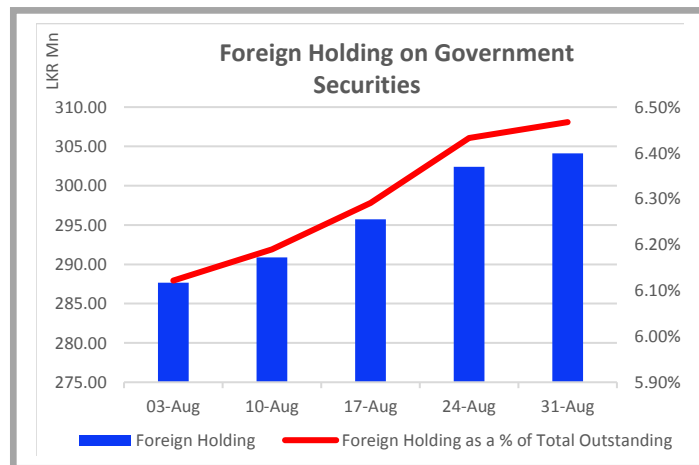
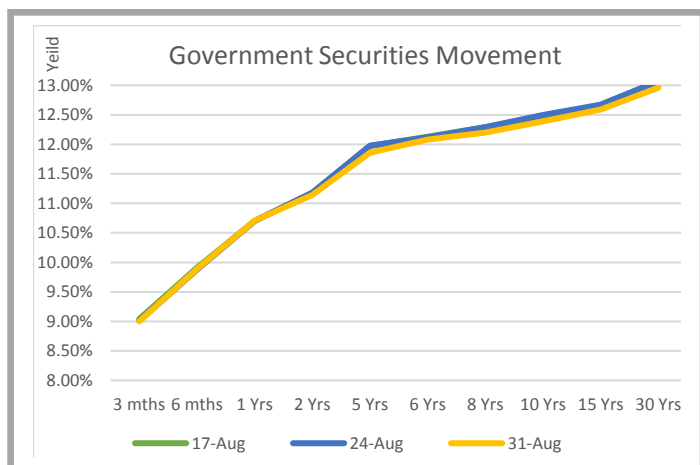
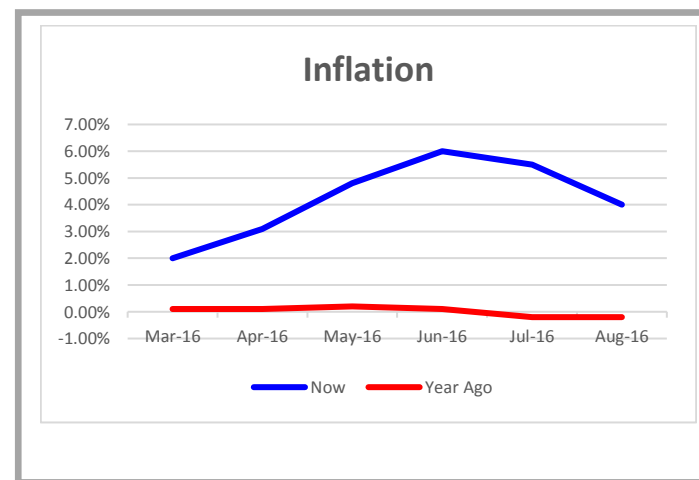
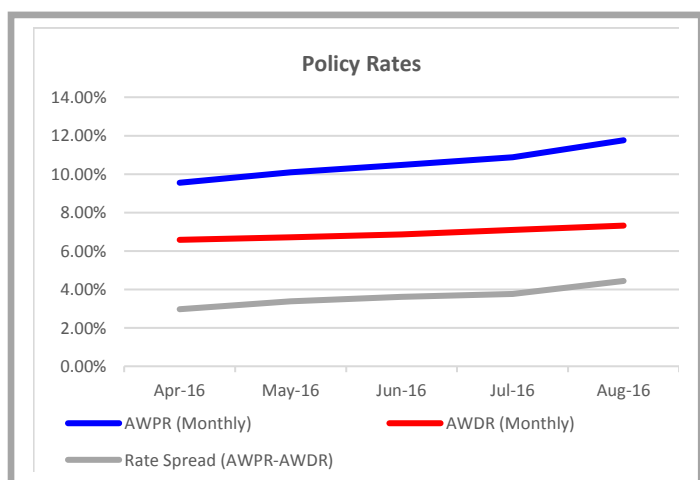


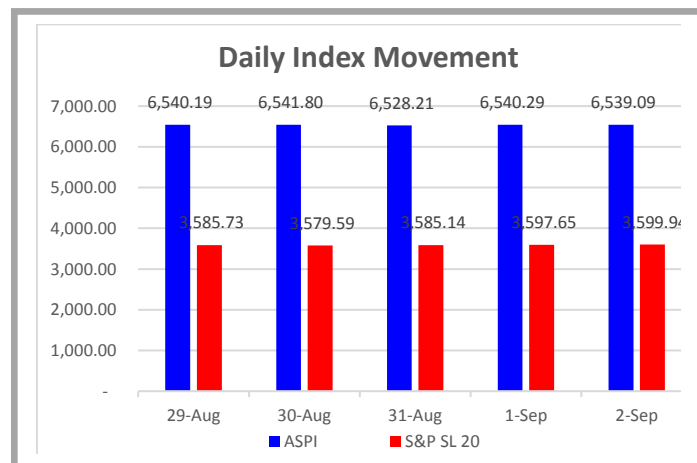
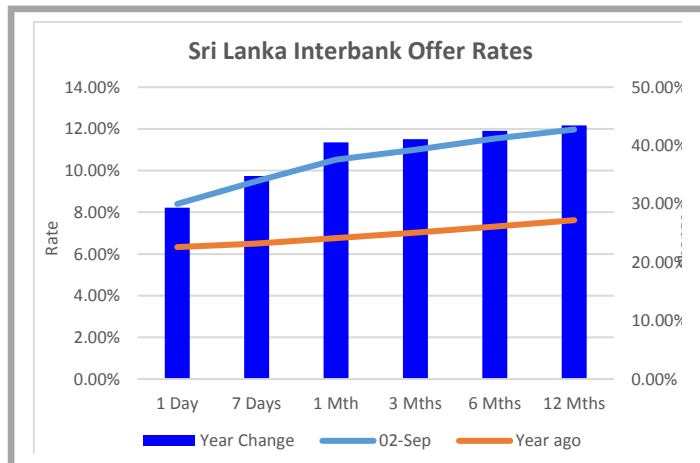
Economic Indicators: LKR/USD 145.33 (0.17% WoW) AWPR: 12.03% (1.18% WoW) AWDR: 7.32% (3.01% MoM) ASPI: 6,539 (0.18% WoW) S&amp;P SL20: 3,600 (0.42% WoW)



Market	Period	31-Aug	24-Aug	Change bps
Secondary Market	3 months	9.00%	9.01%	-0.01
	6 months	9.89%	9.88%	0.01
	1 Year	10.71%	10.70%	0.01
	2 Years	11.14%	11.18%	-0.04
	5 Years	11.86%	11.98%	-0.12
	6 Years	12.08%	12.12%	-0.04
	8 Years	12.20%	12.29%	-0.09
	10 Years	12.39%	12.50%	-0.11
	15 Years	12.59%	12.67%	-0.08
30 Years	12.96%	13.07%	-0.11	

- Average Weighted Prime Lending Rate (AWPR): 12.03%. It has increased by 14 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 7.32% (Aug), 7.10% (July).
- Average Weighted Fixed Deposit Rate (AWFDR): 9.31% (Aug) and 8.99% (July).
- SLIBOR Rates: 8.40% (1Day), 9.50% (7Days), 10.52% (1Month), 11.00% (3Months), 11.54% (6Months), 11.97% (1Yr).
- Inflation (Annual average change): 5.0% (Aug) and 4.9% (July).

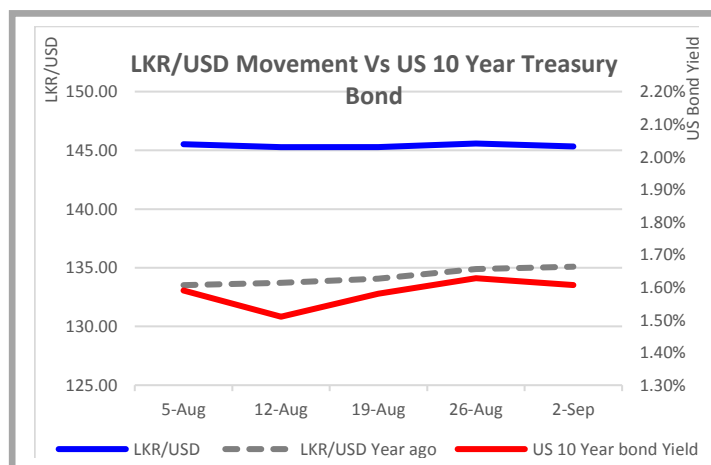




### LKR Exchange Rate Movement

- LKR appreciated over the week by 0.17% against USD from LKR/USD 145.58 to 145.33.
- One month forward rate of LKR/USD is 146.51 (Last week 146.48).
- Three months forward rate of LKR/USD is 148.16 (Last week 148.08).

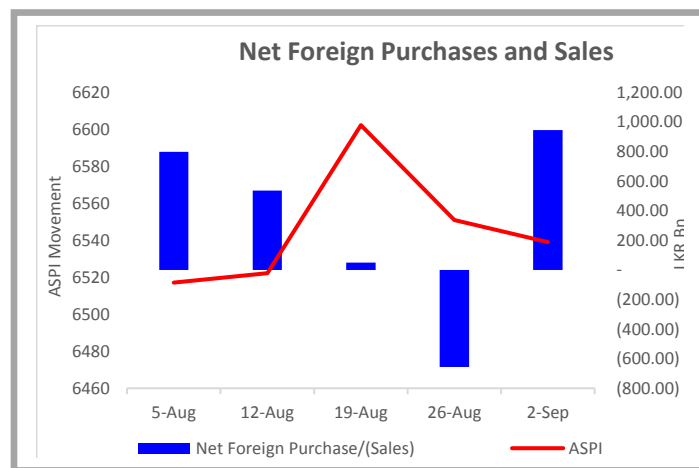
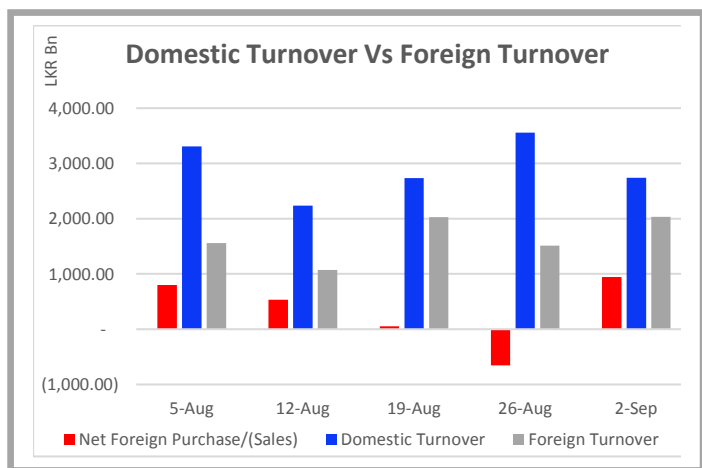
	05-Aug	12-Aug	19-Aug	26-Aug	02-Sep
INR 16	2.18	2.18	2.18	2.18	2.18
INR 15	2.09	2.08	2.04	2.03	2.02
RM 16	36.06	36.31	36.33	36.29	35.60
RM 15	34.43	33.49	32.77	31.32	31.87



### Colombo Stock Exchange

- All Share Price Index: 6,539.09 points as at 02<sup>nd</sup> September 2016.
- S&P 20: 3,599.94 points as at 02<sup>nd</sup> September 2016.
- ASPI decreased by 11.82 points WoW which is 0.18%.
- S&P 20 increased WoW by 15.01 points, reflecting a 0.42% positive variation.
- Net Foreign Inflow: LKR. 945.18 Mn.
- Last week recorded a Net Foreign Outflow: LKR. 656.42 Mn.
- Market capitalization: LKR. 2,787.43 Bn which is 0.18% decrease compared to last week.
- Market PE: PE recorded as 13.47 in this week and it has declined by 0.22% from the last week.

Price Index by Sector			
Top Gainers	This week	Pre. week	Change %
CONSTRUCTION AND ENGINEERING	2,761.42	2,667.74	3.51%
HEALTH CARE	1,150.91	1,131.72	1.70%
MANUFACTURING	4,509.55	4,437.58	1.62%
STORES AND SUPPLIES	27,149.94	26,997.98	0.56%
DIVERSIFIED HOLDINGS	1,683.78	1,676.95	0.41%
Top Losers			
INFORMATION TECHNOLOGY	50.03	51.15	-2.19%
SERVICES	19,169.41	19,480.49	-1.60%
TELECOMMUNICATIONS	176.17	178.50	-1.31%
BEVERAGE FOOD AND TOBACCO	21,947.14	22,210.73	-1.19%
OIL PALMS	70,798.39	71,587.19	-1.10%



### Local News

Finance Minister says the government expects more foreign investment that would promote export oriented business inclusive of entrepot trade. Speaking at the ninth session of the Ease of Doing Business forum, Minister Ravi Karunanayake said Sri Lanka wants foreign debt to be replaced by investment which is the policy of the government. "Entrepot trade is one area that will be promoted with all necessary facilities and all irritants that are there on its way will be removed," Karunanayake said, referring to warehousing and transshipment. Several businessmen who participated at the forum said that the facilities offered by the banks, SLPA and the Sri Lanka Customs on entrepot trade is costly for them to engage in that trade.

(Source: <http://www.lankabusinessonline.com> - 05.09.2016)

Visiting Assistant US Trade Representative for South Asia, Michael Delaney, lamented over Sri Lanka's declining external trade while speaking at the US-Sri Lanka Trade and Investment Framework intersessional meeting. "The task of national reconciliation will be all the more challenging in the environment of stagnant or even declining growth and employment prospects. The main objective of our joint action plan is to reverse the unfavourable trade trends that I set aside earlier. We aim to progressively eliminate the various legal and policy obstacles to greater trade and investment in Sri Lanka. We think we know what those obstacles are, we want to sideline them" Michael Delaney explained.

(Source: <http://www.ft.lk/> - 02.09.2016)

Prime Minister says the Indian Ocean region has always been a significant playing field for big powers and historically it has also been a bridge between the East and West. Speaking at the Indian Ocean Conference Prime Minister Ranil Wickremesinghe said the wealth and technology gap between the West and the East has narrowed significantly by the sheer weight of numbers in Asia. "By the year 2030, it is estimated that Asia will surpass North America and Europe combined, in terms of global power based on GDP, population size, military spending and technological investment," Wickremesinghe said. He said the US is now proposing the furtherance of a single combined security strategy for the two Asian oceans, the Indian and the Pacific, creating new implications for Asian security.

(Source: <http://www.lankabusinessonline.com/> - 02.09.2016)

### Foreign News

Hedge funds and proprietary traders reduced currency trading in the spot market by 29% during the past three years, according to the Bank for International Settlements. The traders acted as counterparties for an average \$200 billion a day of spot transactions in April 2016, plunging from \$282 billion reported for the same month in 2013, the BIS said Thursday in its latest triennial survey of the currency market. Turnover in outright forwards and foreign exchange swaps fell by 29% and 37%, respectively. The decline in activity from hedge funds and proprietary traders reduced their share of global currency trading to 8%, down from 11% three years earlier, BIS said.

(Source: <http://www.bloomberg.com/> - 01.09.2016)

The low interest rate environment has more to do with economic developments, rather than the autonomous actions of central banks, said European Central Bank Governing Council member Ewald Nowotny in a speech Thursday. He added that in this environment it was difficult for a central bank to set interest rates on its own. Speaking at a conference in Alpbach, Austria, Mr. Nowotny said that one of the factors keeping inflation down is globalization. Low prices are "an advantage for consumers, but puts pressure on wages," he noted. Moreover, growth is also relatively low. "We have a trend of long-term, low growth rates, which is not easy to interpret," he said.

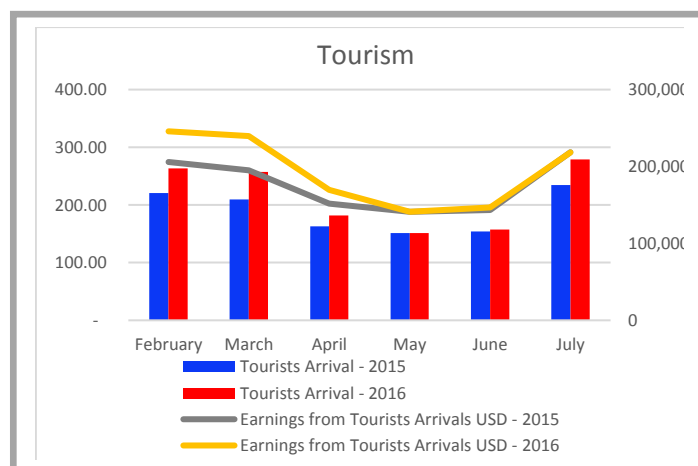
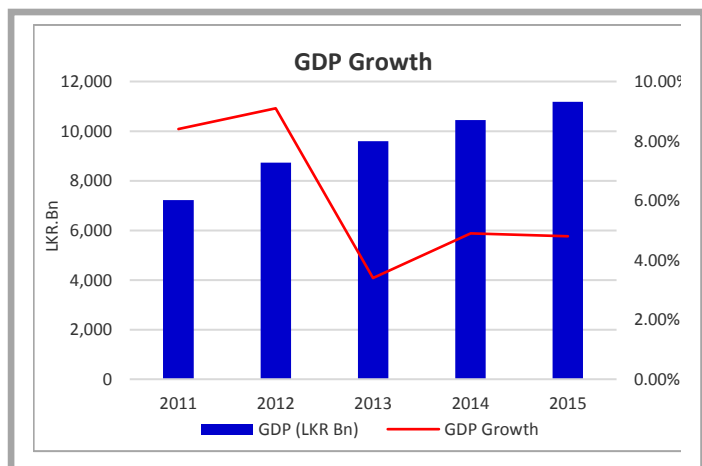
(Source: <http://www.nasdaq.com/> - 01.09.2016)

Britain's factories saw a strong rebound in output and new orders in August, according to a survey that suggested manufacturers quickly shrugged off the shock of June's vote to leave the EU. A closely watched measure of factory activity swung to a 10-month high in August from a 41-month low recorded in July. But there were signs a weaker pound was stoking inflation, as it raised the cost of imported materials for UK factories and they passed those higher costs on to customers. The latest reading was well above the 50-mark separating growth from contraction and far ahead of the consensus forecast for a reading of 49.0, in a Reuters poll of economists. The pound strengthened against the USD and hit a one-month high against the euro after the stronger than expected report.

(Source: <https://www.theguardian.com> - 01.09.2016)

## GDP and Economy

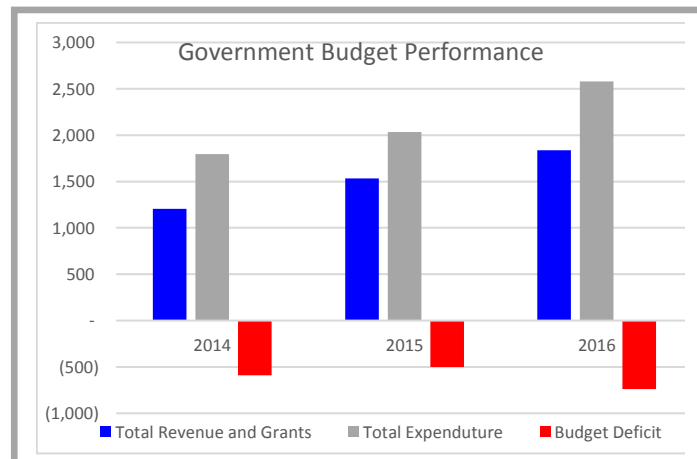
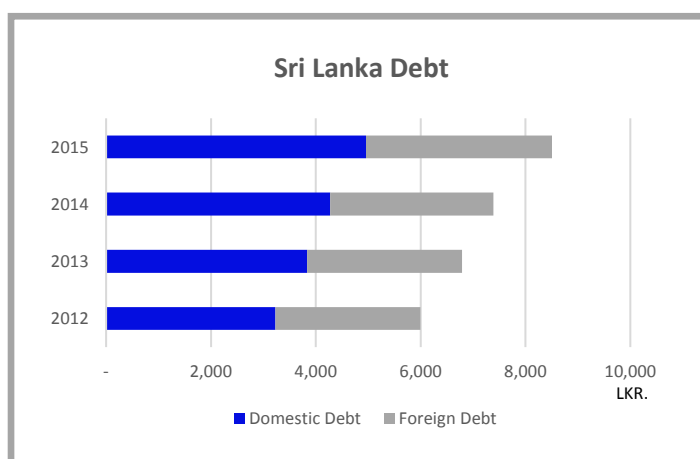
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR.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

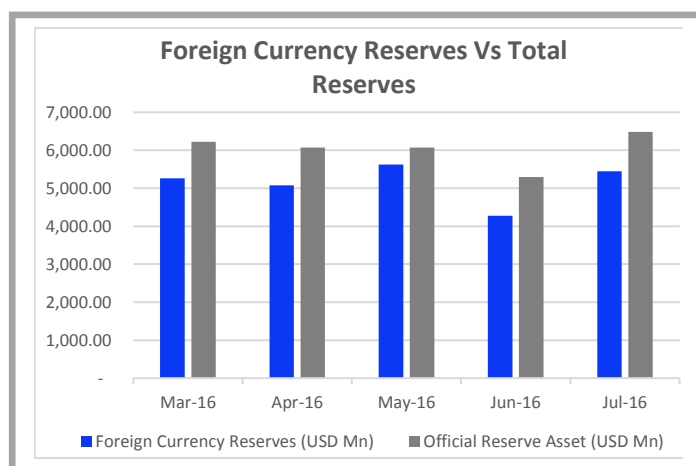
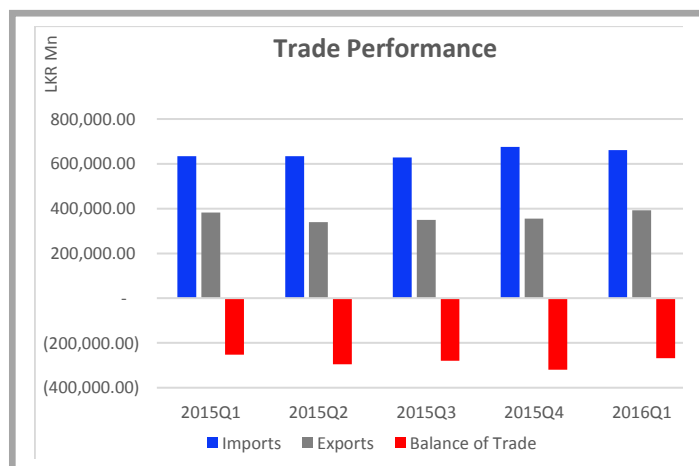
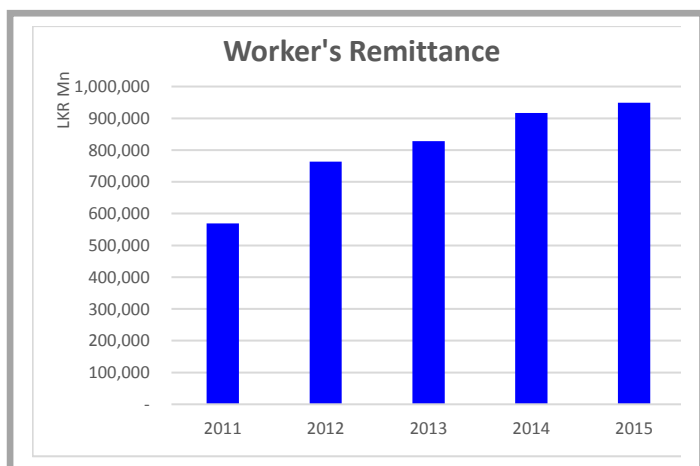


## Sri Lanka Fiscal Performance

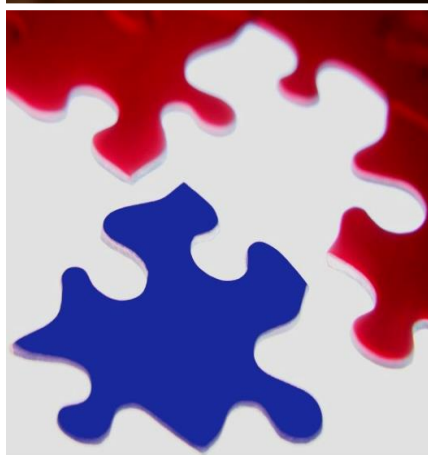
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments 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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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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INVESTMENT FOR ALL

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- Private Placements
- Rights Issues
- Mergers and Acquisitions
- Corporate Syndicated Loan Facilities

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- Fixed Income Securities
- Kenanga Retirement Plan (KRP)

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- Balance Sheet Restructuring
- Corporate Restructuring

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