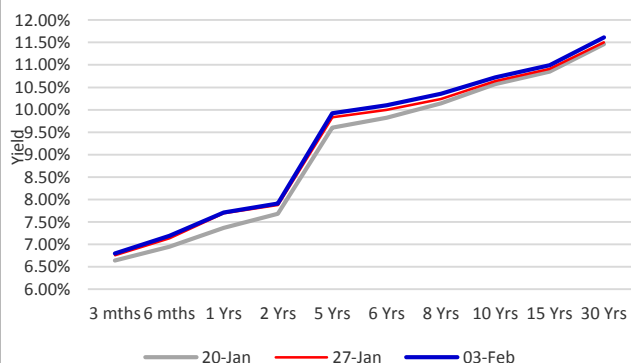
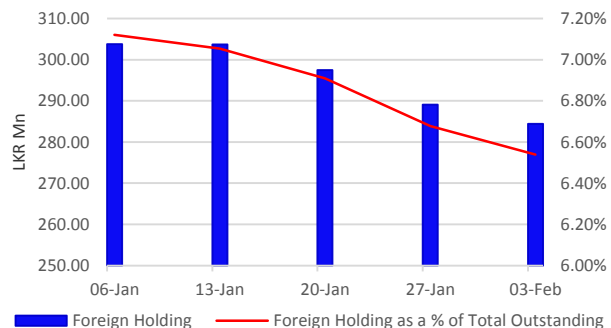
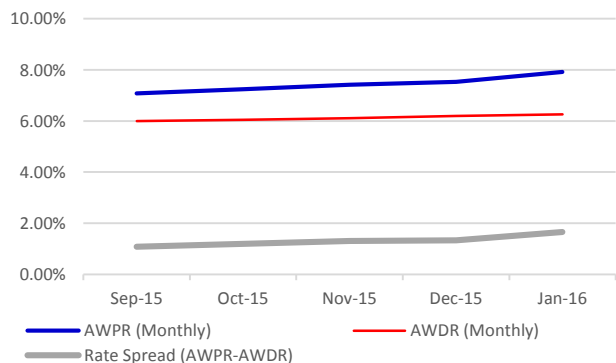
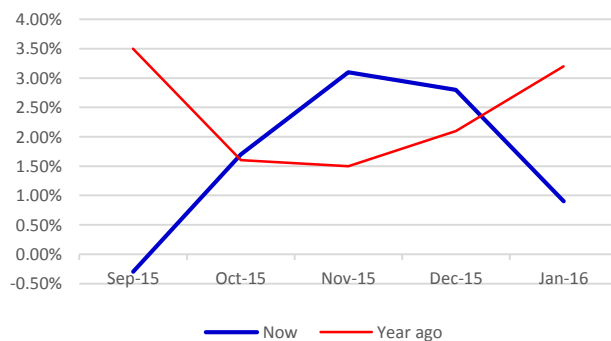


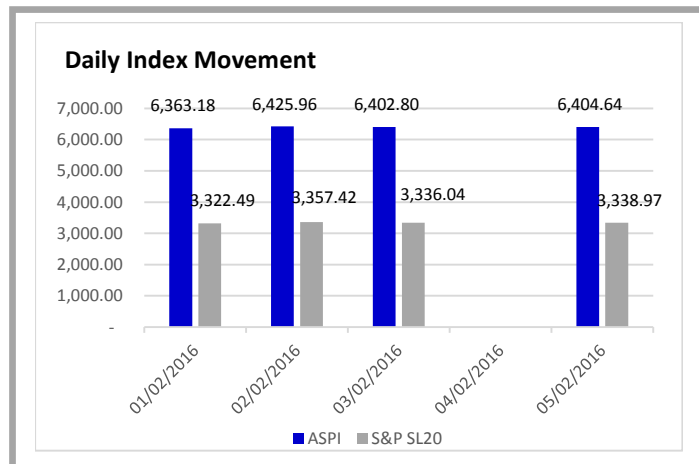
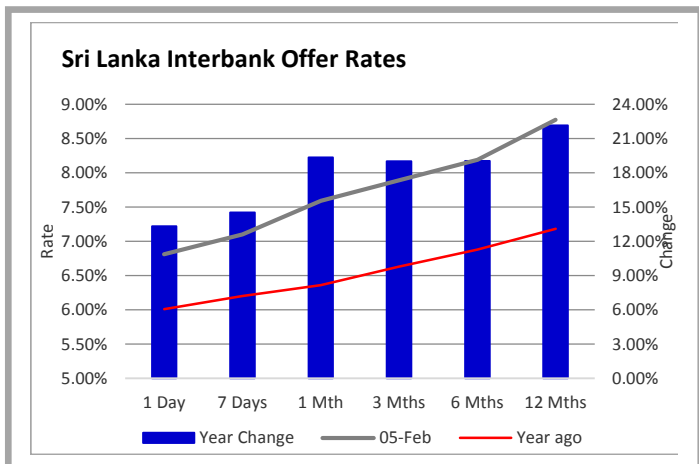
Economic Indicators: LKR/USD 144.01 (0.04% WoW) AWPR: 8.11% (2.39% WoW) AWDR: 6.26% (0.96% MoM) ASPI: 6,404 (1.02% WoW) S&P SL20: 3,338 (1.12% WoW)

Government Securities Movement

Foreign Holding on Government Securities


Market	Period	03-Feb	27-Jan	Change %
Secondary Market	3 months	6.80%	6.76%	0.59%
	6 months	7.19%	7.14%	0.70%
	1 Year	7.71%	7.69%	0.26%
	2 Years	7.91%	7.88%	0.38%
	5 Years	9.92%	9.83%	0.92%
	6 Years	10.10%	10.00%	1.00%
	8 Years	10.36%	10.24%	1.17%
	10 Years	10.72%	10.64%	0.75%
	15 Years	10.99%	10.91%	0.73%
	30 Years	11.61%	11.50%	0.96%

- Average Weighted Prime Lending Rate (AWPR): 8.11%. It has increased by 19 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 6.26% (Jan), 6.20% (Dec).
- Average Weighted Fixed Deposit Rate (AWFDR): 7.66% (Jan) and 7.57% (Dec).
- SLIBOR Rates : 6.81% (1Day), 7.10%(7Days), 7.58%(1Month), 7.89%(3Months), 8.19%(6Months), 8.77%(1Yr).
- Inflation (Annual average change): 0.7% (Jan) and 0.9% (Dec).

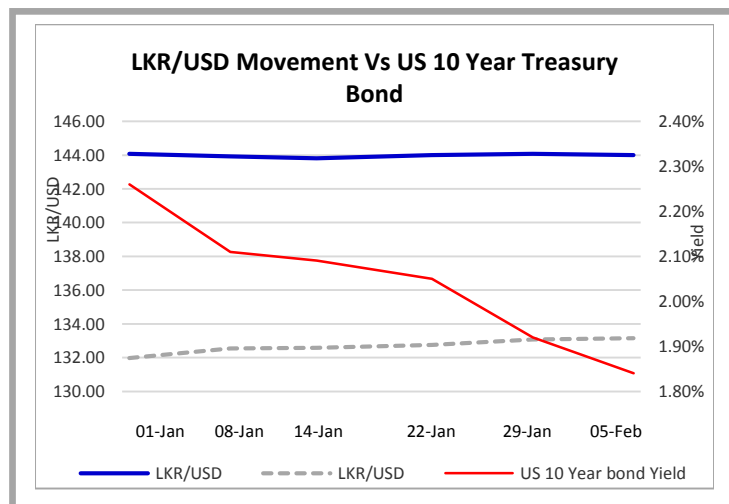
Policy Rates

Inflation




LKR Exchange Rate Movement

- LKR appreciated over the week by 0.04% against USD from LKR/USD 144.08 to 144.01.
- One month forward rate of LKR/USD is 144.71 (Last week 144.69), three month forward rate is 145.90 (Last week 145.80)

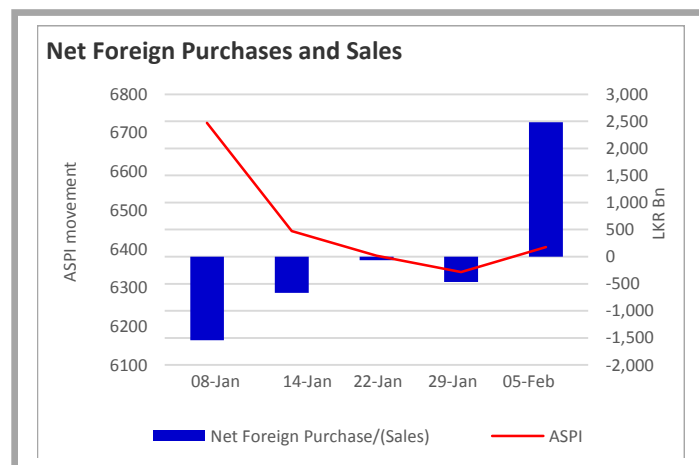
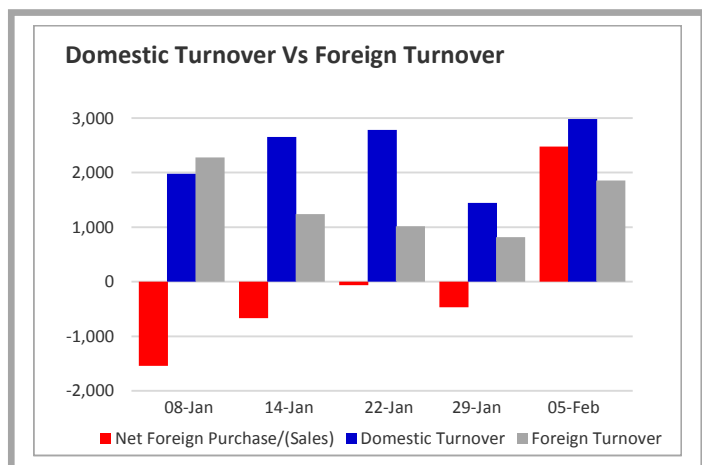
	08-Jan	14-Jan	22-Jan	29-Jan	05-Feb
INR 16	2.15	2.14	2.12	2.11	2.12
INR 15	2.07	2.11	2.14	2.15	2.13
RM 16	32.97	32.76	33.13	34.60	34.78
RM 15	36.75	36.68	36.48	36.37	36.93



Colombo Stock Exchange

- All Share Price Index: 6,404 points as at 05th Feb 2016.
- S&P 20: 3,338 points as at 05th Feb 2016.
- ASPI increased by 64 points WoW which is 1.02%.
- S&P 20 increased WoW by 36 points, reflecting a 1.12% positive variation.
- Net Foreign Inflow: LKR. 2,481 Mn.
- Last week recorded a Net foreign Outflow: LKR. 469Mn.
- Market capitalization: LKR.2,734Bn which is 1.03% increase compared to last week.
- Market PE: PE recorded as 16.74 in this week and it has increased by 1.02% from the last week.

Price Index by Sector			
Top Gainers	This week	Pre. week	Change %
STORES AND SUPPLIES	25,866.16	25,058.86	3.22%
TRADING	16,510.74	16,111.39	2.48%
FOOTWEAR AND TEXTILES	956.27	939.07	1.83%
TELECOMMUNICATIONS	173.62	171.80	1.06%
CONSTRUCTION AND ENGINEERING	2,681.73	2,654.45	1.03%
Top Losers			
INFORMATION TECHNOLOGY	51.15	53.93	-5.15%
INVESTMENT TRUSTS	15,714.82	16,291.62	-3.54%
DIVERSIFIED HOLDINGS	1,659.45	1,697.57	-2.25%
CHEMICALS AND PHARMACEUTICALS	6,997.59	7,134.41	-1.92%
OIL PALMS	82,040.27	83,361.07	-1.58%



Local News

Sri Lanka's recently unveiled Megapolis plan of development envisages flexible working hours as one aspect of transport demand management to address Colombo traffic congestion. "Flexible working hours can be introduced in public and private institutions to spread peak load of traffic flow," the Megapolis masterplan states. "Employees can adjust their working time without any negative effect to the working process of the institutes." The action to be taken, in this regard, is to develop a policy plan to promote flexible work hours and stagger work hours in selected institutes, the report states. The benefits of this step will be a reduction of traffic volume and congestion during peak times by shifting driver commuters to less congested hours and spreading of the peak period.

(Source: LBO - 05.02.2016)

The proposed India Sri Lanka electricity link could bring tremendous financial benefits to the country, Public Utilities Commission Director General Damitha Kumarasinghe said. Speaking at the 22nd Steering Committee Meeting of South Asia Forum for Infrastructure Regulation (SAFIR) held New Delhi, India recently he said the pre-feasibility studies for Sri Lanka India Electricity (HVDC) transformation link have already been done. It was proposed to have this link from Madurai in India to Anuradhapura with a 50 kilometer undersea cable at 400 KV. "This was originally planned for 500 mw but can be upgradeable to 1000mw. Agreements were signed to conduct feasibility in collaboration with power grid India and CEB.

(Source: Daily News - 04.02.2016)

The International Monetary Fund urged the Sri Lankan government to narrow the fiscal deficit after a staff mission to Colombo this week to discuss economic developments. "The mission has advised the government to urgently make a stronger effort to narrow the fiscal deficit and put the public finances on a sustainable path," a statement said. "While several measures in the budget (such as elimination of several special purpose levies, and the commitment to eliminate tax exemptions and bolster the efficiency of tax administration) are welcome, the mission highlighted the macroeconomic and financial risks of a large deficit and the associated need to borrow from domestic and international markets.

(Source: LBO - 05.02.2016)

Foreign News

The White House on last Thursday proposed a wave of clean transportation investments that would be paid for through a \$10 per barrel fee on oil. The tax which is very unlikely to get through Republican-controlled Congress would be paid for by oil companies. It also comes at a time when the energy industry has been crushed by the dramatic crash in oil prices. Jeffrey Zients, Obama's chief economic adviser, told reporters the fee would apply to oil that is imported into the U.S. He said oil pumped in the U.S. that is exported would not be taxed, ensuring a "level playing field" for American producers. The U.S. imports quite a lot of oil even though it has become more self-reliant in recent years.

(Source: CNN Money - 04.02.2016)

The risk of acting too late on ultra-low inflation is greater than that of acting too early as a wait-and-see stance could lead to a lasting loss of confidence, European Central Bank President Mario Draghi said on last Thursday. "Adopting a wait-and-see attitude and extending the policy horizon brings with it risks: namely a lasting de-anchoring of expectations leading to persistently weaker inflation," Draghi told a conference at the Bundesbank, Germany's central bank. "And if that were to happen, we would need a much more accommodative monetary policy to reverse it," Draghi said. Draghi added that if the ECB were to capitulate and agreed to long periods for inflation to return to target, the bank would only perpetuate disinflation.

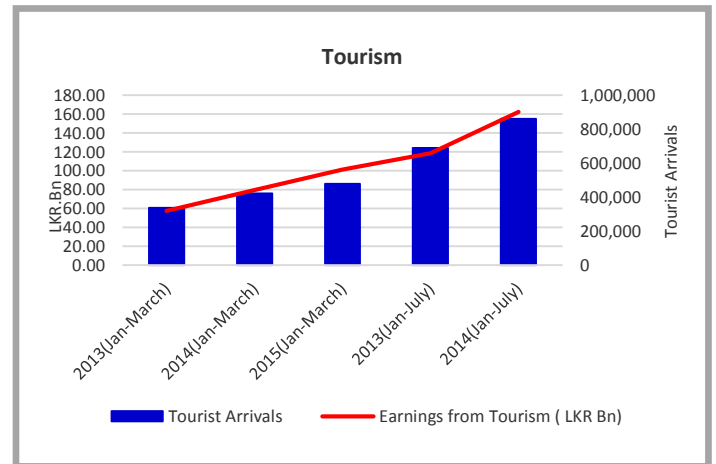
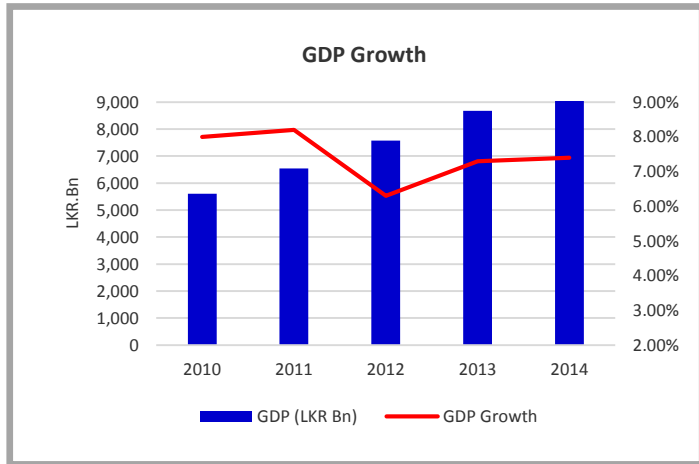
(Source: Reuters - 04.02.2016)

Based on the IMF methodology, and assuming the level of short-term external debt at remaining maturity was unchanged from end-2014, and after updating the other data to current values, calculations indicate that China's reserves are at 118% of the recommended level. If China's reserves fell to \$2.8tn, they would reach the lower end of the recommended range (assuming no change in money supply, exports, external debt and other liabilities) and could start to undermine confidence in the PBoC's ability to resist currency depreciation and manage future balance of payments shocks. Only two major EM countries have reserves that are below the IMF's recommended range – South Africa and Malaysia.

(Source: Barron's Asia - 04.02.2016)

GDP and Economy

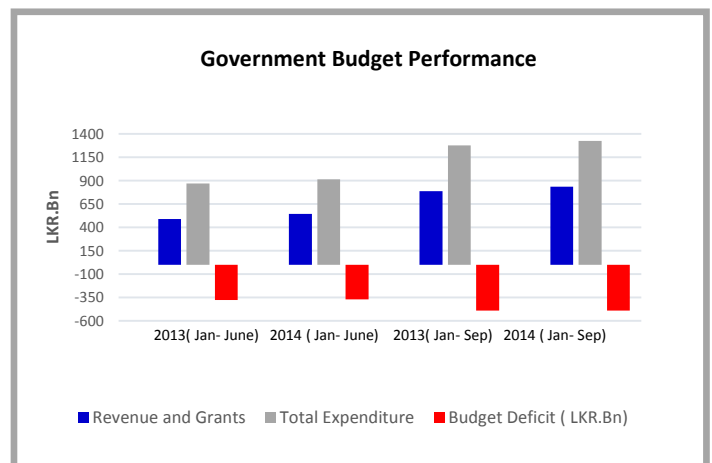
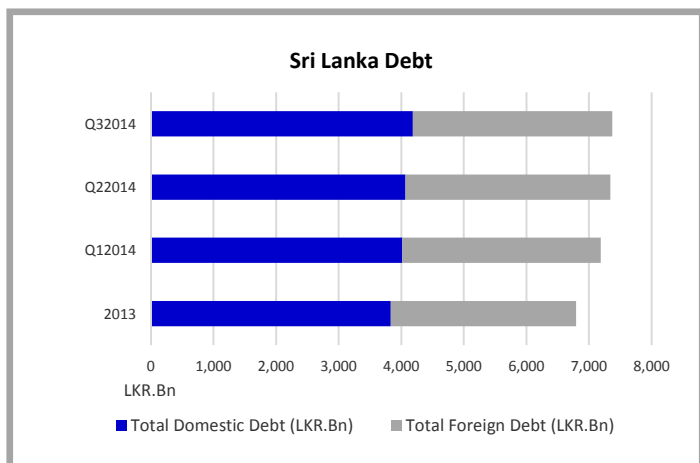
- The GDP of 2014 depicts a steady growth of 7.4% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 57.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2014 (as per the prices in 2002) were LKR. 353,799Mn, LKR.1,132,892Mn and LKR. 2,019,973Mn respectively.
- Unemployment rate was 4.3% in 2014 compared to 4.4% in the previous year.

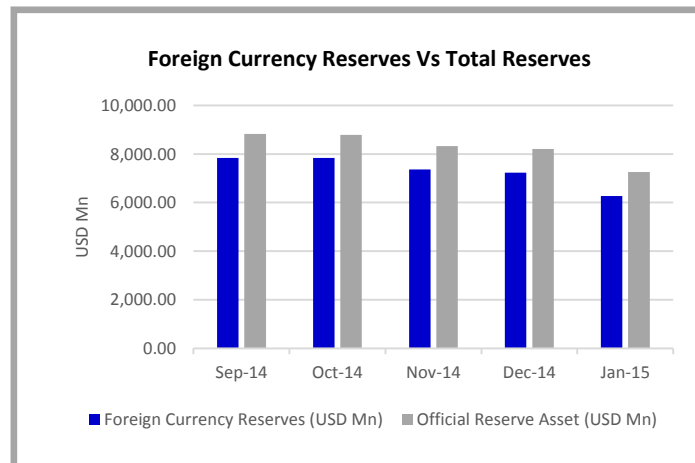
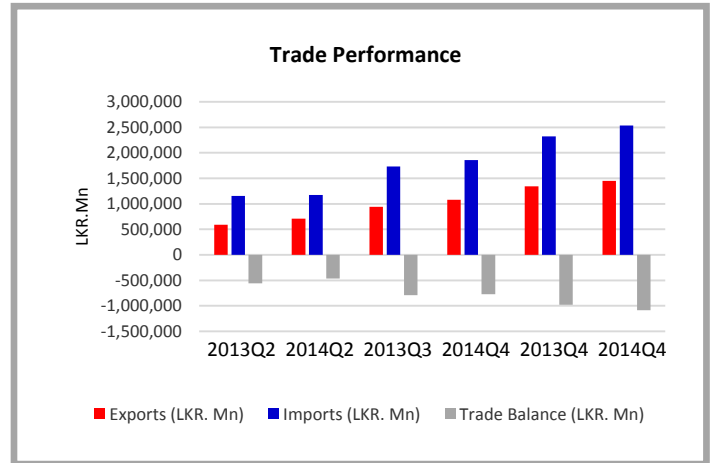
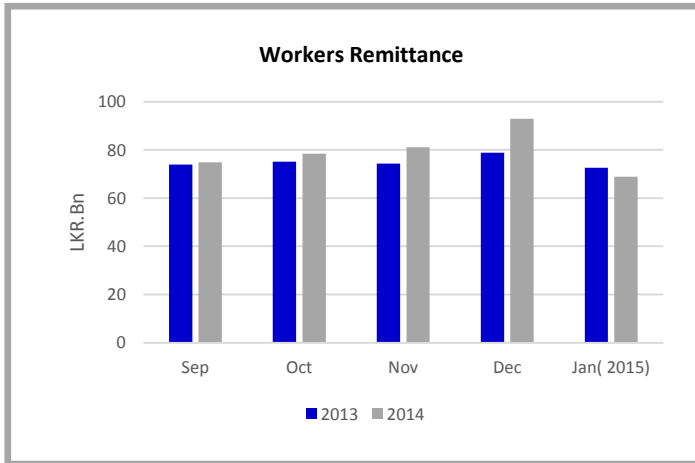


Sri Lanka Fiscal Performance

Debt service indicators improved during 2014. Debt service payments, which include amortization and interest payments declined to 11.0 per cent of GDP in 2014 from 13.4 per cent of GDP in the previous year. The ratio of total interest payments to GDP declined to 4.5 per cent in 2014 from 5.3 per cent in 2013, mainly due to the decline in domestic interest payments with lower interest rates in the market. Domestic interest payments to GDP declined to 3.4 per cent in 2014 from 4.1 per cent in 2013.

	2011	2012	2013	2014
GOVERNMENT DEBT/GDP (%)	78.5	79.2	78.3	75.5
DOMESTIC DEBT/ GDP (%)	42.9	42.7	44.2	43.7
FOREIGN DEBT % OF GDP	35.6	36.5	34.1	31.8
BUDGET DEFICIT/GDP (%)	-6.9	-6.5	-5.9	-5.2



Sri Lanka External Sector


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2. PORTFOLIO MANAGEMENT
3. CORPORATE RESTRUCTURING

Kenanga Investment Corporation Ltd (KICL) was established in Sri Lanka in 2007 and specializes in capital markets activities with core strengths in investment banking and fund management. KICL is the overseas investment arm of Malaysian listed company K & N Kenanga Holdings Berhad (KNKH), a long established financial group in Malaysia with 40 years of collective experience in equity broking.

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- Corporate Syndicated Loan Facilities

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