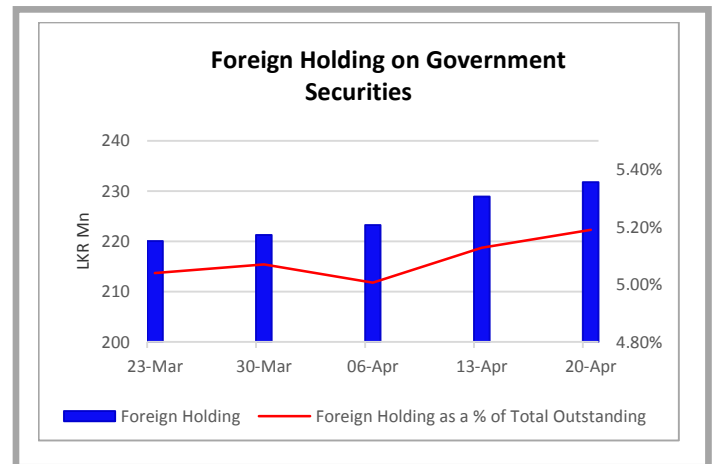
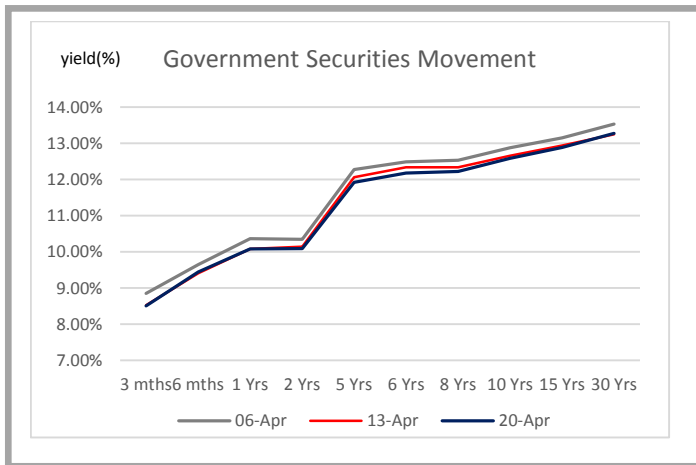
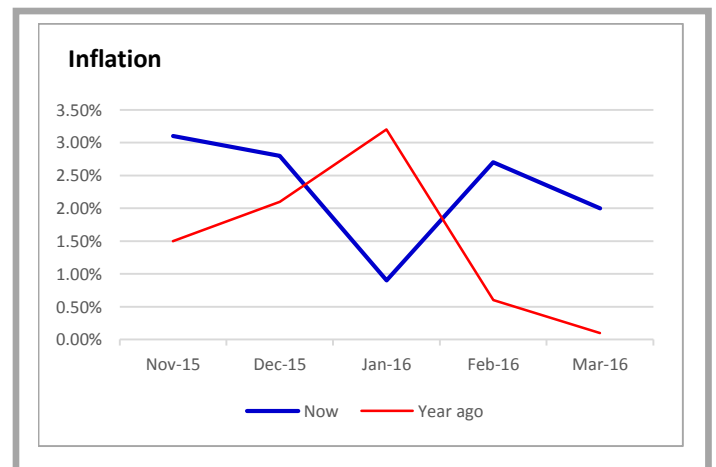
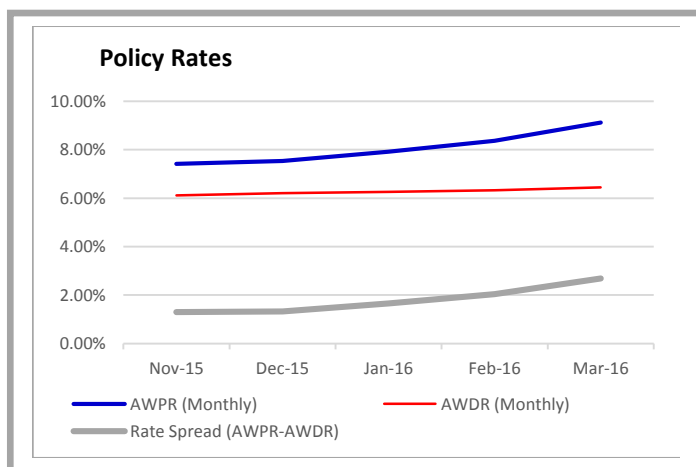


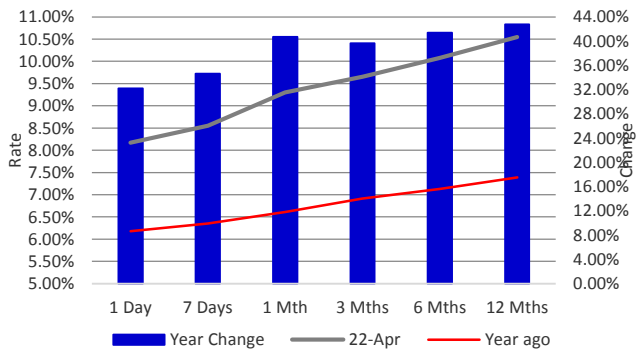
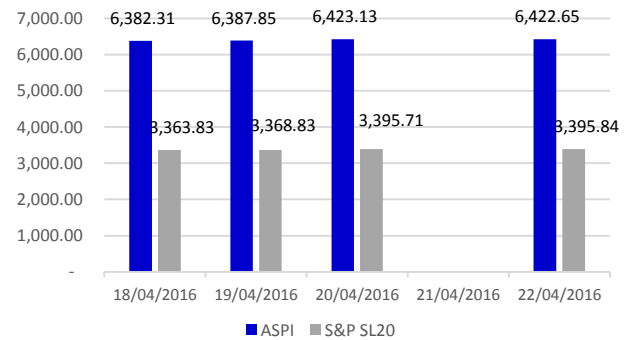
Economic Indicators: LKR/USD 145.10 (0.26% WoW) AWPR: 9.56% (0.21% WoW) AWDR: 6.44% (1.74% MoM) ASPI: 6,422 (0.33% WoW) S&amp;P SL20: 3,395 (0.90% WoW)



| Market           | Period   | 20-Apr | 13-Apr | Change % |
|------------------|----------|--------|--------|----------|
| Secondary Market | 3 months | 8.50%  | 8.52%  | -0.23%   |
|                  | 6 months | 9.44%  | 9.41%  | 0.32%    |
|                  | 1 Year   | 10.08% | 10.08% | 0.00%    |
|                  | 2 Years  | 10.09% | 10.14% | -0.49%   |
|                  | 5 Years  | 11.92% | 12.06% | -1.16%   |
|                  | 6 Years  | 12.18% | 12.34% | -1.30%   |
|                  | 8 Years  | 12.22% | 12.34% | -0.97%   |
|                  | 10 Years | 12.59% | 12.66% | -0.55%   |
|                  | 15 Years | 12.89% | 12.94% | -0.39%   |
|                  | 30 Years | 13.28% | 13.25% | 0.23%    |

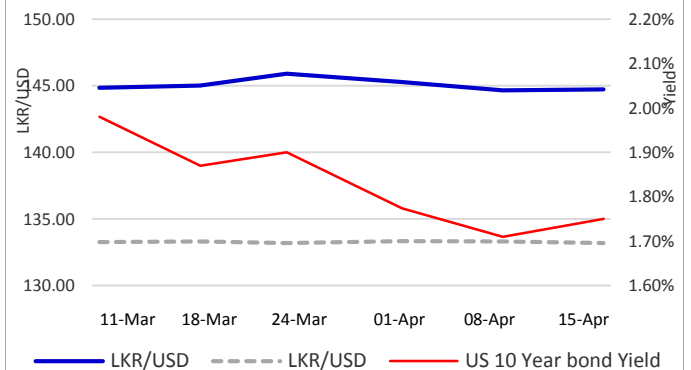
- Average Weighted Prime Lending Rate (AWPR): 9.56%. It has increased by 02 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 6.44% (Mar), 6.33% (Feb).
- Average Weighted Fixed Deposit Rate (AWFDR): 7.92% (Mar) and 7.75% (Feb).
- SLIBOR Rates : 8.17% (1Day), 8.55%(7Days), 9.30%(1Month), 9.65%(3Months), 10.08%(6Months), 10.55%(1Yr).
- Inflation (Annual average change): 1.1% (Mar) and 0.9% (Feb).



**Sri Lanka Interbank Offer Rates**

**Daily Index Movement**

**LKR Exchange Rate Movement**

- LKR depreciated over the week by 0.26% against USD from LKR/USD 144.73 to 145.10.
- One month forward rate of LKR/USD is 145.51 (Last week 144.76).
- Three months forward rate of LKR/USD is 146.67 (Last week 146.55).

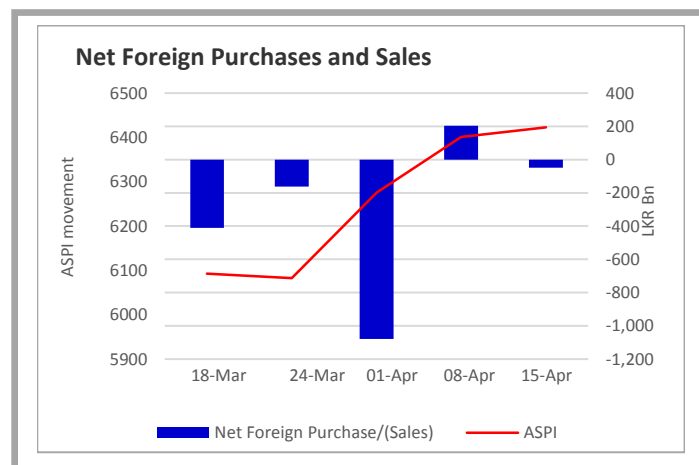
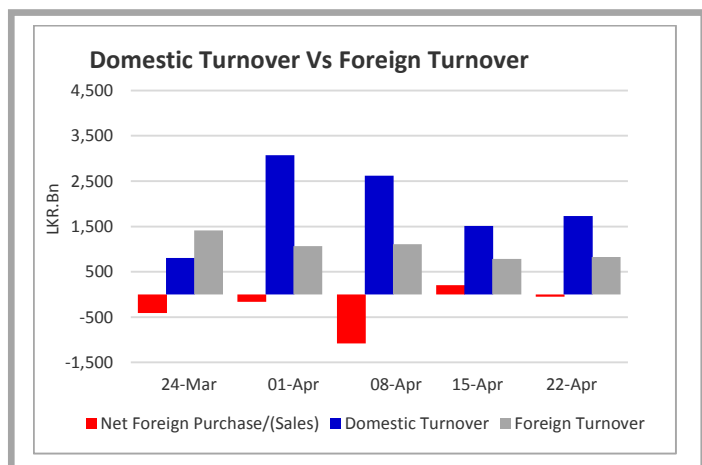
|        | 24-Mar | 01-April | 08-April | 15-April | 22-April |
|--------|--------|----------|----------|----------|----------|
| INR 16 | 2.15   | 2.16     | 2.15     | 2.16     | 2.16     |
| INR 15 | 2.13   | 2.12     | 2.13     | 2.13     | 2.11     |
| RM 16  | 35.80  | 36.86    | 36.59    | 36.96    | 36.90    |
| RM 15  | 36.23  | 35.98    | 36.45    | 35.90    | 36.60    |

**LKR/USD Movement Vs US 10 Year Treasury Bond**

**Colombo Stock Exchange**

- All Share Price Index: 6,422 points as at 15<sup>th</sup> April 2016.
- S&P 20: 3,395 points as at 15<sup>th</sup> April 2016.
- ASPI increased by 21 points WoW which is 0.33%.
- S&P 30 increased WoW by 30 points, reflecting a 0.90% positive variation.
- Net Foreign Outflow: LKR. 48 Mn.
- Last week recorded a Net foreign Inflow: LKR. 203 Mn.
- Market capitalization: LKR.2,736 Bn which is 0.33% increase compared to last week.
- Market PE: PE recorded as 16.18 in this week and it has increased by 0.31% from the last week.

**Price Index by Sector**

| Top Gainers                  | This week | Pre. week | Change % |
|------------------------------|-----------|-----------|----------|
| INFORMATION TECHNOLOGY       | 66.19     | 54.49     | 21.47%   |
| SERVICES                     | 22,793.61 | 21,549.26 | 5.77%    |
| HEALTH CARE                  | 960.79    | 921.35    | 4.28%    |
| INVESTMENT TRUSTS            | 15,509.51 | 14,915.79 | 3.98%    |
| FOOTWEAR AND TEXTILES        | 983.72    | 956.39    | 2.86%    |
| Top Losers                   |           |           |          |
| TRADING                      | 15,856.27 | 16,403.84 | -3.34%   |
| CONSTRUCTION AND ENGINEERING | 2,565.68  | 2,625.88  | -2.29%   |
| BANKS FINANCE AND INSURANCE  | 16,069.73 | 16,169.43 | -0.62%   |
| MANUFACTURING                | 4,071.53  | 4,079.34  | -0.19%   |
| POWER AND ENERGY             | 164.59    | 164.43    | 0.10%    |



### Local News

The tourist sector which has been a growing sector in the Sri Lankan economy has continued to grow according to a report presented by the Central Bank of Sri Lanka. The latest statistics show that the tourist arrivals in March increased by 22% to 192,841. Furthermore the numbers between the periods of January to March 2016 too grew by 22.1% to 584,818. As projected the growth of tourism sector has continued to move leaps and bounds. When compared with the numbers last year within the period of January to December 2015 the recorded growth was presented as 17.8%. This amounted to the number of 1,789,380 tourists. The performance of the current year in its early month may suggest a larger growth this year.

**(Source: Daily News - 20.04.2016)**

In an economy, there are methods such as debt, grants, bonds and T-bills whereby a government can finance for its purposes, especially for settling balance of payment issues. These methods have their own pros and cons and different impacts on the economy. When it comes to Sri Lankan economy, the government seems to have chosen foreign debt as its financing source. According to the Central Bank, the country will have to raise 1 to 1.5 billion dollars from the International Monetary Fund (IMF). Furthermore, as a result of Prime Minister's state visit to China, a major investor for past few years, they will grant Yuan 500 million to accelerate the development drive in the country.

**(Source: Daily News - 20.04.2016)**

Sri Lanka's President Maithripala Sirisena said he would not support tax increases that burden the people. The Value Added Tax (VAT) rate is scheduled to be increased to 15 percent from May 2nd, according to the Finance Ministry, and will include the telecommunications sector. The new government is people friendly, Sirisena pointed out, speaking to a gathering in Polonnaruwa. Sri Lanka is currently in talks with the IMF for a 36-month facility of at least one billion dollars to support the island's foreign reserves. During these discussions the IMF has rightly pointed out that fiscal consolidation is necessary. State Minister of National Policies and Economic Affairs Niroshan Perera told reporters on Monday that the plan to increase the VAT rate was not due to pressure by the IMF.

**(Source: LBO - 18.04.2016)**

### Foreign News

Indonesia's central bank on Thursday held rates for the first time this year, as expected, and some analysts see no further easing until it switches to a new benchmark rate in August. Bank Indonesia (BI), which has been frustrated that banks have not lowered loan rates in line with its moves, said liquidity and consumption have started to improve in the wake of its easing. On Thursday, BI kept the 12-month benchmark rate at 6.75 per cent, and left the seven-day reverse repo, which will become the new benchmark on Aug 19, at 5.50 per cent. At this year's three previous monthly meetings, BI cut its benchmark by a total of 75 basis points. In November and February, it slashed its reserve requirement ratio by a cumulative 150 bps to make more funds available for lending.

**(Source: Reuters - 21.04.2016)**

Japanese manufacturing activity contracted in April at the fastest in more than three years and output fell the most in two years, a preliminary survey showed, after earthquakes halted production in the southern manufacturing hub of Kumamoto. The Markit/Nikkei Japan Manufacturing Purchasing Managers Index (PMI) fell to a seasonally adjusted 48.0 in April from a final 49.1 in March. The index remained below the 50 threshold that separates contraction from expansion for the second consecutive month and showed activity contracted the most since January 2013. The output component of the PMI index also fell to 47.9 from 49.8 in the previous month to show the fastest contraction since April 2014.

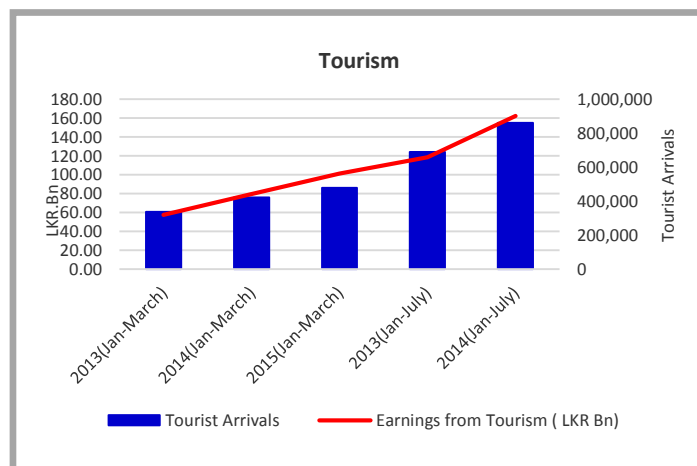
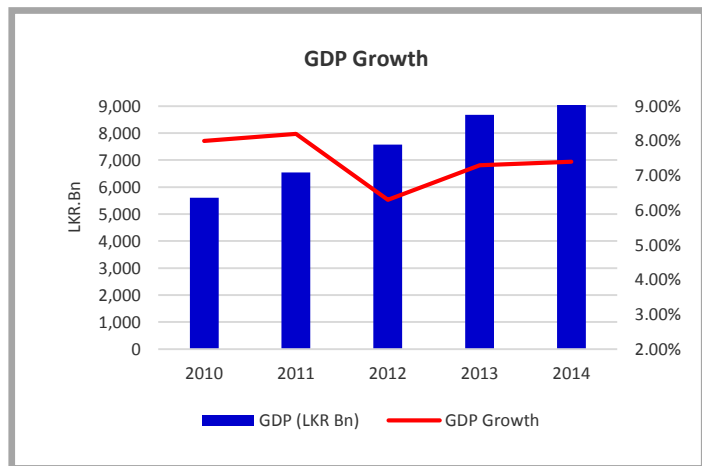
**(Source: Reuters - 21.04.2016)**

Eurozone governments continued to cut their budget deficits in 2015, contributing to the first decline in their total debts since the onset of the financial crisis eight years ago. The European Union's statistics agency on last Thursday said spending by eurozone governments exceeded their revenues by €215 billion (\$244 billion) in 2015, or 2.1% of gross domestic product. That marked a decline from 2.6% of GDP in 2014, and the second straight year in which the combined budget deficit was below the 3% ceiling set by EU rules. While the combined debts of eurozone governments continued to rise in absolute terms, to €9.4 trillion from €9.3 trillion in 2014, they declined to 90.7% of GDP from 92.0% of GDP, the first such drop since 2007.

**(Source: www.nazdaq.com - 21.04.2016)**

## GDP and Economy

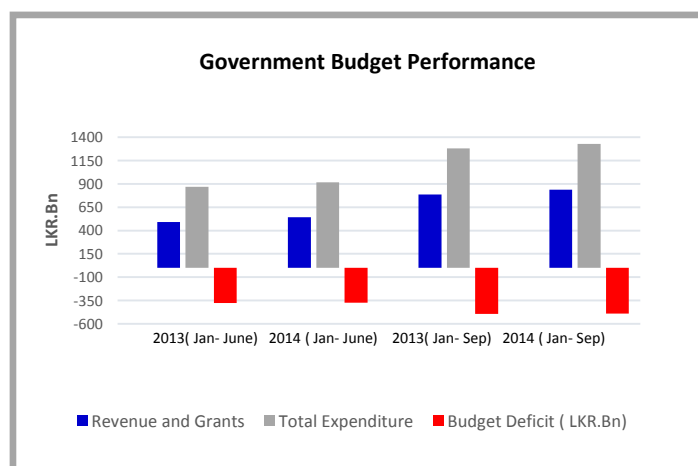
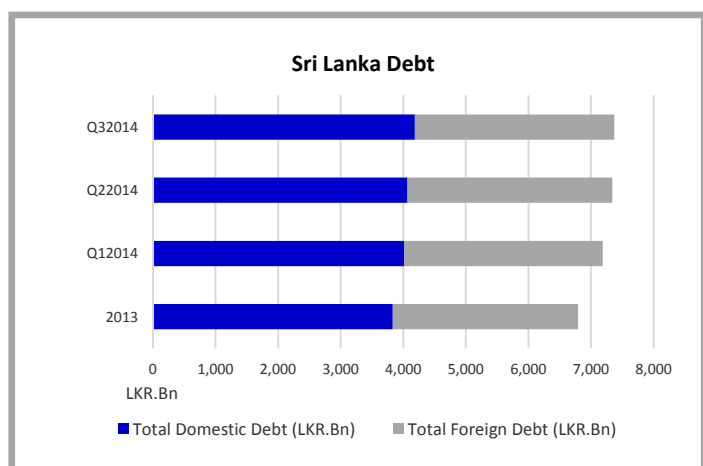
- The GDP of 2014 depicts a steady growth of 7.4% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 57.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2014 (as per the prices in 2002) were LKR. 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.

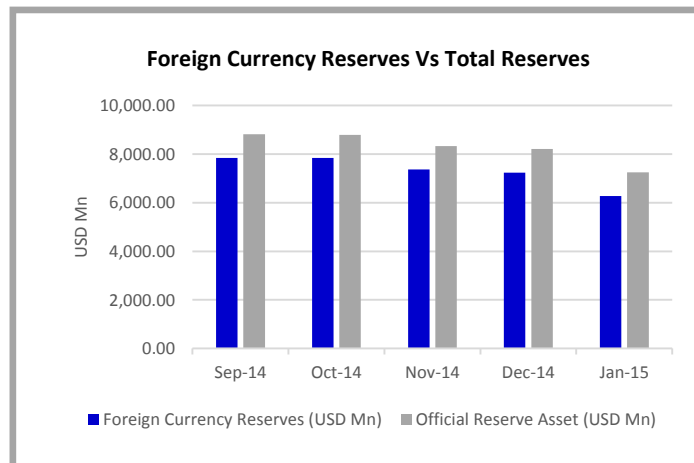
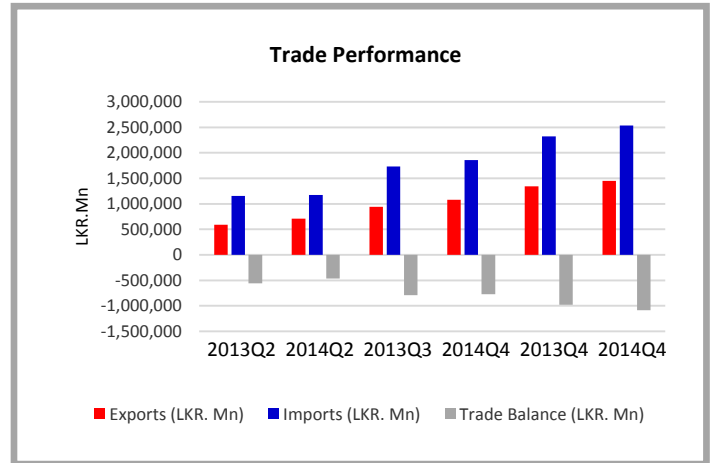
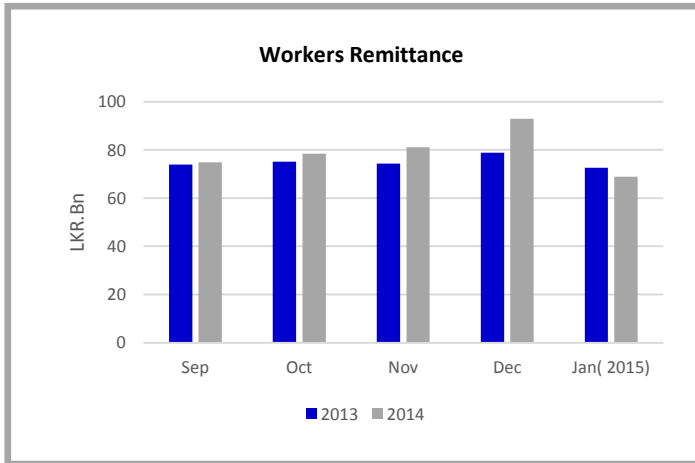


## Sri Lanka Fiscal Performance

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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4th Floor Landmark Building,  
No 385, Galle Road,  
Colombo 03

Web: [www.kenangasl.com](http://www.kenangasl.com)  
Email: [info@kenangasl.com](mailto:info@kenangasl.com)

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### CONTACT US

4th Floor, Landmark Building,  
No. 385, Galle Road, Colombo 03.  
Tel: 0094 115 238 441  
Fax: 0094 115 238 442  
E-mail: [info@kenangasl.com](mailto:info@kenangasl.com)  
Web Link : [www.Kenangasl.com](http://www.Kenangasl.com)