

ASPI Falls Despite Stronger Activity Levels....

Inflation Hits 2-Year Low in April Due to Base Effect...

ASPI v 0.37% | S&P SL20 v 0.22%

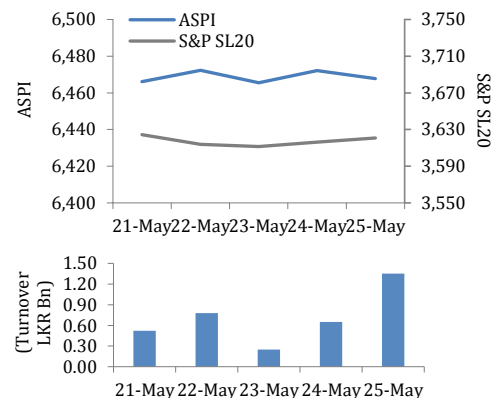
The Bourse ended... *Cont. P2*

Foreign Investors Closed the Week in... *Cont. P3*

Equity markets reversed ... *Cont. P5*

Economic Snapshot..... *P6*

Indices vs. Turnover (21st May-25th May)



KEY STATISTICS

Week ending	25-May	18-May	+/-
ASPI	6,467.80	6,492.06	-0.37%
S&P SL20	3,620.71	3,628.74	-0.22%
Banking & Finance	17,364.59	17,405.53	-0.24%
Food & Beverage	23,770.95	23,738.08	0.14%
Diversified	1,738.15	1,758.69	-1.17%
Hotel & Travel	2,784.68	2,787.29	-0.09%
Plantations	893.36	923.42	-3.26%
Manufacturing	3,369.82	3,440.82	-2.06%
Turnover (LKR Bn)	3.56	2.62	35.60%
Foreign Buying (LKR Mn)	2,149.10	954.33	125.19%
Foreign Selling (LKR Mn)	1,078.04	1,417.73	-23.96%
Daily Average Turnover (LKR Bn)	0.71	0.52	35.60%
Daily Average Foreign Buying (LKR Mn)	429.82	190.87	125.19%
Daily Average Foreign Selling (LKR Mn)	215.61	283.55	-23.96%

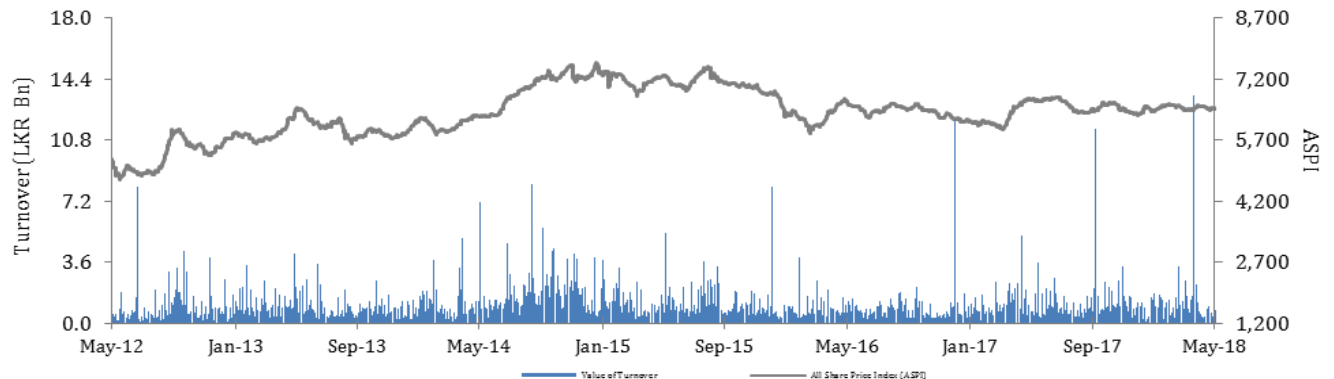
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
PRIME FINANCE	GSF N	19.4	22.7	17.0%
A I A INSURANCE	CTCEN	446.8	515.0	15.3%
NATION LANKA	CSF N	0.8	0.9	12.5%
MULLERS	MULLN	0.9	1.0	11.1%
ON'ALLY	ONALN	80.0	87.5	9.4%
AITKEN SPENCE	SPENN	50.5	55.2	9.3%
C.W.MACKIE	CWM N	47.2	51.5	9.1%
NATIONS TRUST[NV]	NTB X	84.0	90.0	7.1%
AGALAWATTE	AGALN	16.0	17.1	6.9%
RADIANT GEMS	RGEM	22.4	23.9	6.7%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
BRAC LNKA FNANCE	NIFLN	52.0	41.9	-19.4%
BROWNS	BRWNN	70.0	58.0	-17.1%
MALWATTE	MAL N	8.9	7.9	-11.2%
OFFICE EQUIPMENT	OFEQN	73.0	65.0	-11.0%
YORK ARCADE	YORKN	100.0	89.2	-10.8%
SINHAPUTHRA FIN	SFL N	11.2	10.0	-10.7%
MALWATTE[NV]	MAL X	7.8	7.0	-10.3%
PARAGON	PARAN	56.5	50.8	-10.1%
ALUFAB	ALUFN	21.6	19.6	-9.3%
LANKA ASHOK	ASHON	993.4	902.0	-9.2%

Market Review



Indices |

The Bourse ended in the negative territory as the ASPI decreased by 24.26 points (or -0.37%) to close at 6,467.80 points, while the S&P SL20 Index also decreased by 8.03 points (or +0.22%) to close at 3,620.71 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR0.49Bn or 13.70% of total turnover value. HNB followed suit, accounting for 11.81% of turnover (value of LKR0.42Bn) while RIL Property contributed LKR0.33Bn to account for 9.35% of the week's turnover. Total turnover value amounted to LKR3.56Bn (cf. last week's value of LKR2.62Bn), while daily average turnover value amounted to LKR0.71Bn (+35.60% W-o-W) compared to last week's average of LKR 0.52Bn. Market capitalization meanwhile, increased by 0.37% W-o-W (or LKR 11.33Bn) to LKR 3,020.81Bn cf. LKR 3,032.14Bn last week.

Liquidity (in Value Terms) |

The Banking, Finance & Insurance Sector was the highest contributor to the week's total turnover value, accounting for 40.45% (or LKR 1.44Bn) of market turnover. Sector turnover was driven primarily by HNB, Sampath, Commercial Bank & People's Leasing which accounted for 67.13% of the sector's total turnover. The Diversified Sector meanwhile accounted for 24.13% (or LKR 0.86Bn) of the total turnover value, with turnover driven primarily by JKH & Melstacorp which accounted for 78.10% of the sector turnover. The Manufacturing Sector was also amongst the top sectorial contributors, contributing 15.77% (or LKR 0.56Bn) to the market driven by ACL Cables & Teejay Lanka which accounted for 68.63% of the sector turnover.

Liquidity (in Volume Terms) |

The Banking, Finance & Insurance Sector dominated the market in terms of share volume, accounting for 41.11% (or 80.27Mn shares) of total volume, with a value contribution of LKR 1.44Bn. The Land & Property Sector followed suit, adding 21.60% to total turnover volume as 42.17Mn shares were exchanged. The sector's volume accounted for LKR0.34Bn of total market turnover value. The Diversified Sector meanwhile, contributed 30.92Mn shares (or 15.84%), amounting to LKR0.86Bn.

Top Gainers & Losers |

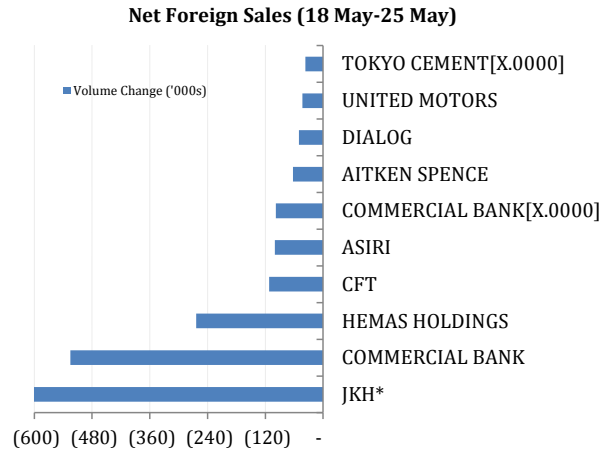
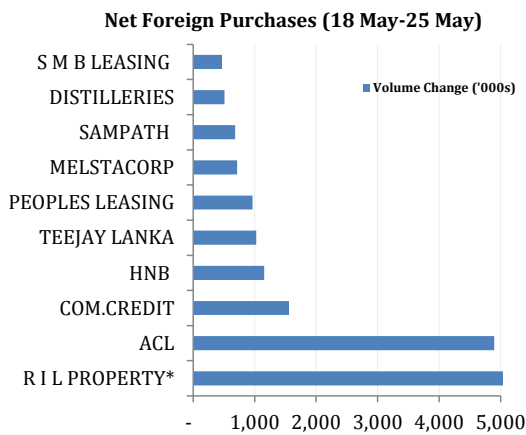
Prime finance was the week's highest price gainer; increasing 17.0% W-o-W from LKR19.40 to LKR22.70. AIA Insurance gained 15.3% W-o-W to close at LKR515.00. Nation Lanka (+12.5% W-o-W) and Mullers(+11.1% W-o-W) were also amongst the gainers.

Brac Lanka was the week's highest price loser, declining 19.4% W-o-W to close at LKR41.90 while Browns & Co.(-17.1% W-o-W), Malwatte(-11.2% W-o-W), Office Equipment(-11.0% 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	161.9	157.1	487.30
HNB	HNB N	242.5	245.0	420.19
R I L PROPERTY	RILN	7.3	7.4	332.52
SAMPATH	SAMPN	301.0	307.9	290.30
ACL	ACL N	41.0	41.0	210.80
MELSTACORP	MELSN	57.8	56.7	183.09
TEEJAY LANKA	TJLN	31.1	30.9	174.21
COMMERCIAL BANK	COMBN	133.0	132.0	138.36
PEOPLES LEASING	PLC N	15.7	15.7	117.02
CHEVRON	LLUBN	89.8	88.5	104.28

Market Review (Cont'd)



*Volume change of RIL Property (40.1Mn shares) & JKH(1.49Mn shares) from 18th May – 25th May not displayed.

Foreign investors closed the week in a net buying position with total net inflows amounting to LKR 1.07Bn relative to last week's total net outflow of LKR 0.46Bn (+331.1% W-o-W). Total foreign purchases increased by 125.2% W-o-W to LKR 2.15Bn from last week's value of LKR 0.95Bn, while total foreign sales amounted to LKR 1.08Bn relative to LKR 1.42Bn recorded last week (-23.96% W-o-W). In terms of volume RIL Property & ACL led foreign purchases while JKH & Commercial Bank led foreign sales. In terms of value RIL Property & HNB led foreign purchases while JKH & Commercial Bank led foreign sales.

Net Foreign Purchases (By Transaction Value)

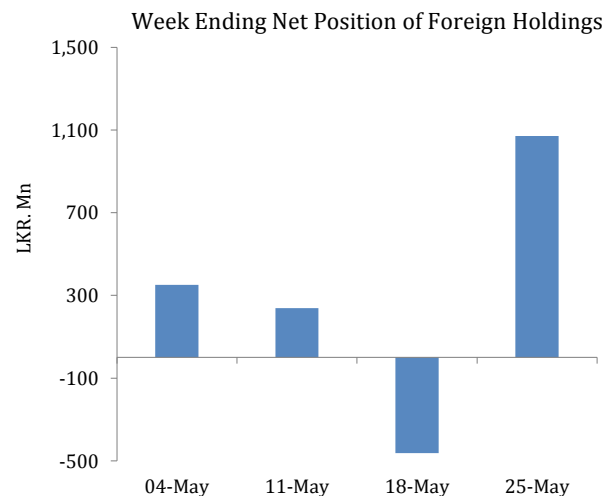
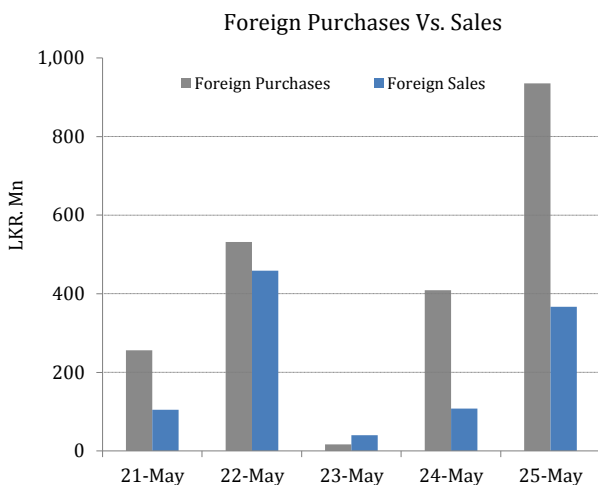
Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	25/05/18	18/05/18		
R I L PROPERTY	30.77%	25.77%	40,055,664	296.41
HNB	35.76%	35.47%	1,155,737	283.16
SAMPATH	22.25%	22.01%	680,605	209.56
ACL	7.86%	3.77%	4,895,814	200.73
COM.CREDIT	38.72%	38.23%	1,559,074	67.04
MELSTACORP	26.41%	26.35%	713,771	40.47
TEEJAY LANKA	45.04%	44.90%	1,026,259	31.71
PEOPLES LEASING	6.49%	6.43%	965,000	15.15
DISTILLERIES	1.90%	1.89%	508,392	11.13
CARGILLS	6.36%	6.35%	38,694	7.74

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	25/05/18	18/05/18		
JKH	58.53%	58.64%	(1,488,851)	(233.90)
COMMERCIAL BANK	34.70%	34.75%	(524,757)	(69.27)
HEMAS HOLDINGS	31.19%	31.24%	(263,819)	(32.71)
COMMERCIAL BANK[X.0000]	26.01%	26.16%	(97,928)	(10.09)
UNITED MOTORS	5.78%	5.82%	(43,000)	(3.53)
AITKEN SPENCE	26.06%	26.08%	(62,625)	(3.46)
ASIRI	37.50%	37.51%	(100,000)	(2.46)
TOKYO CEMENT[X.0000]	43.06%	43.09%	(36,600)	(1.46)
CDB	0.09%	0.13%	(16,285)	(1.43)
KEGALLE	3.54%	3.62%	(20,034)	(1.30)

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>
CENTRAL FINANCE	0.60	Final	02-07-18
CEYLON COLD STORES	8.00	Final	06-06-18
JOHN KEELLS HOLDINGS	2.00	Final	06-06-18
C. W. MACKIE	3.50	First & Final	29-06-18
SAMSON INTERNATIONAL	1.25	Final	05-06-18
JOHN KEELLS PLC	2.30	First & Final	05-06-18
TEA SMALLHOLDER FACTORIES	2.00	First & Final	05-06-18
ASIAN HOTELS & PROPERTIES	0.50	Final	05-06-18
TRANS ASIA HOTELS	1.00	Final	04-06-18
AITKEN SPENCE HOTEL HOLDINGS	1.25	First & Final	02-07-18
AITKEN SPENCE	2.00	First & Final	02-07-18
KEELLS FOOD PRODUCTS	4.00	Final	01-06-18
CENTRAL INDUSTRIES	2.00	Final	To be notified
HAYLEYS	5.00	First & Final	02-07-18
MALWATTE VALLEY PLANTATIONS	0.03	Final	25-06-18

<u>Company</u>	<u>Proportion (Rs.)</u>	<u>Type</u>	<u>XD Date</u>
CENTRAL FINANCE	1:114	Scrip	To be notified

Point of View

Equity markets reversed last week's temporary uptick, with relatively flat performance over most of the week failing to offset Monday's 24 point (or 0.40%) loss. The broad-share Index recorded its biggest loss for the week on Monday (~26 points or 0.40%) and the ASPI's flat performance (total of 1.7 points) over the rest of the week resulted in the bourse falling ~24 points or 0.37% over the week to end at 6,467.80. Returns on Sri Lankan equities over May has remained negative so far, with the ASPI losing 1.0% (~63 Points) Month to day following a gain of 0.8% in April. The YTD return on the Index consequently dropped to 0.9% as market returns over Q1'18 have been volatile, with gains in January (+1.7%) and February (+1.2%) trimmed by losses of 1.1% in Mar'18 post the communal violence in early March. Although the ASPI ended the week on a negative note, weekly activity levels improved, helping turnover levels increase ~35.6% W-o-W to Rs.3.6Bn cf. Rs.2.6Bn a week ago. Stronger activity levels were driven primarily by HNI and institutional investors who showed renewed interest in Equities over the week; crossings subsequently, accounted for ~47% (1.7Bn) of the week's turnover cf. ~29% last week and ~44% year to date weekly average. RIL Property (320Mn) accounted for ~19% of the total crossing for the week and HNB accounted for 18% of total crossings while ACL, JKH and 10 other companies traded in large parcels over the week. Foreign investor interest also appeared stronger over the week, with investors indicating a preference towards Sri Lanka's relatively undervalued equities helping net foreign inflows of Rs.1.0Bn cf. outflows of Rs.0.5Bn last week. Foreign investor interest appeared concentrated on midcaps such as RIL and banks such as HNB, but some outflows were evident from blue-chips such as JKH & Commercial Bank. Despite LKR volatility, foreign investors have continued to channel funds into Sri Lankan equities for most of the year so far, as fiscal reforms and stable monetary policies along with Sri Lanka's relatively undervalued market has continued to attract foreign investors and helped the YTD net foreign position on the CSE move to a net inflow position of 0.2Bn (cf. an outflow position of Rs.0.8Bn last week). Markets in the week ahead are likely to look for cues from corporate earnings for the Mar'18 quarter

Inflation Hits 2-Year Low in April Due to Base Effect

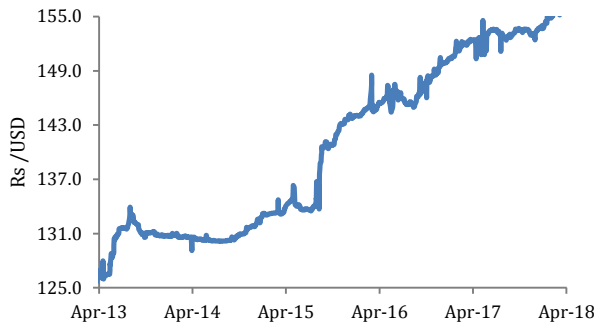
National inflation levels over Apr'18 declined to a 2-year low, in line with urban inflation levels reported earlier in the month (April CCPI was 3.8% Y-o-Y cf. 4.2% Y-o-Y in March). Headline NCPI fell to 1.6% Y-o-Y in April 18 (2.8% in Mar'18), the lowest since Feb'16 when it was recorded at 1.7%. Declines were driven mainly by the higher base during the same period last year as the flood and drought impact resulted in higher Food prices during April 2017. Annual average NCPI also decreased over the month, falling to 6.1% from 6.7% in Mar'18. On a month on month basis however, the NCPI increased 0.1%, due to higher non-food prices, mainly in Transport (following the fuel price increase by the LIOC) and Alcoholic Beverages and Tobacco. With the implementation of the market-based fuel-pricing mechanism (which will be revised every 2-months and which will be based on global oil prices) in May however, inflation levels are likely to edge higher over the year, particularly given the recent sharp increases in global fuel prices. Nevertheless, the CBSL anticipates inflation stabilizing at mid-single digits after a brief supply-driven uptick in the short term on the back of the upward price revisions in domestic petroleum products, LP gas and milk powder. According to the CBSL, these supply driven pressures are expected to be transitory and further improvements in domestic food supplies is expected to stabilize inflation at the desired mid-single digits by H2'18 and range between 4-6% over the medium term.

Economic Snapshot

	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18
Interest Rates								
Prime Lending Rate	11.42	11.30	11.40	11.33	11.29	11.27	11.10	11.27
Ave. Wtd. Deposit Rates	9.25	9.22	9.19	9.07	9.08	9.05	9.00	8.98
Ave. Wtd. Fixed Dep. Rates	11.81	11.72	11.69	11.48	11.54	11.45	11.41	11.38
CCPI Inflation Y-o-Y % (Base 2013)	7.1	7.8	7.6	7.1	5.8	4.5	4.2	3.8
GDP Growth (Base 2010)								
	2012	2013	2014	2015	2016	2017		
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%		

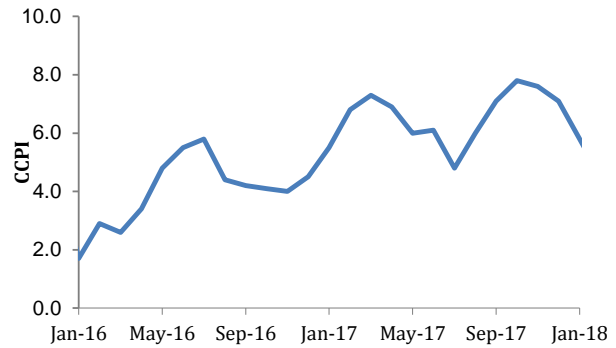
Source Central Bank

Exchange Rate, Rs. vs. US\$



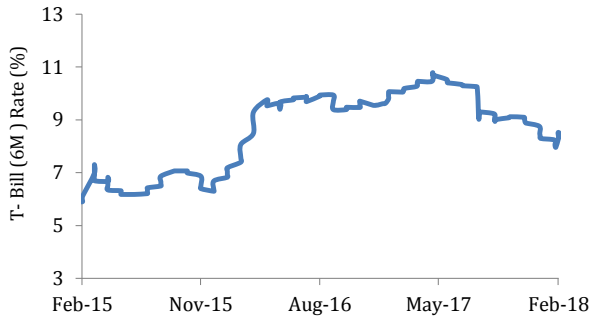
Source: Central Bank

Inflation (CCPI-N) YoY%



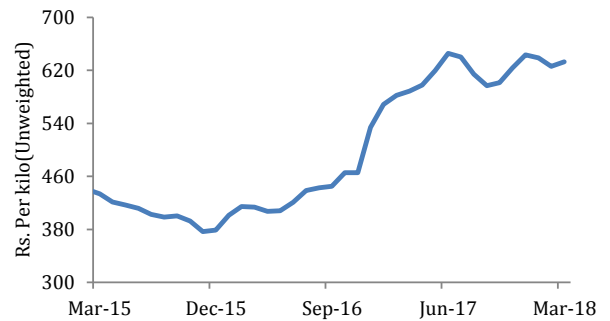
Source: Central Bank

6 Month T-Bill Yield



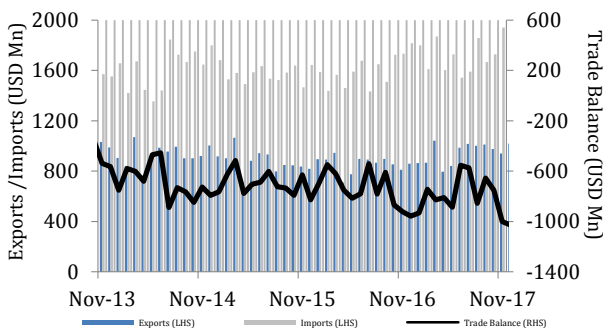
Source: Central Bank

Tea Prices



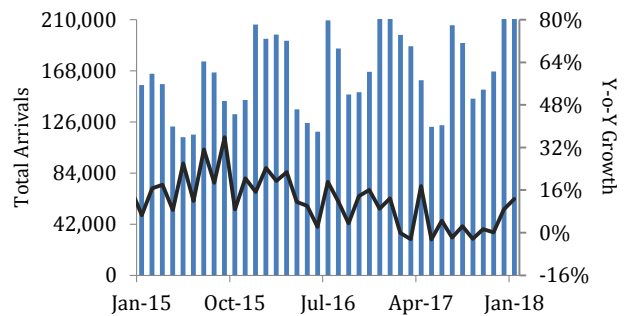
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

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