

ASPI Receives Boost Amid Reports of EPF's Return ... Domestic & Global Pressures Push LKR Down 5%

ASPI \uparrow 0.46% | S&P SL20 \downarrow 0.51%

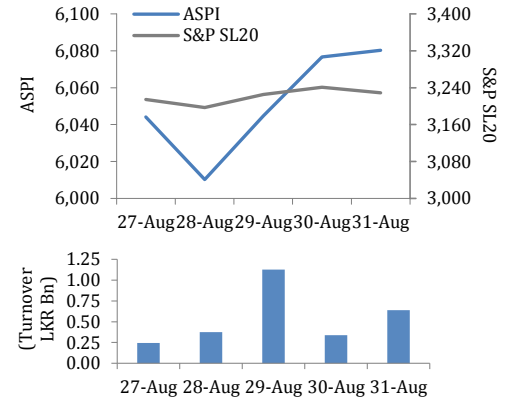
The Bourse ended the week... *Cont. P2*

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

Markets reversed course *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (27th Aug – 31st Aug)



KEY STATISTICS

Week ending	31-Aug	24-Aug	+/-
ASPI	6,080.26	6,052.69	0.46%
S&P SL20	3,229.21	3,212.86	0.51%
Banking & Finance	16,085.37	15,724.28	2.30%
Food & Beverage	25,311.53	25,538.62	-0.89%
Diversified	1,524.77	1,507.00	1.18%
Hotel & Travel	2,668.32	2,643.67	0.93%
Plantations	750.77	734.70	2.19%
Manufacturing	2,980.29	2,964.68	0.53%
Turnover (LKR Bn)	2.73	1.93	41.07%
Foreign Buying (LKR Mn)	602.31	1,013.26	-40.56%
Foreign Selling (LKR Mn)	1,372.94	958.24	43.28%
Daily Average Turnover (LKR Bn)	0.68	0.48	41.07%
Daily Average Foreign Buying (LKR Mn)	150.58	253.31	-40.56%
Daily Average Foreign Selling (LKR Mn)	343.24	239.56	43.28%

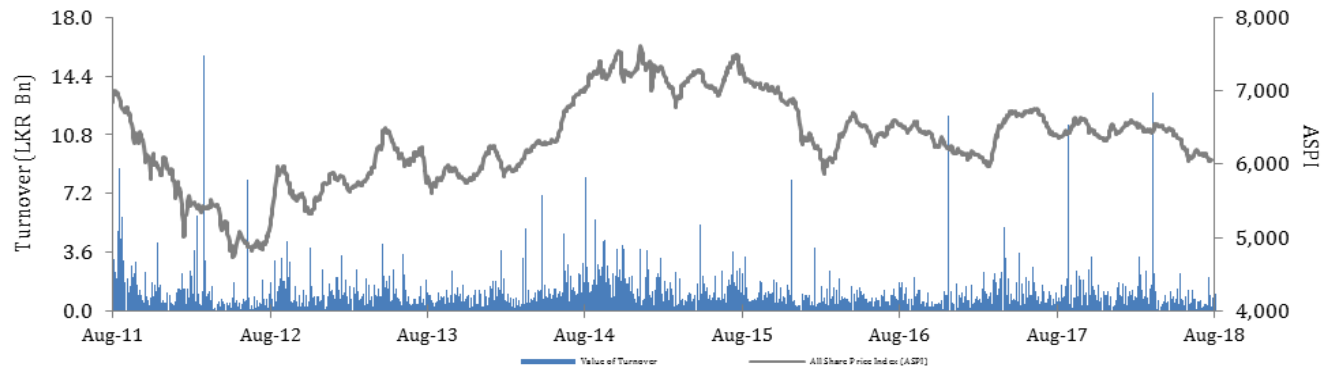
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
MTD WALKERS	KAPIN	8.1	11.0	35.8%
COMM LEASE & FIN	CLC N	2.0	2.6	30.0%
S M B LEASING	SEMBN	0.4	0.5	25.0%
ORIENT FINANCE	ORINN	11.4	14.2	24.6%
EDEN HOTEL LANKA	EDENN	12.1	15.0	24.0%
AMANA LIFE	ATLLN	10.1	12.4	22.8%
LANKA CEMENT	LCEMN	2.1	2.5	19.0%
E - CHANNELLING	ECL N	4.2	4.9	16.7%
LAUGFS GAS[NV]	LGL X	12.5	14.5	16.0%
ALUFAB	ALUFN	16.4	19.0	15.9%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
PARAGON	PARAN	64.7	55.2	-14.7%
LUCKY LANKA[NV]	LLMPX	0.7	0.6	-14.3%
DIALOG	DIALN	13.4	12.0	-10.4%
RAMBODA FALLS	RFL N	20.3	18.5	-8.9%
CONVENIENCE FOOD	SOY N	568.7	520.1	-8.5%
CEYLINCO INS.[NV]	CINSX	1049.5	960.0	-8.5%
CITY HOUSING	CHOUN	4.8	4.4	-8.3%
MAHAWELI REACH	MRH N	16.3	15.0	-8.0%
CHEVRON	LLUBN	84.5	78.0	-7.7%
PEGASUS HOTELS	PEG N	26.6	24.6	-7.5%

Market Review



Indices |

The Bourse ended the week on a positive note as the ASPI increased by 27.57 points (or +0.46%) to close at 6,080.26 points, while the S&P SL20 Index also increased by 16.35 points (or +0.51%) to close at 3,229.21 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 0.94Bn or 34.48% of total turnover value. Sampath Bank followed suit, accounting for 9.87% of turnover (value of LKR 0.27Bn) while Commercial Bank contributed LKR 0.22Bn to account for 7.99% of the week's turnover. Total turnover value amounted to LKR 2.73Bn (cf. last week's value of LKR 1.93Bn), while daily average turnover value amounted to LKR 0.68Bn (+41.07% W-o-W) compared to last week's average of LKR 0.48Bn. Market capitalization meanwhile, increased by 0.46% W-o-W (or LKR 12.92Bn) to LKR 2,848.52Bn cf. LKR 2,835.60Bn last week.

Liquidity (in Value Terms) |

The Banks, Finance & Insurance sector was the highest contributor to the week's total turnover value, accounting for 43.17% (or LKR 1.18Bn) of market turnover. Sector turnover was driven primarily by Sampath Bank, Commercial Bank, Amana Takaful, Bimputh Finance, Seylan Bank, Union Assurance & HNB[NV] which accounted for 79.45% of the sector's total turnover. The Diversified sector meanwhile accounted for 38.96% (or LKR 1.06Bn) of the total turnover value, with turnover driven primarily by JKH & Melstacorp which accounted for 95.39% of the sector turnover. The Hotels & Travels sector was also amongst the top sectorial contributors, contributing 6.91% (or LKR 0.19Bn) to the market driven by AHOT Properties which accounted for 75.68% of the sector turnover.

Liquidity (in Volume Terms) |

The Banks, Finance & Insurance sector dominated the market in terms of share volume, accounting for 59.88% (or 72.18Bn shares) of total volume, with a value contribution of LKR 1.18Bn. The Diversified sector followed suit, adding 12.29% to total turnover volume as 14.82Mn shares were exchanged. The sector's volume accounted for LKR 1.06Bn of total market turnover value. The Hotels & Travels sector meanwhile, contributed 10.39Mn shares (or 8.62%), amounting to LKR 0.19Bn.

Top Gainers & Losers |

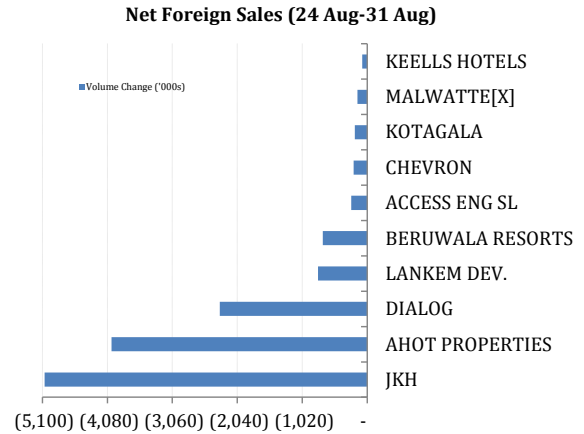
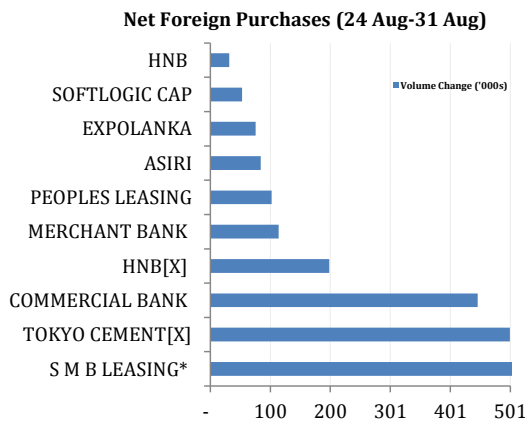
MTD Walkers was the week's highest price gainer; increasing 35.8% W-o-W from LKR8.10 to LKR11.00 while Commercial Leasing & Finance (+30.0% W-o-W), SMB Leasing(+25.0% W-o-W) and Orient Finance (+24.6% W-o-W) were also amongst the top gainers.

Paragon was the week's highest price loser; declining 14.7% W-o-W to close at LKR55.20 while Lucky Lanka [NV] (-14.3% W-o-W), Dialog(-10.4% W-o-W) and Ramoda Falls(-8.9% 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	139.0	140.0	939.89
SAMPATH	SAMPN	277.0	279.9	268.91
COMMERCIAL BANK	COMBN	121.0	125.0	217.84
AMANA TAKAFUL	ATL N	7.7	7.9	150.16
AHOT PROPERTIES	AHPLN	37.3	40.9	142.56
BIMPUTH FINANCE	BLI N	29.4	30.8	94.37
SEYLAN BANK	SEYBN	75.0	74.7	78.05
MELSTACORP	MELSN	50.4	51.0	72.97
UNION ASSURANCE	UAL N	278.3	291.1	62.99
HNB[NV]	HNB X	172.0	170.0	62.46

Market Review (Cont'd)



*Volume change of SMB Leasing (20.55Mn Shares) from 24th Aug – 31st Aug not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.77Bn relative to last week's total net inflow of LKR 0.06Bn (-1500.8% W-o-W). Total foreign purchases decreased by 40.56% W-o-W to LKR 0.60Bn from last week's value of LKR 1.01Bn, while total foreign sales amounted to LKR 1.37Bn relative to LKR 0.96Bn recorded last week (+43.28% W-o-W). In terms of volume, SMB Leasing & Tokyo Cement (NV) led foreign purchases while JKH and Asian Hotels & Properties led foreign sales. In terms of value, Commercial Bank and HNB (NV) led foreign purchases while JKH and Asian Hotels & Properties led foreign sales.

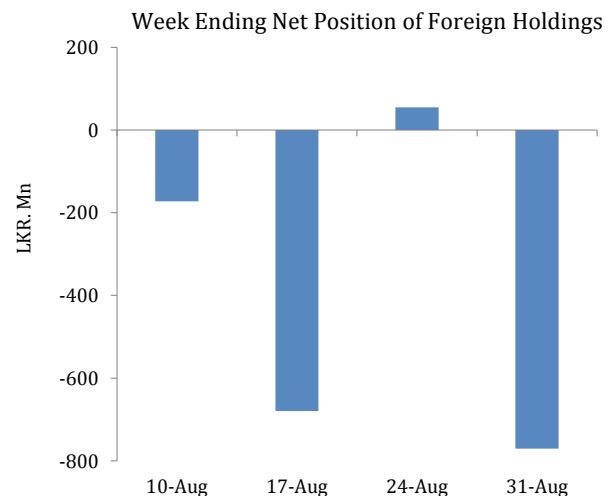
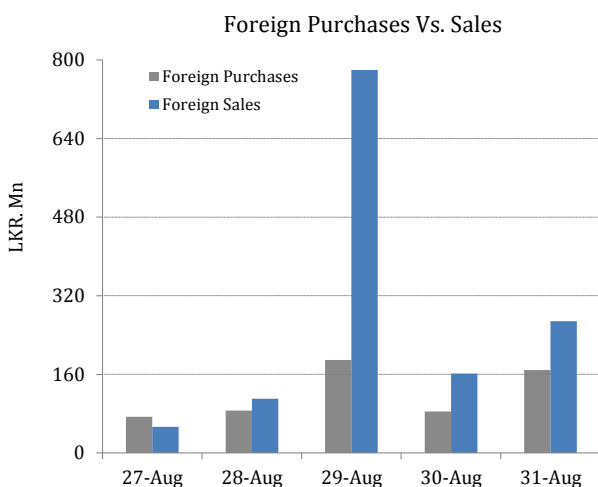
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	31/08/18	24/08/18		
COMMERCIAL BANK	33.83%	33.79%	446,486	55.81
HNB[X.0000]	47.01%	46.81%	198,500	33.75
LION BREWERY	37.29%	37.26%	27,075	17.46
TOKYO CEMENT[X.0000]	43.80%	43.43%	500,500	12.41
S M B LEASING	9.74%	8.02%	20,550,000	10.28
HNB	35.93%	35.92%	31,665	7.03
BAIRAHA FARMS	3.96%	3.78%	29,375	3.67
CENTRAL FINANCE	13.49%	13.47%	28,597	2.76
ASIRI	37.50%	37.50%	84,260	2.02
PEOPLES LEASING	6.51%	6.50%	102,550	1.53

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	31/08/18	24/08/18		
JKH	56.43%	56.80%	(5,066,383)	(709.29)
AHOT PROPERTIES	0.85%	1.75%	(4,012,998)	(164.13)
DIALOG	94.38%	94.40%	(2,315,314)	(27.78)
CHEVRON	21.14%	21.23%	(215,645)	(16.82)
CEYLON TOBACCO	97.48%	97.48%	(7,964)	(10.66)
SAMPATH	22.64%	22.65%	(14,125)	(3.95)
LANKEM DEV.	5.16%	5.80%	(775,212)	(3.88)
ACCESS ENG SL	9.11%	9.13%	(250,507)	(3.76)
LANKA WALLTILE	1.19%	1.23%	(22,000)	(1.83)
KOTAGALA	1.75%	2.01%	(194,998)	(1.56)

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>
KANDY HOTELS COMPANY	0.10	Final	27-09-18
INDUSTRIAL ASPHALTS	1.50	Final	19-09-18
SOFTLOGIC HOLDINGS	0.50	Final	06-09-18
SWADESHI INDUSTRIAL WORKS	1.00	Final	25-09-18
ARPICO FINANCE	6.25	Interim	11-09-18

Point of View

Markets reversed course this week as positive news about the potential return of State-owned pension fund (EPF) to the equity market revived sentiment and helped the Index recover from its 17-month low of 6010.23 points. Equities have been on a consistent downtrend over the last five weeks amid i) lackluster corporate earnings over the June'18 quarter, ii) a Moody's report highlighting Sri Lanka's higher-than-peer vulnerability to USD appreciation due to tighter external refinancing conditions in the next five years and, iii) price pressure on corporate heavyweights in the banking and telecom sectors amid media reports of proposed levies on these two sectors. News of the potential return of the EPF (which was a key institutional player in the domestic equity market and which has been absent from markets since 2015) amid more "sufficient safeguards to improve transparency and accountability in trading guidelines" therefore boosted sentiment significantly, causing the broad-share ASPI to gain 70 points following the news. The gains on the Index helped offset the 42 point loss at the start of the week, and helped the Index close up ~28 points (0.46%) higher while average daily turnover levels over the week improved marginally from that of last week (Rs.0.55Bn cf. Rs0.48Bn last week). The ASPI lost 1.1% (67 index points) over the month of August, adding on to the 0.8% lost over the month of July, and increasing the YTD loss on the Index to 5.2% from the 3.4% YTD loss recorded in H2'18. The foreign equity sell-off on the Colombo bourse meanwhile eased somewhat over August, with the net foreign outflows over August falling to Rs. 0.59Bn from net foreign outflows of Rs. 1.20Bn over July. In the absence of any negative news related to taxes, markets in the week ahead are likely to retain the current momentum.

Domestic & Global Pressures Push LKR Down 5%

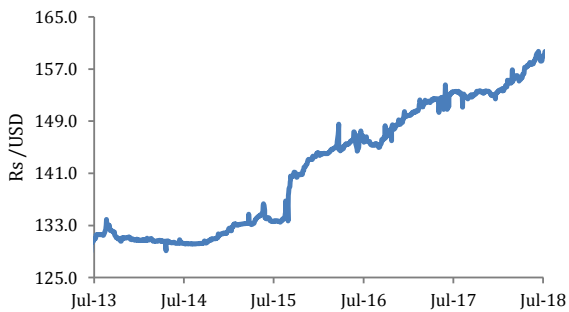
Sri Lanka's trade deficit widened to \$795Mn over Jun'18 (cf. \$554Mn in Jun'17) leading to a narrowing of the country's cumulative Balance-of-Payments (B-o-P) surplus upto Jun'18. The B-o-P surplus between Jan-Jun'18 fell to \$1.1Bn from \$1.6Bn during Jan-Jun'17 amid a widening trade deficit and slower external sector financial flows. Higher import expenses on fuel, vehicles, transport equipment (particularly fuel imports which rose notably due to higher price and volume of crude oil/refined petroleum) outpaced the increase in export earnings from textiles and garments, bunker and aviation fuel and commodities (rubber). In terms of service account inflows meanwhile higher earnings from tourism were offset by lower workers' remittances. Meanwhile, although the financial account of the B-o-P was buttressed by the IMF's 5th EFF tranche and 3rd tranche from the Hambantota port sales proceeds, continued portfolio outflows from the Government securities market and CSE added some pressure on the B-o-P. Despite the country's gross official reserves remaining at \$9.3Bn, the LKR depreciated 3.4% against the USD by June 2018 and by 5.0% YTD reflecting not just the above developments in domestic markets but also developments in global FX markets. The appreciating USD has impacted nearly all emerging/frontier market currencies as the USD has strengthened sharply this year amid tightening monetary policy in the U.S. and the intensifying trade dispute with China. However, Moody's noted last week that Sri Lanka remains among the countries most vulnerable to USD appreciation as its i) external debt repayment requirements increase materially in 2019-22 and ii) ~46% of the GoSL's gross borrowing requirement (18.5% of GDP) is foreign currency denominated.

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%	

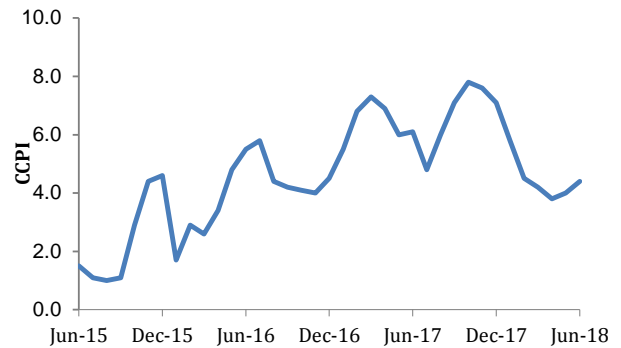
Source Central Bank

Exchange Rate, Rs. vs. US\$



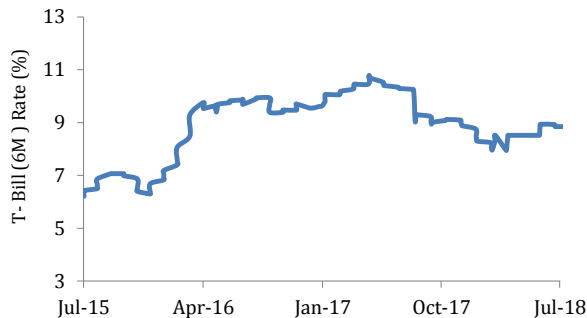
Source: Central Bank

Inflation (CCPI-N) YoY%



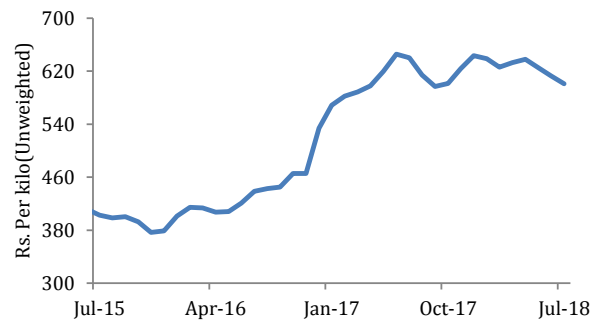
Source: Central Bank

6 Month T-Bill Yield



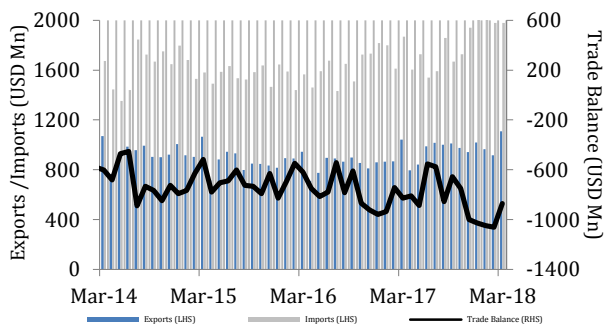
Source: Central Bank

Tea Prices



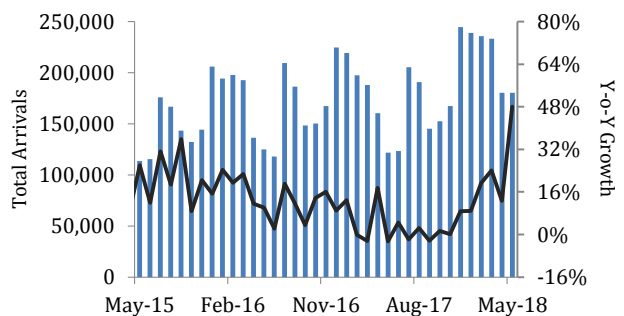
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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