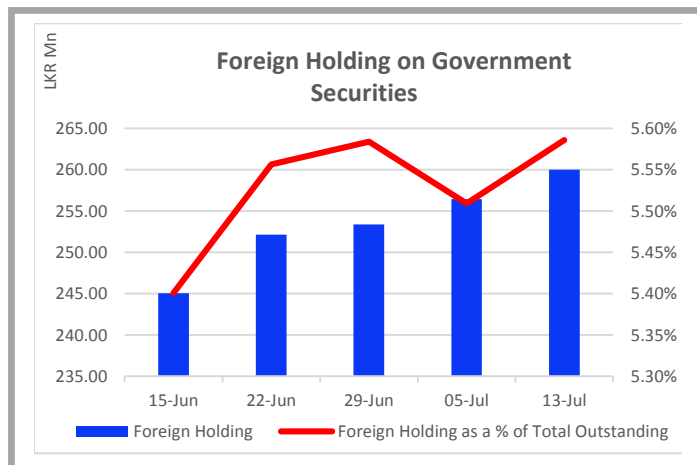
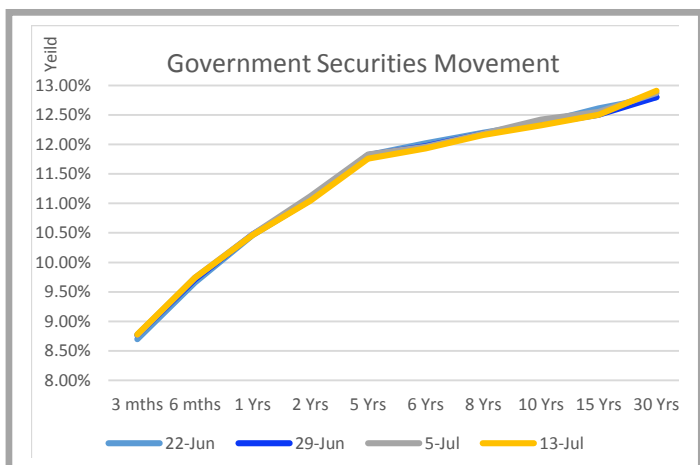
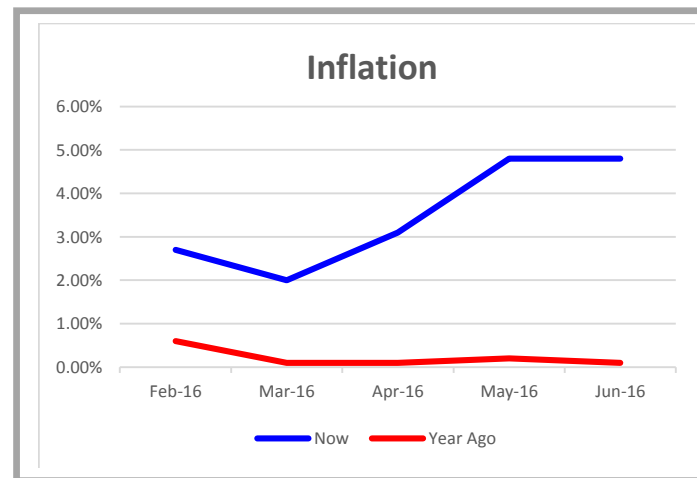
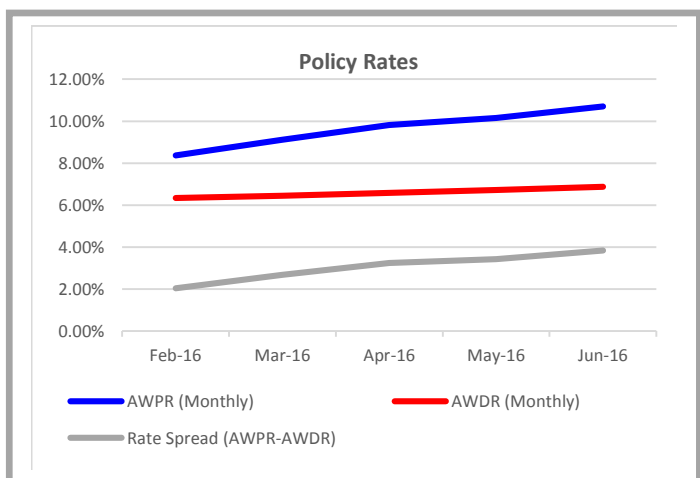


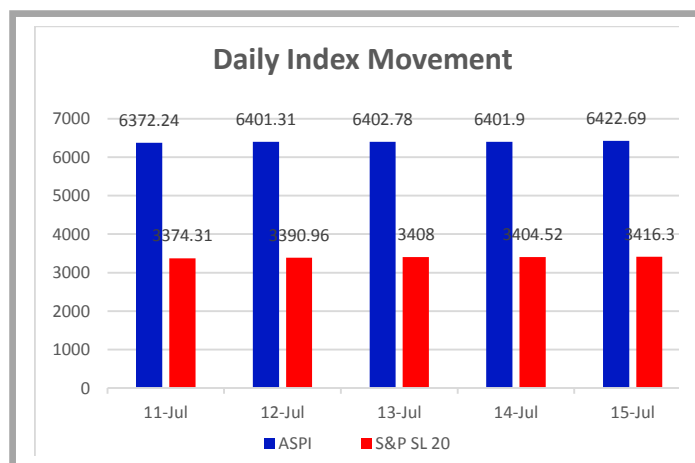
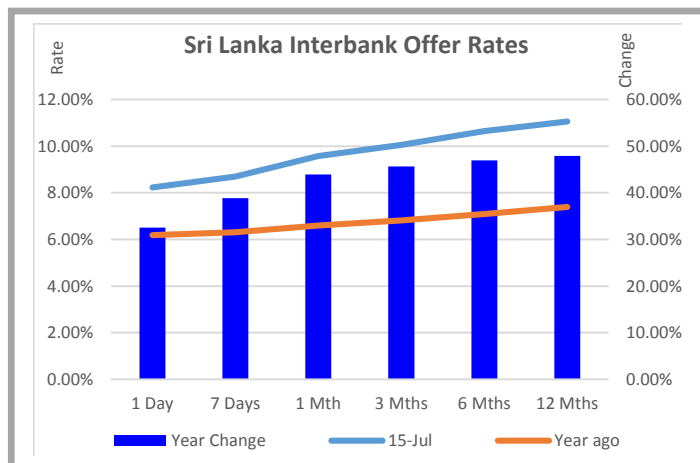
Economic Indicators: LKR/USD 145.91 (0.16% WoW) AWPR: 10.89% (2.35% WoW) AWDR: 6.87% (2.23% MoM) ASPI: 6,423 (0.89% WoW) S&P SL20: 3,416 (1.57% WoW)



Market	Period	13-Jul	05-Jul	Change %
Secondary Market	3 months	8.78%	8.77%	0.11%
	6 months	9.74%	9.74%	0.00%
	1 Year	10.46%	10.47%	-0.10%
	2 Years	11.04%	11.12%	-0.72%
	5 Years	11.76%	11.83%	-0.59%
	6 Years	11.93%	11.96%	-0.25%
	8 Years	12.16%	12.18%	-0.16%
	10 Years	12.32%	12.42%	-0.81%
	15 Years	12.50%	12.55%	-0.40%
30 Years	12.91%	12.87%	0.31%	

- Average Weighted Prime Lending Rate (AWPR): 10.89%. It has declined by 25 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: 8.23% (1Day), 8.70% (7Days), 9.58% (1Month), 10.06% (3Months), 10.64% (6Months), 11.06% (1Yr).
- Inflation (Annual average change): 2.2% (June) and 1.7% (May).

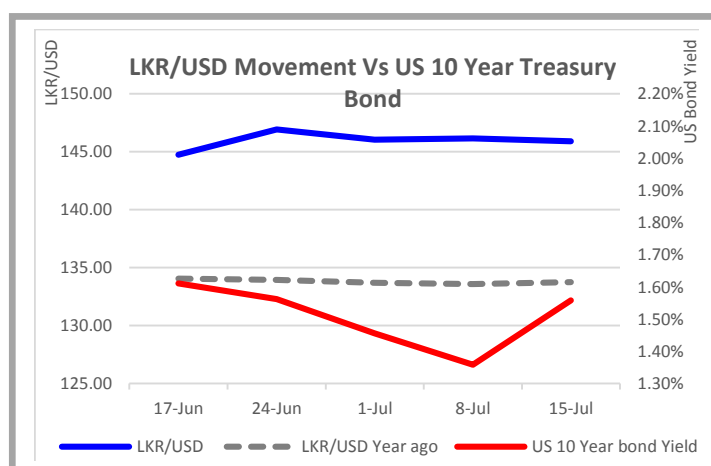




LKR Exchange Rate Movement

- LKR appreciated over the week by 0.16% against USD from LKR/USD 146.14 to 145.91.
- One month forward rate of LKR/USD is 146.52 (Last week 147.24).
- Three months forward rate of LKR/USD is 147.8 (Last week 147.64).

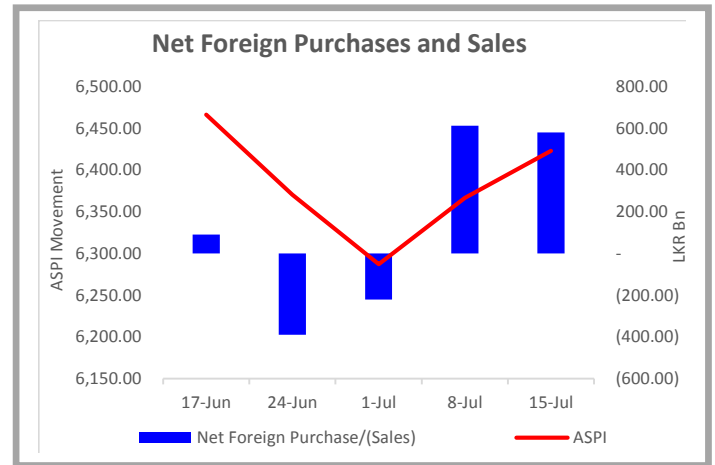
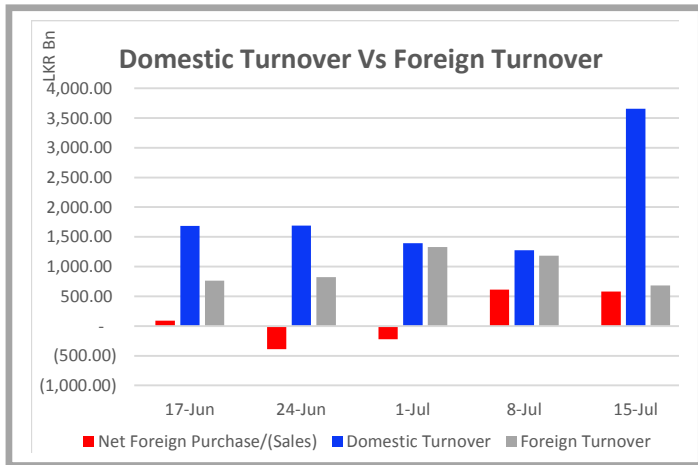
	17-June	24-June	01-July	08-July	15-July
INR 16	2.15	2.16	2.15	2.15	2.17
INR 15	2.09	2.10	2.10	2.10	2.11
RM 16	35.30	35.74	36.41	35.94	36.77
RM 15	35.81	35.65	35.46	35.10	35.18



Colombo Stock Exchange

- All Share Price Index: 6,422.69 points as at 15th July 2016.
- S&P 20: 3,416.00 points as at 15th July 2016.
- ASPI increased by 56.38 points WoW which is 0.89%.
- S&P 20 increased WoW by 52.73 points, reflecting a 1.57% positive variation.
- Net Foreign Inflow: LKR. 580 Mn.
- Last week recorded a Net Foreign Outflow: LKR. 612 Mn.
- Market capitalization: LKR. 2,737.05 Bn which is 0.89% increase compared to last week.
- Market PE: PE recorded as 13.34 in this week and it has increased by 1.68% from the last week.

Price Index by Sector			
	This week	Pre. week	Change %
Top Gainers			
TRADING	15,480.69	14,853.45	4.22%
CONSTRUCTION AND ENGINEERING	2,534.83	2,433.57	4.16%
MANUFACTURING	4,258.94	4,101.47	3.84%
LAND AND PROPERTY	683.99	665.14	2.83%
TELECOMMUNICATIONS	176.67	172.12	2.64%
Top Losers			
BEVERAGE FOOD AND TOBACCO	22,073.10	22,486.39	-1.84%
INFORMATION TECHNOLOGY	46.13	46.69	-1.20%
SERVICES	19,833.04	19,931.41	-0.49%
MOTORS	16,661.31	16,682.19	-0.13%
POWER AND ENERGY	159.66	159.66	0.00%



Local News

The Sri Lankan rupee ended slightly weaker on Friday due to late importer dollar demand, even as dealers expect the rupee to rise following \$1.5 billion in inflows from a sovereign bond issue. Sri Lanka raised \$1.5 billion in its first sale of dual-tranche eurobonds on Monday, although at a lower borrowing cost than initially expected, as yield-hungry global investors put in over \$5.5 billion in offers. Earlier this week, Finance Minister Ravi Karunanayake said the rupee would “obviously appreciate” on inflows from the sovereign bond issue. Sri Lankan rupee one-week forwards, which have been acting as a proxy for the spot rupee, ended at 146.25/35 per dollar, weaker from Thursday’s close of 146.15/30.

(Source: <http://www.ft.lk> - 16.07.2016)

Sri Lankan tea prices rose at the week’s Colombo auction with some prices up by 20-30 rupees, Forbes & Walker Tea Brokers said in their latest report. “Overall quality of teas, both from the Western and Eastern planting districts showed an improvement and consequently recorded a price appreciation of Rs. 20/- per kg and more as the sale progressed,” the report said. “Western BOP’s where quality was improved gained Rs. 20-30/- per kg and more whilst the others were firm and dearer to a lesser extent. This appreciation in prices is indeed encouraging although in no way would offset the increased cost following the sharp decline in volumes particularly in respect of estates in the High and Medium Grown elevations manufacturing small leaf teas.

(Source: <http://www.lankabusinessonline.com> - 14.07.2016)

Downplaying the Brexit impact on Sri Lanka a top official said about 40% of exports to Europe will remain intact as the Government has at least two more years to negotiate a Free Trade Agreement (FTA) with Britain. Foreign Affairs Minister Dr. Harsha de Silva expressed confidence in the strong relations enjoyed between Sri Lanka and Britain and emphasised breathing space for the Government to ride on GSP+ while negotiating a potential FTA with Britain once Article 50 is implemented. “The appointment of Liam Fox as the UK Secretary for International Trade will be quite favourable to Sri Lanka. He has been a friend and was closely associated with political relations between UK and Sri Lanka in the past,” Dr. De Silva said, addressing the Brexit Forum organised by the Shippers’ Academy Colombo, as the keynote speaker. (Source: <http://www.ft.lk> - 16.07.2016)

Foreign News

European Central Bank President Mario Draghi is likely to plead for governments to do more to boost the euro zone's economy in the coming week as the fallout of Britain's vote to leave the EU and weaker global growth threaten the bloc's fragile recovery. Governments in China, Japan and Britain have already started easing their fiscal stance or hinted at plans to do so as sub-par global growth and inflation show that central banks' ultra-easy monetary policy has run up against its limit. The ECB is not expected to change its monetary stance on Thursday, its last meeting before an eight-week summer break. But a reiteration of Draghi's long-standing call on governments to spend more where possible and speed up growth-boosting reforms is once again likely to fall on deaf ears.

(Source: <http://www.reuters.com> - 17.07.2016)

Germany's 10-year government bond yield turned negative for the first time at an auction, fetching the lowest average yield on record for such paper at -0.05%. Ten-year yields in Germany - the euro zone's benchmark issuer - have been trading below zero percent in the secondary market for the past three weeks and hit a record low last week at around -0.20%. "This auction is a symptom of what we're seeing globally," said Orlando Green, European fixed income strategist at Credit Agricole. "We are in a positive market environment for bonds right now and investors remain relatively long German Bunds." A collapse in developed market borrowing costs has swept more than \$11 trillion worth of bonds globally into negative territory.

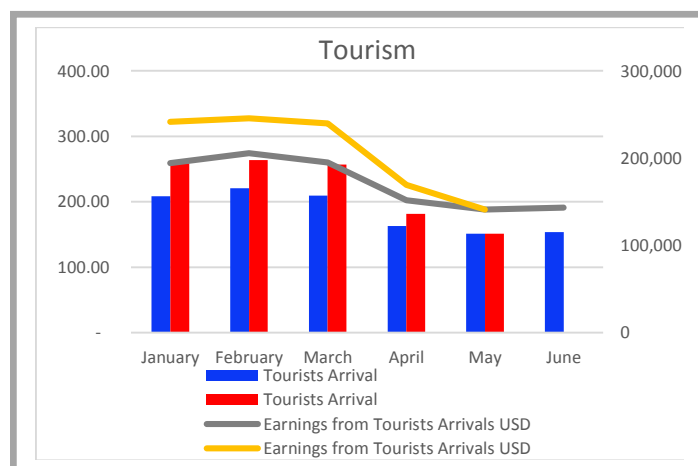
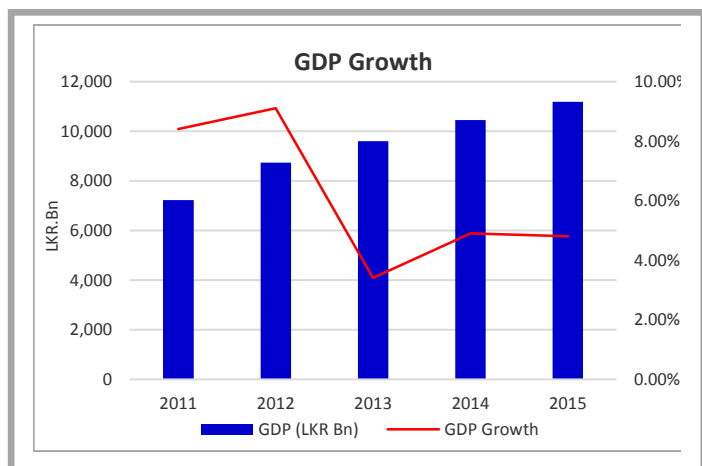
(Source: <http://www.reuters.com> - 13.07.2016)

Britain's vote in a referendum to leave the European Union has caused uncertainty and increased risks to the U.S. economy but thus far it looks likely to have a pretty "negligible" impact on U.S. growth, the International Monetary Fund said on Tuesday. The IMF said in its formal annual review of the U.S. economy and policies that the June 23 "Brexit" vote has prompted a rise in the dollar that has been less than feared, up about 1 percent in nominal effective terms, while stock markets have recovered losses incurred right after the vote. Meanwhile, a safe-haven rush into U.S. Treasuries has lowered yields, and home and business financing costs, considerably.

(Source: <http://www.reuters.com> - 12.07.2016)

GDP and Economy

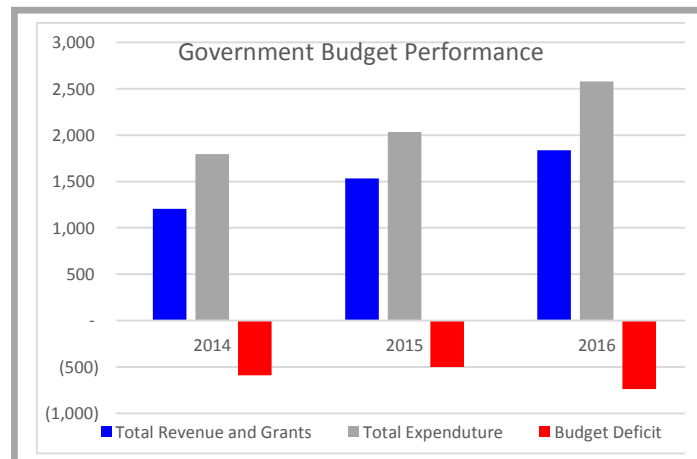
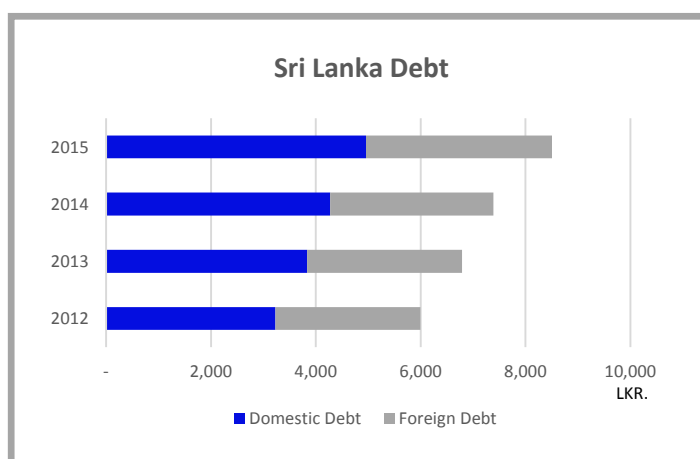
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR.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

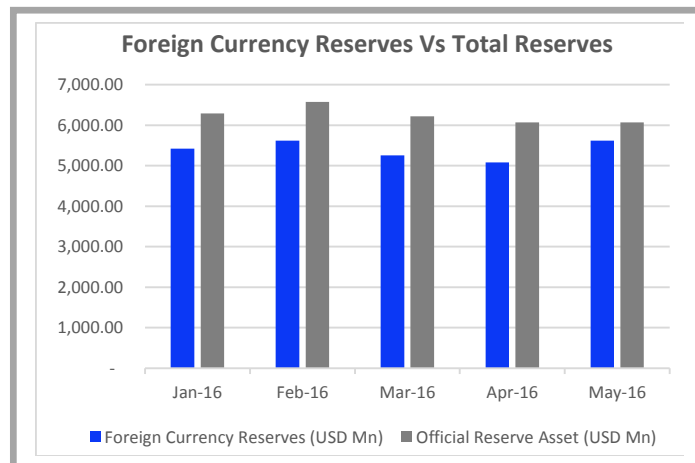
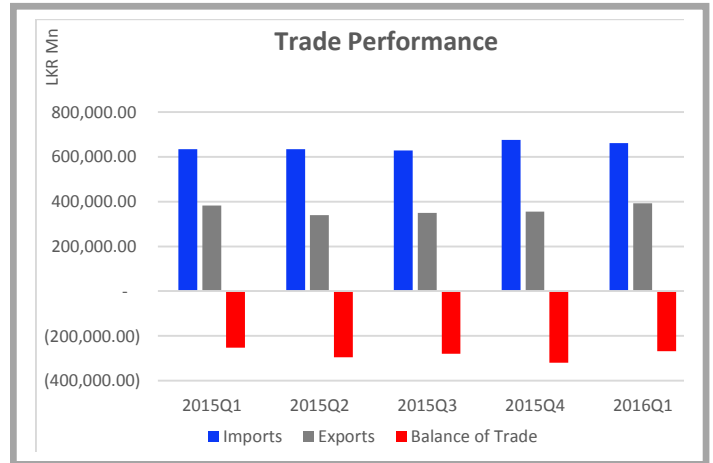
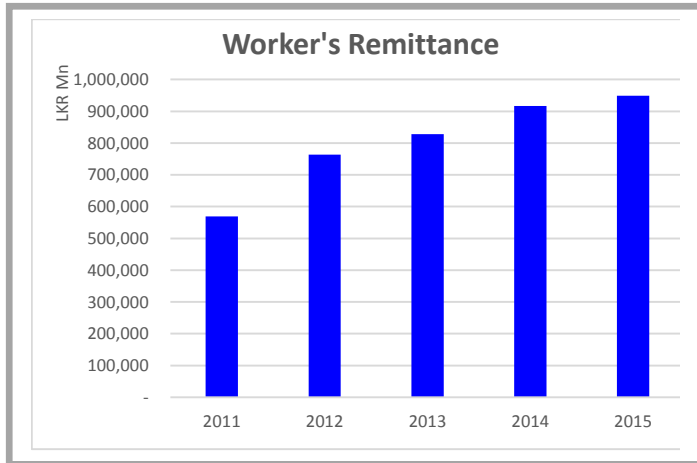


Sri Lanka Fiscal Performance

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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- Fixed Income Securities
- Kenanga Retirement Plan (KRP)

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- Balance Sheet Restructuring
- Corporate Restructuring

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