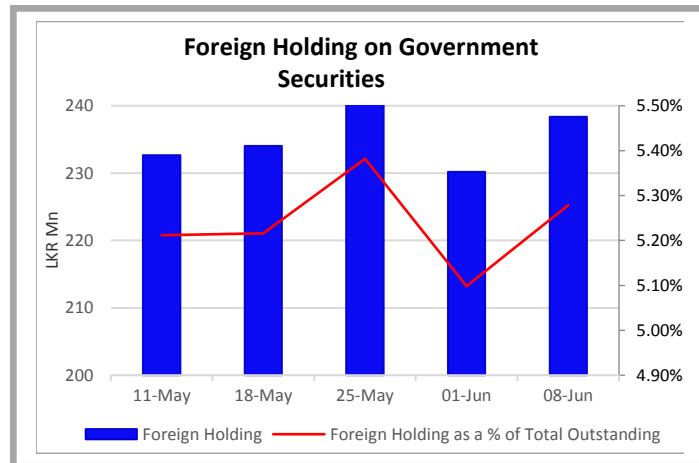
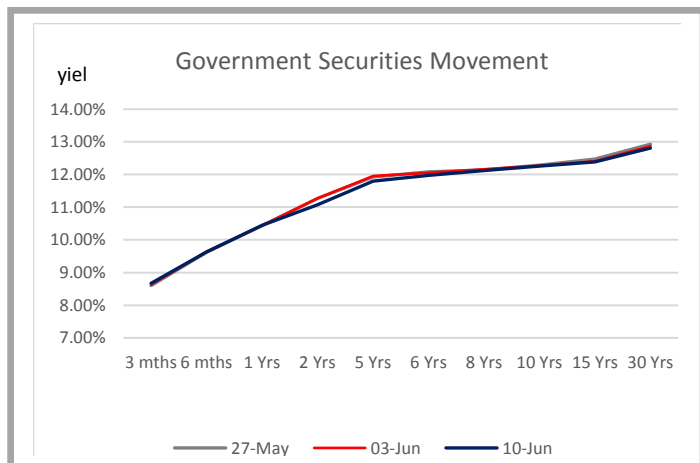
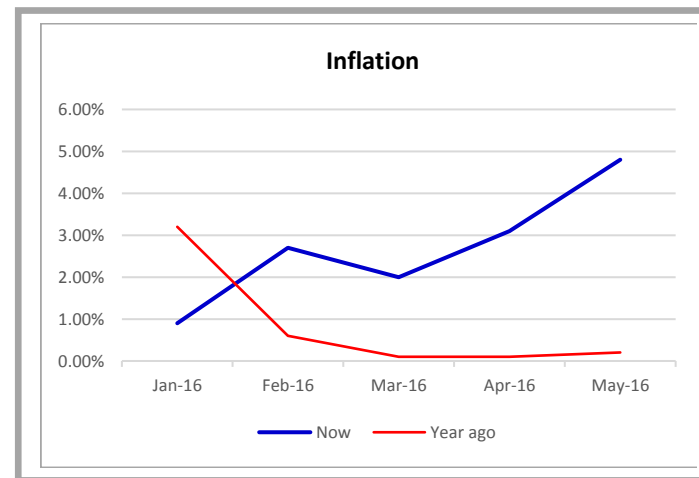
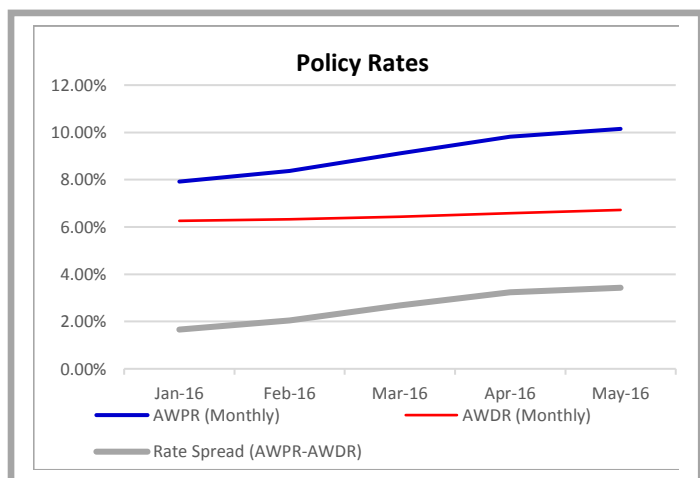


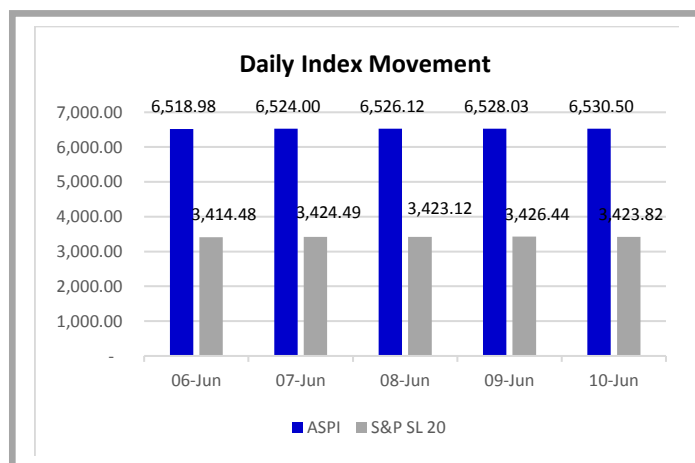
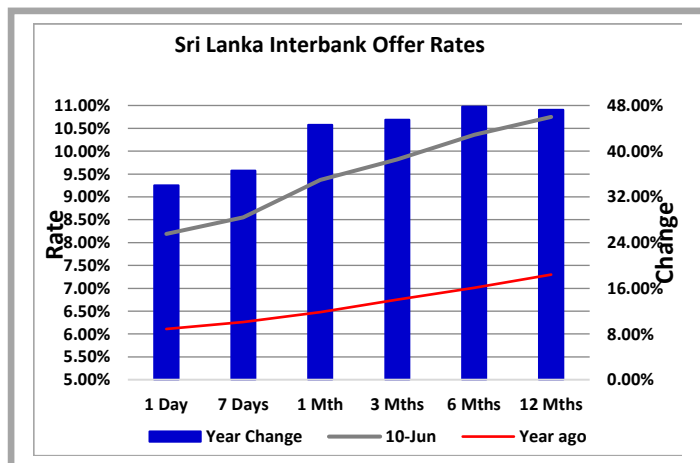
Economic Indicators: LKR/USD 145.24 (1.19% WoW) AWPR: 10.47% (2.35% WoW) AWDR: 6.72% (2.13% MoM) ASPI: 6,531 (0.17% WoW) S&P SL20: 3,424 (0.22% WoW)



Market	Period	10-Jun	03-Jun	Change %
Secondary Market	3 months	8.67%	8.63%	0.46%
	6 months	9.63%	9.64%	-0.10%
	1 Year	10.45%	10.44%	0.10%
	2 Years	11.07%	11.27%	-1.77%
	5 Years	11.80%	11.96%	-1.34%
	6 Years	11.97%	12.05%	-0.66%
	8 Years	12.12%	12.16%	-0.33%
	10 Years	12.26%	12.27%	-0.08%
	15 Years	12.39%	12.41%	-0.16%
30 Years	12.81%	12.87%	-0.47%	

- Average Weighted Prime Lending Rate (AWPR): 10.47%. It has increased by 24 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 6.72% (May), 6.58% (Apr).
- Average Weighted Fixed Deposit Rate (AWFDR): 8.40% (May) and 8.18 % (Apr).
- SLIBOR Rates: 8.17% (1Day), 8.54% (7Days), 9.33% (1Month), 9.78% (3Months), 10.33% (6Months), 10.75% (1Yr).
- Inflation (Annual average change): 1.7% (May) and 1.3% (Apr).

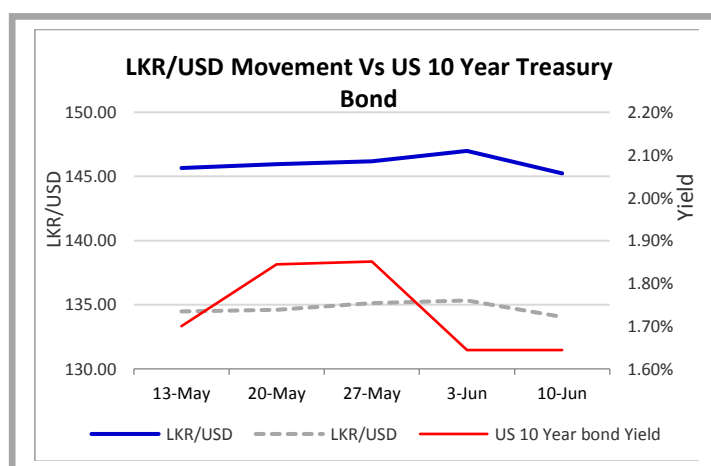




LKR Exchange Rate Movement

- LKR appreciated over the week by 1.19% against USD from LKR/USD 146.99 to 145.24.
- One month forward rate of LKR/USD is 146.95 (Last week 148.61).
- Three months forward rate of LKR/USD is 149.21 (Last week 150.05).

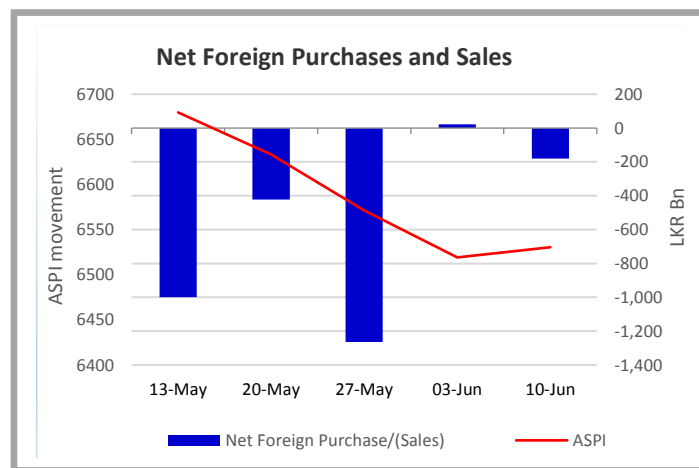
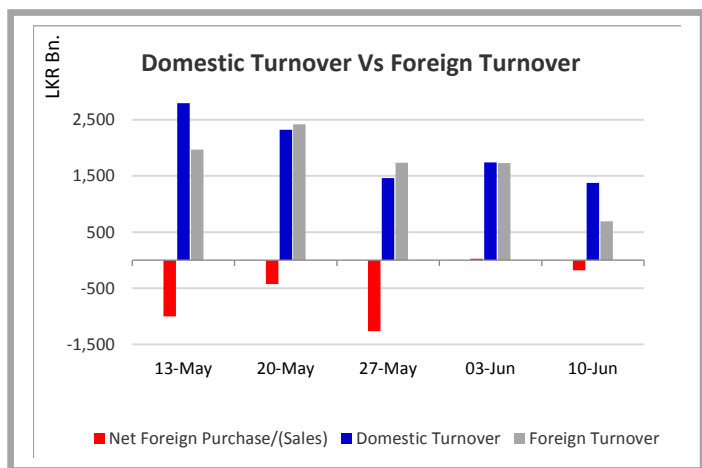
	13-May	20-May	27-May	03-June	10-June
INR 16	2.18	2.16	2.17	2.17	2.18
INR 15	2.08	2.09	2.09	2.10	2.09
RM 16	36.12	36.80	35.73	35.20	35.82
RM 15	37.05	37.02	36.82	36.43	36.65



Colombo Stock Exchange

- All Share Price Index: 6,530.50 points as at 10th June 2016.
- S&P 20: 3423.82 points as at 10th June 2016.
- ASPI increased by 11.27 points WoW which is 0.17%.
- S&P 20 increased WoW by 7.35 points, reflecting a 0.22% positive variation.
- Net Foreign Outflow: LKR. 180 Mn.
- Last week recorded a Net Foreign Inflow: LKR. 23 Mn.
- Market capitalization: LKR. 2,783 Bn which is 0.12% increase compared to last week.
- Market PE: PE recorded as 13.58 in this week and it has decreased by 3.07% from the last week.

Price Index by Sector			
Top Gainers	This week	Pre. week	Change %
TELECOMMUNICATIONS	181.01	176.06	2.81%
CHEMICALS AND PHARMACEUTICALS	7,488.49	7,297.28	2.62%
MOTORS	18,034.04	17,805.42	1.28%
OIL PALMS	78,370.99	77,484.81	1.14%
LAND AND PROPERTY	699.64	693.76	0.85%
Top Losers			
SERVICES	19,983.68	21,614.70	-7.55%
INFORMATION TECHNOLOGY	51.70	55.05	-6.09%
PLANTATIONS	677.73	697.18	-2.79%
STORES AND SUPPLIES	26,999.04	27,628.38	-2.28%
POWER AND ENERGY	161.92	163.28	-0.83%



Local News

Sri Lanka's gross official forex reserves dropped to a new low of \$5.62 billion in May 2015 from Rs6.06 billion in April, a month before the International Monetary Fund approved a new loan to the country's central bank. Economic analysts had said that, in May, the Central Bank did not print large volumes of money, reducing pressure on the balance of payments and the rupee. The Central Bank puts pressure on the rupee and generates balance of payments crisis by printing money to buy large volumes of Treasury bills, which then spooks foreign investors and exporters. Without failed Treasury bills auctions, which boosts domestic credit to unsustainable levels, it is not possible to generate sustained pressure on the rupee.

(Source: <http://economynext.com> - 10.06.2016)

Foreign News

Swift, the global interbank messaging system, said its board has earmarked "dedicated investment" for its security program this year. The cooperative has been handling the fallout from a cyber-attack in February when hackers used its messaging system to steal \$81 million from Bangladesh's central bank. The cooperative unveiled an initiative last month to shore up security, including requiring more information sharing from members and guidelines for auditing its members' security. Swift has insisted that its core messaging service is secure and that the vulnerabilities are on the machines that interface with the network. The bank-owned cooperative says those computers are its members' responsibility.

(Source: <http://www.bloomberg.com> - 10.06.2016)

Prime Minister has appointed a committee to look into the possibility of formulating a new agreement for the Colombo Port City project. Deputy Minister of Megapolis and Western Development L. Alagiyawanna told Parliament Friday that the 5-member committee comprising of secretaries is headed by the secretary to the Prime Minister. "We haven't entered into a new agreement yet; but the discussions are currently underway to enter into a new agreement," the deputy minister said. He also revealed the investors have claimed \$163 million as compensation for the loss incurred during the period the project was stalled. "They have expressed an initial consensus to withdraw it but no decision was taken yet to provide them land in lieu of the compensation."

(Source: <http://www.lankabusinessonline.com> - 10.06.2016)

European corporate bonds are a "treacherous space" for investors after the continent's central bank began purchases of the securities, said Gregory Peters, who helps manage more than \$600 billion at Prudential Financial Inc.'s fixed-income operation also a former strategist at Morgan Stanley, who correctly warned in 2007 that mortgage losses risked causing a financial crisis. "The markets haven't behaved all that well" Peters said. "There is real skepticism, and it's unclear to me what real effect it has on the overall marketplace and, more importantly, on the overall economy." European Central Bank President Mario Draghi is seeking to push down borrowing costs to stoke economic growth.

(Source: <http://www.bloomberg.com> - 09.06.2016)

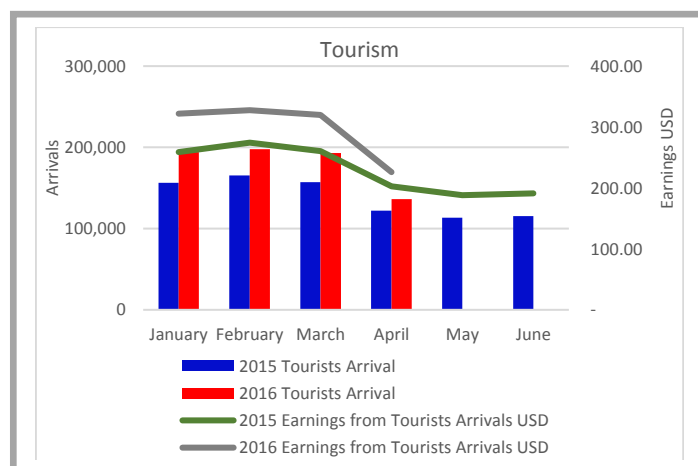
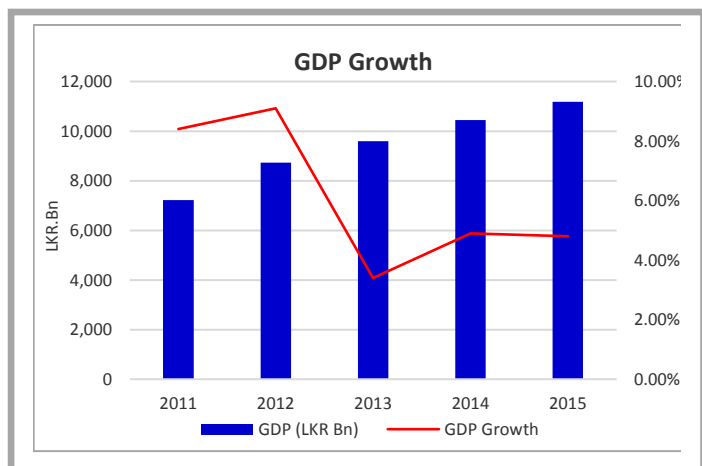
The weighted averages at yesterday's weekly Treasury bill auction continued to increase for a fourth consecutive week but at a slower pace, with only an total amount of Rs. 13.3 billion being accepted against a total offered amount of Rs.30 billion. Activity in the secondary bond market continued to remain subdued yesterday ahead of today's four Treasury bond auctions. Meanwhile in money markets, the overnight call money and repo rates averaged 8.17% and 8.03% respectively as the Open Market Operations (OMO) Department of Central Bank injected an amount for Rs.10 billion for a fifth consecutive day at a weighted average rate of 8.00%.

(Source: <http://www.ft.lk> - 09.06.2016)

Deflationary pressures in China's industries eased further in May, while consumer price gains continued to be subdued enough to offer the central bank scope for more easing if needed. Amid a drive by the Communist Party leadership to cut excess capacity, producer prices fell 2.8%, the least since late 2014 and less than the 3.2% decline economists had estimated in a Bloomberg survey. The consumer price index rose 2% from a year earlier, less than the median forecast of 2.2%. Easing factory-gate deflation is the latest signal of stabilization after more than four years of falling producer prices. Tepid consumer price gains may allow the People's Bank of China, which has kept interest rates at a record low since October, room to add further stimulus in the short term to help prop up growth. (Source: <http://www.bloomberg.com> - 09.06.2016)

GDP and Economy

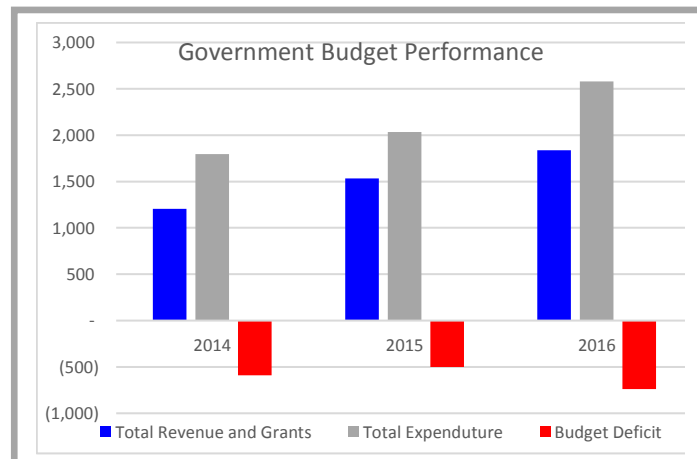
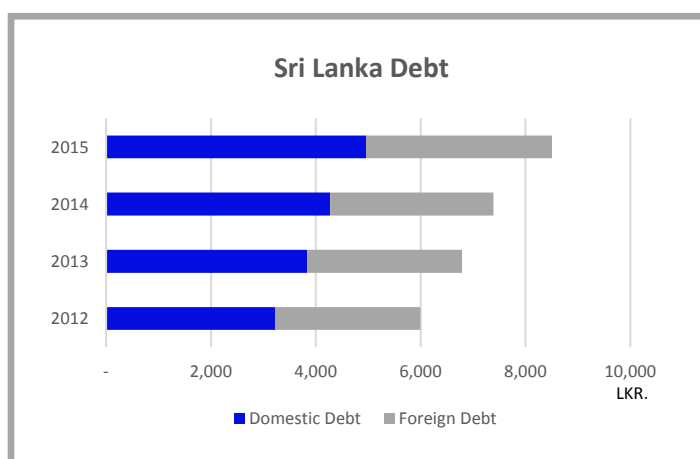
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR. 676,899Mn, LKR.2,259,223Mn and LKR. 4,881,273Mn respectively.
- Unemployment rate was 4.6% in 2015 compared to 4.3% in the previous year.

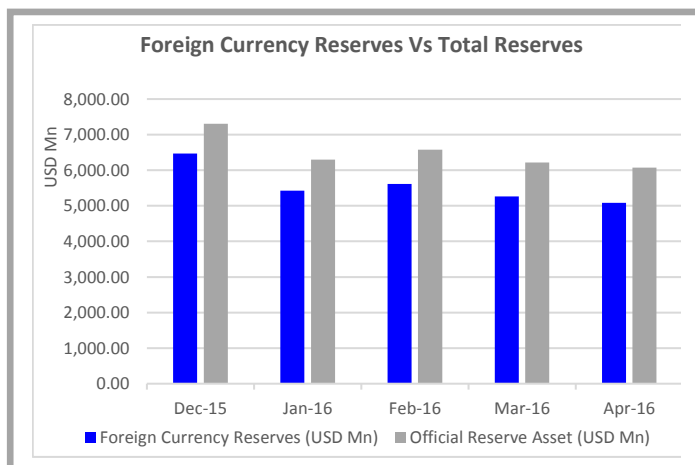
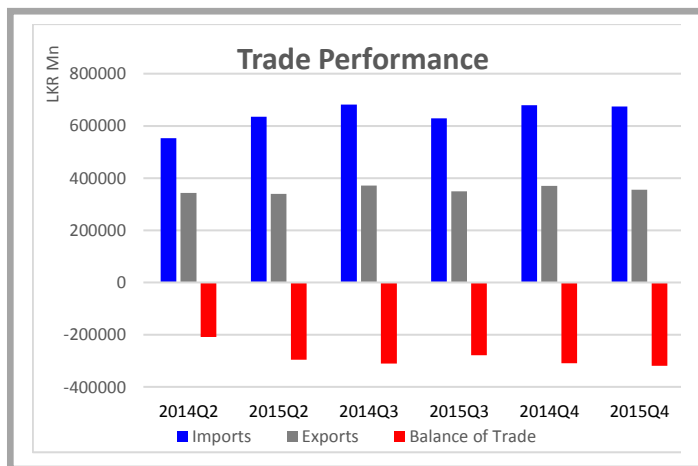
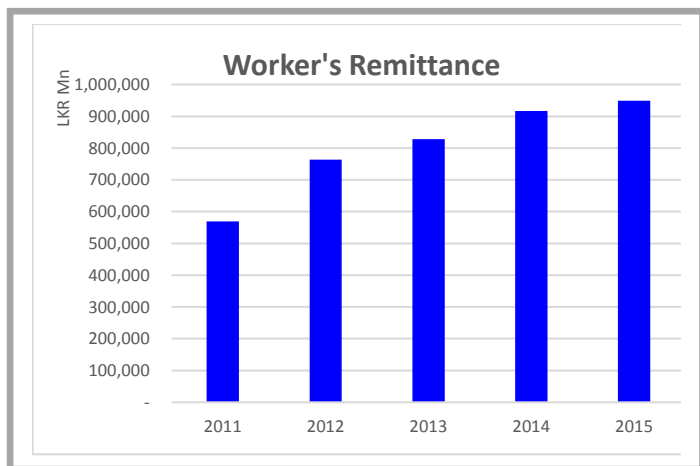


Sri Lanka Fiscal Performance

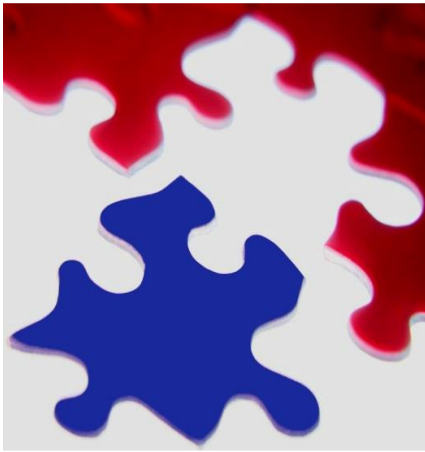
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments to GDP increased to 4.6 percent in 2015 from 4.2 percent in 2014. Although interest payments on domestic sources to GDP increased to 3.5 percent in 2015 from 3.1 percent in 2014, foreign interest payments to GDP declined marginally to 1.0 percent in 2015 from 1.1 percent in 2014.

	2011	2012	2013	2014	2015
Government Debt/GDP (%)	78.5	79.2	78.3	70.7	76
Domestic Debt/ GDP (%)	42.9	42.7	44.2	40.9	44.3
Foreign Debt % of GDP	35.6	36.5	34.1	29.8	31.7
Budget Deficit/GDP (%)	-6.9	-6.5	-5.9	-5.2	-7.4



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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- Fixed Income Securities
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- Balance Sheet Restructuring
- Corporate Restructuring

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