

Foreign Sell-Off Continues amid Global Equity Market Rout ...June Inflation Edges Up & LKR Loses 3.7% YTD

ASPI v 0.54% | S&P SL20 v 1.14%

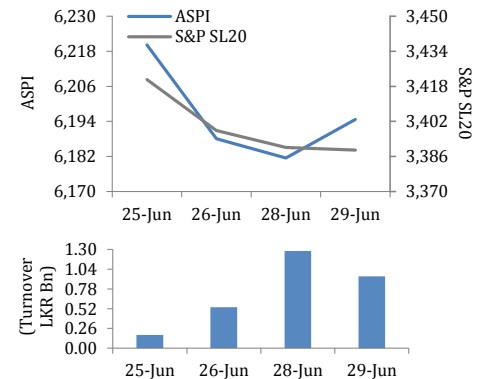
The Bourse continued to... *Cont. P2*

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

Sri Lankan equities tracked *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (22nd Jun-29th Jun)



KEY STATISTICS

Week ending	29-June	22-June	+/-
ASPI	6,194.63	6,228.15	-0.54%
S&P SL20	3,388.88	3,428.00	-1.14%
Banking & Finance	16,262.61	16,420.45	-0.96%
Food & Beverage	24,166.41	24,026.31	0.58%
Diversified	1,621.29	1,632.20	-0.67%
Hotel & Travel	2,741.03	2,741.09	0.00%
Plantations	804.08	808.90	-0.60%
Manufacturing	3,033.71	3,058.05	-0.80%
Turnover (LKR Bn)	2.94	2.97	-0.77%
Foreign Buying (LKR Mn)	1,761.36	1,425.00	23.60%
Foreign Selling (LKR Mn)	2,153.56	1,585.74	35.81%
Daily Average Turnover (LKR Bn)	0.74	0.59	24.03%
Daily Average Foreign Buying (LKR Mn)	440.34	285.00	54.51%
Daily Average Foreign Selling (LKR Mn)	538.39	317.15	69.76%

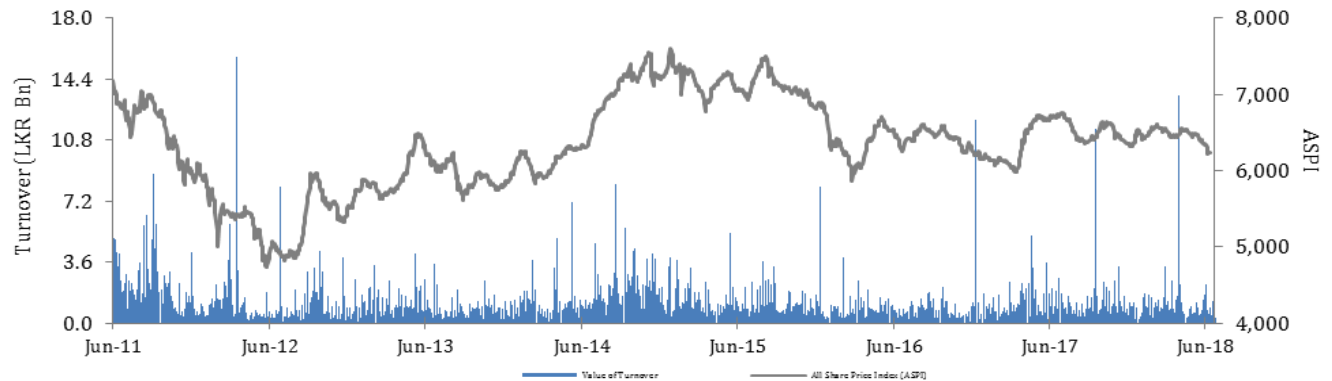
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
E B CREAMY	EBCRN	1122.3	1357.9	21.0%
SAMSON INTERNAT.	SIL N	88.8	105.8	19.1%
DOLPHIN HOTELS	STAFN	25.1	29.0	15.5%
NATION LANKA	CSF N	0.7	0.8	14.3%
BERUWALA RESORTS	BERUN	0.7	0.8	14.3%
MULLERS	MULLN	0.7	0.8	14.3%
SOFTLOGIC	SHL N	20.2	23.0	13.9%
TAL LANKA	TAJ N	14.5	16.5	13.8%
BIMPUTH FINANCE	BLI N	35.0	39.7	13.4%
MERC. SHIPPING	MSL N	63.2	69.1	9.3%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
ADAM INVESTMENTS	AINVN	0.2	0.1	-50.0%
S M B LEASING [NV]	SEMBX	0.3	0.2	-33.3%
PRINTCARE PLC	CAREN	34.8	27.1	-22.1%
HUNTERS	HUNTN	498.9	402.1	-19.4%
CEYLON PRINTERS	CPRTN	63.0	51.0	-19.0%
THE FINANCE CO.	TFC N	3.8	3.2	-15.8%
GUARDIAN CAPITAL	WAPON	24.0	20.5	-14.6%
TESS AGRO	TESSN	0.7	0.6	-14.3%
BLUE DIAMONDS	BLUEN	0.7	0.6	-14.3%
LUCKY LANKA [NV]	LLMPX	0.8	0.7	-12.5%

Market Review



Indices |

The Bourse continued to lose ground as the ASPI decreased by 33.52 points (or -0.54%) to close at 6,194.63 points, while the S&P SL20 Index also decreased by 39.12 points (or -1.14%) to close at 3,388.88 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 0.98Bn or 33.26% of total turnover value. Commercial Bank followed suit, accounting for 23.59% of turnover (value of LKR 0.69Bn) while Ceylon Cold Stores contributed LKR 0.26Bn to account for 8.97% of the week's turnover. Total turnover value amounted to LKR 2.94Bn (cf. last week's value of LKR 2.97Bn), while daily average turnover value amounted to LKR 0.74Bn (24.03% W-o-W) compared to last week's average of LKR 0.59Bn. Market capitalization meanwhile, decreased by 0.54% W-o-W (or LKR 15.65Bn) to LKR 2,893.76Bn cf. LKR 2,909.41Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 40.54% (or LKR 1.19Bn) of market turnover. Sector turnover was driven primarily by JKH, Melstacorp and Softlogic Holdings which accounted for 96.37% of the sector's total turnover. The Banking, Finance & Insurance sector meanwhile accounted for 38.86% (or LKR 1.14Bn) of the total turnover value, with turnover driven primarily by Commercial Bank, HNB (Voting & Non-Voting), Bimputh Finance and Sampath Bank which accounted for 83.73% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 13.54% (or LKR 0.40Bn) to the market driven by Ceylon Cold Stores and Lion Brewery which accounted for 83.83% of the sector turnover.

Liquidity (in Volume Terms) |

The Diversified sector also dominated the market in terms of share volume, accounting for 32.67% (or 21.05Mn shares) of total volume, with a value contribution of LKR 1.19Bn. The Banking, Finance & Insurance sector followed suit, adding 32.33% to total turnover volume as 20.83Mn shares were exchanged. The sector's volume accounted for LKR 1.14Bn of total market turnover value. The Hotels & Travels sector meanwhile, contributed 5.85Mn shares (or 9.08%), amounting to LKR 0.02Bn.

Top Gainers & Losers |

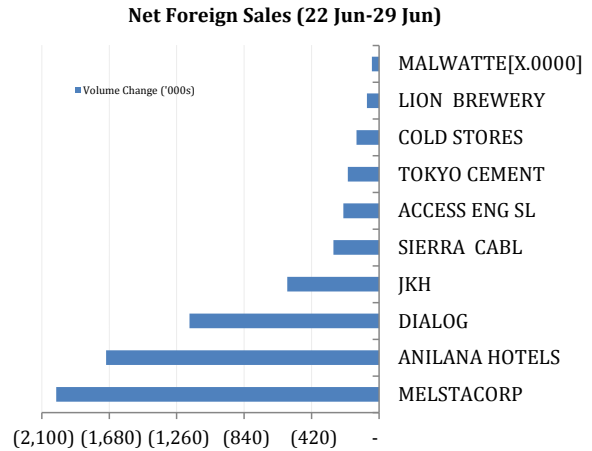
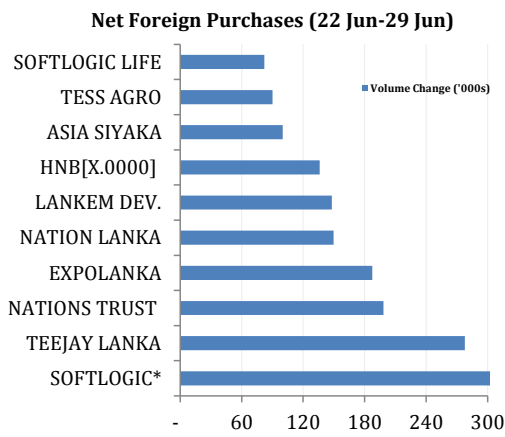
E. B. Creasy was the week's highest price gainer; increasing 21.0% W-o-W from LKR1,122.30 to LKR1,357.90. Samson International gained 19.1% W-o-W to close at LKR105.80. Dolphin Hotels (+15.5% W-o-W) and Nation Lanka Finance (+14.3% W-o-W) were also amongst the top gainers.

Adam Investments was the week's highest price loser; declining 50.0% W-o-W to close at LKR0.10 while SMB Leasing [NV] (-33.3% W-o-W), Printcare (-22.1% W-o-W) and Hunters (-19.4% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
JKH	JKH N	150.0	147.5	978.91
COMMERCIAL BANK	COMBN	123.2	123.0	694.23
COLD STORES	CCS N	990.1	992.0	264.11
MELSTACORP	MELSN	53.1	52.5	105.59
HNB	HNB N	233.0	225.0	90.13
BIMPUTH FINANCE	BLI N	35.0	39.7	70.87
LION BREWERY	LIONN	570.0	570.0	69.98
SOFTLOGIC	SHL N	20.2	23.0	65.39
SAMPATH	SAMPN	305.1	303.1	55.77
HNB [NV]	HNB X	181.0	178.5	46.70

Market Review (Cont'd)



*Volume change of Softlogic Holdings (2.61Mn Shares) from 22nd Jun – 29th Jun not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.39Bn relative to last week's total net outflow of LKR 0.16Bn (144.0% W-o-W). Total foreign purchases increased by 23.6% W-o-W to LKR 1.76Bn from last week's value of LKR 1.42Bn, while total foreign sales amounted to LKR 2.15Bn relative to LKR 1.59Bn recorded last week (35.81% W-o-W). In terms of volume Softlogic Holdings & Teejay Lanka led foreign purchases while Melstacorp & Anilana Hotels led foreign sales. In terms of value Softlogic & HNB (NV) led foreign purchases while Ceylon Cold Stores & Melstacorp led foreign sales.

Net Foreign Purchases (By Transaction Value)

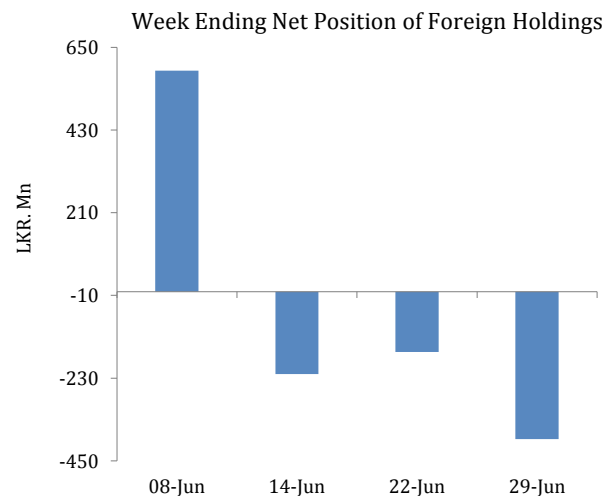
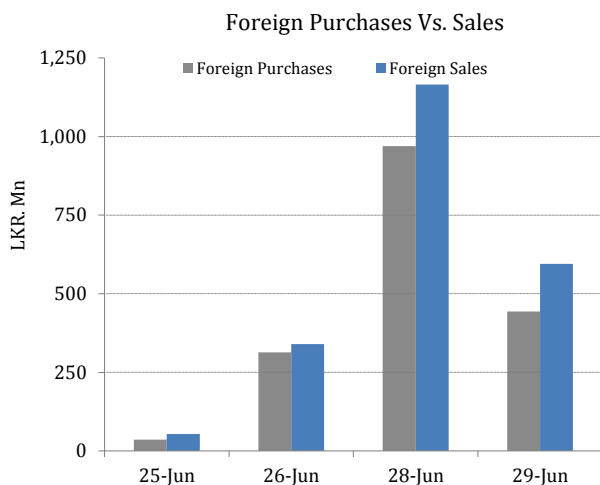
Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	29/06/18	22/06/18		
SOFTLOGIC	31.77%	31.55%	2,613,020	60.10
HNB[X.0000]	46.50%	46.36%	136,186	24.31
NATIONS TRUST	24.25%	24.17%	198,366	17.85
TEEJAY LANKA	45.31%	45.27%	277,868	8.61
HNB	35.91%	35.90%	31,194	7.02
CEYLON BEVERAGE	22.83%	22.80%	5,100	3.57
SAMPATH	22.92%	22.92%	9,883	3.00
CHEVRON	20.97%	20.96%	30,458	2.33
SOFTLOGIC LIFE	45.69%	45.66%	82,100	1.84
BUKIT DARAH	30.19%	30.19%	7,764	1.57

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	29/06/18	22/06/18		
COLD STORES	10.75%	10.89%	(140,320)	(139.20)
MELSTACORP	26.13%	26.30%	(2,009,977)	(105.52)
JKH	57.86%	57.90%	(572,488)	(84.44)
LION BREWERY	36.95%	37.04%	(75,329)	(42.94)
CEYLON TOBACCO	97.51%	97.52%	(29,517)	(33.11)
DIALOG	94.42%	94.44%	(1,179,861)	(16.75)
NESTLE	95.53%	95.54%	(4,628)	(8.07)
TOKYO CEMENT	24.93%	25.01%	(195,065)	(6.83)
COMMERCIAL BANK[X.0000]	25.15%	25.22%	(44,194)	(4.15)
ACCESS ENG SL	9.26%	9.28%	(223,156)	(3.55)

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

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>
KELANI CABLES	3.50	Interim	06-07-18
AMANA BANK	0.07	Interim	05-07-18
COMMERCIAL CREDIT & FINANCE	0.75	First & Final	14-08-18
BERUWALA RESORTS	0.05	First & Final	03-08-18
NAWALOKA HOSPITALS PLC	0.05	Interim	10-07-18
LANKA MILK FOODS (CWE) PLC	2.50	First & Dividend	13-09-18

Point of View

Sri Lankan equities tracked the rout in Emerging and Frontier market assets, resulting in the benchmark ASPI posting losses for the 6th consecutive week. Losses on EM/FM equity markets have heightened over the last three weeks as trade tensions between US and China have intensified, leading to concerns over how a trade war between the world's two biggest economies could curtail growth at a time when the US Fed is accelerating its rate hikes and oil prices are rising¹. The foreign equity sell-off on domestic equities consequently continued for the 3rd consecutive week, pushing the broad-share Index to its lowest (6194.63 points) since April'17 (6,146.69 points). Tracking the general decline in EM/FM equity markets (which are expected to record its worst quarterly losses since Sep'2015), foreign sales from the Colombo Bourse rose 36% this week, pushing the net outflow position on the CSE over the last 3-weeks to Rs.772Mn, and increasing the YTD net foreign outflows from the CSE up to Rs. 1.5Bn (from Rs.757Mn previously). Local retail, HNI and Institutional buying also remained largely sluggish over the week, with daily turnover levels averaging just Rs.550Mn through most of the week. A burst of HNI and Institutional buying on Thursday however, helped push daily turnover value to Rs.1.3Bn. Crossings over the week consequently amounted to 61% of total market turnover (up from the YTD average of 42%) with the majority of interest concentrated on blue-chips JKH, HNB and COMB, which cumulatively accounted for ~77% of the week's total crossings. Markets in the week ahead are likely to continue to take cues from global financial market movements & volatility.

June Inflation Edges Up & LKR Loses 3.7% YTD

Urban inflation levels in Jun'18 rose 4.4% Y-o-Y (up from 4.0% Y-o-Y in May'18) as notable increases in certain Food & Beverage prices along with the pass-through impact of the fuel-price hikes in May mitigated the impact of base effects² stemming from last year's drought-led inflation pressure. Sri Lanka's external sector performance in April 18 meanwhile improved as continuous inflows to the financial account of the country's balance-of-payments helped offset weaker trade and service account (ie: current account) performance. Inflows to the financial account stemmed from proceeds of the country's 12th international sovereign bond (ISB) issue, project and FCBU loans and foreign investment in CSE and G-Sec markets. However, Sri Lanka's trade deficit over April expanded 23% Y-o-Y as import expenditure rose at a faster pace (+12% Y-o-Y) while export earnings remained flat. Despite stronger growth in tourist earnings (13% Y-o-Y) and workers' remittances (11% Y-o-Y), the current account deficit widened over the month. Meanwhile, although the country's gross official reserves reached a historical high of \$9.9Bn by end-April and totaled \$8.9Bn by end-May, the LKR depreciation against the USD as at Jun'18 was 3.7%, reflecting in part the broad-based strengthening of the USD globally. EM/FM currencies and equities are headed for their worst quarter since Sept'15 as i) higher US yields and a stronger USD, ii) greater prospects for more Fed hikes, iii) the weakening narrative of synchronized global growth and, iv) stronger protectionist rhetoric have continued to damage sentiment and risk appetite for EM/FM currencies.

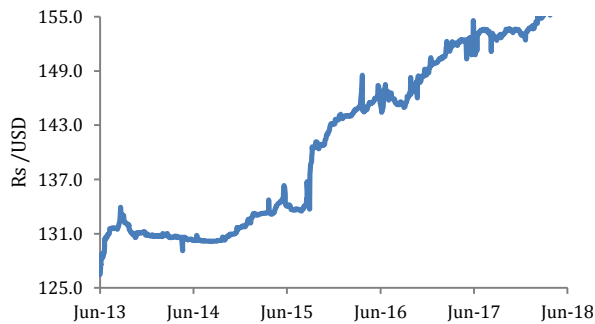
Source: 1. Bloomberg ; 2. Frontier Research

Economic Snapshot

	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18
Interest Rates								
Prime Lending Rate	11.30	11.40	11.33	11.29	11.27	11.10	11.27	11.34
Ave. Wtd. Deposit Rates	9.22	9.19	9.07	9.08	9.05	9.00	8.98	8.91
Ave. Wtd. Fixed Dep. Rates	11.72	11.69	11.48	11.54	11.45	11.41	11.38	11.23
CCPI Inflation Y-o-Y % (Base 2013)	7.8	7.6	7.1	5.8	4.5	4.2	3.8	4.0
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%	

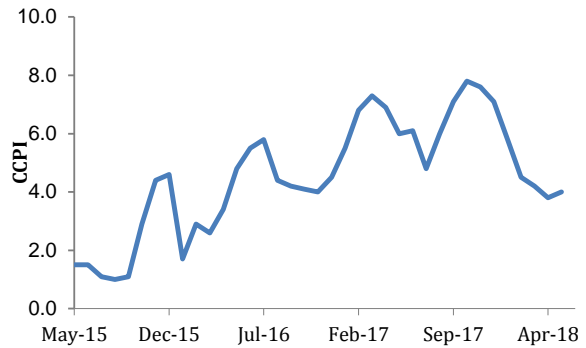
Source Central Bank

Exchange Rate, Rs. vs. US\$



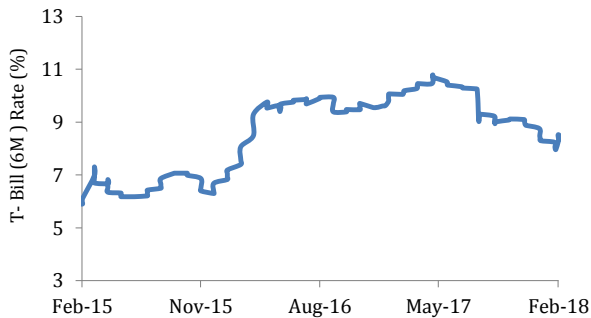
Source: Central Bank

Inflation (CCPI-N) YoY%



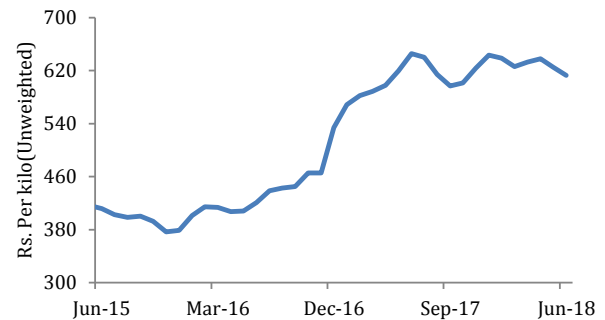
Source: Central Bank

6 Month T-Bill Yield



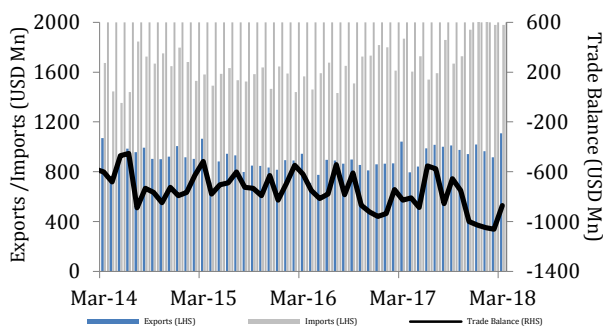
Source: Central Bank

Tea Prices



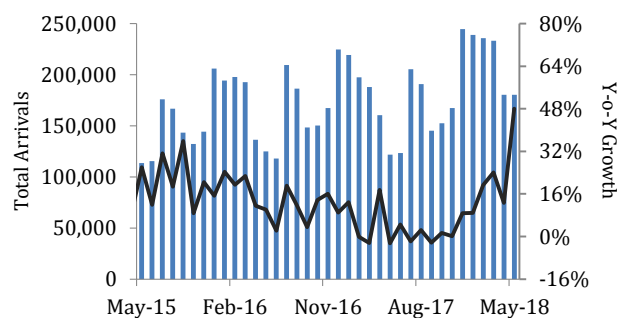
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

Research Team

Chethana Ellepola
(+94) 112 206 256
chethana@acuitystockbrokers.com

Sugirthan Alagesan, CFA
(+94) 112 206 255
sugirthan@acuitystockbrokers.com

Sahrah Surajdeen
(+94) 112 206 253
Sahrah@acuitystockbrokers.com

Maxtina Fernando
(+94) 112 206 251
maxtina@acuitystockbrokers.com

Sales Team

Prashan Fernando
(+94) 112 206 222
prashan@acuitystockbrokers.com

Arjuna Dasanayake
(+94) 112 206 235
arjuna@acuitystockbrokers.com

Kapila Pathirage
(+94) 112 206 227/228
kapila.p@acuitystockbrokers.com

Naren Godamunne
(+94) 112 206 225
naren@acuitystockbrokers.com

Chathura Siyambalapitiya
(+94) 112 206 232
chathura.s@acuitystockbrokers.com

Dhammika Wanniarachchi
(+94) 112 206 229
dhammika.w@acuitystockbrokers.com

Kumar Dias Desinghe
(+94) 814 474 443
hnbkandy@slt.net.lk

Susil Fernando
(+94) 112 206 234
susil@acuitystockbrokers.com

Auburn Senn
(+94) 112 206 239
auburn@acuitystockbrokers.com

S. Vasanthakumar
(+94) 112 206 250/251
vasantha.k@acuitystockbrokers.com

Prasanna Semasinghe
(+94) 814 474 443
hnbkandy@slt.net.lk

Thehani Weerasinghe
(+94) 112 206 224
thehani.w@acuitystockbrokers.com

Warana Sumanasena
(+94) 112206 231
warana@acuitystockbrokers.com

Dinuk Subasinghe
(+94) 112206 237
dinuk@acuitystockbrokers.com

Danuksha Koralage
(+94) 112206 233
danuksha@acuitystockbrokers.com

Nishanthi Ratnayake
(+94) 112206 248
nishanthi@acuitystockbrokers.com

Disclaimer:

"Distributed in Sri Lanka and abroad by Acuity Stockbrokers (Private) Limited (ASB) and its authorized representatives. ASB is fully owned by Acuity Partners (Pvt) Ltd (APL) and APL is a joint venture of DFCC Bank and Hatton National Bank PLC. The Information contained herein has been compiled from sources that ASB ("The Research Institution") believes to be reliable but None of the Research Institution holds itself responsible for its completeness or accuracy. It is not an offer to sell or a solicitation of an offer to buy any securities. The Research Institution and its affiliates and its officers and employees may or may not have a position in or with respect to the securities mentioned herein.

The Research Institution and its affiliates may from time to time have consulting relationship with any company, which is being reported upon. This may involve the Research Institution providing significant corporate finance services or acting as the company's official or sponsoring broker.

All opinions and estimates included in this report constitute judgment as of this date of the Research Institution and are subject to change or amendment without notice. The Research Institution has the copyright for this report and the views herein cannot be reproduced and/or distributed in any form without the explicit (written or otherwise) permission from Research Institution.