

Selling pressure holds ASPI below Key 6,000 Mark... SL's Urban Inflation Falls While US Fed Cuts Rates

ASPI ^ 0.37% | S&P SL20 v 0.64%

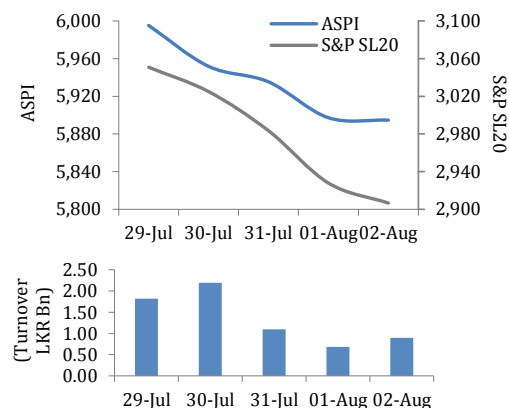
The Bourse ended the week... *Cont. P2*

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

Having gained *Cont. P4*

Economic Snapshot..... *P5*

Indices vs. Turnover (29th Jul – 02nd Aug)



KEY STATISTICS

| Week ending | 02-Aug | 26-Jul | +/- |
|--|-----------|-----------|---------|
| ASPI | 5,894.70 | 5,872.89 | 0.37% |
| S&P SL20 | 2,906.68 | 2,925.48 | -0.64% |
| Banking & Finance | 15,942.47 | 15,749.71 | 1.22% |
| Food & Beverage | 22,965.40 | 22,954.92 | 0.05% |
| Diversified | 1,493.09 | 1,495.48 | -0.16% |
| Hotel & Travel | 2,591.30 | 2,607.08 | -0.61% |
| Plantations | 761.37 | 778.60 | -2.21% |
| Manufacturing | 2,921.23 | 2,959.88 | -1.31% |
| Turnover (LKR Bn) | 6.69 | 3.60 | 85.68% |
| Foreign Buying (LKR Mn) | 1,803.57 | 840.11 | 114.68% |
| Foreign Selling (LKR Mn) | 2,489.89 | 1,123.15 | 121.69% |
| Daily Average Turnover (LKR Bn) | 1.34 | 0.72 | 85.68% |
| Daily Average Foreign Buying (LKR Mn) | 360.71 | 168.02 | 114.68% |
| Daily Average Foreign Selling (LKR Mn) | 497.98 | 224.63 | 121.69% |

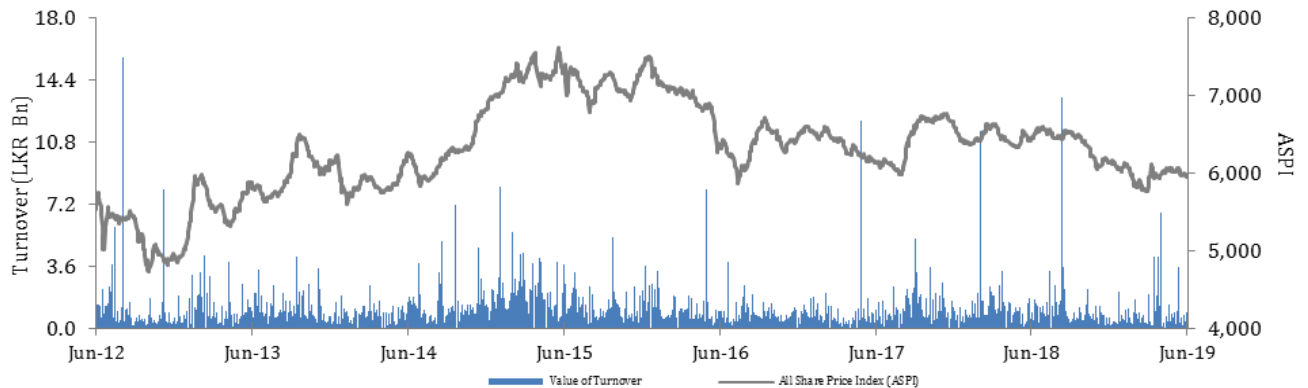
TOP 10 GAINERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|------------------|-------|---------------|---------------|--------------|
| HAYLEYS FABRIC | MGT N | 9.6 | 13.2 | 37.5% |
| DANKOTUWA PORCEL | DPL N | 6.0 | 7.4 | 23.3% |
| OFFICE EQUIPMENT | OFEQN | 78.0 | 95.0 | 21.8% |
| BROWNS | BRWNN | 54.6 | 65.5 | 20.0% |
| L O L C HOLDINGS | LOLCN | 104.2 | 123.2 | 18.2% |
| BROWNS INVSTMNTS | BIL N | 2.3 | 2.7 | 17.4% |
| LIGHTHOUSE HOTEL | LHL N | 29.9 | 35.0 | 17.1% |
| BERUWALA RESORTS | BERUN | 0.6 | 0.7 | 16.7% |
| BLUE DIAMONDS | BLUEN | 0.7 | 0.8 | 14.3% |
| MULLERS | MULLN | 0.7 | 0.8 | 14.3% |

TOP 10 LOSERS

| Company | Code | Opening Price | Closing Price | WoW % Change |
|------------------|--------|---------------|---------------|--------------|
| KELSEY | KDL N | 43.9 | 32.7 | -25.5% |
| INDUSTRIAL ASPH. | ASPHNN | 389.7 | 300.0 | -23.0% |
| TESS AGRO[INV] | TESSX | 0.5 | 0.4 | -20.0% |
| LUCKY LANKA | LLMPN | 1.6 | 1.3 | -18.8% |
| AMANA LIFE | ATLLN | 8.6 | 7.4 | -14.0% |
| LANKA TILES | TILEN | 85.0 | 73.2 | -13.9% |
| HAPUGASTENNE | HAPUN | 19.8 | 17.2 | -13.1% |
| AHOT PROPERTIES | AHPLN | 42.7 | 37.2 | -12.9% |
| MACKWOODS ENERGY | MEL N | 2.5 | 2.2 | -12.0% |
| RAMBODA FALLS | RFL N | 19.3 | 17.1 | -11.4% |

Market Review



Indices |

The Bourse ended the week on a mixed note as the ASPI increased by 21.81 points (or +0.37%) to close at 5,894.70 points, while the S&P SL20 Index decreased by 18.80 points (or -0.64%) to close at 2,906.68 points.

Turnover & Market Capitalization |

JKH was the highest contributor to the week's turnover value, contributing LKR 1.45Bn or 21.70% of total turnover value. Aitken Spence followed suit, accounting for 10.50% of turnover (value of LKR 0.70Bn) while Sampath Bank contributed LKR 0.52Bn to account for 7.82% of the week's turnover. Total turnover value amounted to LKR 6.69Bn (cf. last week's value of LKR 3.60Bn), while daily average turnover value amounted to LKR 1.34Bn (+48.54% W-o-W) compared to last week's average of LKR 0.90Bn. Market capitalization meanwhile, increased by 0.39% W-o-W (or LKR 10.69Bn) to LKR 2,778.75Bn cf. LKR 2,768.06Bn last week.

Liquidity (in Value Terms) |

The Diversified sector was the highest contributor to the week's total turnover value, accounting for 37.73% (or LKR 2.52Bn) of market turnover. Sector turnover was driven primarily by JKH, Aitken Spence & Melstacorp which accounted for 91.28% of the sector's total turnover. The Banks, Finance & Insurance sector meanwhile accounted for 31.71% (or LKR 2.12Bn) of the total turnover value, with turnover driven primarily by Sampath Bank, Commercial Bank, HNB & First Capital which accounted for 64.82% of the sector turnover. The Manufacturing sector was also amongst the top sectorial contributors, contributing 10.52% (or LKR 0.70Bn) to the total turnover, with turnover driven primarily by Tokyo Cement[NV] accounting for 21.55% of the total turnover.

Liquidity (in Volume Terms) |

The Diversified sector dominated the market in terms of share volume, accounting for 26.34% (or 63.57Mn shares) of total volume, with a value contribution of LKR 2.52Bn. The Banks, Finance & Insurance sector followed suit, adding 17.96% to total turnover volume as 43.35Mn shares were exchanged. The sector's volume accounted for LKR 2.12Bn of total market turnover value. The Manufacturing sector meanwhile, contributed 40.59Mn shares (or 16.82%), amounting to LKR 0.70Bn.

Top Gainers & Losers |

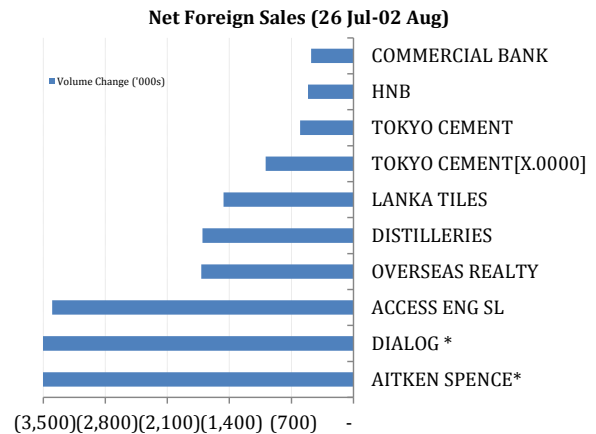
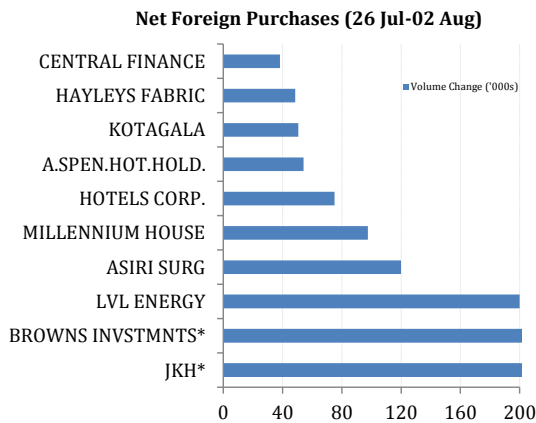
Hayleys Fabric was the week's highest price gainer; increasing 37.5% W-o-W from LKR9.60 to LKR13.20 while Dankotuwa Porcelain (+23.3% W-o-W), Office Equipment(+21.8 W-o-W) and Browns (+20.0% W-o-W) were also amongst the top gainers.

Kelsey Development were the week's highest price loser; declining 25.5% W-o-W to close at LKR32.70 while Industrial Asphalts (-23.0% W-o-W), Tess Agro[NV] (-20.0% W-o-W) and Lucky Lanka (-18.8% 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 | 149.0 | 147.0 | 1,451.2 |
| AITKEN SPENCE | SPENN | 44.1 | 44.0 | 702.2 |
| SAMPATH | SAMPN | 168.2 | 166.8 | 523.2 |
| COMMERCIAL BANK | COMBN | 109.4 | 104.9 | 444.3 |
| HAYLEYS FABRIC | MGT N | 9.6 | 13.2 | 387.7 |
| ACCESS ENG SL | AEL N | 18.3 | 18.3 | 308.4 |
| HNB | HNB N | 169.9 | 178.5 | 260.3 |
| TOKYO CEMENT[NV] | TKYOX | 24.6 | 25.8 | 151.6 |
| MELSTACORP | MELSN | 45.0 | 43.6 | 150.1 |
| FIRST CAPITAL | CFVFN | 48.8 | 51.4 | 146.9 |

Market Review (Cont'd)



*Volume change of JKH(2.32Mn Shares) , Browns Investments(0.50Mn shares),Aitken Spence(9.55Mn Shares) & Dialog Axiata(4.14Mn shares) from 26th Jul – 02nd Aug not displayed.

Foreign investors closed the week in a net selling position with total net outflow amounting to LKR 0.69Bn relative to last week's total net outflow of LKR 0.28Bn (-142.5% W-o-W). Total foreign purchases increased by 114.7% W-o-W to LKR 1.80Bn from last week's value of LKR 0.84Bn, while total foreign sales amounted to LKR 2.49Bn relative to LKR 1.12Bn recorded last week (+121.7% W-o-W). In terms of volume, JKH & Browns Investments led foreign purchases while Aitken Spence & Dialog Axiata led foreign sales. In terms of value, JKH & Central Finance led foreign purchases while Aitken Spence & Lanka Tiles led foreign sales.

Net Foreign Purchases (By Transaction Value)

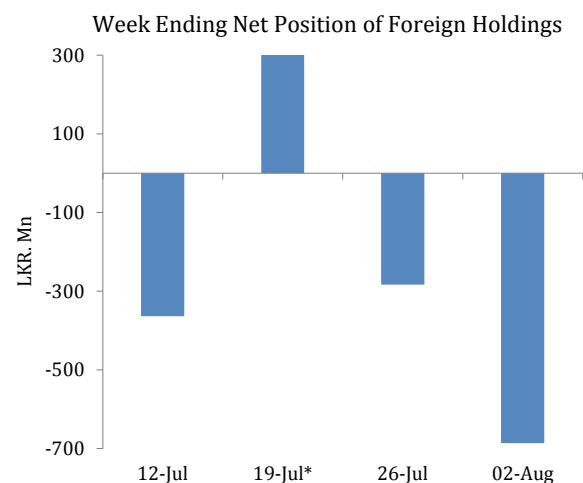
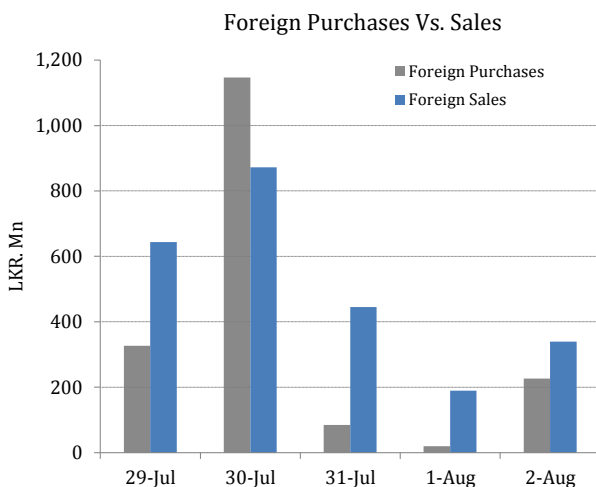
| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|------------------|---------------------|----------|------------|------------------|
| | 02/08/19 | 26/07/19 | | |
| JKH | 48.00% | 47.82% | 2,317,447 | 340.66 |
| CENTRAL FINANCE | 14.08% | 14.07% | 38,263 | 3.63 |
| LB FINANCE | 4.06% | 4.04% | 25,530 | 3.49 |
| CARSONS | 23.01% | 23.00% | 15,000 | 2.55 |
| LVL ENERGY | 0.76% | 0.73% | 200,000 | 1.64 |
| BROWNS INVSTMNTS | 1.02% | 1.01% | 500,000 | 1.35 |
| A.SPEN.HOT.HOLD. | 0.53% | 0.51% | 54,201 | 1.31 |
| ASIRI SURG | 0.05% | 0.03% | 119,939 | 1.24 |
| HOTELS CORP. | 0.64% | 0.60% | 75,000 | 0.85 |
| MILLENNIUM HOUSE | 29.64% | 29.57% | 97,638 | 0.72 |

Net Foreign Sales (By Transaction Value)

| Company | Foreign Holding (%) | | Net Change | Value* (LKR. Mn) |
|-----------------|---------------------|----------|-------------|------------------|
| | 02/08/19 | 26/07/19 | | |
| AITKEN SPENCE | 20.70% | 23.05% | (9,552,664) | (420.32) |
| LANKA TILES | 7.86% | 10.62% | (1,464,939) | (107.23) |
| HNB | 34.91% | 35.04% | (513,622) | (91.68) |
| ACCESS ENG SL | 5.07% | 5.41% | (3,398,947) | (62.20) |
| SAMPATH | 21.35% | 21.44% | (327,479) | (54.62) |
| COMMERCIAL BANK | 32.18% | 32.23% | (478,903) | (50.24) |
| DIALOG | 92.65% | 92.70% | (4,135,776) | (45.91) |
| CHEVRON | 20.17% | 20.35% | (442,026) | (28.73) |
| DISTILLERIES | 1.19% | 1.23% | (1,703,540) | (28.11) |
| OVERSEAS REALTY | 91.86% | 92.00% | (1,717,214) | (26.62) |

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.



*Note-Net Foreign Position of LKR 8.78Bn for the week ending 19-Jul not displayed

Announcements for the Week

Dividend Announcements

| <u>Company</u> | <u>DPS (Rs.)</u> | <u>Type</u> | <u>XD Date</u> |
|-------------------------------|------------------|---------------|----------------|
| BPPL HOLDINGS | 0.18 | First Interim | 07-08-2019 |
| CITIZENS DEVELOPMENT (V&NV) | 2.50 | First & Final | To be notified |
| SOFTLOGIC HOLDINGS PLC | 0.50 | Final | 08-08-2019 |
| ACL CABLES PLC | 1.50 | First Interim | 08-08-2019 |
| DILMAH CEYLON TEA COMPANY PLC | 15.00 | Final | 09-09-2019 |
| CONVENIENCE FOOD (LANKA) PLC | 4.50 | Final | 17-09-2019 |
| FIRST CAPITAL | 4.00 | First Interim | 15-08-2019 |

| <u>Company</u> | <u>Proportion</u> | <u>Shares to be Issued</u> | <u>Type</u> |
|------------------------------|-------------------|----------------------------|-------------|
| CITIZEN DEVELOPMENT BANK(V) | 1 : 0.027 | 1,575,052 | Scrip |
| CITIZEN DEVELOPMENT BANK(NV) | 1 : 0.034 | 336,188 | Scrip |

Point of View

Having gained nearly ~563 points (+10.5% M-o-M) during the month of July, equity markets extended its winning streak for a 6th consecutive week with the benchmark index gaining ~22 index points or 0.4% over the week. Gains on the index in July have consequently helped the Index trim its YTD loss to 2.6%, down from the 11.2% loss recorded during Jan-Jun'19. The broad share index hit its highest close in 6-months on Monday, as an extended banking sector rally led to the ASPI jumping 122.3 index points while news that the EPF had invested in TJL and key banking sector stocks during the 2nd quarter also boosted market sentiment. Consequently, the ASPI closed for the day just shy of the 6,000 mark. However, profit taking during the remainder of the week impacted the performance of equity markets and the losses stemming from selling pressure resulted in the ASPI paring down the week's earlier gains. The Index losses were also partially due to a spate of weaker corporate earnings releases over the week and a renewed political controversy surrounding potential presidential candidates. Led by the rebound in markets since July, activity levels on the Colombo Bourse continued to improve with weekly turnover levels totalling Rs. 6.7Bn relative to last week total of Rs. 3.6Bn amid increased participation from retail investors. Consequently, the average daily turnover for the week rose to Rs. 1.3Bn cf. Rs. 0.7Bn last week. The higher activity levels were driven mainly by retailers as Local HNI and institutional investors contributed only 17% to total market turnover this week with buying interest mainly focused on JKH, Commercial Bank and Aitken Spence. The heightened domestic buying interest however stood in contrast to foreign investor activity which increased its pace of selling over the week amid weaker global growth expectations and trade policy uncertainty which prompted the US Fed to cut interest rates for the first time since 2008. Net foreign selling over the week consequently rose to Rs. 686Mn relative to last week's sell-off of Rs. 283Mn. Markets in the week ahead are likely to continue take cues from economic and political developments, amid ongoing corporate earnings releases for Q2'19.

SL's Urban Inflation Falls While US Fed Cuts Rates

Urban inflation levels fell for the 2nd consecutive month in July, as lower Food inflation (from -1.0% in Jun'19 to -2.6% in Jul'19) offset the lack of change in non-food prices (from 6.0% in Jun'19 to 5.9% in Jul'19). Headline CCPI consequently slowed to 3.3% Y-o-Y in Jul'19 compared to 3.8% Y-o-Y in Jun'19 and 5.0% Y-o-Y in May'19. After three consecutive months of rising prices, overall F&B prices decreased in July amid improved supply levels. Non-food prices however remained broadly unchanged from levels in June. The lower urban inflation levels in July helped improve the 12M moving average inflation level which fell to 4.0% Y-o-Y from 4.2% Y-o-Y in June. Meanwhile, as widely expected the US Fed cut its policy rates by 25Bps this week (to 2% to 2.25%) citing signs of a global slowdown, simmering U.S. trade tensions and a desire to boost too-low inflation. However, US equity markets took a sharp tumble post the rate cut as market expectations of a lengthy easing cycle waned following the Fed Chairman's statement that the rate cut was "not the beginning of a long series of rate cuts". EM/FM equities meanwhile also performed weakly this week amid fresh concerns over the US-China trade war. The IMF last month said that a deepening trade war between the US and China will cost \$455bn in lost output next year and the US's weaker 2nd quarter GDP numbers indicate that the trade dispute and global slowdown are beginning to take their toll on the economy. The US economy slowed down to 2.1% in Q2'19, down from the 3.1% growth recorded in Q1'19. Q2'19 business investment meanwhile declined for the 1st time since early 2016, falling to 0.6% from 4.4% in Q1'19. The weaker US GDP figures come amid strong signs of an economic slowdown in Europe. On Thursday the European Central Bank (ECB) indicated it is preparing to restart its massive bond buying program and cut short-term interest rates for the first time since 2016.

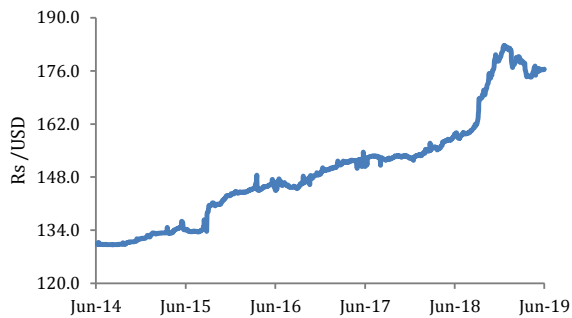
Sources: CNBC, Guardian, Reuters,

Economic Snapshot

| | Nov'18 | Dec'18 | Jan'19 | Feb'19 | Mar'19 | Apr'19 | May'19 | Jun'19 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Interest Rates | | | | | | | | |
| Prime Lending Rate | 12.12 | 11.94 | 12.05 | 12.30 | 12.23 | 12.07 | 12.01 | 11.45 |
| Ave. Wtd. Deposit Rates | 8.77 | 8.81 | 8.85 | 8.88 | 8.98 | 8.97 | 9.00 | 8.94 |
| Ave. Wtd. Fixed Dep. Rates | 10.81 | 10.85 | 10.91 | 10.96 | 11.11 | 11.15 | 11.19 | 11.07 |
| CCPI Inflation Y-o-Y % (Base 2013) | 3.3 | 2.8 | 3.7 | 4.0 | 4.3 | 4.5 | 5.0 | 3.8 |
| GDP Growth (Base 2010) | | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| | 9.1% | 3.4% | 5.0% | 5.0% | 4.5% | 3.4% | 3.2% | |

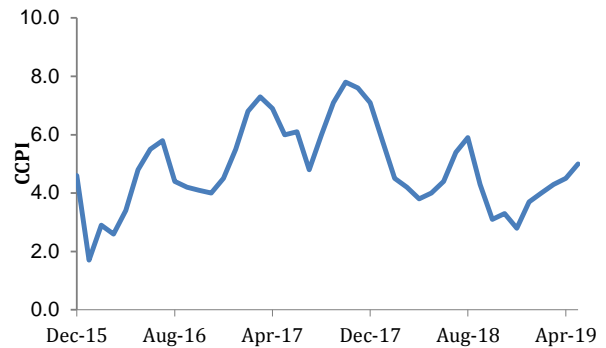
Source Central Bank

Exchange Rate, Rs. vs. US\$



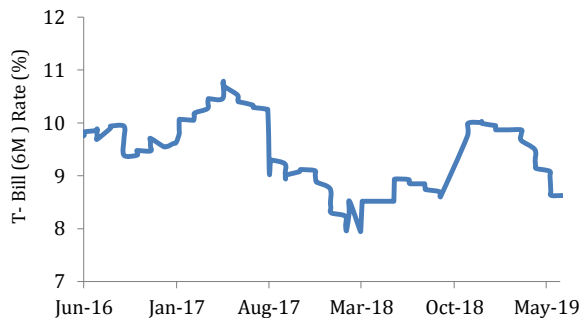
Source: Central Bank

Inflation (CCPI-N) YoY%



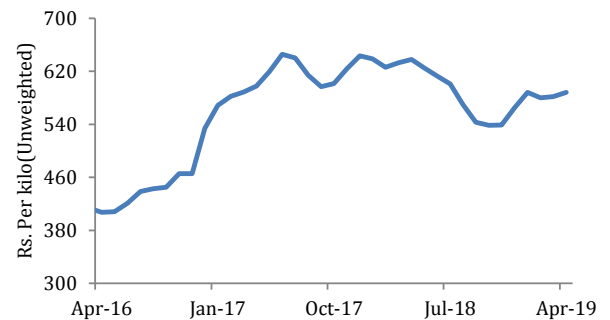
Source: Central Bank

6 Month T-Bill Yield



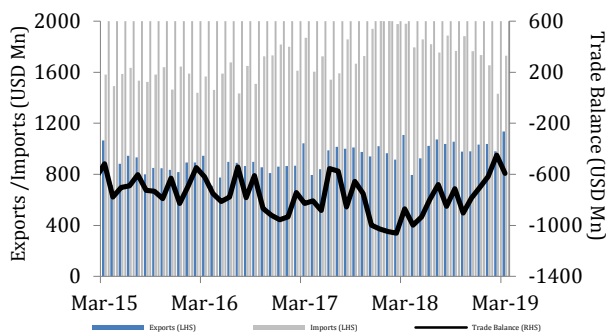
Source: Central Bank

Tea Prices



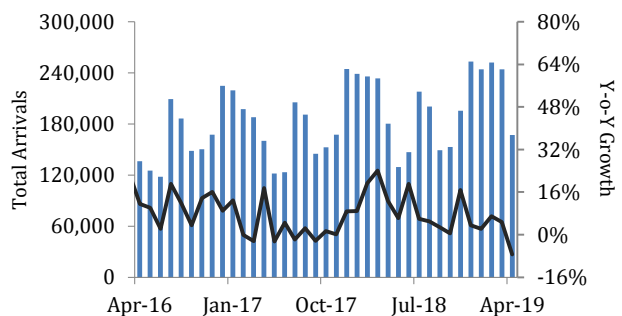
Source: Sri Lanka Tea Board

Export & Trade Balance



Source: Central Bank

Trends in Tourist Arrivals



Source: Sri Lanka Tourism Development Authority

Research Team

Chethana Ellepola, CFA
(+94) 112 206 256
chethana@acuitystockbrokers.com

Sahrah Surajdeen
(+94) 112 206 253
Sahrah@acuitystockbrokers.com

Rajitha Gunarathna
(+94) 112 206 255
rajitha@acuitystockbrokers.com

Maxtina Fernando
(+94) 112 206 251
maxtina@acuitystockbrokers.com

Sales Team

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

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

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