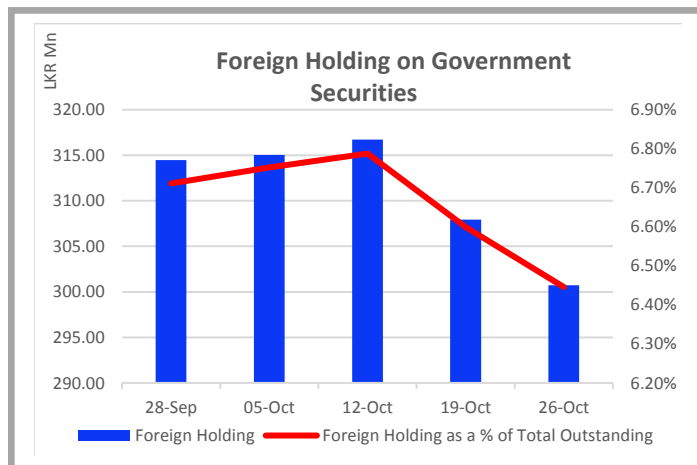
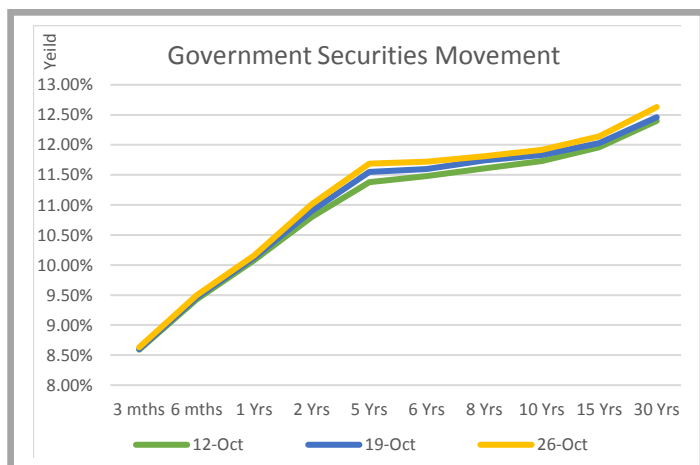
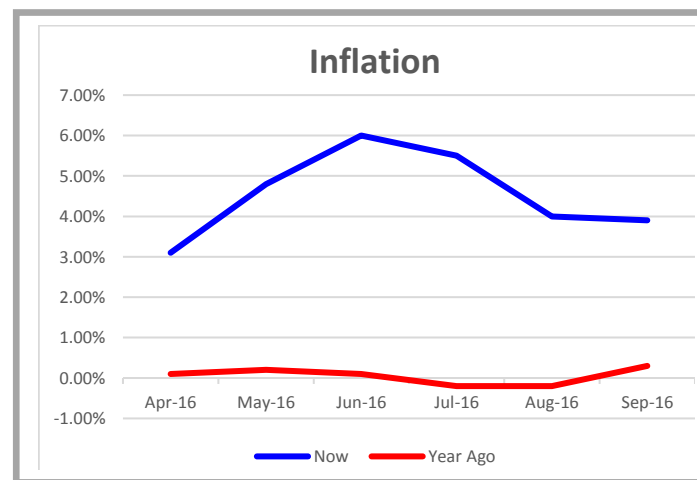
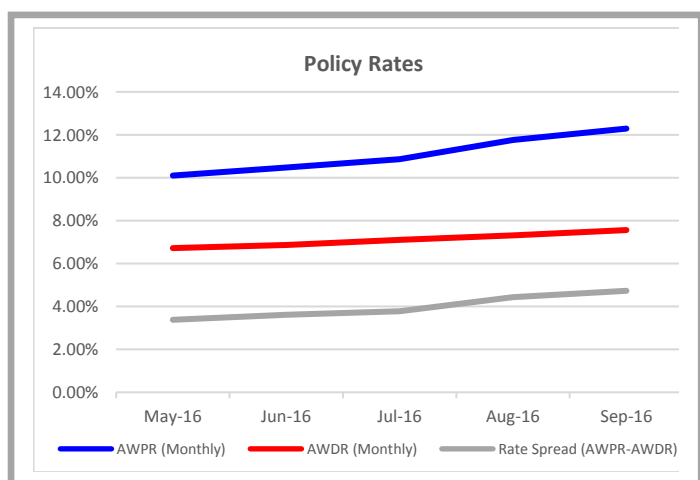


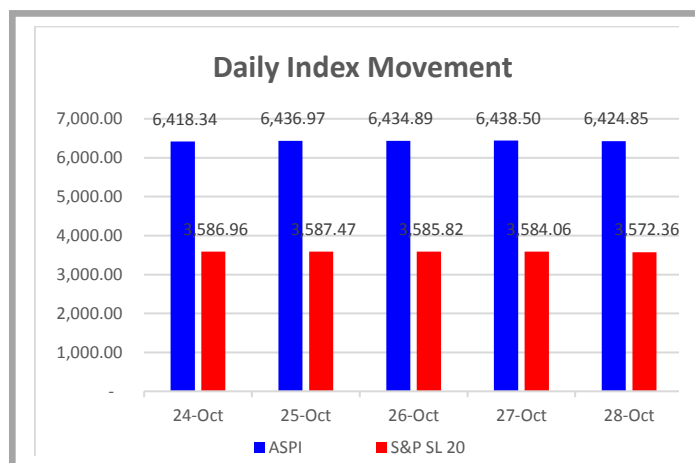
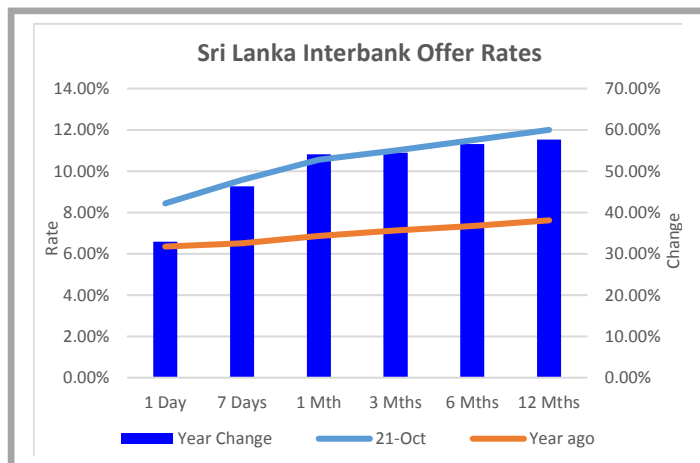
Economic Indicators: LKR/USD 147.81 (0.50% WoW) AWPR: 11.98% (3.00% WoW) AWDR: 7.56% (3.28% MoM) ASPI: 6,425 (0.35% WoW) S&P SL20: 3,572 (0.62% WoW)



Market	Period	26-Oct	19-Oct	Change bps
Secondary Market	3 months	8.63%	8.60%	0.03
	6 months	9.50%	9.46%	0.04
	1 Year	10.16%	10.12%	0.04
	2 Years	11.01%	10.90%	0.11
	5 Years	11.69%	11.55%	0.14
	6 Years	11.72%	11.60%	0.12
	8 Years	11.81%	11.74%	0.07
	10 Years	11.92%	11.83%	0.09
	15 Years	12.14%	12.03%	0.11
30 Years	12.63%	12.46%	0.17	

- Average Weighted Prime Lending Rate (AWPR): 11.98%. It has declined by 37 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), 9.51% (7Days), 10.57% (1Month), 11.00% (3Months), 11.51% (6Months), 12.01% (1Yr).
- Inflation (Annual average change): 5.0% (Sep) and 5.0% (Aug).

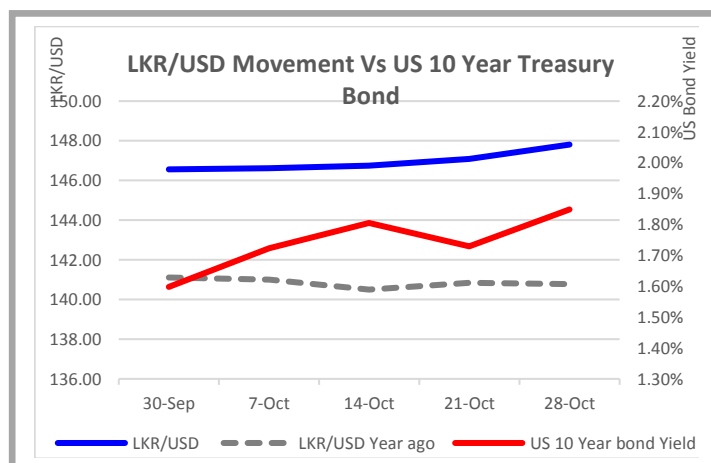




LKR Exchange Rate Movement

- LKR depreciated over the week by 0.50% against USD from LKR/USD 147.08 to 147.81
- One month forward rate of LKR/USD is 148.45 (Last week 147.93).
- Three months forward rate of LKR/USD is 150.46 (Last week 149.48).

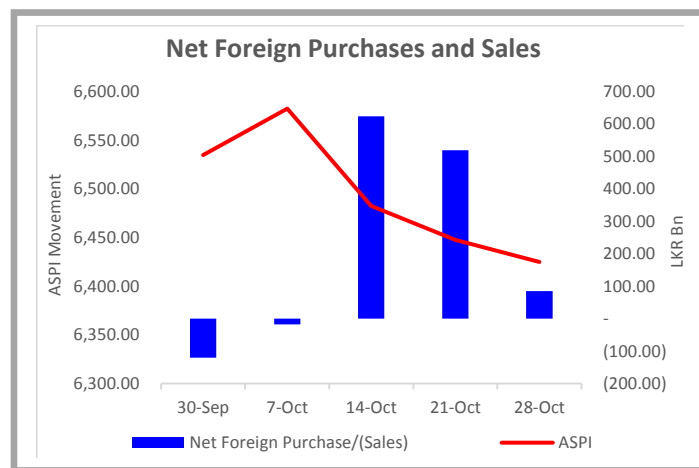
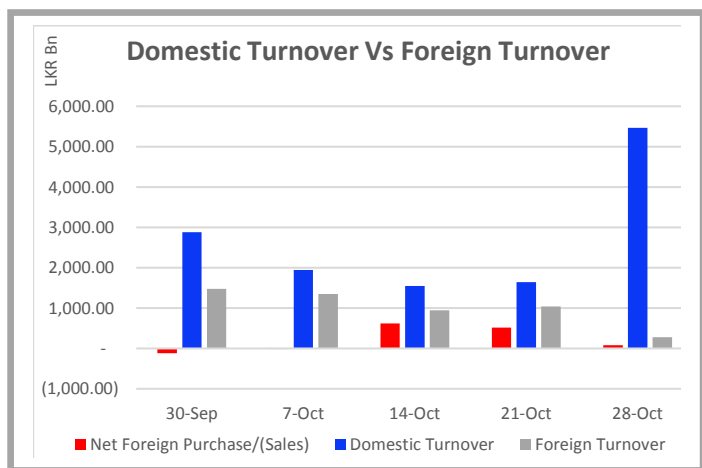
	30-Sep	07-Oct	14-Oct	21-Oct	28-Oct
INR 16	2.21	2.20	2.20	2.20	2.20
INR 15	2.14	2.16	2.16	2.17	2.17
RM 16	35.56	35.34	34.91	35.00	35.03
RM 15	31.77	32.51	33.60	32.82	32.96



Colombo Stock Exchange

- All Share Price Index: 6,424.85 points as at 28th October 2016.
- S&P 20: 3,572.36 points as at 28th October 2016.
- ASPI decreased by 22.68 points WoW which is 0.35%.
- S&P 20 decreased WoW by 22.23 points, reflecting a 0.62% negative variation.
- Net Foreign Inflow: LKR. 84.29 Mn.
- Last week recorded a Net Foreign Outflow: LKR. 518.74 Mn.
- Market capitalization: LKR. 2,739.04 Bn which is 0.35% decrease compared to last week.
- Market PE: PE recorded as 13.31 in this week and it has decreased by 0.08% from the last week.

Price Index by Sector			
	This week	Pre. week	Change %
Top Gainers			
OIL PALMS	71,648.20	69,408.39	3.23%
FOOTWEAR AND TEXTILES	944.85	925.04	2.14%
INVESTMENT TRUSTS	13,820.55	13,634.92	1.36%
BEVERAGE FOOD AND TOBACCO	21,014.28	20,886.15	0.61%
POWER AND ENERGY	151.89	151.05	0.56%
Top Losers			
INFORMATION TECHNOLOGY	43.35	5.58	-4.89%
CONSTRUCTION AND ENGINEERING	2,659.14	2,701.54	-1.57%
HEALTH CARE	1,077.74	1,093.12	-1.41%
MANUFACTURING	4,518.79	4,578.63	-1.31%
TRADING	16,623.54	16,825.32	-1.20%



Local News

Sri Lanka's Value Added Tax (VAT) hike 15% from 11% will make the island credit positive as it will facilitate fiscal consolidation by strengthening low revenue-to GDP ratio, Moody's Investors Service said. "The government originally implemented the VAT hike in May, but retracted it in July after a legal challenge by the main political opposition party in parliament. Backsliding on VAT reform demonstrates the implementation risks surrounding fiscal reforms." "Had the implementation delay been prolonged, Sri Lanka would have been at risk of derailing its IMF program and loan disbursements, which would have strained the balance of payments and harmed investor confidence."

(Source: <http://www.lankabusinessonline.com/> - 31.10.2016)

A four member delegation from the European Parliament will visit Sri Lanka to look at the groundwork laid for a successful GSP+ application, a statement said. "The team will also discuss the progress on national reconciliation and ways to empower women politically and economically," said the delegation of the European Union to Sri Lanka and the Maldives in a statement. Sri Lanka submitted its application to the EU to regain its lost trade concessions, GSP plus mid this year. A visiting EU delegation in January this year highlighted that it would take a period of at least 10 months to regain trade concessions. These trade concessions have been linked to the country's compliance with human rights and labour rights conventions.

(Source: <http://www.lankabusinessonline.com/> - 28.10.2016)

The planned laying of a sub-sea electricity cable to transmit power from India to Sri Lanka can be one solution to the island's looming power crisis, a senior official said. "We see this as a solution, the Indo-sea cable has been in discussion for some time with a pre-feasibility also done. Now it's in discussion for implementation," Damitha Kumarasinghe, Director General, Public Utilities Commission of Sri Lanka (PUCSL) told Lanka Business Online. "The main advantage of this would be that we would be able to connect to the world. There will be an advantage on price, reliability and also quality." India currently supplies power to Nepal, Bangladesh and Myanmar and imports power from Bhutan.

(Source: <http://www.lankabusinessonline.com/> - 28.10.2016)

Foreign News

A second-half selloff in the world's biggest bond market is coming to an end, judging by the forecasts from 65 economists. Treasury 10-year yields have risen about 22 bps to 1.82% in October as investors prepared for the Federal Reserve to raise interest rates. It's the biggest monthly increase since June 2015. The median forecast among the economists surveyed by Bloomberg is for 1.75% by Dec. 31, suggesting the selloff has gone too far. "I don't see much more upside risk for Treasury yields," said Peter Chatwell, head of rates strategy at Mizuho International Plc in London. "A hike in December is really strongly priced in and what we expect to see in December is more evidence of the Fed acknowledging that structurally the neutral rates of interest in the U.S. is moving lower."

(Source: <http://www.bloomberg.com/> - 27.10.2016)

As commodity margins flat-line, the number of traders will shrink as existing trading firms consolidate and digital rivals emerge, U.S. consultancy Oliver Wyman said in its annual commodity trading report. With the exception of oil and natural gas boosted by volatility last year, growth across commodities is plateauing with combined margins stuck at around \$44 billion per year in 2014 and 2015, the report said. Wyman sees digitization as the game-changer in the next few years that will force independent traders such as Glencore, Trafigura and Vitol, as well as the trading arms at integrated oil companies like Shell and BP, to become ever more nimble and automate many of their activities.

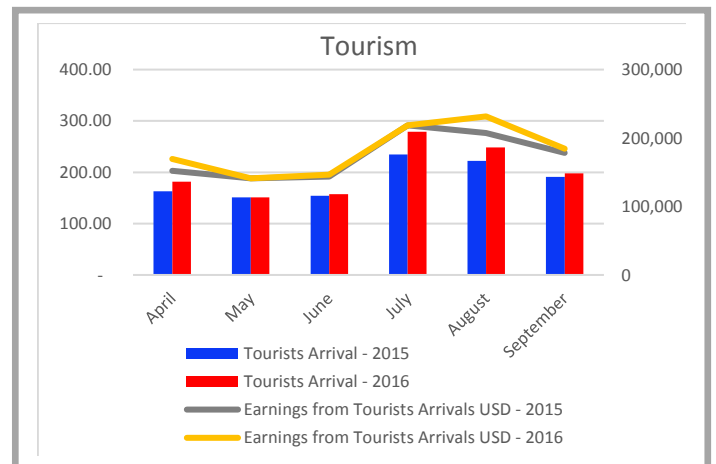
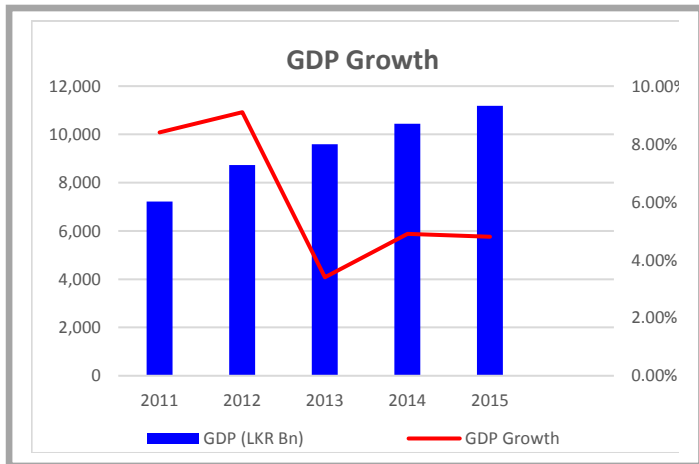
(Source: <http://www.reuters.com/> - 26.10.2016)

The ECB will decide in December on the mechanism for prolonging its quantitative easing asset purchase programme, European Central Bank (ECB) policymaker Ewald Nowotny said. President Mario Draghi last week said the ECB would keep a "very substantial degree of monetary accommodation", dismissing an abrupt end to the 80 billion euro (\$87.38 billion) monthly asset buying programme, based on growth and inflation forecasts. "There will be two decisions, one of course is to prolong, to what extent, for what duration. The other one is of course to weigh up. This means we have to buy further assets and the question is what assets, do we have enough assets to buy and this is a point of discussion," Nowotny, a member of the ECB Governing Council, said during a speech in Cyprus.

(Source: <http://www.reuters.com/> - 27.10.2016)

GDP and Economy

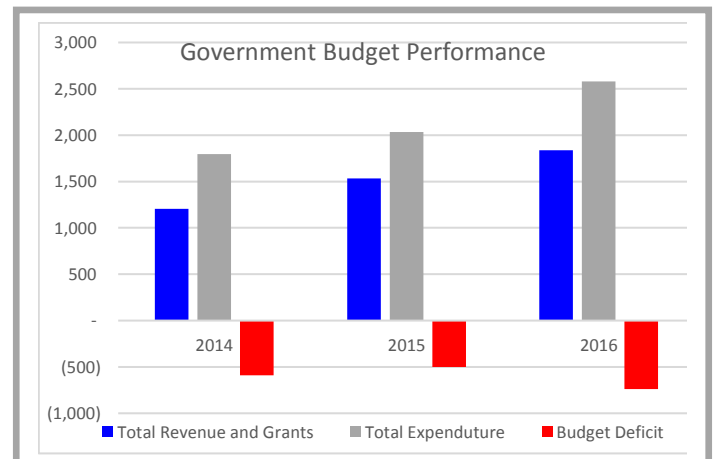
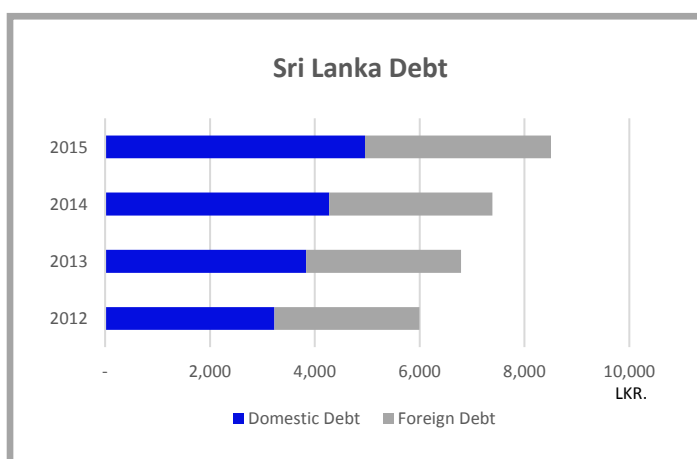
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR.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

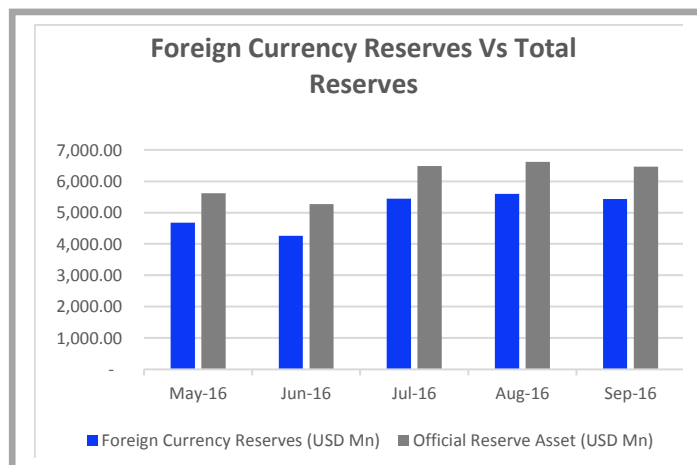
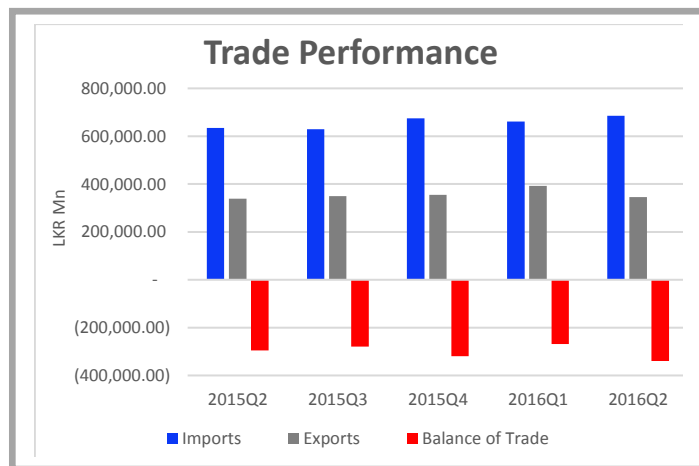
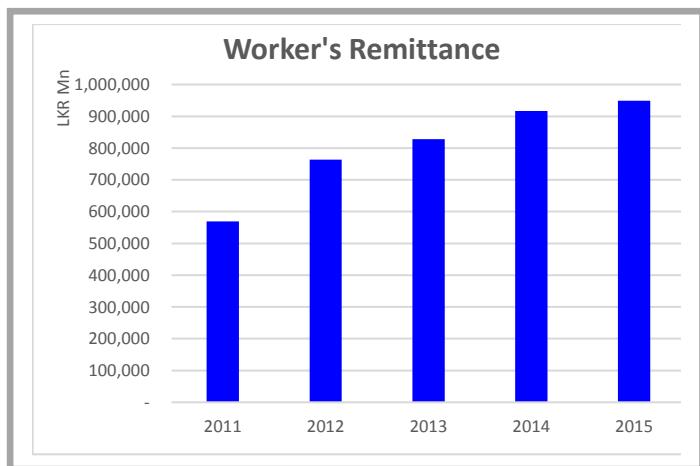


Sri Lanka Fiscal Performance

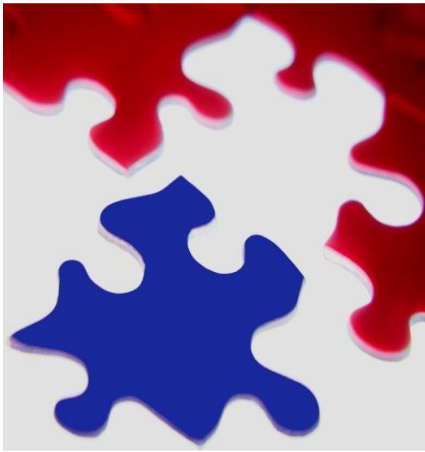
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments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


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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

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