

ASPI Hits Highest Daily Gain in 4-Months...Sept

Inflation Declines to 2 1/2 Year Low

ASPI ^ 1.23% | S&P SL20 ^ 2.76%

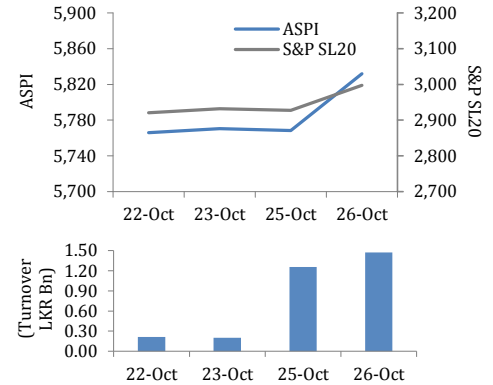
The Bourse ended the week... *Cont. P2*

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

Sri Lankan equities regained..... *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (22nd Oct – 26th Oct)



KEY STATISTICS

Week ending	26-Oct	19-Oct	+/-
ASPI	5,831.96	5,761.09	1.23%
S&P SL20	2,997.33	2,916.82	2.76%
Banking & Finance	15,368.05	15,023.70	2.29%
Food & Beverage	24,096.79	24,137.69	-0.17%
Diversified	1,482.33	1,438.93	3.02%
Hotel & Travel	2,642.53	2,630.71	0.45%
Plantations	725.44	732.81	-1.01%
Manufacturing	2,742.56	2,718.34	0.89%
Turnover (LKR Bn)	3.15	4.37	-28.07%
Foreign Buying (LKR Mn)	1,959.06	1,169.21	67.55%
Foreign Selling (LKR Mn)	2,403.48	3,549.55	-32.29%
Daily Average Turnover (LKR Bn)	0.79	0.87	-10.09%
Daily Average Foreign Buying (LKR Mn)	489.76	233.84	109.44%
Daily Average Foreign Selling (LKR Mn)	600.87	709.91	-15.36%

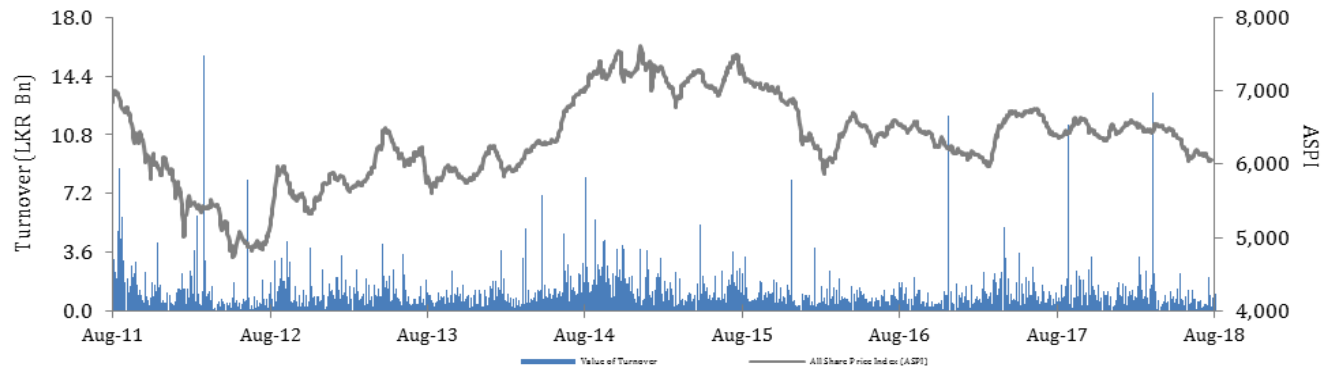
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
S M B LEASING[NV]	SEMBX	0.2	0.3	50.0%
BERUWALA RESORTS	BERUN	0.6	0.7	16.7%
LUCKY LANKA[NV]	LLMPX	0.6	0.7	16.7%
COMM LEASE & FIN	CLC N	2.4	2.7	12.5%
SOFTLOGIC LIFE	AAICN	27.2	30.2	11.0%
SATHOSA MOTORS	SMOTN	475.6	527.7	11.0%
INDUSTRIAL ASPH.	ASPHNN	340.0	374.9	10.3%
LAXAPANA	LITEN	10.5	11.5	9.5%
EDEN HOTEL LANKA	EDENN	13.0	14.2	9.2%
HAYLEYS FIBRE	HEXPX	64.3	69.7	8.4%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
ADAM INVESTMENTS	AINVN	0.2	0.1	-50.0%
ADAM CAPITAL	PCHHN	0.5	0.3	-40.0%
BLUE DIAMONDS[NV]	BLUEX	0.3	0.2	-33.3%
S M B LEASING	SEMBN	0.5	0.4	-20.0%
LEE HEDGES	SHAW N	70.0	58.9	-15.9%
CHEMANEX	CHMXN	56.7	48.1	-15.2%
BLUE DIAMONDS	BLUEN	0.7	0.6	-14.3%
YORK ARCADE	YORKN	90.0	78.3	-13.0%
SUNSHINE HOLDING	SUN N	55.0	50.0	-9.1%
ELPITIYA	ELPLN	20.9	19.1	-8.6%

Market Review



Indices |

The Bourse turned around to end the week on a positive note as the ASPI increased by 70.87 points (or 1.23%) to close at 5,831.96 points, while the S&P SL20 Index also increased by 80.51 points (or +2.76%) to close at 2,997.33 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.46Bn or 46.54% of total turnover value. Commercial Bank followed suit, accounting for 16.85% of turnover (value of LKR 0.53Bn) while HNB contributed LKR 0.22Bn to account for 6.95% of the week's turnover. Total turnover value amounted to LKR 3.15Bn (cf. last week's value of LKR 4.37Bn), while daily average turnover value amounted to LKR 0.79 (-10.09% W-o-W) compared to last week's average of LKR 0.87Bn. Market capitalization meanwhile, decreased by 1.13% W-o-W (or LKR 30.64Bn) to LKR 2,736.04Bn cf. LKR 2,705.39Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 51.17% (or LKR 1.61Bn) of market turnover. Sector turnover was driven primarily by JKH & Melstacorp which accounted for 98.34% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 33.26% (or LKR 1.05Bn) of the total turnover value, with turnover driven primarily by Commercial Bank, HNB, NDB & Sampath Bank which accounted for 89.58% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 10.21% (or LKR 0.32Bn) to the market driven by Nestle & Lion Brewery which accounted for 94.71% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 56.17% (or 32.48Mn shares) of total volume, with a value contribution of LKR 1.61Bn. The Banks, Finance & Insurance sector followed suit, adding 21.45% to total turnover volume as 12.41Mn shares were exchanged. The sector's volume accounted for LKR 1.05Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 3.01Mn shares (or 5.21%), amounting to LKR 0.06Bn.

Top Gainers & Losers |

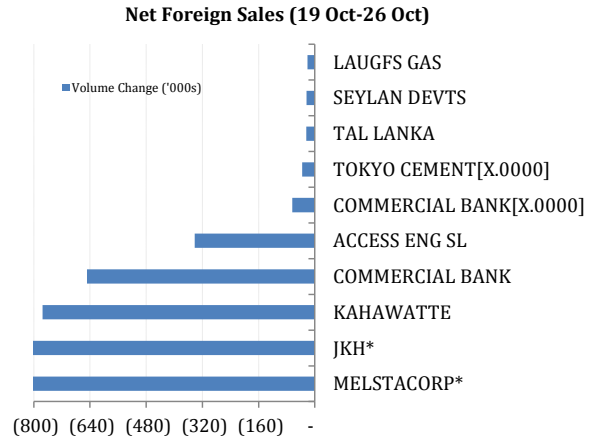
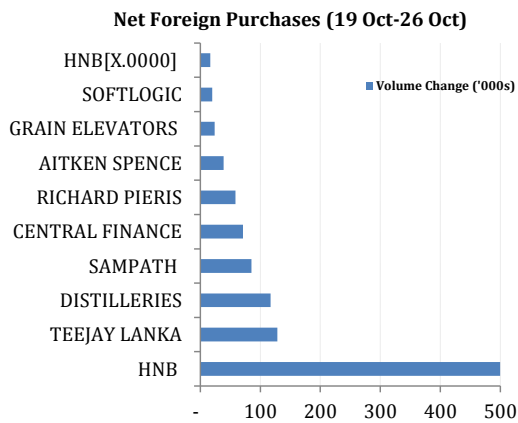
SMB Leasing [NV] was the week's highest price gainer; increasing 50.0% W-o-W from LKR0.20 to LKR0.30 while Beruwala Resort(+16.7% W-o-W), Lucky Lanka[NV] (+16.7% W-o-W) and Commercial Leasing & Finance (+12.5% W-o-W) were also amongst the top gainers.

Adam Investments was the week's highest price loser; declining 50.0% W-o-W to close at LKR0.10 while Adam Capital (-40.0% W-o-W), Blue Diamonds (-33.3% W-o-W) and SMB Leasing (-20.0% 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	129.5	140.1	1,463.73
COMMERCIAL BANK	COMBN	108.5	110.3	530.01
HNB	HNB N	208.8	208.3	218.44
NESTLE	NESTN	1625.1	1625.0	205.36
NAT. DEV. BANK	NDB N	98.7	101.9	151.99
MELSTACORP	MELSN	50.0	50.0	118.84
LION BREWERY	LIONN	599.7	575.0	98.86
SAMPATH	SAMPN	220.0	231.9	36.71
KAHAWATTE	KAHAN	38.0	38.0	36.23
TOKYO CEMENT[NV]	TKYOX	20.6	22.3	24.34

Market Review (Cont'd)



*Volume change of Melstacorp (1.90Mn shares) and JKH (1.80Mn shares) from 19th Oct – 26th Oct not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.44Bn relative to last week's total net outflow of LKR 2.38Bn (+81.33% W-o-W). Total foreign purchases increased by 67.55% W-o-W to LKR 1.96Bn from last week's value of LKR 1.17Bn, while total foreign sales amounted to LKR 2.40Bn relative to LKR 3.55Bn recorded last week (-32.29% W-o-W). In terms of volume, HNB & Teejay Lanka led foreign purchases while Melstacorp & JKH led foreign sales. In terms of value, HNB & Sampath Bank led foreign purchases while JKH & Melstacorp led foreign sales.

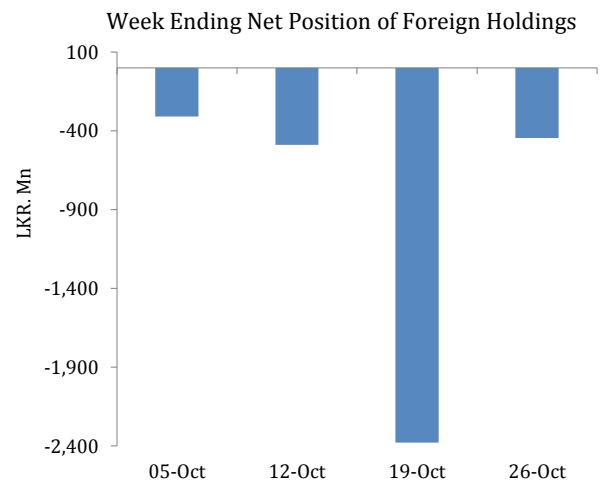
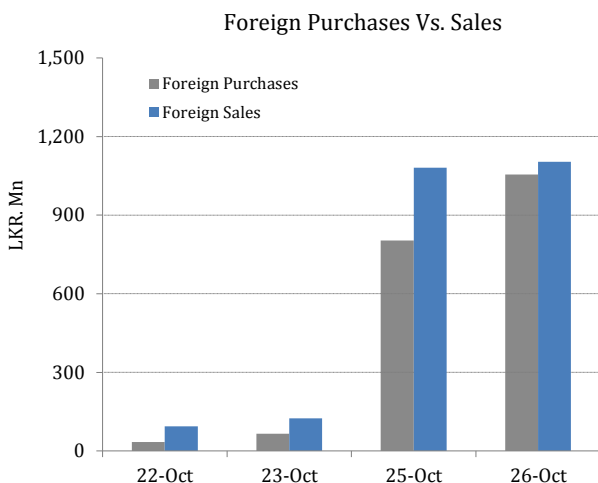
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	26/10/18	19/10/18		
HNB	35.74%	35.61%	499,776	104.10
SAMPATH	22.23%	22.20%	85,242	19.77
CENTRAL FINANCE	14.24%	14.21%	71,069	6.39
TEEJAY LANKA	46.08%	46.07%	128,500	3.97
HNB[X.0000]	47.16%	47.14%	16,738	2.68
CEYLON TOBACCO	97.46%	97.46%	1,529	2.12
DISTILLERIES	1.73%	1.72%	117,000	1.99
AITKEN SPENCE	24.05%	24.04%	38,805	1.75
GRAIN ELEVATORS	61.44%	61.40%	23,914	1.37
COLD STORES	10.64%	10.64%	1,136	0.85

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	26/10/18	19/10/18		
JKH	54.93%	55.06%	(1,798,757)	(252.01)
MELSTACORP	25.86%	26.02%	(1,895,604)	(94.78)
COMMERCIAL BANK	33.51%	33.57%	(648,577)	(71.54)
KAHAWATTE	0.51%	1.48%	(775,000)	(29.45)
COMMERCIAL BANK[X.0000]	23.96%	24.06%	(64,080)	(5.66)
ACCESS ENG SL	8.74%	8.78%	(341,838)	(4.72)
TOKYO CEMENT[X.0000]	43.72%	43.74%	(35,898)	(0.80)
DIPPED PRODUCTS	8.76%	8.77%	(7,305)	(0.55)
C.W.MACKIE	1.14%	1.16%	(8,460)	(0.39)
LAUGFS GAS	0.13%	0.14%	(21,004)	(0.38)

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



Announcements for the Week

Dividend Announcements

No Dividends Announcements for the Week

Point of View

Sri Lankan equities regained positive momentum over the week with the ASPI recording its highest daily gain in 4-months (63.4 points or 1.1%) on Friday to close the week at 5,831.96 points. Gains on the Index helped the benchmark ASPI recover from last-week's 5-year low of 5,761.09 and helped push the Index over the psychological 5,800-mark for the first time since Mid-October. Index gains were driven primarily by stronger buying in index-heavy weights and blue-chip counters as Local HNI and institutional investors sought value in undervalued Sri Lankan blue-chips. Crossings for the week consequently accounted for ~73% of total market turnover this week (cf. the average of just ~41% so far in 2018). While Sri Lanka's main blue-chip and Index heavy-weight JKH accounted for ~52% of the week's total crossing, large parcels in fundamentally sound counters such as Commercial Bank (21% of crossings), HNB (9% of crossings) and Nestle (9% of the crossings) also helped drive buying over the week. Activity levels on the Colombo bourse meanwhile remained mixed, with low market activity during the early part of the holiday-shortened trading week (average daily turnover on Monday and Tuesday was just ~Rs.0.2Bn), reversing over the latter half of the week to surpass Rs.1.0Bn on Thursday and Friday amid the strong buying activity by Local HNI & institutional investors. Despite the positive overall momentum on the Index over the latter end of the week, the foreign equity sell-off on Sri Lankan equities continued once again this week, with foreign investors recording a net outflow of ~Rs. 0.4Bn (cf. Rs. 2.4Bn) as currency depreciation and global economic tensions remain major concerns for foreign investors. Despite the sell-off, Sri Lankan equities still remain attractive due to its comparatively lower valuations (P/E of just 9.1x) cf. regional peers. Markets in the week ahead are likely to take cues from the earnings releases for the September'18 quarter.

Sept Inflation Declines to 2 1/2 Year Low

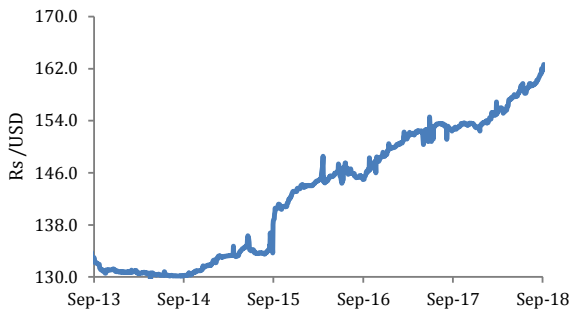
National inflation levels in September declined to its lowest since Jan'16 while urban inflation levels also eased during the month, falling from 5.9% Y-o-Y in Aug'18 to 4.3% Y-o-Y in Sep'18. Headline NCPI fell to 0.9% Y-o-Y in Sep'18 cf. 2.5% in Aug'18, sliding to a 2^{1/2} year low (cf. -0.7% Y-o-Y in Jan'16). The decline in inflation at the national level was mainly driven by lower food prices amidst a higher base effect during the same period last year. Annual average NCPI also decreased during the month, falling to 4.0% in Sep'18 from 4.7% in Aug'18. This was in line the M-o-M decline (-0.8% M-o-M) where the NCPI decreased from 125.4 points to 124.4 points in Sep'18 due to lower food prices despite rising inflation levels in the non-food category. Food inflation decelerated -4.2% Y-o-Y in Sep'18 (cf. 0.0% in Aug'18) while non-food inflation rose 5.2% Y-o-Y in Sep'18 relative to 4.7% Y-o-Y in Aug'18. The increase in non-food inflation was driven by higher i) transport costs as a result of an upward revision in fuel prices, ii) alcoholic beverages & tobacco, iii) health care, and iv) restaurant & hotels. Meanwhile NCPI Core inflation, which reflects the underlying inflation in the economy, increased to 3.1% Y-o-Y in Sep'18 from 2.7% Y-o-Y in Aug'18. While further upward price revisions in domestic fuel prices and other administrated prices as well as imported inflation arising from the rupee devaluation could exert some pressure on the inflation levels in the coming months, the CBSL anticipates inflation to remaining within the 4% - 6% target range over the medium term on the back of decelerating food prices due to improved domestic food supplies and a favourable base effect during the rest of the year.

Economic Snapshot

	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18
Interest Rates								
Prime Lending Rate	11.27	11.10	11.27	11.34	11.20	11.41	11.65	11.72
Ave. Wtd. Deposit Rates	9.05	9.00	8.98	8.91	8.92	8.64	8.66	8.69
Ave. Wtd. Fixed Dep. Rates	11.45	11.41	11.38	11.23	11.26	10.82	10.81	10.84
CCPI Inflation Y-o-Y % (Base 2013)	4.5	4.2	3.8	4.0	4.4	5.4	5.9	4.3
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%	

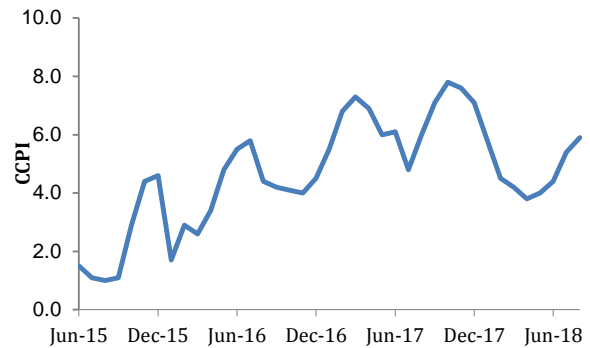
Source Central Bank

Exchange Rate, Rs. vs. US\$



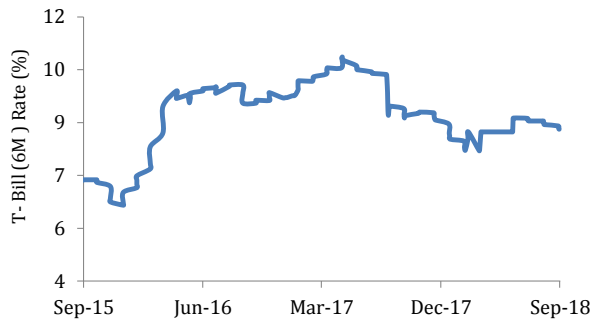
Source: Central Bank

Inflation (CCPI-N) YoY%



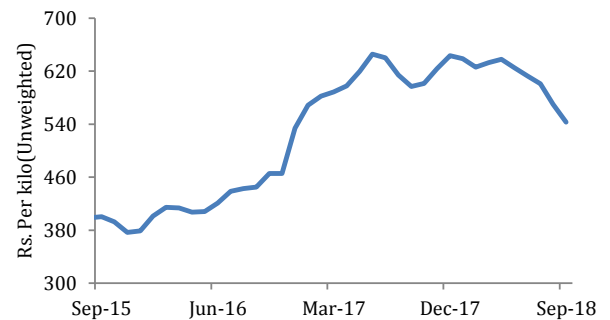
Source: Central Bank

6 Month T-Bill Yield



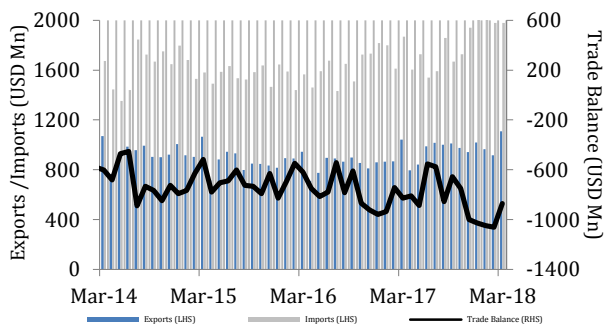
Source: Central Bank

Tea Prices



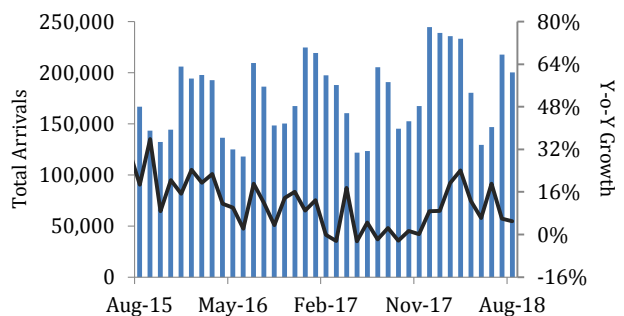
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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