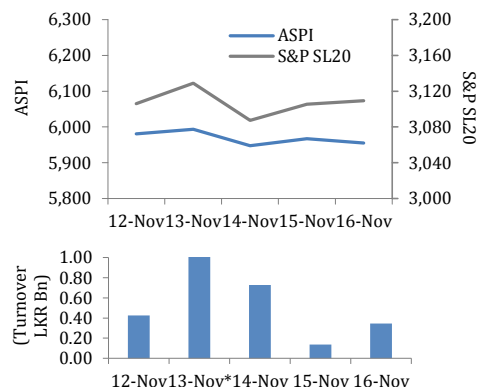


Markets Remain Volatile Amid Political Stalemate...
CBSL Raises Policy Rates Amid LKR...
ASPI v 0.39% | S&P SL20 ^ 0.49%

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

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

 Political drama continued *Cont. P4*

 Economic Snapshot..... *P5*
Indices vs. Turnover (12th Nov – 16th Nov)

 *Turnover of Rs.6.68Bn on 13th November not displayed

KEY STATISTICS

Week ending	16-Nov	09-Nov	+/-
ASPI	5,955.43	5,978.63	-0.39%
S&P SL20	3,109.50	3,094.21	0.49%
Banking & Finance	15,732.11	15,807.90	-0.48%
Food & Beverage	24,161.61	24,413.03	-1.03%
Diversified	1,557.07	1,537.10	1.30%
Hotel & Travel	2,640.32	2,644.00	-0.14%
Plantations	720.37	744.24	-3.21%
Manufacturing	2,865.45	2,874.97	-0.33%
Turnover (LKR Bn)	8.32	7.80	6.60%
Foreign Buying (LKR Mn)	787.02	1,450.20	-45.73%
Foreign Selling (LKR Mn)	657.36	5,370.52	-87.76%
Daily Average Turnover (LKR Bn)	1.66	1.95	-14.72%
Daily Average Foreign Buying (LKR Mn)	157.40	362.55	-56.58%
Daily Average Foreign Selling (LKR Mn)	131.47	1,342.63	-90.21%

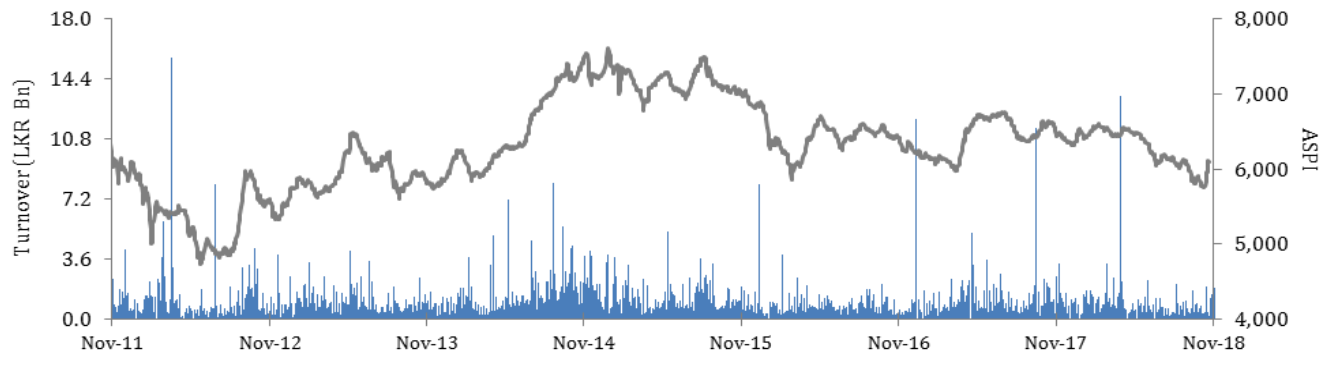
TOP 10 GAINERS

Company	Code	Opening Price	Closing Price	WoW % Change
LANKA CERAMIC	CERAN	132.5	158.8	19.8%
BIMPUTH FINANCE	BLI N	31.0	35.9	15.8%
KOTMALE HOLDINGS	LAMB N	151.9	174.9	15.1%
MERC. SHIPPING	MSL N	61.2	69.7	13.9%
THE FINANCE CO.[NV]	TFC X	1.1	1.2	9.1%
BROWNS	BRWNN	53.0	57.4	8.3%
SINGHE HOSPITALS	SINH	1.3	1.4	7.7%
DIPPED PRODUCTS	DIPDN	80.0	86.0	7.5%
LANKA ALUMINIUM	LALUN	54.1	57.9	7.0%
HOTEL SIGIRIYA	HSIGN	48.5	51.8	6.8%

TOP 10 LOSERS

Company	Code	Opening Price	Closing Price	WoW % Change
S M B LEASING[NV]	SEMBX	0.3	0.2	-33.3%
TESS AGRO[NV]	TESSX	0.5	0.4	-20.0%
RADIANT GEMS	RGEM	25.0	21.0	-16.0%
BLUE DIAMONDS	BLJEN	0.7	0.6	-14.3%
SAMSON INTERNAT.	SIL N	99.5	85.6	-14.0%
HUEJAY	HUEJN	25.5	22.1	-13.3%
CEYLON GUARDIAN	GUARN	77.4	67.1	-13.3%
CITRUS HIKKADUWA	CITHN	5.4	4.7	-13.0%
AMBEON CAPITAL	TAP N	4.7	4.1	-12.8%
THE FINANCE CO.	TFC N	2.4	2.1	-12.5%

Market Review



Indices |

The Bourse ended the week on a mixed note as the ASPI decreased by 23.20 points (or -0.39%) to close at 5,955.43 points, while the S&P SL20 Index increased by 15.29 points (or +0.49%) to close at 3,109.50 points.

Turnover & Market Capitalization |

Odel (Strategic transfer) was the highest contributor to the week's turnover value, contributing LKR 6.24Bn or 74.97% of total turnover value. Ceylon Tobacco followed suit, accounting for 4.86% of turnover (value of LKR 0.39Bn) while JKH contributed LKR 0.32Bn to account for 3.86% of the week's turnover. Total turnover value amounted to LKR 8.32Bn (cf. last week's value of LKR 7.80Bn), while daily average turnover value amounted to LKR 1.66Bn (-14.72% W-o-W) compared to last week's average of LKR 1.95Bn. Market capitalization meanwhile, decreased by -0.39% W-o-W (or LKR 10.88Bn) to LKR 2,793.97Bn cf. LKR 2,804.85Bn last week.

Liquidity (in Value Terms) |

The Footwear & Textile sector was the highest contributor to the week's total turnover value, accounting for 75.03% (or LKR 6.24Bn) of market turnover. Sector turnover was driven primarily Odel Plc which accounted for 75.03% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 9.10% (or LKR 0.76Bn) of the total turnover value, with turnover driven primarily by HNB, NDB, Softlogic Life, Sampath Bank which accounted for 67.83% of the sector turnover. The Beverage, Food & Tobacco sector was also amongst the top sectorial contributors, contributing 5.96% (or LKR 0.50Bn) to the market driven by Ceylon Tobacco which accounted for 78.41% of the sector turnover.

Liquidity (in Volume Terms) |

The Footwear & Textile sector dominated the market in terms of share volume, accounting for 75.54% (or 249.95Mn shares) of total volume, with a value contribution of LKR 6.24Bn. The Diversified sector followed suit, adding 7.90% to total turnover volume as 26.15Mn shares were exchanged. The sector's volume accounted for LKR 0.42Bn of total market turnover value. The Beverage, Food & Tobacco sector meanwhile, contributed 16.14Mn shares (or 4.88%), amounting to LKR 0.50Bn.

Top Gainers & Losers |

Lanka Ceramic was the week's highest price gainer; increasing 19.8% W-o-W from LKR158.80 to LKR132.50 while Bimputh Finance(+15.8% W-o-W), Kotmale Holdings (+15.1% W-o-W) and Merc Shipping (+13.9% W-o-W) were also amongst the top gainers.

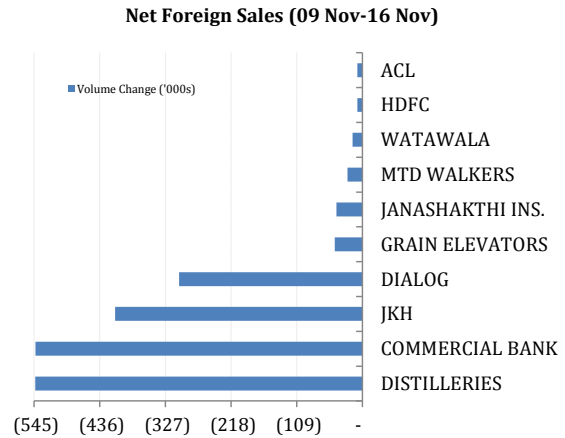
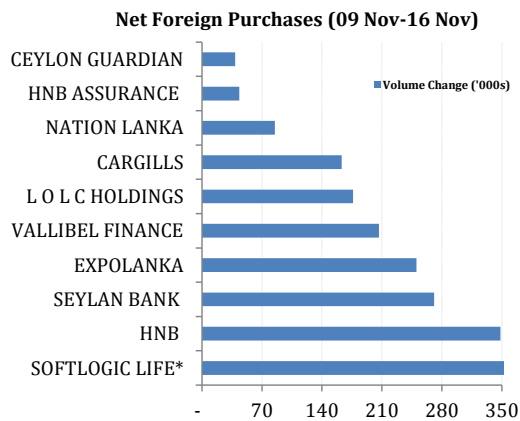
SMB Leasing[NV] was the week's highest price loser; declining 33.3% W-o-W to close at LKR0.20 while Tess Agro[NV] (-20.0% W-o-W), Radiant Gems (-16.0% W-o-W) and Blue Diamonds (-14.3% W-o-W) were also amongst the top losers over the week.

TOP 10 TURNOVERS

Company	Code	Opening Price	Closing Price	Value (Rs. Mn)
ODEL PLC*	ODELN	25.9	26.9	6,236.39
CEYLON TOBACCO	CTC N	1416.5	1401.1	388.96
JKH	JKH N	145.0	152.9	321.34
HNB	HNB N	212.4	214.0	180.02
NAT. DEV. BANK	NDB N	100.0	102.4	150.77
ACCESS ENG SL	AEL N	17.0	16.1	117.50
SOFTLOGIC LIFE	AAICN	34.8	33.2	100.13
TEEJAY LANKA	TJLN	33.0	33.5	99.16
SAMPATH	SAMPN	230.0	230.2	82.47
BROWNS CAPITAL	FLCHN	3.9	3.6	77.78

*Softlogic's strategic transfer ODEL PLC's shares

Market Review (Cont'd)



*Volume change of Softlogic Life (2.85Mn shares) from 09thNov - 16thNov not displayed.

Foreign investors closed the week in a net purchasing position with total net inflow amounting to LKR 0.13Bn relative to last week's total net outflow of LKR 3.92Bn (+103.3% W-o-W). Total foreign purchases decreased by 45.7% W-o-W to LKR 0.79Bn from last week's value of LKR 1.45Bn, while total foreign sales amounted to LKR 0.66Bn relative to LKR 5.37Bn recorded last week (-87.8% W-o-W). In terms of volume, Softlogic Life & HNB led foreign purchases while Distilleries & Commercial Bank led foreign sales. In terms of value, Softlogic Life & HNB led foreign purchases while JKH & Commercial Bank led foreign sales.

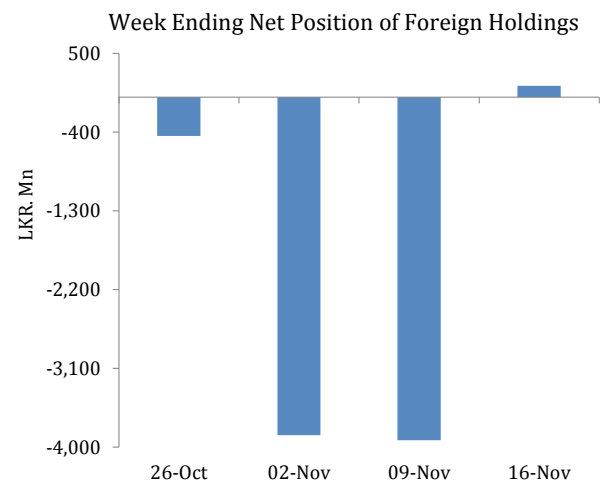
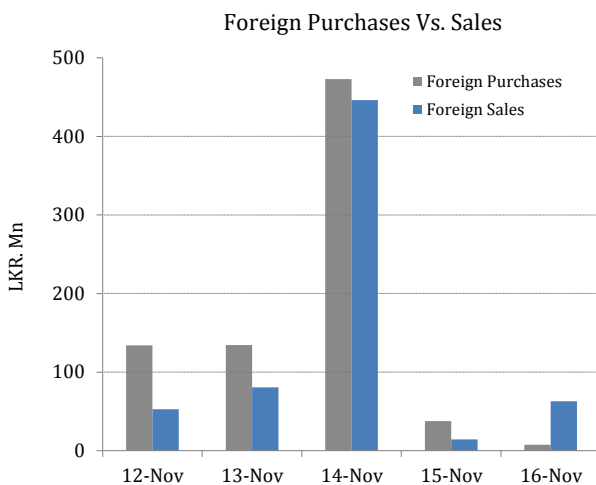
Net Foreign Purchases (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	16/11/18	09/11/18		
SOFTLOGIC LIFE	46.30%	45.54%	2,851,500	94.67
HNB	35.38%	35.29%	348,302	74.54
CARGILLS	7.14%	7.07%	162,983	32.60
SEYLAN BANK	1.72%	1.57%	270,971	19.78
L O L C HOLDINGS	5.16%	5.12%	176,232	15.53
VALLIBEL FINANCE	1.91%	1.56%	206,500	14.06
SAMPATH	22.24%	22.23%	20,484	4.72
HNB ASSURANCE	1.54%	1.46%	43,540	4.70
NAT. DEV. BANK	14.19%	14.17%	26,753	2.74
CEYLON GUARDIAN	8.18%	8.13%	38,836	2.61

Net Foreign Sales (By Transaction Value)

Company	Foreign Holding (%)		Net Change	Value* (LKR. Mn)
	16/11/18	09/11/18		
JKH	51.08%	51.11%	(410,458)	(62.76)
COMMERCIAL BANK	33.61%	33.67%	(542,668)	(61.92)
DISTILLERIES	1.72%	1.73%	(543,279)	(9.18)
DIALOG	94.32%	94.33%	(304,432)	(3.53)
GRAIN ELEVATORS	61.34%	61.42%	(46,101)	(2.72)
JANASHAKTHI INS.	0.85%	0.87%	(43,200)	(0.98)
RENUKA CITY HOT.	0.45%	0.48%	(1,910)	(0.46)
MTD WALKERS	91.83%	91.84%	(25,000)	(0.33)
ACL	7.85%	7.86%	(8,400)	(0.32)
WATAWALA	0.91%	0.92%	(16,351)	(0.31)

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>
COMMERCIAL DEVELOPMENT	2.00	Interim	28-11-18
ON'ALLY HOLDINGS	1.20	Interim	28-11-18
BAIRAHA FARMS	4.00	Interim	27-11-18
HEMAS HOLDINGS	0.40	Interim	26-11-18

Point of View

Political drama continued to influence Sri Lankan equity markets, with the President's unexpected dissolution of the parliament last Friday (after market close), the subsequent decision by the Supreme Court and the disarray during the reconvening of parliament dominating market movement. The broadshare ASPI remained volatile over the week, recording 3-days of positive returns and 2 days of negative returns to result in a cumulative drop of ~23 points (cf. a loss of ~114 points last week) over the week. While Index heavy-weight JKH's announcement of a 1 for 20 share repurchase helped prop markets to some extent, markets remained broadly on a downtrend and failed to regain momentum as the country's political deadlock progressively worsened over the week. Although activity levels remained largely subdued over the week, Softlogic Group's strategic transfer of Odel Plc within the Group helped total weekly turnover increase ~6.6% W-o-W as the transaction amounted to Rs.6.2Bn (or ~75%) of the week's turnover. Crossings for the week consequently accounted for 84% of the weekly turnover cf. just ~19% last week. Despite this week's continued political standoff, foreign investors returned to Sri Lankan equities for the first time in 11-weeks, to record a net inflow of Rs.0.13Mn cf. an outflow of Rs.3.9Bn last week. Meanwhile, September quarter earnings of ~92% of corporates remained weak (-7.8% Y-o-Y to Rs.56.2Bn cf. Rs.61.0Bn reported by the total market in Sep'17) and the CBSL on Wednesday acknowledged that GDP growth for 2018 is likely to remain below envisaged levels. Markets in the week ahead are likely to look for cues from the outcome of Monday's parliamentary session and any further political developments.

CBSL Raises Policy Rates Amid LKR Depreciation

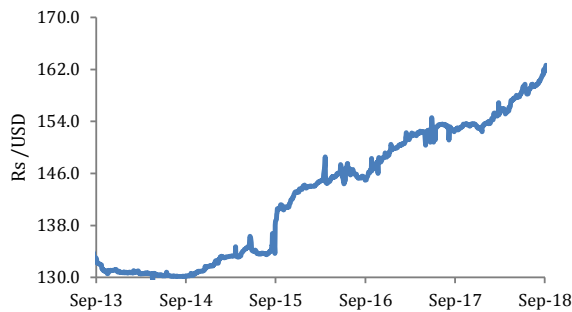
The Central Bank on Wednesday maintained a neutral monetary policy stance by simultaneously reducing the Statutory Reserve Ratio (SRR) by 1.50 p.p to 6% while increasing policy rates (SDFR by 75bps to 8% and SLFR by 50bps to 9%). The monetary authority acknowledged that the reduction in the SRR (which is expected to release a substantial amount of rupee liquidity to the banking system and thus reduce banks' costs of funds) is aimed at addressing the large and persistent shortage in rupee liquidity in the domestic market. Meanwhile, to neutralize the impact of this reduction, policy interest rates were raised by 50-75bps. The CBSL added that although inflation levels have decelerated (driven by the decline in volatile food prices), private credit to all major sectors up to Q3'18 showed a notable acceleration while the trade deficit has widened amid higher imports, thus prompting the increase in policy rates. The CBSL noted though that a slowdown in imports and private credit growth is likely in period ahead given the LKR depreciation and its recent policy measures. Market rates moved higher in the aftermath of the increase in policy rates, with rates on the 3M and 1Y Government securities rising between 36-42Bps since the announcement. Yields on G-Secs have increased sharply in the recent weeks amidst the country's ongoing political turmoil. Since the start of the political turmoil on Oct'26, yields on T-bills have risen between 17-50Bps across all tenors, prompted by the sharp sell-off by Foreign investors who have sold ~Rs. 23Bn in the last 3 weeks as the political fallout has progressively worsened.

Economic Snapshot

	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18
Interest Rates								
Prime Lending Rate	11.10	11.27	11.34	11.20	11.41	11.65	11.72	12.34
Ave. Wtd. Deposit Rates	9.00	8.98	8.91	8.92	8.64	8.66	8.69	8.73
Ave. Wtd. Fixed Dep. Rates	11.41	11.38	11.23	11.26	10.82	10.81	10.84	10.78
CCPI Inflation Y-o-Y % (Base 2013)	4.2	3.8	4.0	4.4	5.4	5.9	4.3	3.1
GDP Growth (Base 2010)								
	2012	2013	2014	2015	2016	2017	Q2'18	
	9.1%	3.4%	4.9%	4.8%	4.4%	3.1%	3.7%	

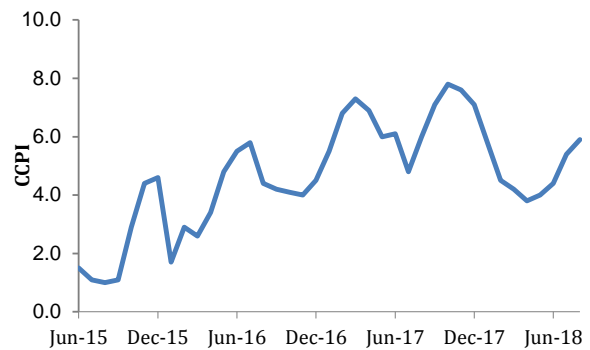
Source Central Bank

Exchange Rate, Rs. vs. US\$



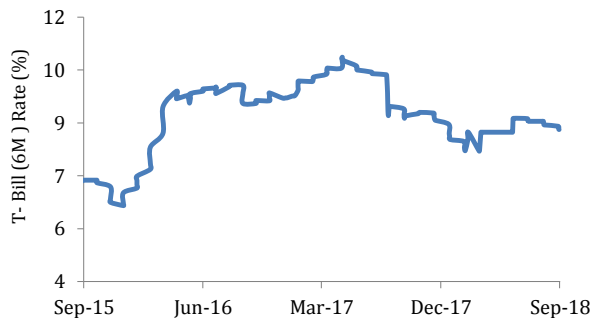
Source: Central Bank

Inflation (CCPI-N) YoY%



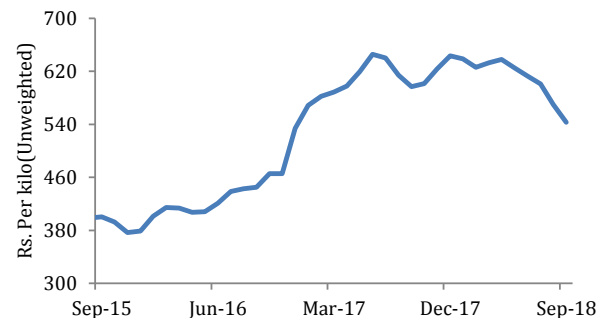
Source: Central Bank

6 Month T-Bill Yield



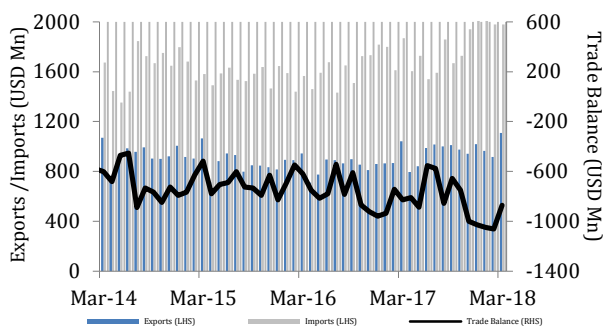
Source: Central Bank

Tea Prices



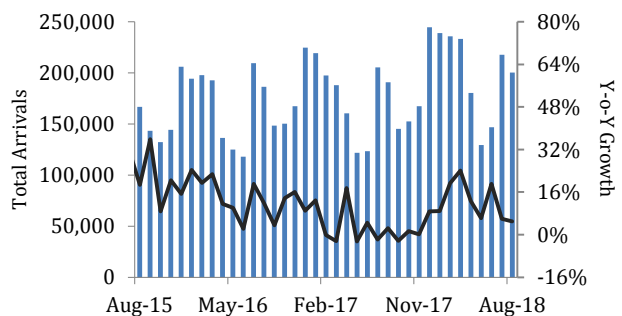
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

Research Team

Chethana Ellepola, CFA
(+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

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.