

Investors Remain on Sidelines... September NCPI

Increases to 4.7% Y-o-Y

ASPI v 0.54% | S&P SL20 v 0.57%

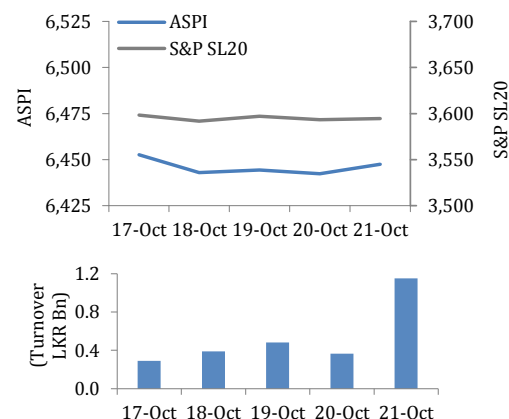
The Bourse continued to remain in the ... **Cont. P2**

Foreign investors closed the week in a net... **Cont. P3**

Equity markets remained sluggish ... **Cont. P4**

Economic Snapshot..... **P5**

Indices vs. Turnover (17th Oct – 21st Oct)



KEY STATISTICS

| Week ending | 21 st October | 14 th October | +/- |
|--|--------------------------|--------------------------|--------|
| ASPI | 6,447.53 | 6,482.54 | -0.54% |
| S&P SL20 | 3,594.59 | 3,615.12 | -0.57% |
| Banking & Finance | 16,392.35 | 16,493.94 | -0.62% |
| Food & Beverage | 20,893.82 | 21,022.70 | -0.61% |
| Diversified | 1,654.49 | 1,673.48 | -1.13% |
| Hotel & Travel | 3,116.95 | 3,125.67 | -0.28% |
| Plantations | 642.39 | 636.03 | 1.00% |
| Manufacturing | 4,582.95 | 4,591.95 | -0.20% |
| Turnover (LKR Bn) | 2.68 | 2.49 | 7.65% |
| Foreign Buying (LKR Mn) | 1,297.35 | 1,257.41 | 3.18% |
| Foreign Selling (LKR Mn) | 778.61 | 634.28 | 22.76% |
| Daily Average Turnover (LKR Bn) | 0.54 | 0.50 | 7.65% |
| Daily Average Foreign Buying (LKR Mn) | 259.47 | 251.48 | 3.18% |
| Daily Average Foreign Selling (LKR Mn) | 155.72 | 126.86 | 22.76% |

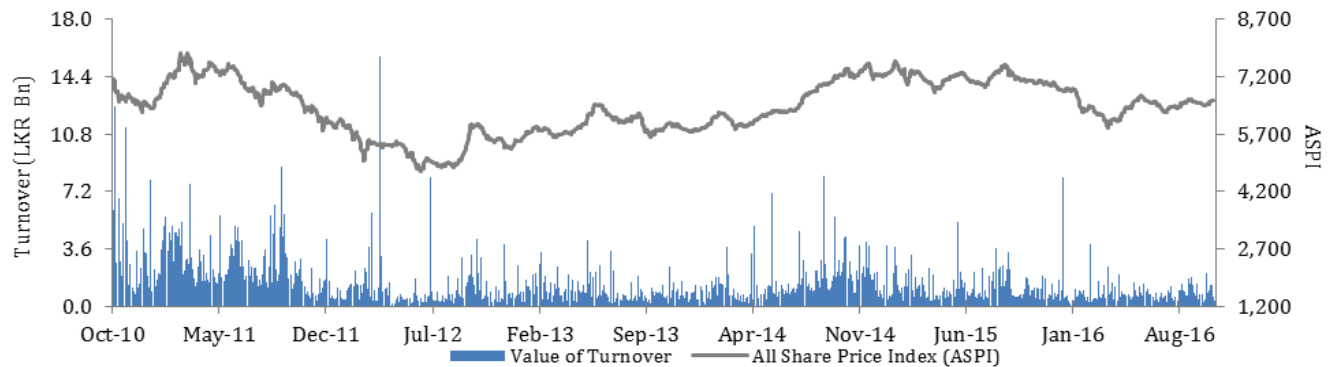
TOP 10 GAINERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|-----------------|-------|---------------|---------------|--------------|
| GOOD HOPE | GOODN | 1302.00 | 1476.10 | 13.4% |
| MALWATTE[NV] | MAL X | 2.80 | 3.10 | 10.7% |
| BROWNS HYDRO | HPFLN | 6.70 | 7.40 | 10.4% |
| C T LAND | CTLDN | 54.50 | 59.50 | 9.2% |
| MAHAWELI REACH | MRH N | 21.10 | 23.00 | 9.0% |
| TESS AGRO[NV] | TESSX | 1.30 | 1.40 | 7.7% |
| PEGASUS HOTELS | PEG N | 30.80 | 33.00 | 7.1% |
| BOGALA GRAPHITE | BOGAN | 16.70 | 17.70 | 6.0% |
| TAL LANKA | TAJ N | 25.50 | 27.00 | 5.9% |
| CEYLON LEATHER | CLPLN | 66.30 | 70.00 | 5.6% |

TOP 10 LOSERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|-------------------|-------|---------------|---------------|--------------|
| BLUE DIAMONDS[NV] | BLUEX | 0.60 | 0.50 | -16.7% |
| BROWNS INVSTMNTS | BIL N | 1.50 | 1.30 | -13.3% |
| CIFL | CIFLN | 1.60 | 1.40 | -12.5% |
| SWARNAMAHAL FIN | SFS N | 1.80 | 1.60 | -11.1% |
| PARAGON | PARAN | 56.80 | 52.20 | -8.1% |
| BERUWALA RESORTS | BERUN | 1.30 | 1.20 | -7.7% |
| DUNAMIS CAPITAL | CSECN | 25.60 | 23.70 | -7.4% |
| CEYLON BEVERAGE | BREWN | 648.00 | 600.00 | -7.4% |
| PALM GARDEN HOTEL | PALMN | 35.60 | 33.00 | -7.3% |
| E - CHANNELLING | ECL N | 8.30 | 7.70 | -7.2% |

Market Review



Indices |

The Bourse continued to remain in negative territory as the ASPI decreased by 35.01 points (or 0.54%) to close at 6,447.53 points while the S&P SL20 Index decreased by 20.53 points (or 0.57%) to close at 3,594.59 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 0.36 Bn or 13.40% of total turnover value. Dialog followed suit, accounting for 11.56% of turnover (value of LKR 0.31 Bn) while Hemas Holdings contributed LKR 0.28 Bn to account for 10.36% of the week's turnover. Total turnover value amounted to LKR 2.68 Bn (cf. last week's value of LKR 2.49 Bn), while daily average turnover value amounted to LKR 0.54 Bn (+7.65% W-o-W) compared to last week's average of LKR 0.50 Bn. Market capitalization meanwhile, decreased by 0.54% W-o-W (or LKR 14.83 Bn) to LKR 2,748.63 Bn cf. LKR 2,763.46 Bn last week.

Liquidity (in Value Terms) |

The Diversified Sector was the highest contributor to the week's total turnover value, accounting for 27.58% (or LKR 0.74 Bn) of market turnover. Sector turnover was driven primarily by JKH, Hemas Holdings & Expo Lanka which accounted for 97.45% of the sector's total turnover. The Banking, Finance & Insurance Sector meanwhile accounted for 21.05% (or LKR 0.56 Bn) of the total turnover value with turnover driven primarily by HNB, Central Finance & Commercial Bank which accounted for 59.87% sector turnover. Telecom Sector was also amongst the top sectorial contributors, contributing 11.59% (or LKR 0.31 Bn). The sector turnover was driven by Dialog which accounted to 99.75% of the sector turnover.

Liquidity (in Volume Terms) |

The Power & Energy sector dominated the market in terms of share volume, accounting for 44.02% (or 76.34 Mn shares) of total volume, with a value contribution of LKR 0.24 Bn. Telecom Sector followed suit, adding 15.43 % to total turnover volume as 26.76 Mn shares were exchanged. The sector's volume accounted for LKR 0.31 Bn of total market turnover value. The Diversified Sector meanwhile, contributed 21.74 Mn shares (or 12.53%), amounting to LKR 0.74Bn.

Top Gainers & Losers |

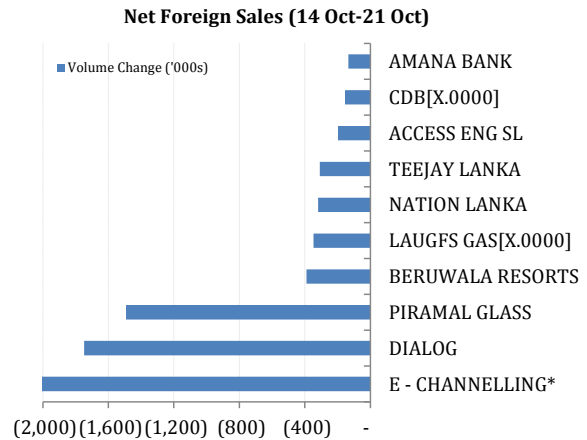
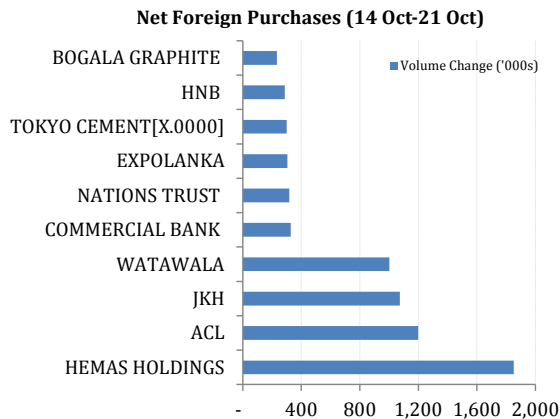
Good Hope was the week's highest price gainer; increasing 13.37 % W-o-W from LKR 1302.00 to LKR 1476.10. Malwatte (NV) gained 10.71 % W-o-W to close at LKR 3.10 while Browns Hydro gained 10.45 % W-o-W to close at LKR 7.40. CT Land (+9.17% W-o-W) and Mahaweli Reach (+9.0% W-o-W) were also amongst the gainers.

Blue Diamond [NV] was the week's highest price loser, declining 16.67% W-o-W to close at LKR 0.50, Browns Investments (-13.33% W-o-W), CIFL (-12.50% W-o-W) and Swarnamahala Finance (-11.11%) also declined.

TOP 10 TURNOVER

| Company | Code | Opening Price | Closing Price | Value (Rs. Mn) |
|------------------|-------|---------------|---------------|----------------|
| JKH | JKH N | 152.0 | 150.0 | 359.2 |
| DIALOG | DIALN | 11.5 | 11.6 | 309.8 |
| HEMAS HOLDINGS | HHL N | 107.0 | 107.0 | 277.8 |
| PANASIAN POWER | PAP N | 3.0 | 3.1 | 225.3 |
| HNB | HNB N | 229.3 | 229.7 | 177.2 |
| CENTRAL FINANCE | CFINN | 111.4 | 110.7 | 92.9 |
| ACL | ACL N | 62.8 | 63.8 | 85.4 |
| EXPOLANKA | EXPON | 6.6 | 6.7 | 83.5 |
| COMMERCIAL BANK | COMBN | 148.0 | 147.0 | 67.8 |
| TOKYO CEMENT[NV] | TKYOX | 49.1 | 51.5 | 64.5 |

Market Review (Cont'd)



*Mobitel acquired Senior Marketing System Asia (Pte) Limited's 87.59% stake in E-channeling; the volume change of 106.97 Mn shares is not displayed

Foreign investors closed the week in a net buying position with total net inflows amounting to LKR 0.52 Bn relative to last week's total net inflow of LKR 0.62 Bn (-17% W-o-W). Total foreign purchases increased by 3.18% W-o-W to LKR 1.30 Bn from last week's value of LKR 1.26 Bn, while total foreign sales amounted to LKR 0.78 Bn relative to LKR 0.63 Bn recorded last week (22.76% W-o-W). In terms of volume, Hemas Holdings & ACL led foreign purchases, while E-channeling & Dialog led foreign sales. In terms of value, Hemas Holdings & JKH led foreign purchases while E-channeling & Dialog led foreign sales.

Net Foreign Purchases (By Transaction Value)

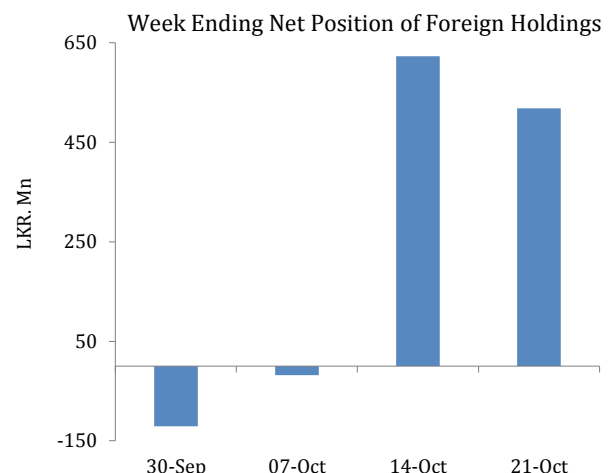
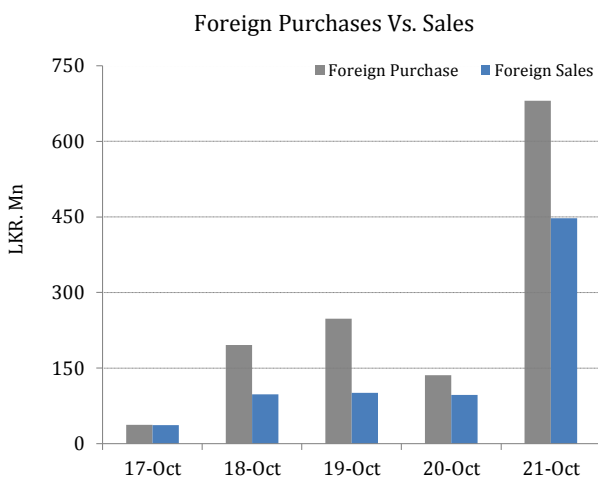
| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|----------------------|---------------------|----------|------------|------------------|
| | 21/10/16 | 14/10/16 | | |
| HEMAS HOLDINGS | 29.5% | 29.2% | 1,851,512 | 198.1 |
| JKH | 51.9% | 51.8% | 1,073,771 | 161.1 |
| ACL | 3.0% | 2.0% | 1,199,450 | 76.5 |
| HNB | 27.2% | 27.1% | 286,291 | 65.8 |
| COMMERCIAL BANK | 30.0% | 30.0% | 328,126 | 48.2 |
| NATIONS TRUST | 23.3% | 23.1% | 318,310 | 26.3 |
| WATAWALA | 1.5% | 1.1% | 1,002,069 | 19.8 |
| CARGILLS | 6.8% | 6.7% | 100,040 | 17.2 |
| TOKYO CEMENT[X.0000] | 29.8% | 29.5% | 300,000 | 15.5 |
| GRAIN ELEVATORS | 60.2% | 60.2% | 57,470 | 5.4 |

Net Foreign Sales (By Transaction Value)

| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|-------------------------|---------------------|----------|---------------|------------------|
| | 21/10/16 | 14/10/16 | | |
| E - CHANNELLING | 0.7% | 88.3% | (106,973,218) | (823.7) |
| DIALOG | 93.8% | 93.8% | (1,747,872) | (20.3) |
| LION BREWERY | 36.6% | 36.6% | (35,656) | (14.5) |
| TEEJAY LANKA | 45.9% | 45.9% | (308,827) | (14.2) |
| LAUGFS GAS[X.0000] | 13.2% | 13.9% | (346,700) | (11.8) |
| CIC | 1.0% | 1.2% | (117,637) | (11.5) |
| CDB[X.0000] | 3.2% | 5.1% | (154,499) | (11.4) |
| PIRAMAL GLASS | 62.6% | 62.8% | (1,491,963) | (8.2) |
| COMMERCIAL BANK[X.0000] | 23.7% | 23.8% | (67,631) | (7.8) |
| ACCESS ENG.SL | 5.8% | 5.9% | (198,000) | (5.2) |

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

Please note that the foreign shares data displayed above include private transfers done outside of the market.



Source: Colombo Stock Exchange

Announcements for the Week

Dividend Announcements

| <u>Company</u> | <u>DPS (Rs.)</u> | <u>Final/Interim</u> | <u>XD Date</u> |
|-----------------------|------------------|----------------------|----------------|
| PRINT CARE PLC | DPS: 0.60 | Interim | XD: 31/10/2016 |
| LOTUS HYDRO POWER PLC | DPS: 0.50 | Second Interim | XD: 28/10/2016 |

Point of View

Equity markets remained sluggish this week, skirting around a narrow 10 point band between 6442-6452 points over the week. Dull sentiment dominated the bourse for most of the week as investors adopted a watchful stance ahead of the 2017 Budget which is to be presented to parliament on November 10th. Market activity recovered slightly on Friday however, as institutional and HNI investor interest in Dialog, Hemas Holdings and a strategic stake in Pan Asia Power helped prop the rest of week's paltry turnover levels. Crossings over the week, accounted for ~35% of total market turnover, with Friday's crossings accounting for ~74% of the week's crossings. Friday's turnover levels consequently rose to a 2^{1/2} high of LKR 1.15Bn relative to the remainder of the week's daily average turnover level of LKR 0.38Bn. Friday's daily average turnover levels also helped push the week's daily average turnover levels to LKR 0.54Bn, ~8% higher than last week's daily average turnover level. Foreign investors meanwhile, remained net buyers for the 2nd consecutive week, although net purchases for the week declined 17% W-o-W to LKR519Mn. Investors are likely to remain on the sidelines yet again next week as markets look for direction from the September quarter corporate results and the National Budget for 2017.

September NCPI Increases to 4.7% Y-o-Y

September inflation levels rose 0.2% from August to 4.7% Y-o-Y reflecting an increase in both Food and Non-Food inflation, particularly the prices of items in the Alcoholic Beverages and Tobacco category. Food inflation rose 4.8% Y-o-Y (cf. 4.2% Y-o-Y in August) while Non-Food inflation also rose 4.8% Y-o-Y (cf. 4.6% Y-o-Y in August) mainly due to increases in non-food categories such as Transport, Alcoholic Beverages & Tobacco and Health. Although core NCPI (which reflects the economy's underlying inflation) for September declined to 5.7% Y-o-Y (from 6.0% in August), annual average NCPI core inflation increased marginally to 5.7% Y-o-Y (cf. 5.6% in August) reflecting an underlying trend of higher inflation. Urban inflation levels meanwhile, decreased over September as the CCPI decreased to 3.9% Y-o-Y relative to 4.0% in August. CCPI (which was at 0.9% Y-o-Y in December 2015) is estimated to increase to 4.0-4.1% Y-o-Y by December 16 before increasing further to between 4.5-5.3% Y-o-Y by December 2017¹.

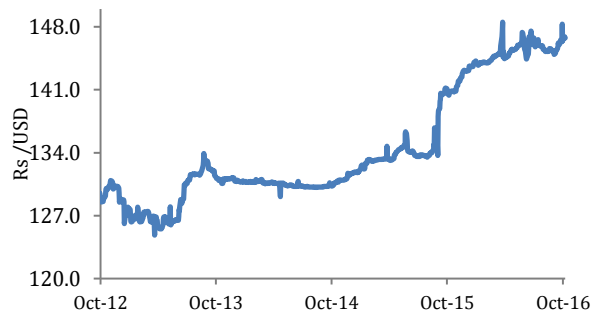
1. Source: World Bank_South Asia Economic Focus & IMF_World Economic Outlook

Economic Snapshot

| | Feb'16 | Mar'16 | Apr'16 | May'16 | Jun'16 | Jul'16 | Aug'16 | Sep'16 |
|-------------------------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Interest Rates | | | | | | | | |
| Prime Lending Rate | 8.28 | 8.87 | 9.55 | 10.10 | 10.48 | 10.87 | 11.76 | 12.29 |
| Ave. Wtd. Deposit Rates | 6.33 | 6.44 | 6.58 | 6.72 | 6.87 | 7.10 | 7.32 | 7.56 |
| Ave. Wtd. Fixed Dep. Rates | 7.75 | 7.92 | 8.18 | 8.40 | 8.64 | 8.99 | 9.31 | 9.67 |
| CCPI Inflation Y-o-Y % | 2.7 | 2.0 | 3.1 | 4.8 | 6.0 | 5.5 | 4.0 | 3.9 |
| GDP Growth (Base 2010) | | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | | | | |
| | 9.1% | 3.4% | 4.9% | 4.8% | | | | |

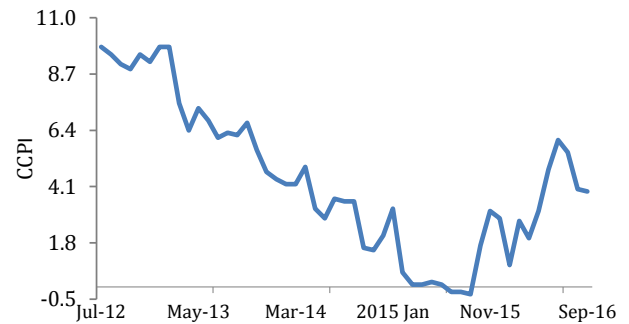
Source Central Bank

Exchange Rate, Rs. vs. US\$



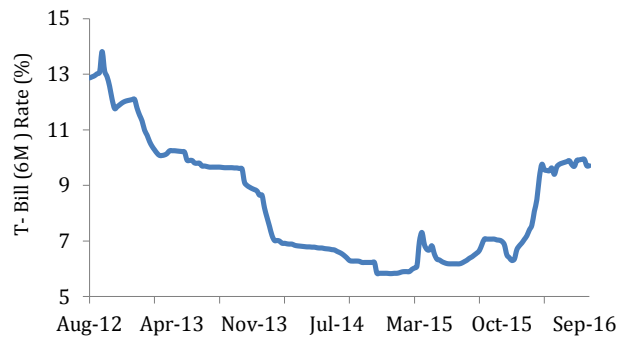
Source: Central Bank

Inflation (CCPI-N) YoY%



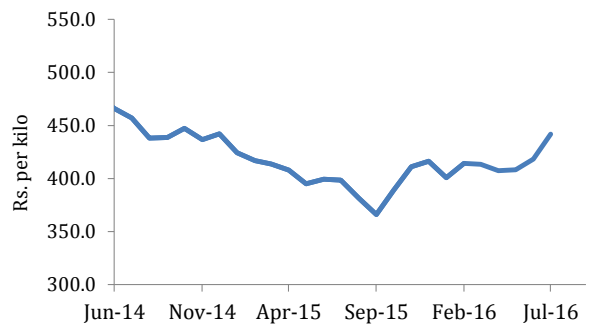
Source: Central Bank

6 Month T-Bill Yield



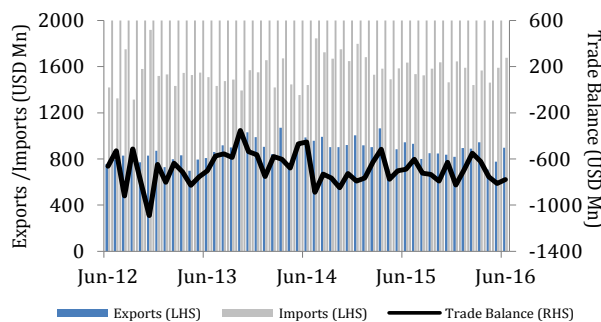
Source: Central Bank

Tea Prices



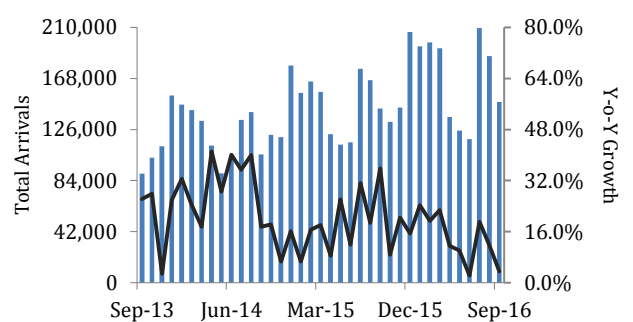
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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