LKR 0.06Bn relative to last week's total net outflow of LKR 0.68Bn (+108.1% W-o-W). Total foreign purchases increased by 29.8% W-o-W to LKR 1.01Bn from last week's value of LKR 0.78Bn, while total foreign sales amounted to LKR 0.96Bn relative to LKR 1.46Bn recorded last week (-34.4% W-o-W). In terms of volume, Renuka Agri & Melstacorp led foreign purchases while Hemas Holdings & Beruwala Resorts led foreign sales. In terms of value, Melstacorp & LMF led foreign purchases while Hemas Holdings & Sampath Bank led foreign sales.

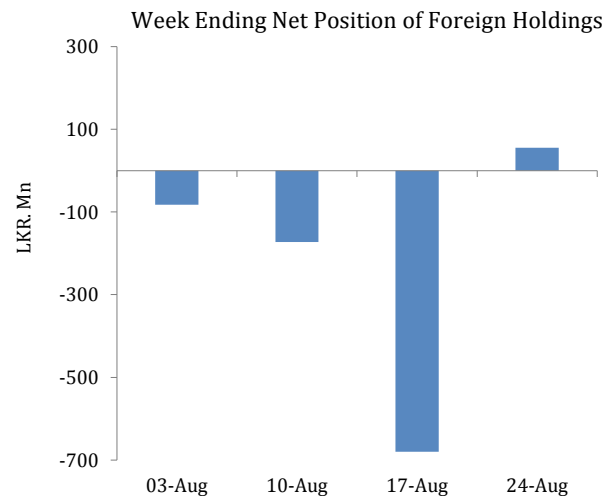
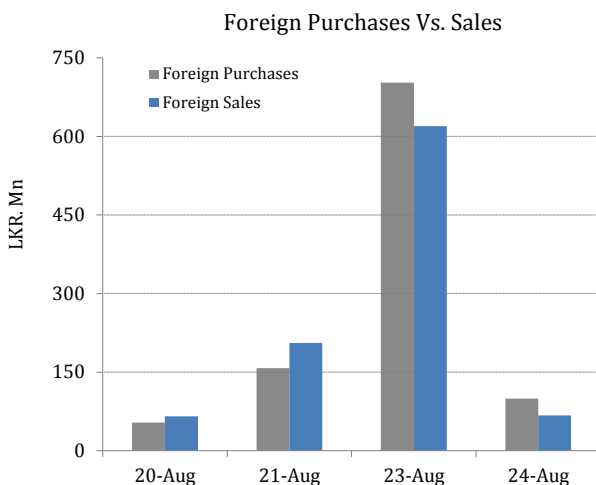
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	24/08/18	17/08/18		
MELSTACORP	26.17%	26.04%	1,432,559	72.20
LMF	30.73%	29.89%	337,197	53.61
JKH	56.80%	56.77%	362,618	50.40
CEYLON TOBACCO	97.48%	97.47%	31,640	41.92
CARGILLS	6.93%	6.87%	147,142	29.87
DIALOG	94.40%	94.40%	659,416	8.84
CENTRAL FINANCE	13.47%	13.44%	67,682	6.45
HNB	35.92%	35.91%	28,431	6.25
VIDULLANKA	37.09%	36.93%	1,332,789	6.00
COMMERCIAL BANK	33.79%	33.78%	49,021	5.93

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	24/08/18	17/08/18		
HEMAS HOLDINGS	30.34%	30.69%	(2,027,130)	(183.46)
SAMPATH	22.65%	22.70%	(137,075)	(37.97)
AITKEN SPENCE	24.05%	24.10%	(211,257)	(9.53)
ROYAL CERAMIC	11.42%	11.44%	(24,790)	(2.18)
KINGSBURY	0.16%	0.20%	(105,200)	(1.68)
RICHARD PIERIS	73.89%	73.90%	(136,480)	(1.42)
DISTILLERIES	1.83%	1.83%	(68,460)	(1.36)
SEYLAN BANK[X.0000]	6.54%	6.55%	(26,900)	(1.16)
KEGALLE	3.47%	3.54%	(19,800)	(1.07)
LANKA HOSPITALS	29.08%	29.09%	(24,600)	(1.03)

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>
COLOMBO FORT LAND & BUILDING	0.15	First & Final	01-10-18
TANGERINE BEACH HOTELS	0.60	First & Final	03-08-18
C M HOLDINGS	2.00	First & Final	01-10-18
SERENDIB LAND	10.00	First & Final	01-10-18
SWADESHI INDUSTRIAL WORKS	1.00	Final	17-09-18
DISTILLERIES	0.67	First & Final	01-10-18

Point of View

Equity markets closed on a flat note this week as revived foreign buying mid-week helped offset the rest of the week's lackluster performance. The Benchmark Index closed just 1.6 index points above last week's close (6052.69 points vs. 6051.1) as markets held above the Index's new support level of 6000-points. Revived net foreign buying on the back of lower valuations on Thursday helped the benchmark Index rebound from a 17-month low: The ASPI hit a low of 6040.37 on Tuesday for the 1st time since March 30th 2017, but net foreign buying of Rs.114Mn on Thursday and Friday helped push the Index above this low. Renewed foreign interest in stocks such as Melstacorp, LMF & JKH also helped push market turnover on Thursday to a 2-week high of Rs. 1.06Bn and helped maintain average daily turnover levels for the week in line with that of last week (ie: Rs.0.48Bn cf. Rs. 0.44Bn last week). The recovery in foreign buying during the latter half of the week also helped convert the overall net foreign position on the Colombo bourse to a net buying position for the 1st time in 3-weeks; net foreign purchases of domestic stocks totaled Rs. 55Mn cf. net sales of Rs. 679Mn last week and compared to the last recorded net buying position of Rs. 23Mn during the last week of July. Despite the mild recovery in foreign appetite for domestic stocks during the week, local HNI and Institutional and retail investors remained staunchly on the sidelines this week as weaker June'18 corporate results clouded sentiment. Crossings over the week amounted to a paltry 24% of market turnover (cf. 40% last week and YTD average of 40%) with the majority (~94%) of total crossings concentrated on Diversified counters such as JKH (43%), Melstacorp (44%) and Hemas (7%). Markets in the week ahead are likely to retain similar muted sentiment.

Jun'18 Corporate Earnings Declines 10% Y-o-Y

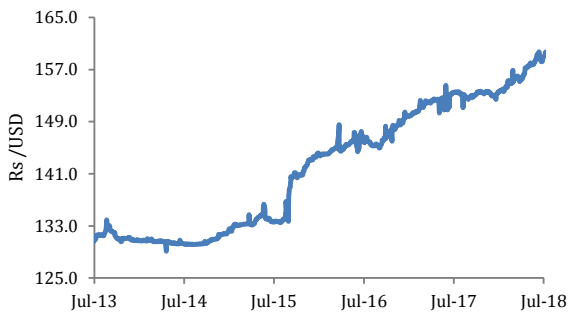
June quarter earnings for listed corporates indicated a slowdown relative to last June, as earnings of the approx. 90% of corporates who have reported earnings totaled LKR 48.7Bn cf. the LKR 54.4Bn reported by the total market in Jun'17. The 10% decline in Y-o-Y earnings over the Jun'18 period stands in contrast to the 6% Y-o-Y gain in market earnings recorded over the comparable period last year (ie: Jun'17). The decline in earnings was led by the Diversified sector (which remains a broad proxy for the overall economy and typically accounts for ~18-20% of total market earnings) which fell 49% Y-o-Y compared to a growth of 34% recorded in the comparable quarter in 2017. The majority of listed Diversifieds recorded Y-o-Y losses in their June quarter earnings with notable blue-chips such as JKH recording a 23% Y-o-Y decline in earnings while Aitken Spence fell by 41% and Hemas fell by 20%. The Y-o-Y decline in overall market earnings was also partly attributable to a slow-down in the Manufacturing sector (-42% Y-o-Y) which typically accounts for ~8% of market earnings, Hotels sector (-74% Y-o-Y) which accounts for ~4% of total market earnings and the Construction sector (-372% Y-o-Y) which accounts for ~2% of total market. Meanwhile, sectors such as Banks, Finance & Insurance (~35-40% of market earnings) recorded a 11% Y-o-Y growth in earnings over the quarter (cf. 15% Y-o-Y growth in Jun'17) while the Food, Beverage & Tobacco sector (which accounts for ~11% of market earnings) recorded a 26% growth in earnings compared to a 1% Y-o-Y loss recorded in the comparable quarter in Jun'17. Despite the decline in quarterly earnings, the market PER for by the end of June'18 quarter fell to ~10x (from ~11x by the end of Q1'18 and ~12x at the end of Jun'17) amid the 4.4% loss on the market Index's value.

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%	

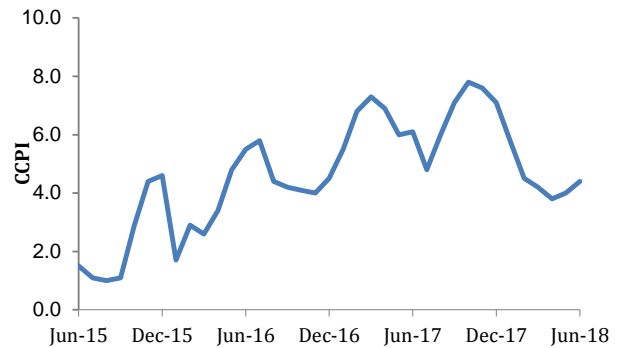
Source Central Bank

Exchange Rate, Rs. vs. US\$



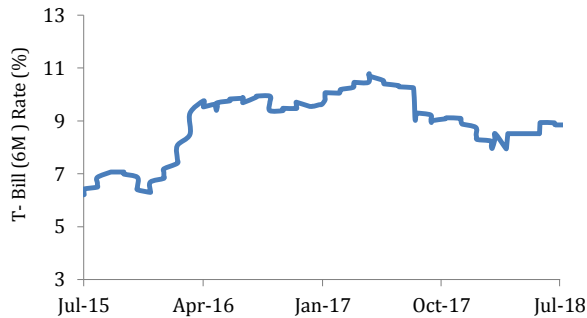
Source: Central Bank

Inflation (CCPI-N) YoY%



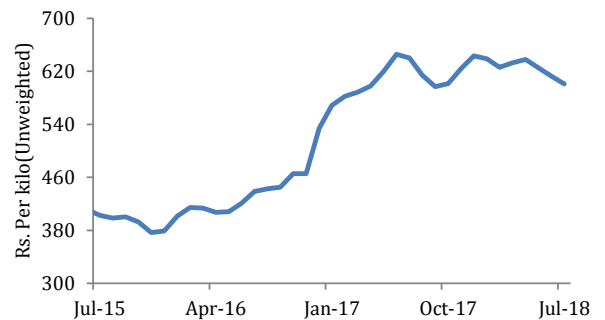
Source: Central Bank

6 Month T-Bill Yield



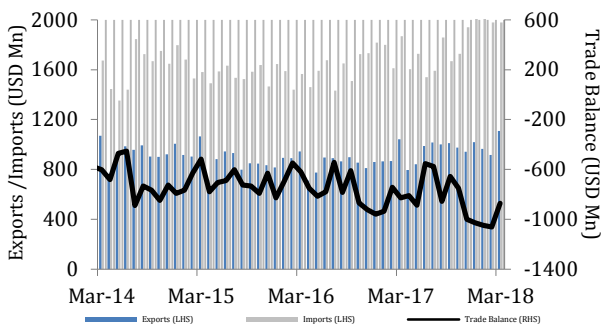
Source: Central Bank

Tea Prices



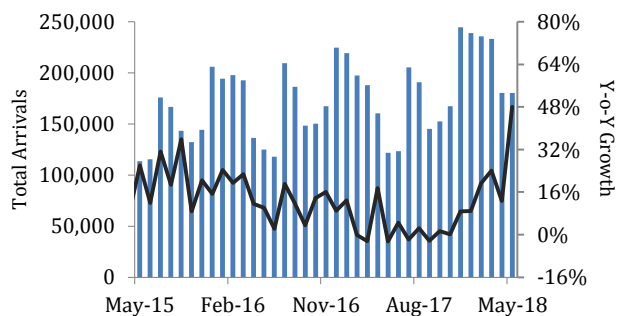
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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