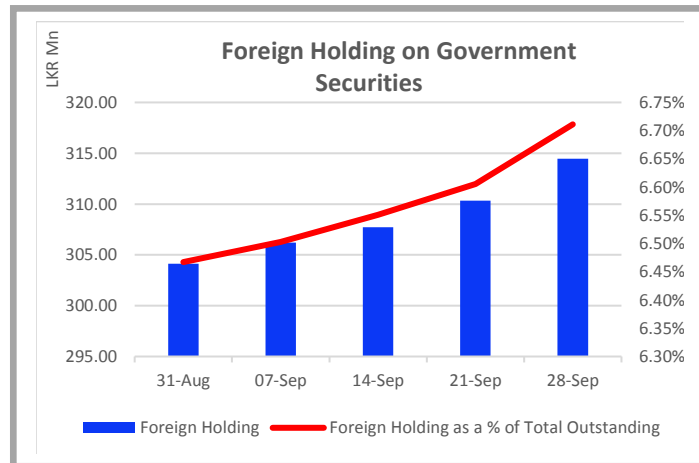
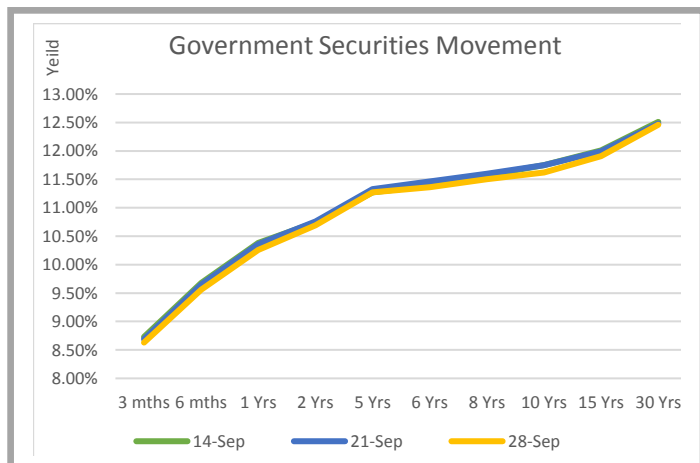
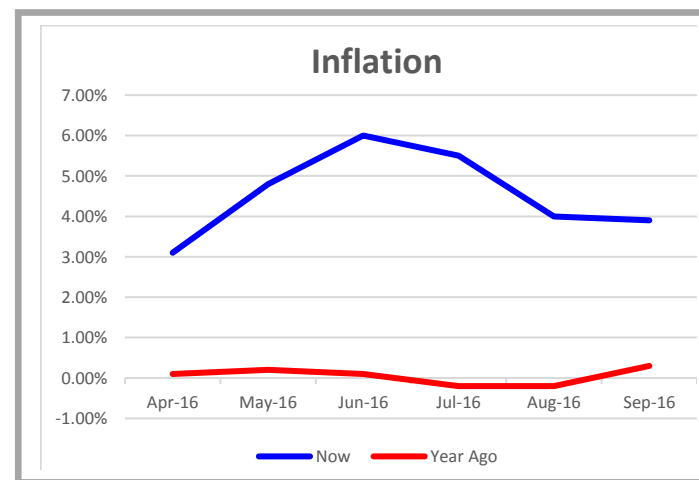
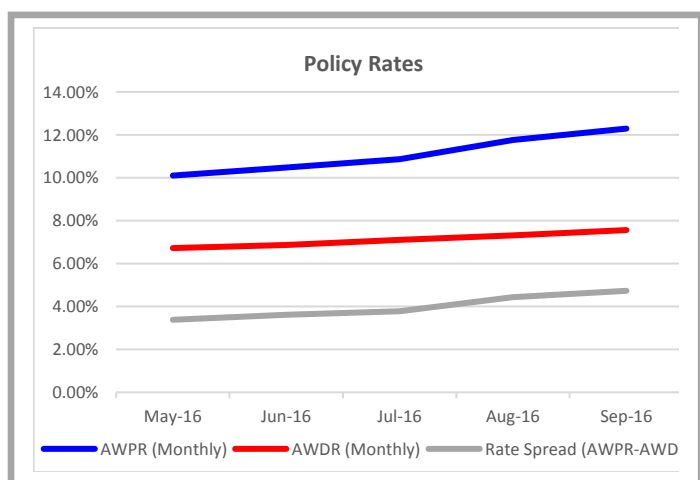


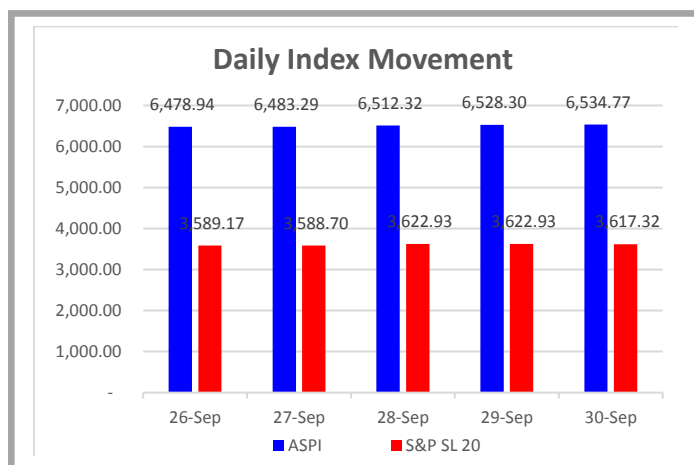
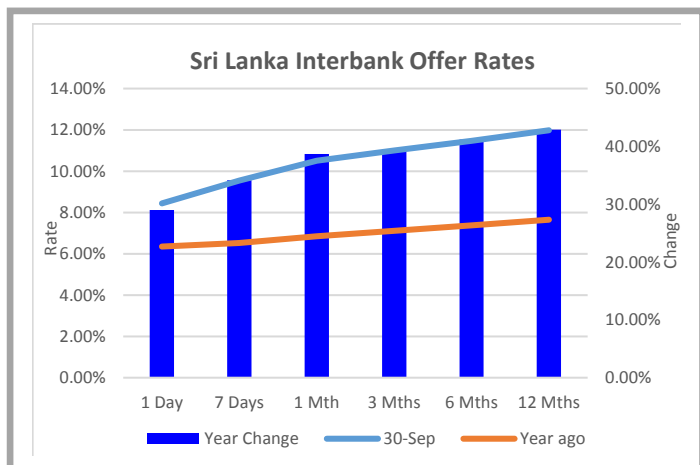
Economic Indicators: LKR/USD 146.56 (0.32% WoW) AWPR: 12.12% (1.14% WoW) AWDR: 7.56% (3.28% MoM) ASPI: 6,535 (0.86% WoW) S&P SL20: 3,617 (0.84% WoW)



Market	Period	28-Sep	21-Sep	Change bps
Secondary Market	3 months	8.63%	8.69%	-0.06
	6 months	9.56%	9.65%	-0.09
	1 Year	10.26%	10.36%	-0.10
	2 Years	10.69%	10.76%	-0.07
	5 Years	11.27%	11.33%	-0.06
	6 Years	11.36%	11.46%	-0.10
	8 Years	11.50%	11.60%	-0.10
	10 Years	11.62%	11.75%	-0.13
	15 Years	11.91%	11.99%	-0.08
30 Years	12.46%	12.48%	-0.02	

- Average Weighted Prime Lending Rate (AWPR): 12.12%. It has declined by 14 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 7.56% (Sep), 7.32% (Aug).
- Average Weighted Fixed Deposit Rate (AWFDR): 9.67% (Sep) and 9.31% (Aug).
- SLIBOR Rates: 8.44% (1Day), 9.54% (7Days), 10.50% (1Month), 11.00% (3Months), 11.46% (6Months), 11.98% (1Yr).
- Inflation (Annual average change): 5.0% (Sep) and 5.0% (Aug).

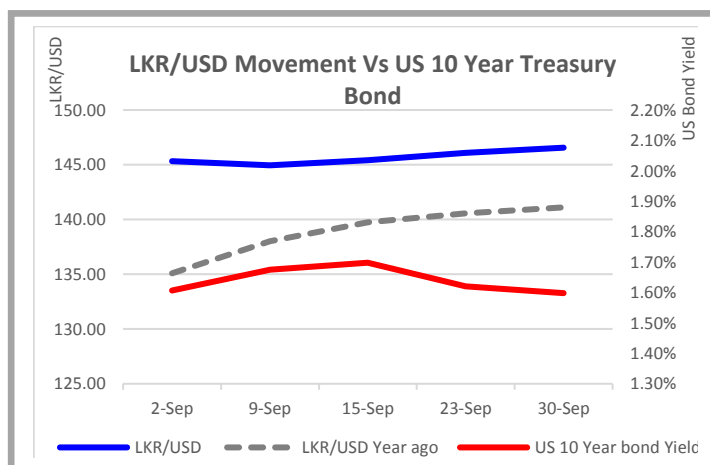




LKR Exchange Rate Movement

- LKR depreciated over the week by 0.32% against USD from LKR/USD 146.09 to 146.56
- One month forward rate of LKR/USD is 147.24 (Last week 146.83).
- Three months forward rate of LKR/USD is 148.95 (Last week 148.28).

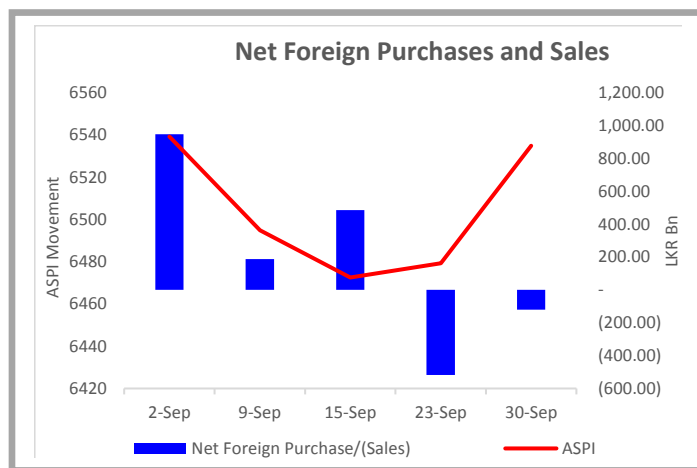
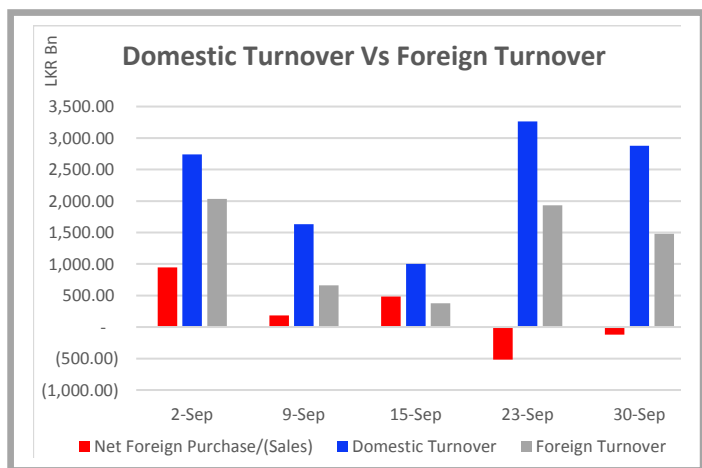
	02-Sep	09-Sep	15-Sep	23-Sep	30-Sep
INR 16	2.18	2.19	2.18	2.19	2.21
INR 15	2.02	2.08	2.11	2.14	2.14
RM 16	35.60	35.74	35.27	35.40	35.56
RM 15	31.87	32.09	32.42	32.48	31.77



Colombo Stock Exchange

- All Share Price Index: 6,534.77 points as at 30th September 2016.
- S&P 20: 3,617.32 points as at 30th September 2016.
- ASPI increased by 55.56 points WoW which is 0.86%.
- S&P 20 increased WoW by 29.97 points, reflecting a 0.84% positive variation.
- Net Foreign Outflow: LKR. 120.70 Mn.
- Last week recorded a Net Foreign Outflow: LKR. 517.02 Mn.
- Market capitalization: LKR. 2,785.68 Bn which is 0.86% increase compared to last week.
- Market PE: PE recorded as 13.43 in this week and it has increased by 0.90% from the last week.

Price Index by Sector			
Top Gainers	This week	Pre. week	Change %
INFORMATION TECHNOLOGY	49.47	41.12	20.31%
CHEMICALS AND PHARMACEUTICALS	7,224.57	6,790.83	6.39%
TRADING	17,157.70	16,586.75	3.44%
CONSTRUCTION AND ENGINEERING	2,828.05	2,736.08	3.36%
FOOTWEAR AND TEXTILES	967.80	939.12	3.05%
Top Losers			
LAND AND PROPERTY	662.93	680.39	-2.57%
POWER AND ENERGY	156.52	160.20	-2.30%
PLANTATIONS	638.58	647.77	-1.42%
OIL PALMS	68,558.40	69,152.43	-0.86%
BEVERAGE FOOD AND TOBACCO	21,304.40	21,264.60	0.19%



Local News

Finance Minister Ravi Karunanayake said Sri Lanka is well on its way to achieving the fiscal target for 2016 as the Value Added Tax increase would be presented in Parliament next week. "Revenue collection is largely on target despite delays in passing the VAT amendments, and we are confident of meeting the 2016 Budget deficit target of 5.4%," he said. "Of the total 410 Budget proposals presented last year, over 100 had been put into operation. Only 10 to 15 of the Budget proposals were of 'great importance' and only VAT had taken extra time to be carried out." He said issues such as VAT for non-VAT registered traders would be ironed out in the new Budget to be presented in Parliament on 10 November and the Budget 2017 will adopt a zero-based budgeting strategy.

(Source: <http://www.lankabusinessonline.com/> - 30.09.2016)

Having earned \$ 2.2 billion in the first eight months of 2016, the Government advocated an ambitious target of four million tourists and \$ 10 billion in earnings by 2020, which is about three times the current revenue, terming it "pragmatic" and calling for a strategic public private partnership for development. In remarks at the 'Tourism Leaders' Summit and International Research Symposium – 2016', organised by the Department of Economics of the University of Colombo, Tourism Development, Christian Religious Affairs and Lands Minister John Amararatunga said these were not impossible targets but planning and execution must be spot on. "Strategic collaboration of public, private and people partnership in tourism development is not only important, it is a necessity," he added.

(Source: <http://www.ft.lk> - 29.09.2016)

New Zealand has assured Sri Lanka of its assistance in the development of many sectors by sharing technical knowledge and expertise in these respective fields. The assurance was given by the Prime Minister of New Zealand John Key during bilateral discussions held with Sri Lankan Prime Minister Ranil Wickremesinghe at Premier House in Auckland. Prime Minister Wickremesinghe, who arrived in Auckland, Friday, on an official visit to New Zealand at Key's invitation, was officially welcomed with a grand State Welcome Ceremony at the New Zealand Premier House in Auckland. The ceremony which was carried out according to ancient customs and traditions featured the traditional welcome of the indigenous race of New Zealand - the Maori's, and captured the Sri Lankan delegation's attention and admiration. (Source: <http://www.ft.lk> - 03.10.2016)

Foreign News

China's central bank said the country will use the yuan's official entry into the International Monetary Fund's basket of reserve currencies to deepen financial reforms and expand the opening up of its financial sector. In a statement issued on Saturday, the official date of the yuan's inclusion in the Special Drawing Rights basket, the People's Bank of China said the event marked a milestone in the yuan's internationalization and an acknowledgement of the progress China has made in its economic development, reform and opening up. The PBOC said the addition of the yuan into the basket, joining the U.S. dollar, euro, British pound and Japanese yen, will help increase the representativeness, stability and attractiveness of the SDR and improve the international monetary system.

(Source: <https://www.marketnews.com/> - 01.10.2016)

The IMF said in a chapter of its Global Financial Stability Report, to be published in full Oct. 5, that the growth of non-banks providing credit has increased the effectiveness of monetary policy over the past 15 years. These institutions include pension funds and insurance companies. "The chapter finds that the increasing importance of non-banks for financial intermediation has, if anything, strengthened monetary policy transmission over the past 15 years," the report said. As with traditional banks, non-banks also contract their balance sheets when monetary policy tightens. In general, they cut credit even more. "This behavior is in part explained by the effect of monetary policy on risk taking, particularly in the asset management sector," the report said.

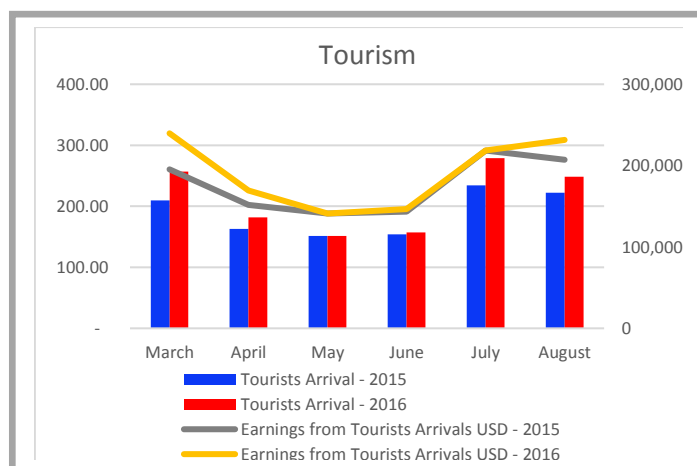
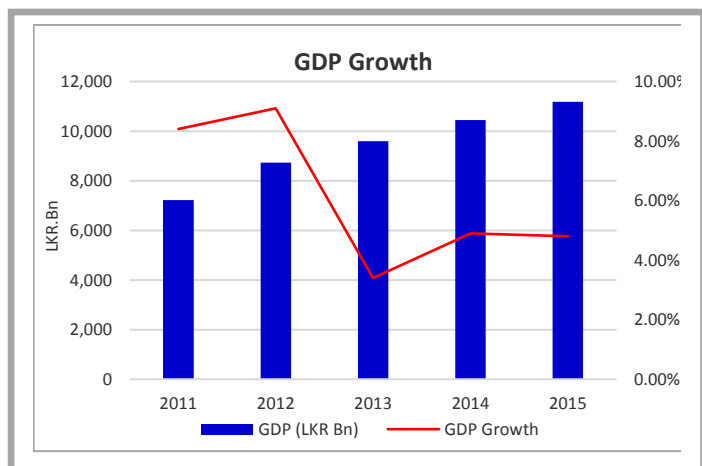
(Source: <http://www.pionline.com/> - 30.09.2016)

British Prime Minister Theresa May has confirmed she will trigger article 50 before the end of March 2017, setting in motion the two-year process of leaving the European Union. The pledge by the prime minister means the UK will leave the EU by spring 2019, before the next general election, with the prime minister also announcing plans for a "great repeal bill" to incorporate all EU regulations in UK law as soon as Brexit takes effect. May told the BBC's Andrew Marr Show on Sunday she wanted to give "greater degree of clarity about the sort of timetable we are following" over the process for leaving the EU, as well as committing to enshrining workers' rights in British law.

(Source: <https://www.theguardian.com/> - 02.10.2016)

GDP and Economy

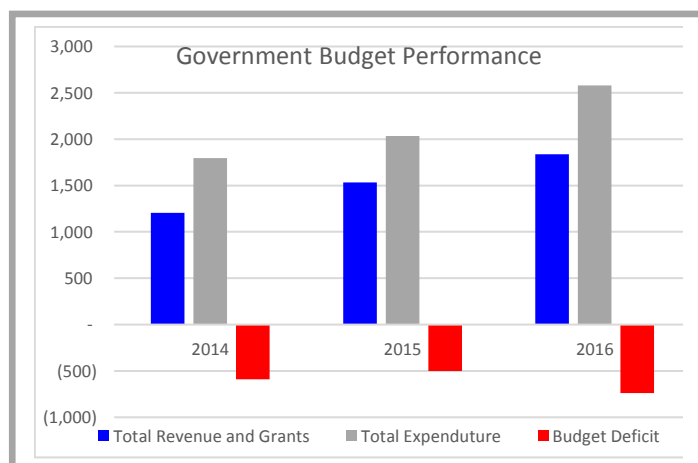
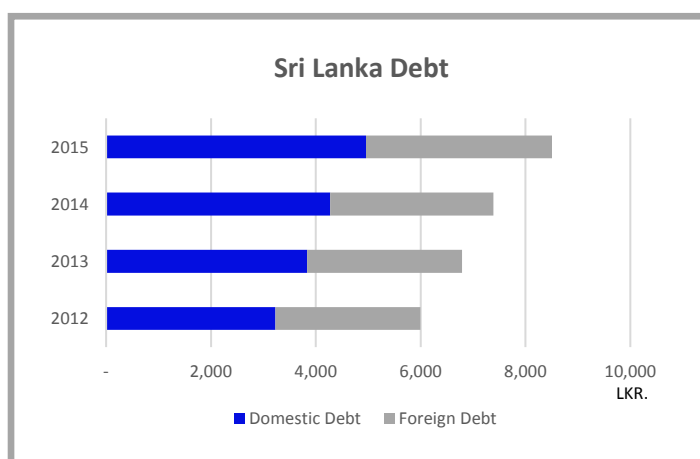
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR.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

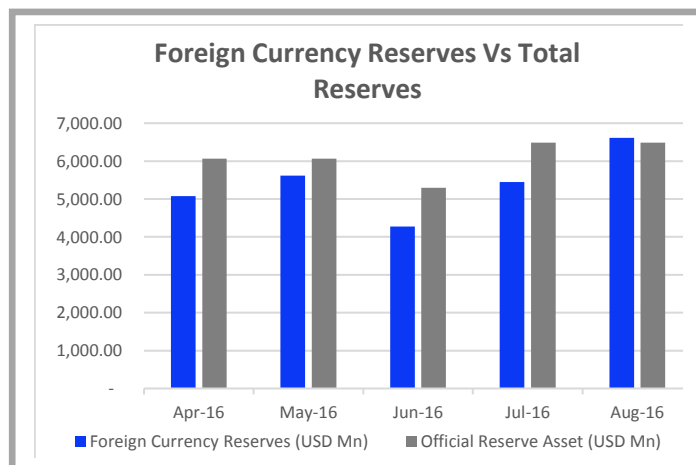
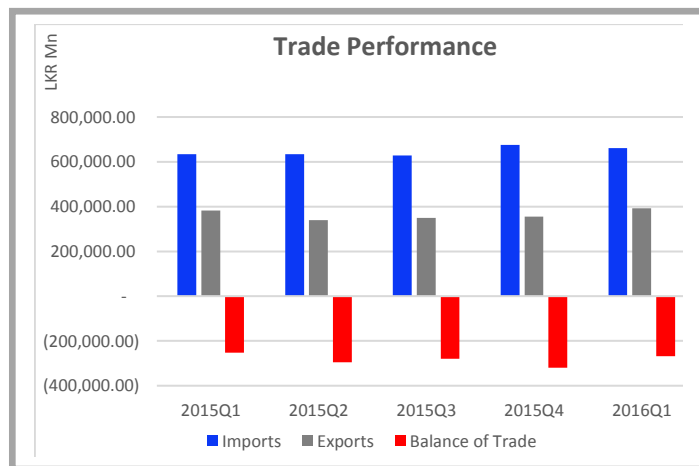
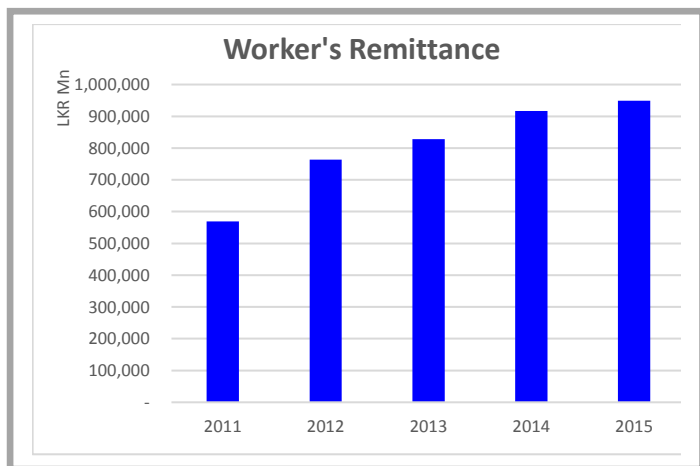


Sri Lanka Fiscal Performance

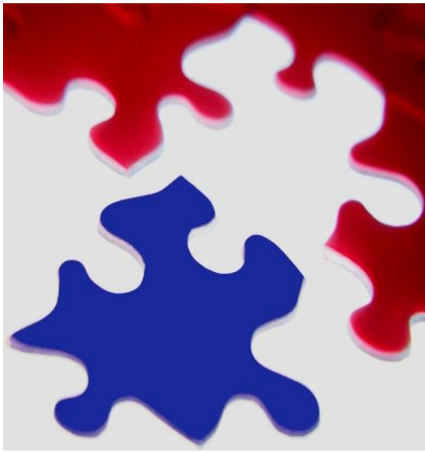
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments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


DISCLAIMER: This document is a Research Report available to clients of Kenanga Investment Corp Ltd., The information contained in the document has been compiled from sources that we believe to be reliable; however we do not hold ourselves responsible for its completeness or accuracy. All opinions and estimates included in this report constitute of our judgment on the data available to us as at this date and as such are liable to change. Information contained in this document is not and should not be construed as an offer, or a solicitation of an offer to buy or sell any commodity or security or other financial instruments. Kenanga Investment Corporation Ltd, or its affiliates and/or its directors, officers and employees shall not be in any way be responsible or liable for loss or damage which any person or party may sustain or incur by relying on the content of this document.



OUR SERVICES

1. CAPITAL MARKET ACTIVITIES
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.



INVESTMENT FOR ALL

CAPITAL MARKET ACTIVITIES

- IPO – Equity and Debt
- Private Placements
- Rights Issues
- Mergers and Acquisitions
- Corporate Syndicated Loan Facilities

PORTFOLIO MANAGEMENT

- Listed Equity
- Fixed Income Securities
- Kenanga Retirement Plan (KRP)

CORPORATE RESTRUCTURING

- Balance Sheet Restructuring
- Corporate Restructuring

KENANGA INVESTMENT CORPORATION LTD

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

Web: www.kenangasl.com
Email: info@kenangasl.com