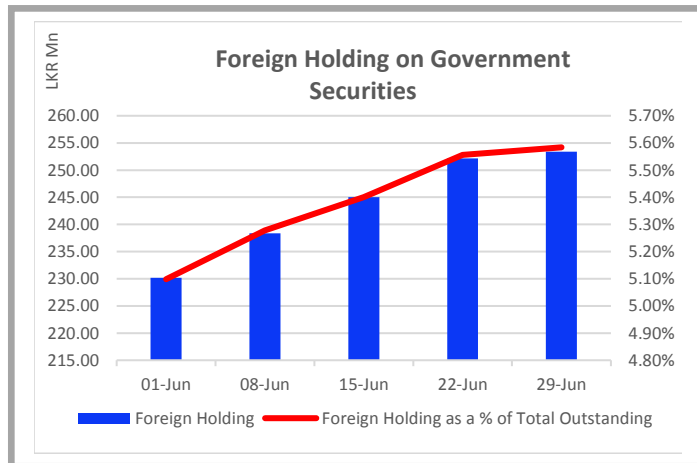
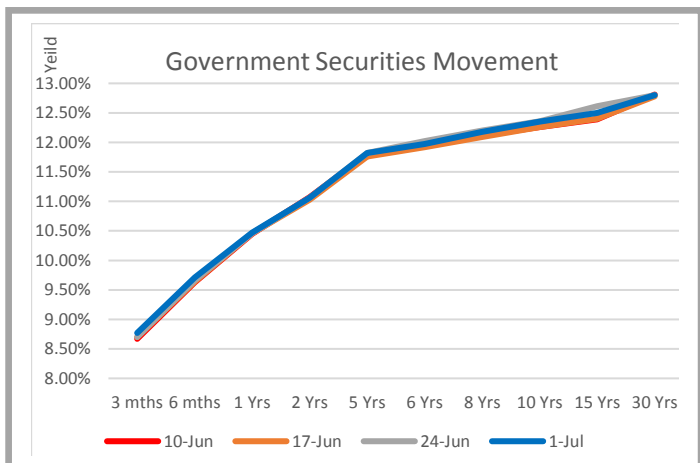
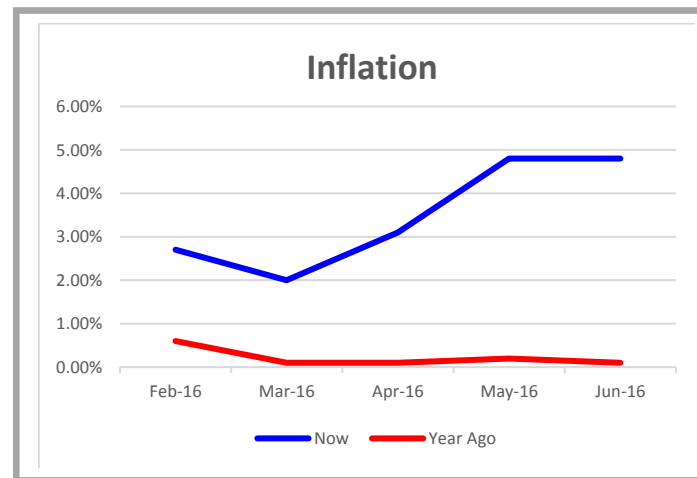
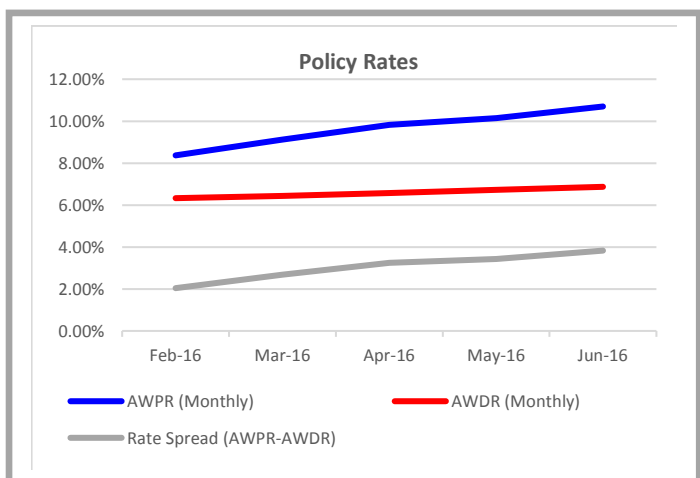


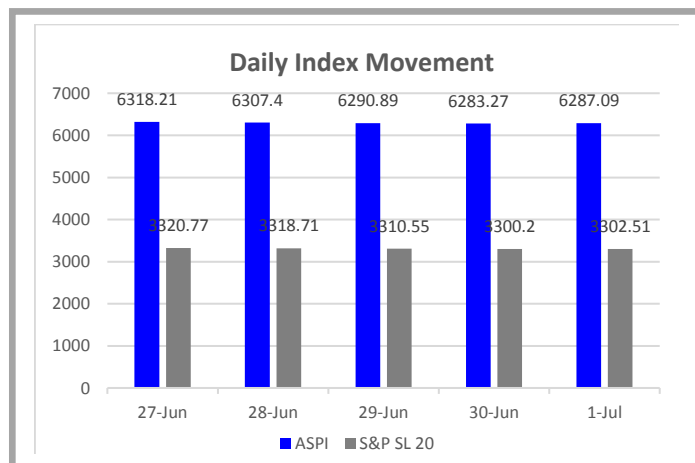
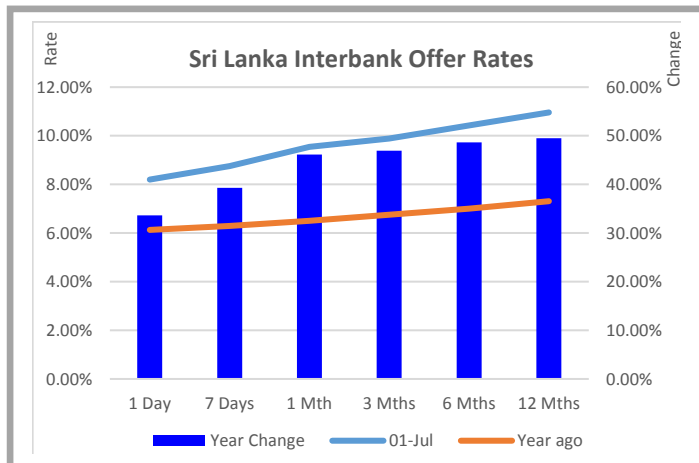
Economic Indicators: LKR/USD 146.05 (0.59% WoW) AWPR: 10.70% (4.59% WoW) AWDR: 6.87% (2.23% MoM) ASPI: 6,287 (1.30% WoW) S&amp;P SL20: 3,303 (1.17% WoW)



| Market           | Period   | 01-Jul | 24-Jun | Change % |
|------------------|----------|--------|--------|----------|
| Secondary Market | 3 months | 8.77%  | 8.70%  | 0.80%    |
|                  | 6 months | 9.71%  | 9.66%  | 0.52%    |
|                  | 1 Year   | 10.47% | 10.46% | 0.10%    |
|                  | 2 Years  | 11.06% | 11.06% | 0.00%    |
|                  | 5 Years  | 11.82% | 11.82% | 0.00%    |
|                  | 6 Years  | 11.97% | 12.02% | -0.42%   |
|                  | 8 Years  | 12.18% | 12.20% | -0.16%   |
|                  | 10 Years | 12.35% | 12.36% | -0.08%   |
|                  | 15 Years | 12.50% | 12.61% | -0.87%   |
| 30 Years         | 12.80%   | 12.80% | 0.00%  |          |

- Average Weighted Prime Lending Rate (AWPR): 10.70%. It has increased by 47 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 6.87% (June), 6.72% (May).
- Average Weighted Fixed Deposit Rate (AWFDR): 8.64% (June) and 8.4% (May).
- SLIBOR Rates: 8.20% (1Day), 8.75% (7Days), 9.54% (1Month), 9.89% (3Months), 10.43% (6Months), 10.96% (1Yr).
- Inflation (Annual average change): 2.2% (June) and 1.7% (May).

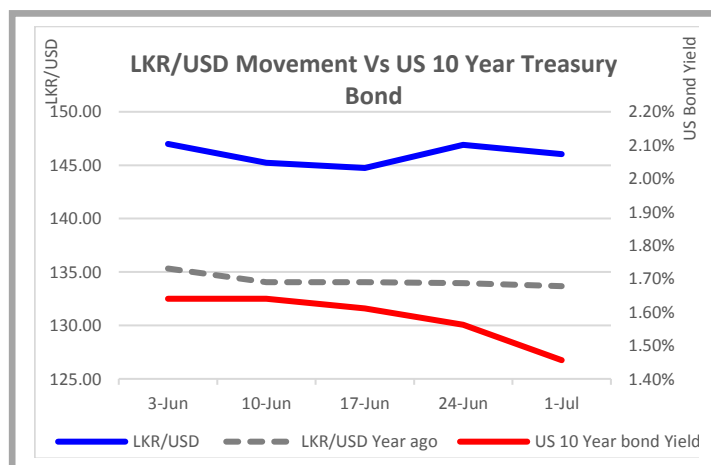




### LKR Exchange Rate Movement

- LKR appreciated over the week by 0.59% against USD from LKR/USD 146.91 to 146.05.
- One month forward rate of LKR/USD is 146.91 (Last week 145.87).
- Three months forward rate of LKR/USD is 147.50 (Last week 147.45).

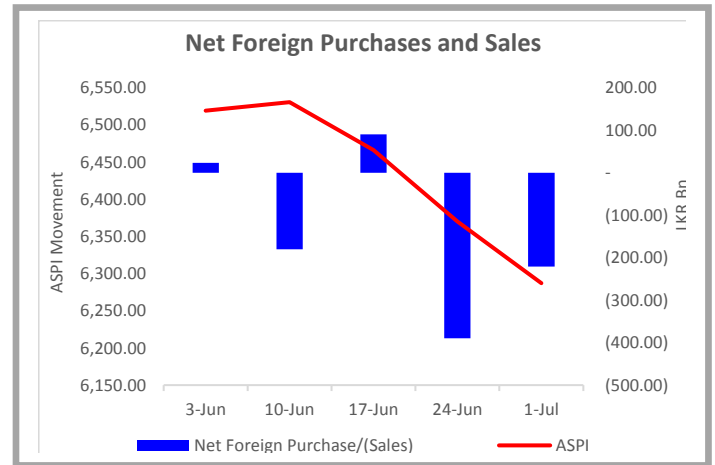
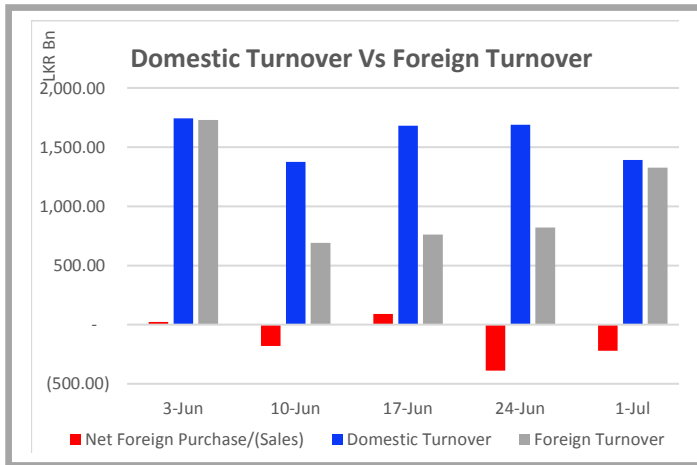
|        | 03-June | 10-June | 17-June | 24-June | 01-July |
|--------|---------|---------|---------|---------|---------|
| INR 16 | 2.17    | 2.18    | 2.15    | 2.16    | 2.15    |
| INR 15 | 2.10    | 2.09    | 2.09    | 2.10    | 2.10    |
| RM 16  | 35.20   | 35.82   | 35.30   | 35.74   | 36.41   |
| RM 15  | 36.43   | 36.65   | 35.81   | 35.65   | 35.46   |



### Colombo Stock Exchange

- All Share Price Index: 6,287.09 points as at 01<sup>st</sup> July 2016.
- S&P 20: 3302.51 points as at 01<sup>st</sup> July 2016.
- ASPI decreased by 83.02 points WoW which is 1.30%.
- S&P 20 decreased WoW by 39.14 points, reflecting a 1.17% negative variation.
- Net Foreign Outflow: LKR. 221 Mn.
- Last week recorded a Net Foreign Inflow: LKR. 390 Mn.
- Market capitalization: LKR. 2,679 Bn which is 1.30% decrease compared to last week.
- Market PE: PE recorded as 12.99 in this week and it has decreased by 1.07% from the last week.

| Price Index by Sector        |           |           |          |
|------------------------------|-----------|-----------|----------|
| Top Gainers                  | This week | Pre. week | Change % |
| LAND AND PROPERTY            | 668.51    | 658.82    | 1.47%    |
| STORES AND SUPPLIES          | 26,784.51 | 26,746.15 | 0.14%    |
| CONSTRUCTION AND ENGINEERING | 2,405.89  | 2,404.03  | 0.08%    |
| <b>Top Losers</b>            |           |           |          |
| OIL PALMS                    | 73,336.29 | 78,361.25 | -6.41%   |
| PLANTATIONS                  | 659.29    | 672.00    | -1.89%   |
| TRADING                      | 14,697.77 | 14,959.53 | -1.75%   |
| DIVERSIFIED HOLDINGS         | 1,565.23  | 1,591.99  | -1.68%   |
| MANUFACTURING                | 4,042.75  | 4,106.84  | -1.56%   |



### Local News

Sri Lanka's external debt service requirements are expected to be relatively larger in July and September of this year as per the estimates for the remaining period, the Finance Ministry said. Releasing the mid-year fiscal position report, the ministry said the total estimated debt service payment for 2016 is 1638.7 million US dollars, of which 33.5 percent has already been made by 30th April 2016. The Finance Ministry said this figure also includes the Debt Service Payments of International Bond Issuances. By the end of April 2016, the total outstanding external debt of the Government was 23.1 billion US dollars. This includes outstanding external debt for loans obtained to finance development projects and International Bond Issuances.

(Source: <http://www.lankabusinessonline.com> - 01.07.2016)

Asian stocks rose on Friday as risk appetite continued to recover from last week's Brexit shock, but the pound came under renewed pressure after the Bank of England's governor hinted at an interest rate cut ahead. "Share markets rebounded over the past week as worries about Brexit leading to global financial and economic chaos faded somewhat," Shane Oliver, head of investment strategy at AMP Capital in Sydney, wrote in a note. "The week ahead will no doubt see bouts of Brexit-related nervousness but it may continue to settle down in the absence of any new developments in Europe." A number of Asian central banks, including those in Japan and China, are also expected to ease policy further later this year, while a number of Asian governments have ramped up fiscal stimulus.

(Source: <http://www.lankabusinessonline.com> - 01.07.2016)

The World Bank has approved a \$ 125 million credit from the International Development Association (IDA) to assist Sri Lanka in modernising its agriculture sector to become more efficient and attractive as a modern business, more responsive to consumer demand, and more environmentally sustainable and resilient to climate change. The project will be implemented through the Ministry of Primary Industries, the Ministry of Agriculture, and five participating provinces, the World Bank said in a release. According to the global lender, Sri Lanka's agricultural sector is at a strategic cross-road. A major milestone has been the achievement of rice self-sufficiency – a long sought-after goal of successive agriculture strategies since independence.

(Source: <http://www.ft.lk> - 01.07.2016)

### Foreign News

Deutsche Bank's links to the world's largest lenders make it a bigger potential risk to the wider financial system than any other global bank, the International Monetary Fund (IMF) said. The IMF compared possible threats to financial stability stemming from globally systemically important banks, known as "G-SIBs", in a review of Germany's banking and insurance sector. "Among the G-SIBs, Deutsche Bank appears to be the most important net contributor to systemic risks, followed by HSBC and Credit Suisse," the fund said. "The relative importance of Deutsche Bank underscores the importance of risk management, intense supervision of G-SIBs and the close monitoring of their cross-border exposures," the IMF said.

(Source: <http://www.reuters.com> - 30.06.2016)

The U.K.'s surprise vote to leave the European Union isn't seen having fallout as severe as the 2008 financial crisis, but you wouldn't know it from the rush to safety in the global market for sovereign debt. Even with global yields at or near record lows, the bond-market rally can continue because growth and inflation show few signs of increasing, according to Jeffrey Rosenberg, New York-based chief investment strategist for fixed income at BlackRock Inc. "The bigger-picture story here is the profound lack of growth in the global economy," Rosenberg said. "Yes, unconventional monetary policy, yes, negative interest rates, all of those things pull those yields lower. But ultimately, where yields are going to go over the long run is a function of our growth outlook."

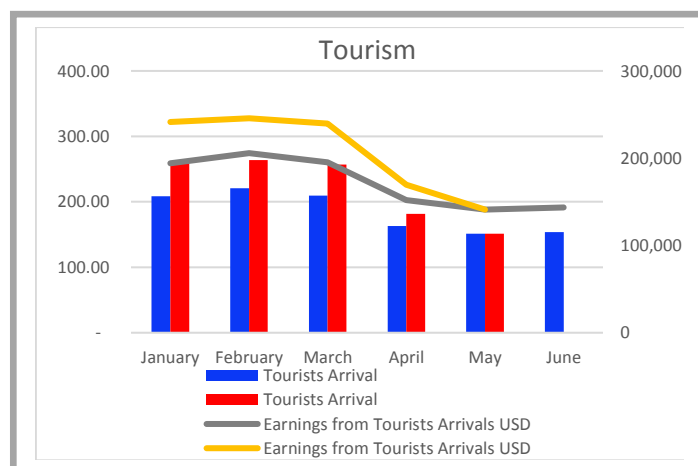
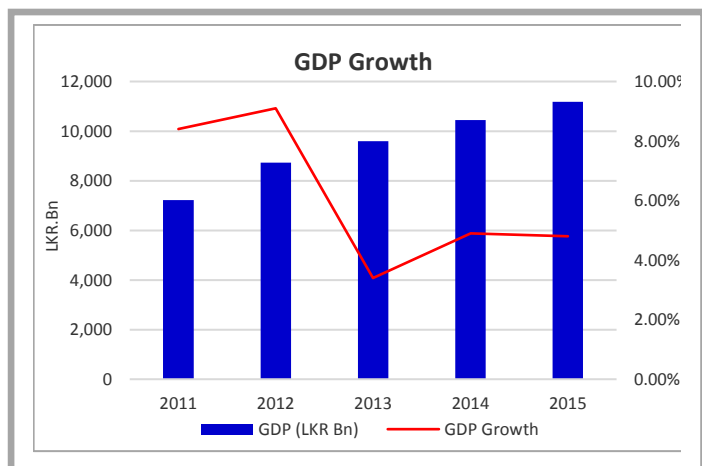
(Source: <http://www.bloomberg.com> - 30.06.2016)

China's central bank would tolerate a fall in the yuan to as low as 6.8 per dollar in 2016 to support the economy, which would mean the currency matching last year's record decline of 4.5 percent, policy sources said. The yuan is already trading at its lowest level in more than five years, so the central bank would ensure any decline is gradual for fear of triggering capital outflows and criticism from trading partners such as the United States, said government economists and advisers involved in regular policy discussions. Earlier this month, U.S. Treasury Secretary Jack Lew said it would be "problematic" if the yuan only went down over time and Trump has said he would take a hard line on trade disputes with China if elected.

(Source: <http://www.reuters.com> - 30.06.2016)

## GDP and Economy

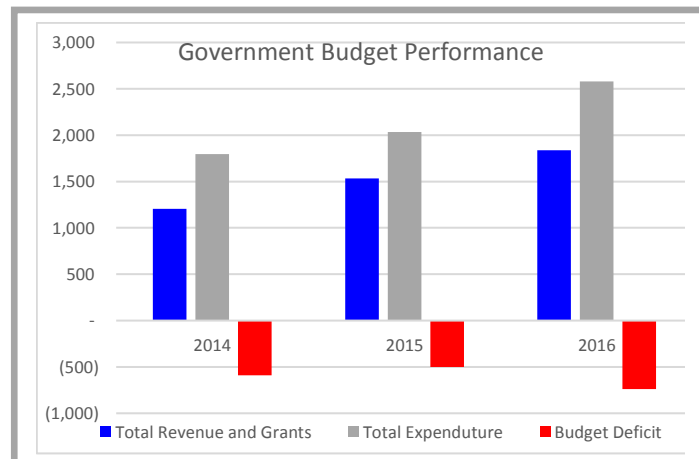
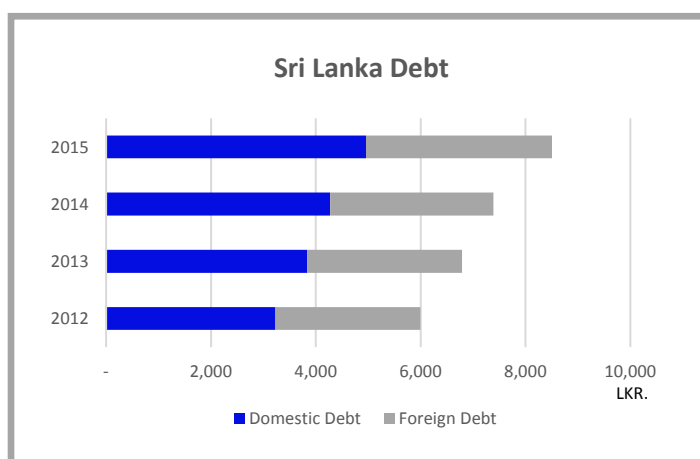
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR. 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.

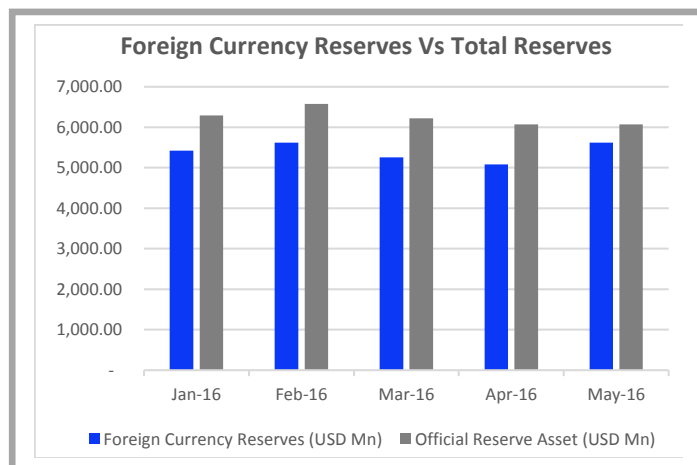
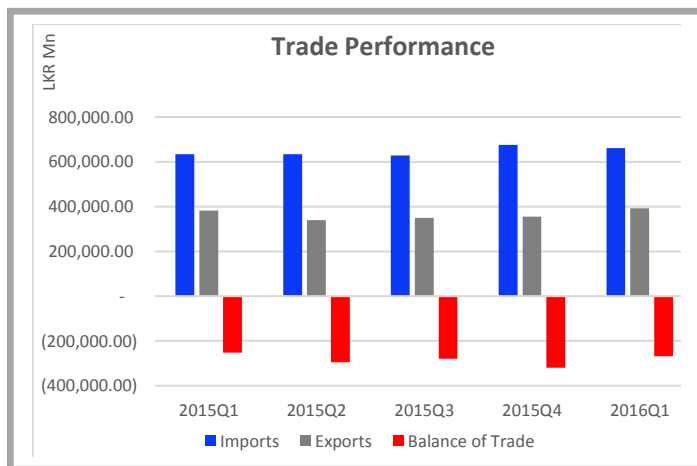
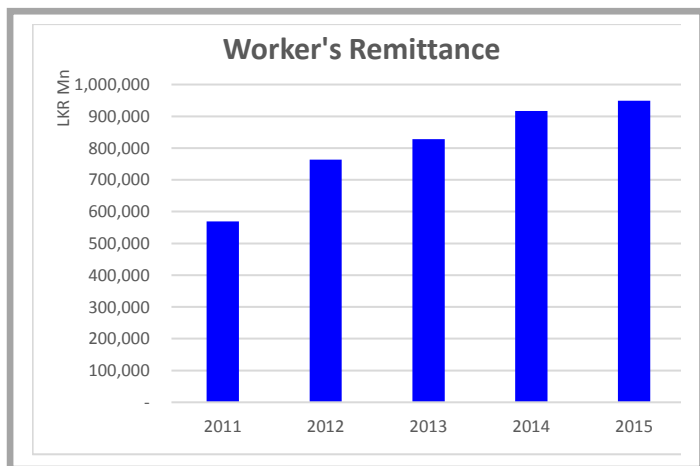


## Sri Lanka Fiscal Performance

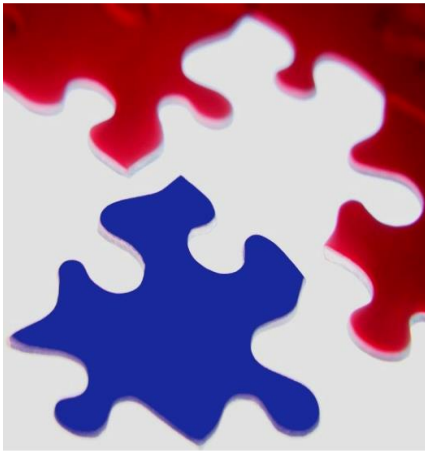
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments 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 |
|--------------------------------|------|------|------|------|------|
| <b>Government Debt/GDP (%)</b> | 78.5 | 79.2 | 78.3 | 70.7 | 76   |
| <b>Domestic Debt/ GDP (%)</b>  | 42.9 | 42.7 | 44.2 | 40.9 | 44.3 |
| <b>Foreign Debt % of GDP</b>   | 35.6 | 36.5 | 34.1 | 29.8 | 31.7 |
| <b>Budget Deficit/GDP (%)</b>  | -6.9 | -6.5 | -5.9 | -5.2 | -7.4 |



**Sri Lanka External Sector**


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