

## Foreigners Return to Market for 1st Time in 5-Weeks... Policy Rates Held Steady...

ASPI  $\wedge$  0.16% | S&P SL20  $\wedge$  0.23%

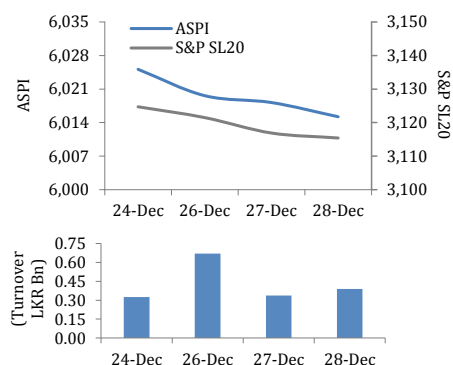
The Bourse ended the week... *Cont. P2*

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

Sri Lankan equities gained..... *Cont. P4*

Economic Snapshot..... *P5*

## Indices vs. Turnover (24<sup>th</sup> Dec – 28<sup>th</sup> Dec)



## KEY STATISTICS

Week ending	28-Dec	21-Dec	+/-
ASPI	6,015.23	6,005.65	0.16%
S&P SL20	3,115.42	3,108.18	0.23%
Banking & Finance	16,469.35	16,384.28	0.52%
Food & Beverage	24,200.32	24,312.76	-0.46%
Diversified	1,566.67	1,572.39	-0.36%
Hotel & Travel	2,646.44	2,640.37	0.23%
Plantations	713.11	702.82	1.46%
Manufacturing	2,819.25	2,825.82	-0.23%
Turnover (LKR Bn)	1.72	8.46	-79.63%
Foreign Buying (LKR Mn)	575.26	3,443.16	-83.29%
Foreign Selling (LKR Mn)	311.55	6,548.70	-95.24%
Daily Average Turnover (LKR Bn)	0.43	1.69	-74.53%
Daily Average Foreign Buying (LKR Mn)	143.82	688.63	-79.12%
Daily Average Foreign Selling (LKR Mn)	77.89	1,309.74	-94.05%

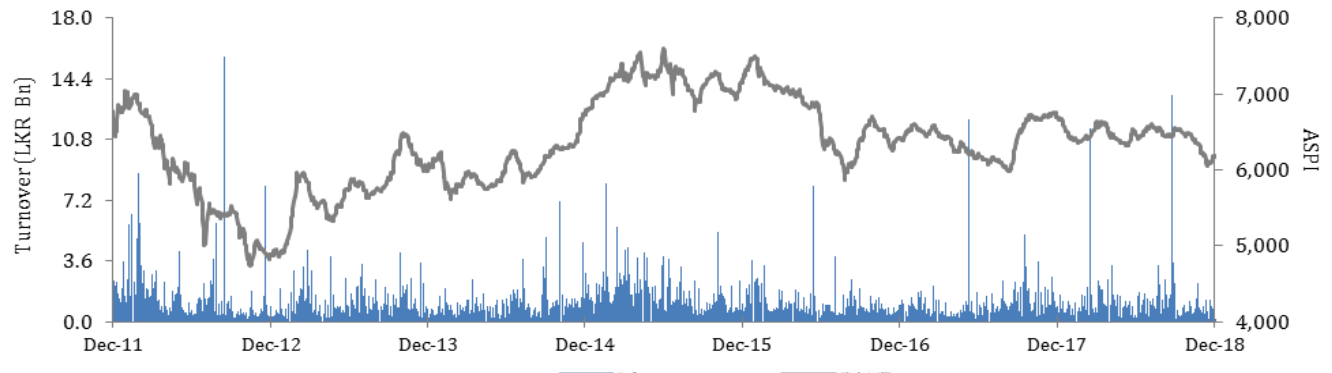
## TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
TESS AGRO[NON-VOTING]	TESSX	0.4	0.5	25.0%
AMANA LIFE	ATLLN	9.1	10.7	17.6%
SOFTLOGIC LIFE	AAICN	36.6	42.4	15.8%
BPPL HOLDINGS	BPPLN	11.3	12.5	10.6%
RENUKA HOLDINGS[NON-V	RHL X	12.3	13.4	8.9%
LANKEM CEYLON	LCEYN	25.9	28.1	8.5%
MADULSIMA	MADUN	6.0	6.5	8.3%
LANKA HOSPITALS	LHCLN	39.4	42.6	8.1%
EQUITY TWO PLC	ETWON	50.1	53.9	7.6%
CARGO BOAT	CABON	70.0	75.1	7.3%

## TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
SELINSING	SELIN	830.3	711.4	-14.3%
LANKA CERAMIC	CERAN	149.5	130.9	-12.4%
KOTAGALA	KOTAN	7.5	6.7	-10.7%
ODEL PLC	ODELN	27.3	25.0	-8.4%
THE FINANCE CO.[NV]	TFC X	1.2	1.1	-8.3%
ASIA CAPITAL	ACAPN	6.7	6.3	-6.0%
BIMPUATH FINANCE	BLI N	32.3	30.5	-5.6%
LOLC FINANCE	LOFCN	3.7	3.5	-5.4%
BROWNS INVSTMNTS	BIL N	1.9	1.8	-5.3%
PIRAMAL GLASS	GLASN	3.8	3.6	-5.3%

## Market Review



### Indices |

The Bourse ended the week on a positive note as the ASPI increased by 9.58 points (or +0.16%) to close at 6,015.23 points, while the S&P SL20 Index also increased by 7.24 points (or +0.23%) to close at 3,115.42 points.

### Turnover & Market Capitalization |

Ceylinco Insurance was the highest contributor to the week's turnover value, contributing LKR 0.77Bn or 44.37% of total turnover value. Melstacorp followed suit, accounting for 22.89% of turnover (value of LKR 0.39Bn) while JKH contributed LKR 0.15Bn to account for 8.93% of the week's turnover. Total turnover value amounted to LKR 1.72Bn (cf. last week's value of LKR 8.46Bn), while daily average turnover value amounted to LKR 0.43Bn (-74.53% W-o-W) compared to last week's average of LKR 1.69Bn. Market capitalization meanwhile, increased by +0.16% W-o-W (or LKR 4.50Bn) to LKR 2,822.02Bn cf. LKR 2,817.53Bn last week.

### Liquidity (in Value Terms) |

The Banks, Finance & Insurance sector was the highest contributor to the week's total turnover value, accounting for 54.20% (or LKR 0.93Bn) of market turnover. Sector turnover was driven primarily Ceylinco Insurance, Commercial Bank, NDB, Sampath Bank & Janashakthi Insurance which accounted for 93.42% of the sector's total turnover. The Diversified sector meanwhile accounted for 41.07% (or LKR 0.71Bn) of the total turnover value, with turnover driven primarily by Melstacorp, JKH, Hemas Holdings & Softlogic which accounted for 98.94% of the sector turnover. The Manufacturing sector was also amongst the top sectorial contributors, contributing 1.30% (or LKR 0.02Bn) to the market.

### Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 51.01% (or 13.18Mn shares) of total volume, with a value contribution of LKR 0.71Bn. The Banks, Finance & Insurance sector followed suit, adding 18.57% to total turnover volume as 4.80Mn shares were exchanged. The sector's volume accounted for LKR 0.93Bn of total market turnover value. The Telecom sector meanwhile, contributed 1.65Mn shares (or 6.41%), amounting to LKR 0.02Bn.

### Top Gainers & Losers |

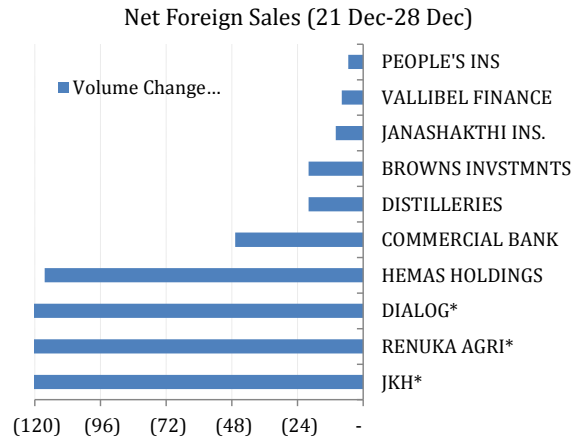
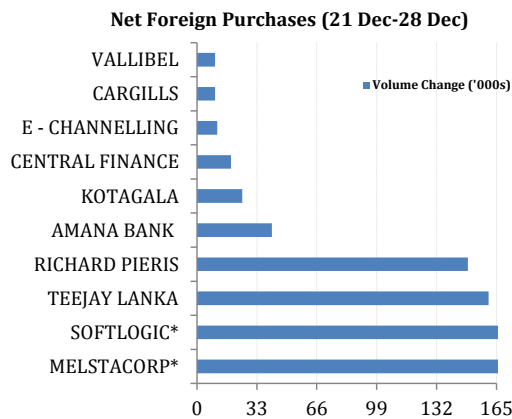
Tess Agro [NV] was the week's highest price gainer; increasing 25.0% W-o-W from LKR0.40 to LKR0.50 while Amana Life (+17.6% W-o-W), Softlogic Life (+15.8% W-o-W) and BPPL Holdings (+10.6% W-o-W) were also amongst the top gainers.

Selinsing was the week's highest price loser; declining 14.3% W-o-W to close at LKR711.40 while Lanka Ceramic (-12.4% W-o-W), Kotagala (-10.7% W-o-W), and Odel (-8.4% W-o-W) were also amongst the top losers over the week.

### TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
CEYLINCO INS.	CINSN	1990.0	1990.0	765.14
MELSTACORP	MELSN	50.2	49.0	394.81
JKH	JKH N	157.0	156.0	153.96
HEMAS HOLDINGS	HHL N	89.0	88.5	100.51
COMMERCIAL BANK	COMBN	115.5	115.0	55.55
SOFTLOGIC	SHL N	20.6	21.4	51.37
NAT. DEV. BANK	NDB N	105.2	105.0	22.96
DIALOG	DIALN	10.0	10.1	16.05
SAMPATH	SAMPN	235.3	235.0	15.96
JANASHAKTHI INS.	JINSN	29.2	29.6	13.64

## Market Review (Cont'd)



\*Volume change of Melstacorp (7.13Mn Shares), Softlogic (2.25Mn Shares), JKH (0.95Mn Shares), Renuka Agri (0.73Mn Shares) and Dialog (0.68Mn Shares) from 21<sup>st</sup> Dec -28<sup>th</sup> Dec not displayed.

Foreign investors closed the week in a net buying position with total net inflow amounting to LKR 0.26Bn relative to last week's total net outflow of LKR 3.11Bn (+108.5% W-o-W). Total foreign purchases decreased by 83.3% W-o-W to LKR 0.58Bn from last week's value of LKR 3.44Bn, while total foreign sales amounted to LKR 0.31Bn relative to LKR 6.55Bn recorded last week (-95.2% W-o-W). In terms of volume, Melstacorp & Softlogic led foreign purchases while JKH & Renuka Agri led foreign sales. In terms of value, Melstacorp & Softlogic led foreign purchases while JKH & Hemas Holdings led foreign sales.

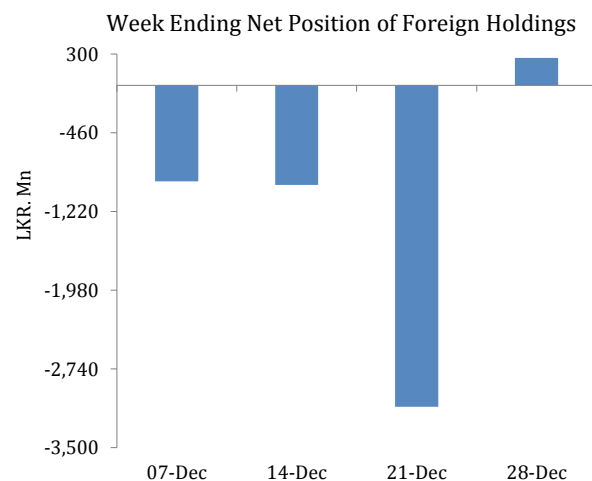
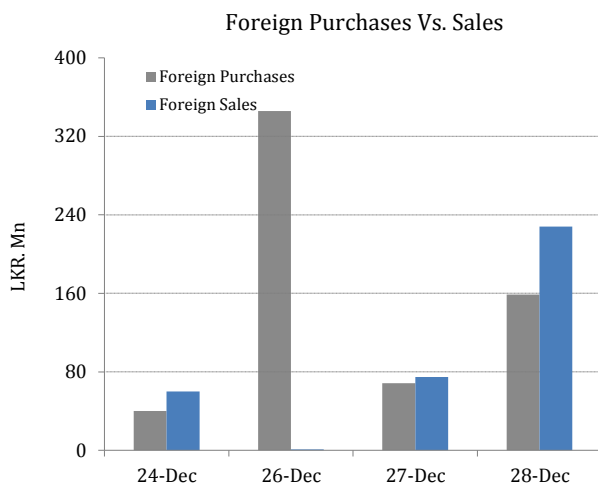
### Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	28/12/18	21/12/18		
MELSTACORP	26.15%	25.54%	7,134,003	349.57
SOFTLOGIC	32.05%	31.86%	2,250,000	48.15
TEEJAY LANKA	46.47%	46.45%	160,700	5.22
CARGILLS	7.21%	7.20%	10,000	2.00
CENTRAL FINANCE	14.26%	14.25%	18,668	1.68
RICHARD PIERIS	74.04%	74.03%	149,245	1.54
SAMPATH	22.92%	22.92%	1,400	0.33
KOTAGALA	1.87%	1.84%	25,000	0.17
HAYLEYS	3.95%	3.95%	771	0.14
AMANA BANK	63.11%	63.11%	41,295	0.13

### Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	28/12/18	21/12/18		
JKH	48.44%	48.51%	(954,194)	(148.85)
HEMAS HOLDINGS	30.00%	30.02%	(116,371)	(10.30)
DIALOG	94.07%	94.08%	(679,434)	(6.86)
COMMERCIAL BANK	33.03%	33.03%	(46,750)	(5.38)
RENUKA AGRI	6.18%	6.31%	(725,274)	(1.52)
RICH PIERIS EXP	1.10%	1.13%	(3,000)	(0.65)
VALLIBEL FINANCE	2.00%	2.02%	(7,830)	(0.54)
DISTILLERIES	1.66%	1.66%	(20,000)	(0.33)
JANASHAKTHI INS.	0.76%	0.77%	(10,000)	(0.30)
HNB ASSURANCE	1.92%	1.92%	(1,354)	(0.18)

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



## Announcements for the Week

### Dividend Announcements

No dividend announcements for the week.

### Point of View

Sri Lankan equities gained marginally (~9.6 index points) over the holiday-shortened week, with retail investors in particular remaining largely on the sidelines during the week. On Monday, the benchmark index gained ~19 points (+ 0.3%), but lost ~10 points over the remainder of the week to end at 6,015.23 (0.16% W-o-W gain). This week's gain (albeit marginal) was the 1<sup>st</sup> week-on-week gain in two weeks and, despite the political impasse that dominated the early part of the month, the ASPI has remained staunchly above the psychological mark of 6000 points throughout Dec'18. However, activity levels remained subdued with average daily activity levels hitting an 11-week low of Rs.0.4Bn this week, and helping push the overall activity levels on the Colombo Bourse over 2018 down to Rs.0.8Bn (cf. average daily turnover levels of Rs.0.9Bn recorded in 2017). With Retail investors opting to remain on the sidelines this week, Local institutions and HNIs accounted for ~70% of total market activity, with buying interest focused mainly on Ceylinco Insurance (64% of crossings) and Melsta Corp (31% of crossings). Foreign investors meanwhile returned to Sri Lankan equities for the 1<sup>st</sup> time since Mid-Nov'18, with foreign investors remaining net buyers to the tune of Rs.264Mn (cf. net buying position of Rs. 130Mn in Nov'18). Domestic equity performance in 2018 so far has remained volatile, with the ASPI losing 5.6% over the year (cf. 2.3% gain recorded in 2017) as i) sluggish economic conditions and heightened political uncertainty domestically and, ii) volatile financial markets globally have affected equities negatively. Markets in the week ahead are likely to look cues both from the CBSL's roadmap of Monetary and Financial Sector Policies for 2019 & beyond and from ongoing economic and political developments.

### Policy Rates Held Steady Despite Subdued Growth

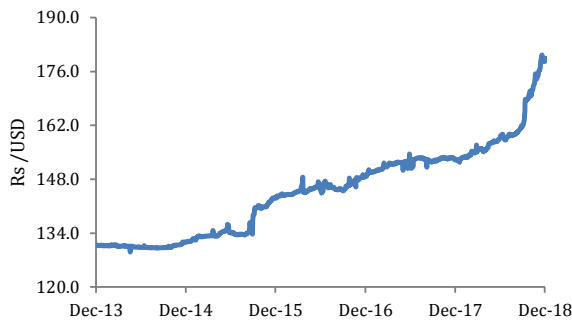
At its final Monetary Policy Review for the year, Sri Lanka's Central Bank held policy rates steady (SLFR -9%; SDFR-8%) noting that despite sub-par growth and subdued inflation, its decision is warranted by higher private sector credit growth and continued pressure on the country's external reserves. The move to maintain rates is in contrast to last month when the CBSL reduced the Statutory Reserve Ratio (SRR) by 1.50p.p to address low rupee liquidity in the system whilst simultaneously increasing the SDFR and SLFR rates (by 75 and 50 bps respectively) to neutralise the impact of the SRR reduction. The Monetary Authority noted that economic growth continues to remain weak (Q3'18 GDP growth was 2.9% Y-o-Y cf. 3.6% Y-o-Y in Q2'18), with Q4'18 growth also expected to remain subdued, highlighting the urgency of implementing broad-based structural reforms. However, the uptick in private sector credit growth since Sept'18 and pressure on external reserves prompted its decision to hold rates; despite the increased cost of funds and tight liquidity conditions, private sector credit growth rose to 16.2% Y-o-Y in Nov'18 (cf. 14.9% Y-o-Y in Jun'18) partially due to the private sector advancing its activities in anticipation of measures to curb excessive import growth. The external sector meanwhile continues to face international and domestic headwinds, with the trade deficit widening further between Jan-Oct'18 while workers' remittances have slowed and capital markets have experienced consistent net outflows amid tight liquidity conditions globally and excessive speculation domestically. The LKR has consequently depreciated 15.8% YTD while gross official reserves have fallen to \$7Bn cf. \$10Bn in Apr'18, justifying the CBSL's decision to not reduce rates despite stable inflation levels and subpar GDP growth.

## Economic Snapshot

	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18
<b>Interest Rates</b>								
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
<b>CCPI Inflation Y-o-Y % (Base 2013)</b>	<b>3.8</b>	<b>4.0</b>	<b>4.4</b>	<b>5.4</b>	<b>5.9</b>	<b>4.3</b>	<b>3.1</b>	<b>3.3</b>
<b>GDP Growth (Base 2010)</b>								
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Q3'18</b>	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	2.9%	

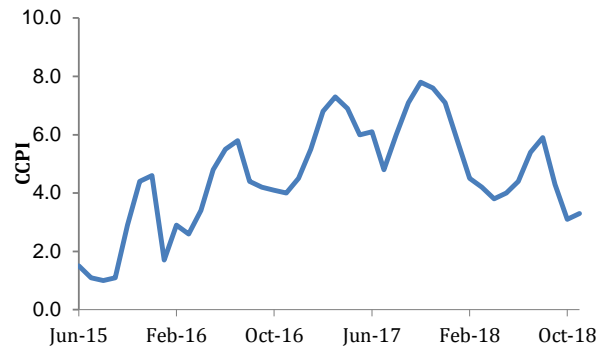
Source Central Bank

### Exchange Rate, Rs. vs. US\$



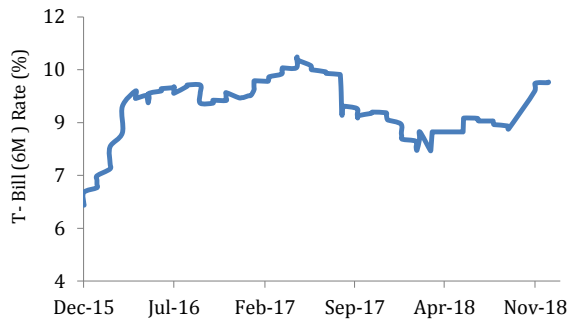
Source: Central Bank

### Inflation (CCPI-N) YoY%



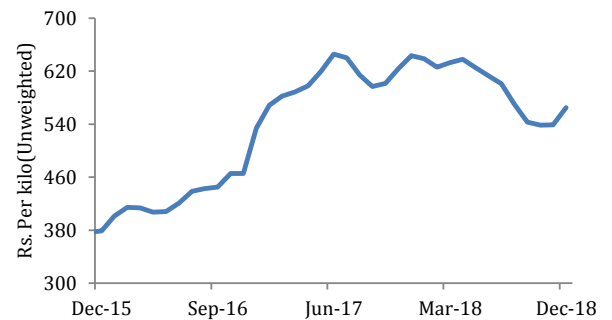
Source: Central Bank

### 6 Month T-Bill Yield



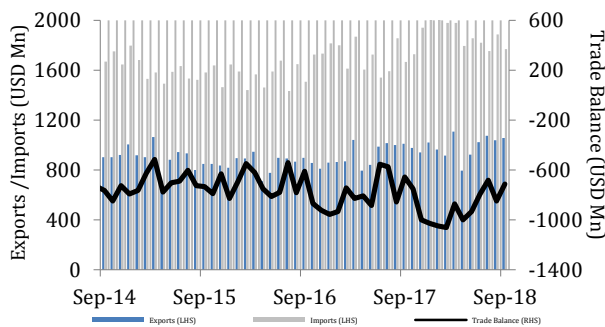
Source: Central Bank

### Tea Prices



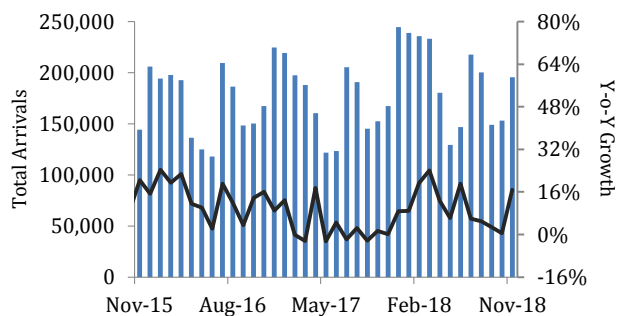
Source: Sri Lanka Tea Board

### Export & Trade Balance



Source: Central Bank

### Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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