

Muted Sentiment Dominates Markets...

December Policy Rates Held Steady

ASPI v 0.80% | S&P SL20 v 1.86%

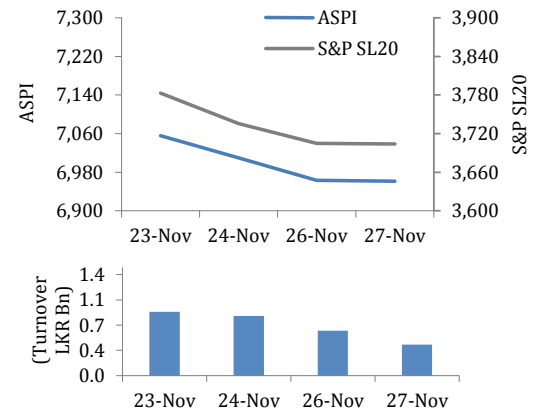
Muted activity levels pushed both indices ... *Cont. P2*

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

Selling pressure on selected stocks ... *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (20th Nov - 27th Nov)



KEY STATISTICS

Week ending	27th	20th	+/-
ASPI	6,961.41	7,017.44	-0.80%
S&P SL20	3,704.04	3,774.11	-1.86%
Banking & Finance	17,312.56	17,671.31	-2.03%
Food & Beverage	22,700.39	22,490.20	0.93%
Diversified	1,876.60	1,887.60	-0.58%
Hotel & Travel	3,255.73	3,266.69	-0.34%
Plantations	747.04	737.82	1.25%
Manufacturing	4,424.50	4,516.81	-2.04%
Turnover (LKR Bn)	2.76	3.68	-25.05%
Foreign Buying (LKR Mn)	1,132.04	1,008.17	12.29%
Foreign Selling (LKR Mn)	1,343.41	999.14	34.46%
Daily Average Turnover (LKR Bn)	0.69	0.74	-6.31%
Daily Average Foreign Buying (LKR Mn)	283.01	201.63	40.36%
Daily Average Foreign Selling (LKR Mn)	335.85	199.83	68.07%

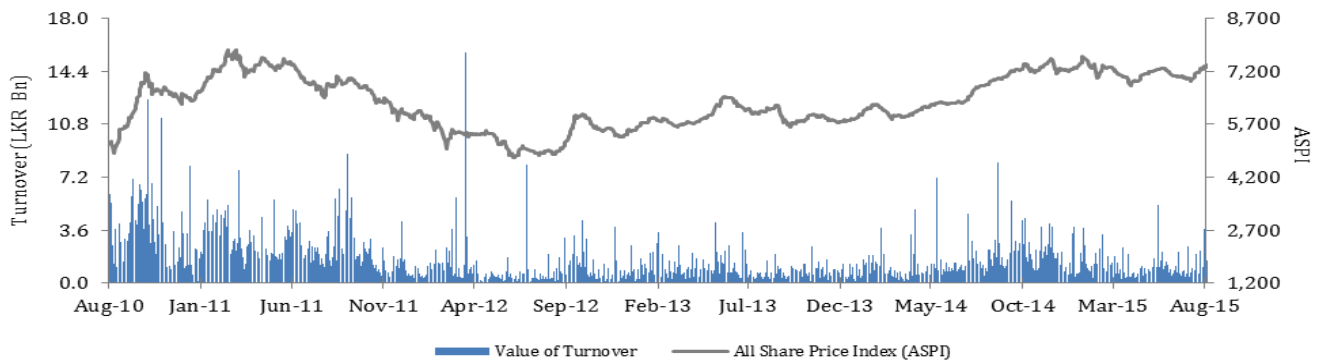
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
PC HOUSE	PCH N	0.1	0.2	100.0%
PC PHARMA	PCP N	0.4	0.6	50.0%
ABANS FINANCIAL	AFSLN	34.1	42.0	23.2%
AGALAWATTE	AGALN	20.0	23.4	17.0%
CIFL	CIFLN	0.7	0.8	14.3%
HORANA	HOPLN	20.1	22.6	12.4%
S M B LEASING	SEMBN	0.9	1.0	11.1%
ADAM CAPITAL	PCHHN	2.0	2.2	10.0%
ELPITIYA	ELPLN	20.0	21.9	9.5%
TESS AGRO[NV]	TESSX	1.5	1.6	6.7%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
STANDARD CAPITAL	SINGN	84.9	71.8	-15.4%
BERUWALA RESORTS	BERUN	1.7	1.5	-11.8%
SWARNAMAHAL FIN	SFS N	1.8	1.6	-11.1%
LANKA CERAMIC	CERAN	125.9	114.1	-9.4%
INDUSTRIAL ASPH.	ASPHNN	375.0	340.0	-9.3%
CITRUS KALPITIYA	CITKN	3.3	3.0	-9.1%
LAUGFS GAS	LGL N	43.3	39.5	-8.8%
NATIONS TRUST	NTB N	91.6	83.9	-8.4%
CFT	CFT N	7.2	6.6	-8.3%
NAT. DEV. BANK	NDB N	213.8	196.8	-8.0%

Market Review



Indices |

Muted activity levels pushed both indices lower W-o-W. The ASPI lost 56.03 points (-0.80% W-o-W) to close at 6961.41 points while the S&P SL20 Index closed at 3704.04 points, down 70.07 points (-1.86% W-o-W).

Turnover & Market Capitalization |

John Keells Holdings was the highest contributor to the week's turnover value, contributing LKR 0.46bn or 16.83% of total turnover value. Access Engineering followed suit, accounting for 9.39% of turnover (value of LKR 0.26bn) while Commercial Bank contributed LKR 0.25bn to account for 9.09% of the week's turnover. Total turnover value amounted to LKR 2.76bn (cf. last week's value of LKR 3.68bn), while daily average turnover value amounted to LKR 0.69bn (-6.31% W-o-W) compared to last week's average of LKR 0.74bn. Market capitalization meanwhile, decreased 0.49% W-o-W (or LKR 14.55bn) to LKR 2965.55bn cf. LKR 2980.10bn last week.

Liquidity (in Value Terms) |

The Banking, Finance & Insurance sector was the highest contributor to the week's total turnover value, accounting for 27.59% (or LKR 0.76bn) of market turnover. Sector turnover was driven primarily by Commercial Bank, HNB and People's Leasing which accounted for 70.24% of the sector's total turnover. The Diversified sector meanwhile accounted for 22.58% (or LKR 0.62bn) of the week's total turnover value with turnover driven primarily by JKH and Hemas Holdings which accounted for 89.06% sector turnover. The Manufacturing sector was also amongst the top sectoral contributors, contributing 13.30% (or LKR 0.37bn) driven mainly by Textured Jersey Lanka and Bogala Graphite which accounted for 61.62% of sector turnover.

Liquidity (in Volume Terms) |

The Banking, Finance & Insurance sector dominated the market in terms of share volume too, accounting for 18.50% (or 17.72mn shares) of total volume, with a value contribution of LKR 0.76bn. The Diversified sector followed suit, adding 13.70% to total turnover volume as 13.13mn shares were exchanged. The sector's volume accounted for LKR 0.62bn of total market turnover value. The Manufacturing sector meanwhile, contributed 12.62mn shares (or 13.18%), amounting to LKR 0.37mn.

Top Gainers & Losers |

PC House was the week's highest price gainer, increasing 100.00% W-o-W from LKR 0.1 to LKR 0.2. PC Pharma gained 50.00% W-o-W to close at LKR 0.60 while Abans Financial gained 23.17% W-o-W to close at LKR 42.0. Agalawatte Plantations (+17.00% W-o-W) and Central Investments & Finance (+14.29% W-o-W) were also amongst the gainers.

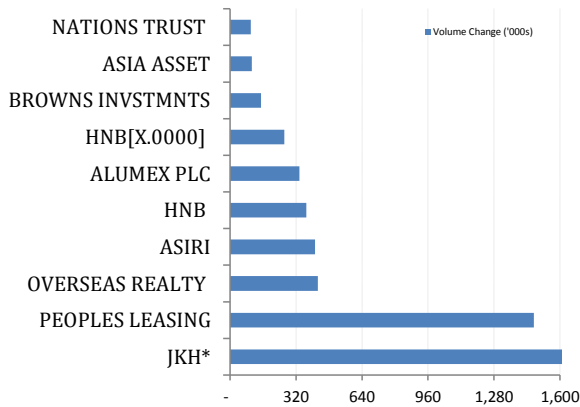
Standard Capital was the week's highest price loser, declining 15.43% W-o-W to close at LKR 71.8. Beruwala Resorts closed at LKR 1.50, representing a W-o-W decline of 11.76%, while Swarnamahala Finance (-11.11% W-o-W) and Lanka Ceramic (-9.37% W-o-W) also declined.

TOP 10 TURNOVER

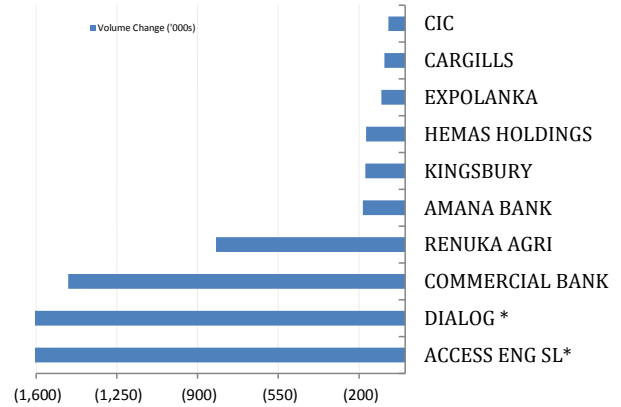
Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
JKH	JKH N	185.8	184.6	464.9
ACCESS ENG SL	AEL N	23.9	23.6	259.4
COMMERCIAL BANK	COMBN	151.5	145.0	250.9
HNB	HNB N	217.1	216.0	174.4
BOGALA GRAPHITE	BOGAN	33.4	33.1	158.4
CEYLON TOBACCO	CTC N	986.7	980.2	124.7
PEOPLES LEASING	PLC N	22.1	21.7	110.0
HEMAS HOLDINGS	HHL N	87.8	85.0	90.5
TEXTURED JERSEY	TJL N	35.9	34.8	67.9
NESTLE	NESTN	2026.2	2135.2	66.0

Market Review (Cont'd)

Net Foreign Purchases (by Volume) (20 Nov-27 Nov)



Net Foreign Sales (by Volume) (20 Nov-27 Nov)



*Volume change of JKH (17.21mn shares), Access Engineering (7.00mn) and Dialog (3.33mn shares) between 20th-27th Nov 2015 not displayed

Foreign investors closed the week in a net selling position with daily average net outflows amounting to LKR 52.84mn relative to last week's average net inflows of LKR 1.80mn (-3028.09% W-o-W). Daily average foreign purchases increased 40.36% W-o-W to LKR 283.01mn from last week's value of LKR 201.63mn, while daily average foreign sales amounted to LKR 335.85mn relative to LKR 199.83mn recorded last week (+68.07% W-o-W). In terms of volume, JKH and People's Leasing led foreign purchases, while Access Engineering and Dialog led foreign sales. In terms of value, JKH and HNB led foreign purchases while Commercial Bank and Access Engineering led foreign sales.

Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	27/11/15	20/11/15		
JKH	50.8%	51.5%	17,212,391	3,177.4
HNB	27.2%	27.1%	369,631	79.8
HNB[X.0000]	37.8%	37.4%	263,864	46.3
PEOPLES LEASING	9.1%	9.0%	1,472,350	31.9
DISTILLERIES	23.3%	23.2%	87,000	23.6
ASIRI	36.0%	36.0%	412,853	10.3
OVERSEAS REALTY	87.4%	87.3%	425,358	9.6
NATIONS TRUST	21.5%	21.5%	100,956	8.5
ALUMEX PLC	0.8%	0.7%	336,951	6.0
MTD WALKERS	9.4%	10.0%	92,139	4.9

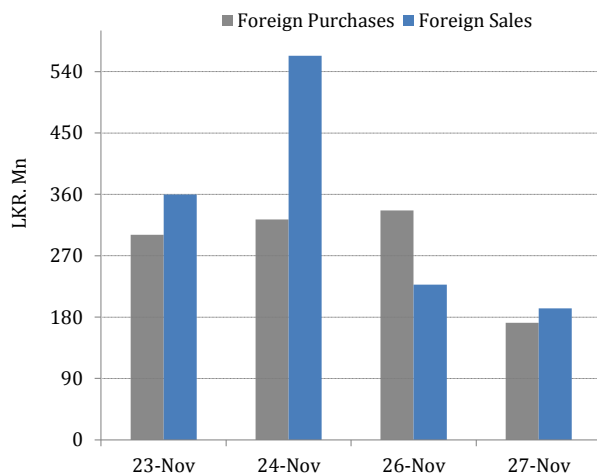
* Value based on VWA price and not on actual traded price

Net Foreign Sales (By Transaction Value)

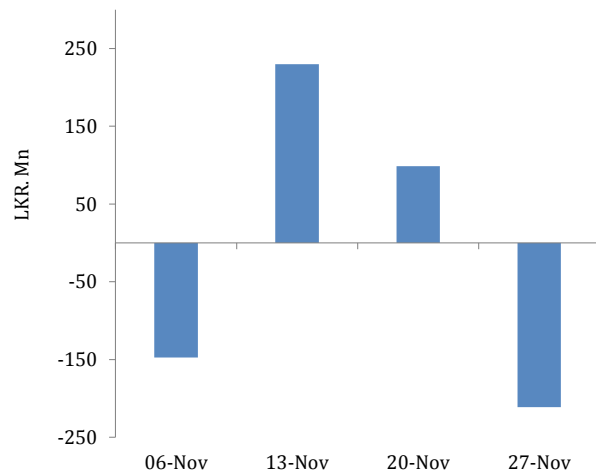
Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	27/11/15	20/11/15		
COMMERCIAL BANK	33.6%	33.8%	(1,460,450)	(211.8)
ACCESS ENG SL	6.6%	7.3%	(6,996,363)	(165.1)
CEYLON TOBACCO	96.9%	96.9%	(49,440)	(48.5)
DIALOG	94.5%	94.5%	(3,333,177)	(36.0)
CARGILLS	7.5%	7.5%	(90,000)	(16.7)
HEMAS HOLDINGS	28.9%	28.9%	(169,517)	(14.4)
NESTLE	95.6%	95.6%	(4,844)	(10.3)
CIC	1.3%	1.4%	(73,050)	(7.0)
CENTRAL IND.	9.4%	10.0%	(54,501)	(6.3)
RENUKA AGRI	22.2%	22.3%	(820,000)	(3.4)

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

Foreign Purchases Vs. Sales



Week Ending Net Position of Foreign Holdings



Announcements for the Week

Dividend Announcements

<u>Company</u>	<u>DPS (Rs.)</u>	<u>Final/Interim</u>	<u>XD Date</u>
Hatton National Bank Plc	1.50	Interim	07-12-2015

Point of View

Selling pressure on selected stocks – particularly the Banking counters – pushed indices further into bear territory. The benchmark ASPI hit a 20-week low on Friday as shares in the Banking & Finance sector declined, while volumes remained paltry throughout the week. Selling pressure on Banking shares was primarily led by concerns surrounding the Budget 2016 proposal of a corporate tax rate increase of 30% (cf. 28% earlier) which coupled with increases in NBT and VAT pushes the effective tax rate of Banks 5.5% higher than the current tax rate. Average market turnover hovered around LKR 0.70bn, as both retail and Institutional investor activity failed to pick up pace. Off-board transactions – which on average contribute ~33%-35% to total turnover – dropped to 22% of turnover this week. A sharp spike in foreign selling added to the overall gloomy sentiment, as a 68.07% W-o-W increase in average foreign sales reversed last week's net buying position. The Y-T-D net outflow position consequently increased to LKR 4.65bn (cf. LKR 4.54bn as at Oct'15), extending this year's monthly net outflows for the 5th consecutive month. Markets in the week ahead are likely to retain the current momentum.

December Policy Rates Held Steady

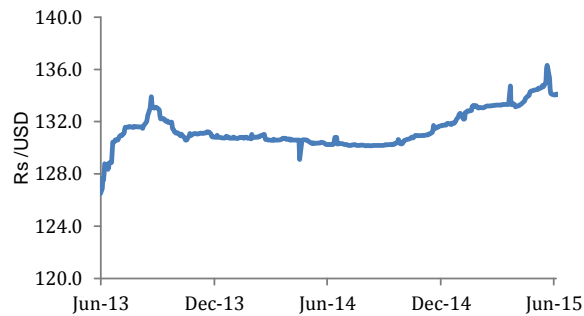
Budget 2016 appears development-oriented in nature with a significant focus on addressing Sri Lanka's weak revenue generation. The budget aims at targeting a budget deficit of 5.9% of GDP in 2016E, while public expenses have been directed largely towards Health and Education. Public investment is projected to increase to 6.9% of GDP in 2016E with the allocation for Health and Education rising to 24% (of total public investment) compared to an average allocation of 10.8% post-war. Steps to enhance the country's knowledge base and draw in FDIs meanwhile, are aimed primarily at re-orienting Sri Lanka as an export-based economy, with proposals directed at export promotion, initiating FTAs and investments in skills-development. The reform initiatives, though positive, are long-term in nature and Fitch Ratings noted that Budget 2016 lacks necessary medium term fiscal consolidation. The Rating Agency added that Sri Lanka's government revenue (as a % of GDP) of 12% in 2014 remains notably lower than its peer group 'BB' median of just over 25%, and also forecasts a GDP growth of 6.4% in 2016E (cf. CB forecast of 7.5% in 2016E). The Central Bank (CB) meanwhile, held December policy rates steady (for the 7th consecutive month), citing a narrowing trade deficit and sustained growth in private credit (+22.2% Y-o-Y in Sept'15) (Repo: 6.00%, Reverse Repo: 7.50%). The Monetary Authority added that policy measures announced in Budget 2016 will likely help cut back imports, particular Motor Vehicle imports.

Economic Snapshot

	Jan '15	Feb '15	Mar '15	Apr '15	May '15	Jun '15	Jul '15	Aug '15
Interest Rates								
Prime Lending Rate	6.36	6.45	6.90	7.16	7.05	7.00	6.91	6.82
Ave. Wtd. Deposit Rates	5.94	5.90	6.83	5.83	5.95	6.02	6.00	6.01
Ave. Wtd. Fixed Dep. Rates	7.02	6.95	6.87	6.87	7.12	7.29	7.21	7.23
CCPI (N) AA Inflation %	3.2	0.6	0.1	0.1	0.2	0.1	-0.2	-0.2
GDP Growth								
	2012	2013	2014					
	6.3%	7.3%	7.4%					

Source Central Bank

Exchange Rate, Rs. vs. US\$



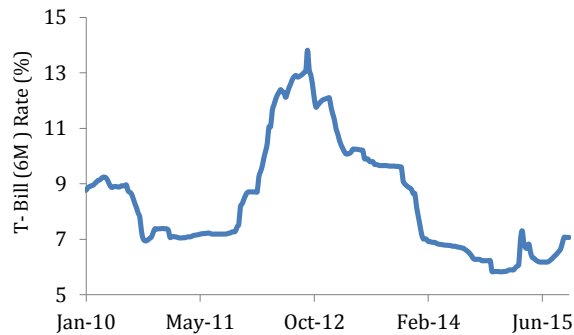
Source: Central Bank

Inflation (CCPI-N) YoY%



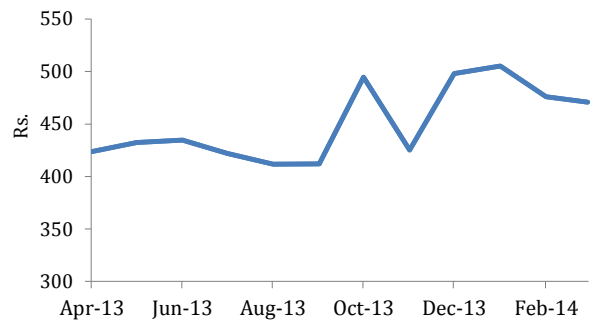
Source: Central Bank

6 Month T-Bill Yield



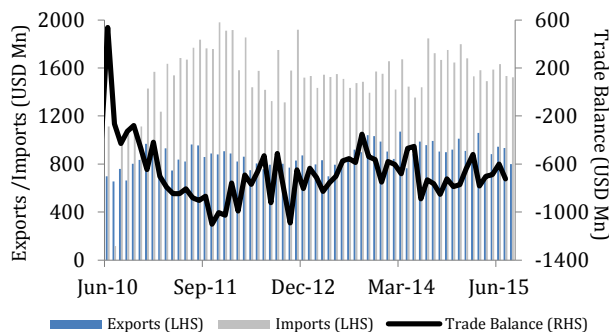
Source: Central Bank

Tea Prices



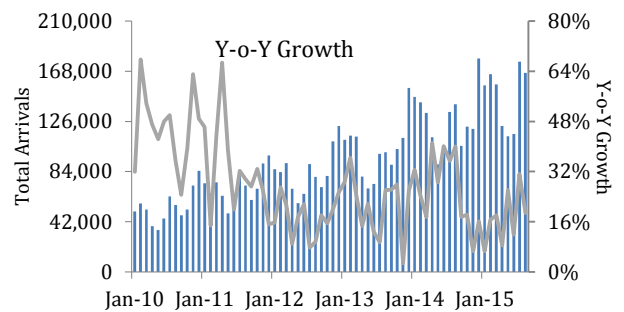
Source: Sri Lanka Tea Board

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

Anjula Nawarathna
(+94) 112 206 255
anjula@acuitystockbrokers.com

Aethra de Silva
(+94) 112 206 253
aethra@acuitystockbrokers.com

Samalka Athuraliya
(+94) 112 206 254
samalka@acuitystockbrokers.com

Anouk Weerasinghe
(+94) 112 206 254
anouk@acuitystockbrokers.com

Sales Team

Deva Ellepola
(+94) 112 206 220/221
deva.e@acuitystockbrokers.com

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

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

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

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

Amarasena Liyanage
(+94) 112 206 231
amarasena.l@acuitystockbrokers.com

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

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

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

Dharmika Wanniarachchi
(+94) 112 206 229
dharmika.w@acuitystockbrokers.com

Shivane Wijayarathnam
(+94) 112 206 236
shivane@acuitystockbrokers.com

Sameera Rajawatte
(+94) 112 206 279
sameera@acuitystockbrokers.com

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

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

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

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