

Sri Lanka raises policy rates by 50bps

➤ Sri Lanka's central bank on 28th,Thursday raised its Standing Lending Facility Rate (SLFR) to 8.50 percent and the Standing Deposit Facility Rate (SDFR) to 7.00 per cent. This 50 basis point rate hike came after CBSL held its key interest rates steady for five straight months. Further tightening of monetary policy is required to curb excessive demand in order to pre-empt the escalation of inflationary pressures and to support the balance of payments. CBSL believes that it will ensure the maintenance of inflation at mid-single digits in the medium term, which is supportive of the growth momentum in the economy. The current policy adjustment is not expected to have a significant impact on the long end of the yield curve and expects that it would not affect the country's growth target of 5%.

Chinese invest in Hambanthota

➤ The Chinese government has requested for 15,000 acres of land in Hambantota for a special economic zone that will create around one million job in this area, the Minister of Development Strategies and International Trade said Tuesday. The Sri Lankan Government is currently assessing potential land for the venture and expects to allocate land up to Monaragala and Embilipitiya as well.

Japan extends US\$ 90 mn concessionary loan to Sri Lanka

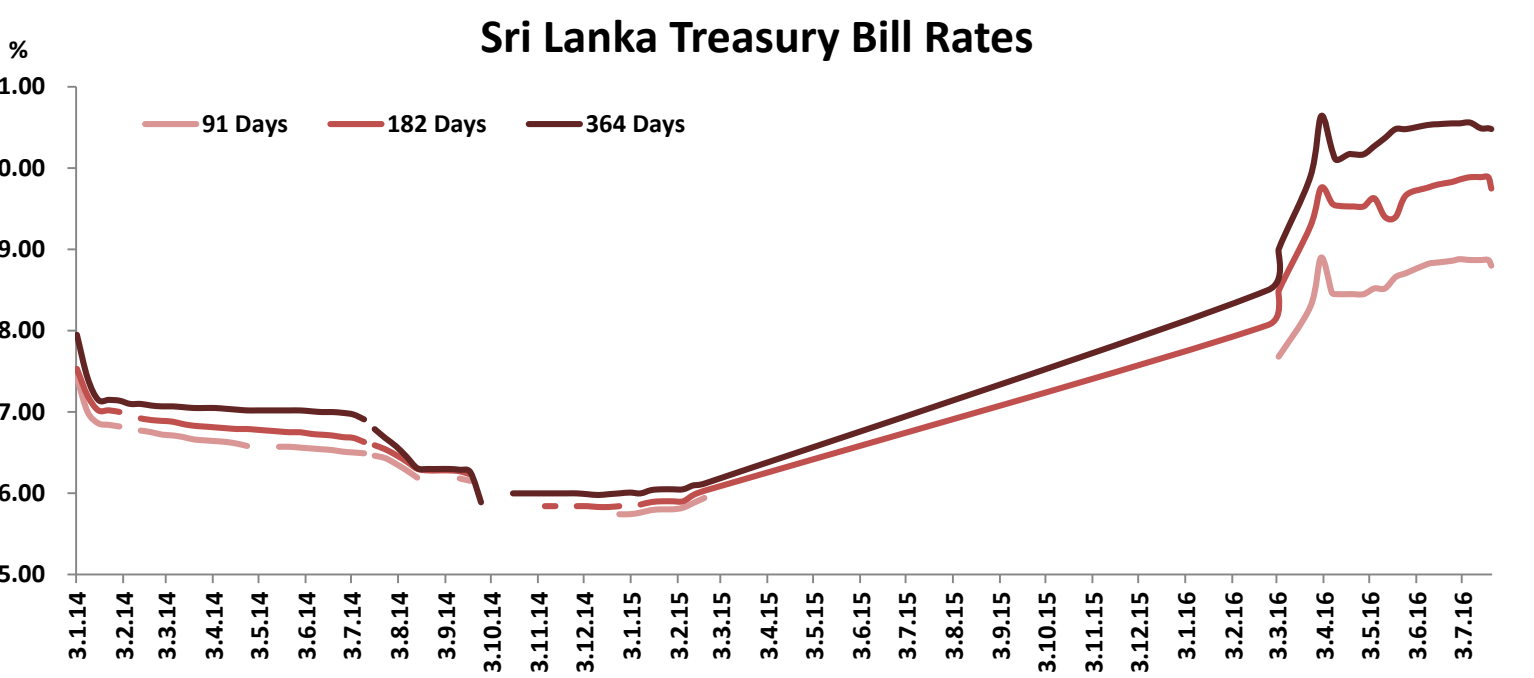
➤ The Japanese Government has decided to grant a \$ 90 million (over Rs. 13 billion) concessionary loan as assistance to enable the island to implement the development proposals made by its Budget 2016 and to strengthen the diplomatic relations between Sri Lanka and Japan. The loan should be repaid within 25 years and a seven-year grace period has been given to start repayment. Sri Lanka has to pay only 1.4% interest for this \$ 90 million loan

Government Securities Update

➤ Weekly Sri Lanka's Treasuries yields decreased across all maturities on Wednesday’ ahead the monetary policy review. The 6 month bills decreased by 6bps to stand at 9.69% and 12 month bills stagnated at 10.48% with 1bps drop from 2 weeks earlier. The 3 months bills were all rejected at this week auction. The state offered Rs. 19Bn of bills for re-issue and accepted Rs. 20.15Bn of bids.

Sources: Daily FT SL (Business Newspaper), Lanka Business Online, The Sunday Leader, Central Bank of Sri Lanka (CBSL)

Chart of the Week



Picture Story



Sri Lanka’s government confirmed that the Japanese government will fund the islands proposed Light Rail Transit (LRT). The two governments have agreed to expedite the detailed technical feasibility in order to initiate the physical implementation of the LRT. While the long term plan developed by the Megapolis team includes an LRT network of approximately 75km, the initial investment is to cover around 25km, connecting Fort, Kollupitiya, Bambalapitiya, Borella, Maradana, Rajagiriya, Battaramulla and Malambe.

Economic Indicators				Currencies				CSE Data			
	2015	2016	Change		Year Ago	Pre. Week	This Week		Pre. Week	This Week	Change
Tourist Arrivals: Jun(16)	115,467	118,038	2.23%	US\$	133.61	146.05	145.86	CSE All Share Index (ASI)	6,428.77	6,393.87	-0.5%
Tourist Arrivals: Jun(16)-YTD	830,051	964,267	16.17%	STG	208.63	193.36	192.48	S&P Sri Lanka 20 Index (S&P SL 20)	3,428.58	3,414.39	-0.4%
Credit-Pvt Sec Rs.Bn-Apr(16)-YTD	2,860	3,662	28.06%	Yen	1.08	1.38	1.40				
				Euro	148.02	161.04	161.66				
Trade Balance(US\$ Mn) – Mar	(516.2)	(620.7)	-20.24%					Total turnover (LKR Mn)	2,139.24	2,353.33	10.0%
Imports (US\$ Mn) – Mar	1,580.9	1,566.0	-0.94%					Market PER	13.12	13.05	-0.5%
Investment Goods	397.5	430.2	8.23%					Market PBV	1.48	1.48	0.0%
Intermediate Goods	741.0	715.2	-3.48%					Dividend Yield	3.01	3.01	0.0%
Exports (US\$ Mn) - Mar	1,064.7	945.4	-11.21%					Market Capitalization (LKR Bn)	2,739.64	2,724.76	-0.5%
Agricultural	214.1	200.7	-6.26%					Foreign Purchases (LKR Mn)	727.77	1,102.93	51.6%
Textiles and Apparel	428.2	441.8	3.18%					Foreign Sales (LKR Mn)	534.59	895.12	67.4%
								Net Foreign (LKR Mn)	193.17	207.81	-7.6%
	Levels				Levels (%)						
	2014	2015	2016		Year Ago	Pre. Week	This Week				
Quarterly GDP Real Growth	Q1 - 1.3%	Q1 - 4.4%	Q1 - 5.5%								
	Q2 - 2.2%	Q2 -7.0%									
	Q3 - 5.0%	Q3 - 5.6%									
	Q4 - 10.3%	Q4 - 2.5%									
Annual GDP Real Growth (%)	4.90%	4.80%									
	Levels				Price per Share (LKR)						
	Year Ago	Jun-16	Jul-16		Pre. Week	This Week	Change				
Inflation -CCPI											
Year on Year	-0.20%	6.00%	5.50%								
Annual Average	1.30%	2.20%	2.70%								
Inflation -NCPI	Year Ago	May-16	Jun-16								
Year on Year	2.80%	5.30%	6.40%								
Annual Average	-	2.70%	3.10%								

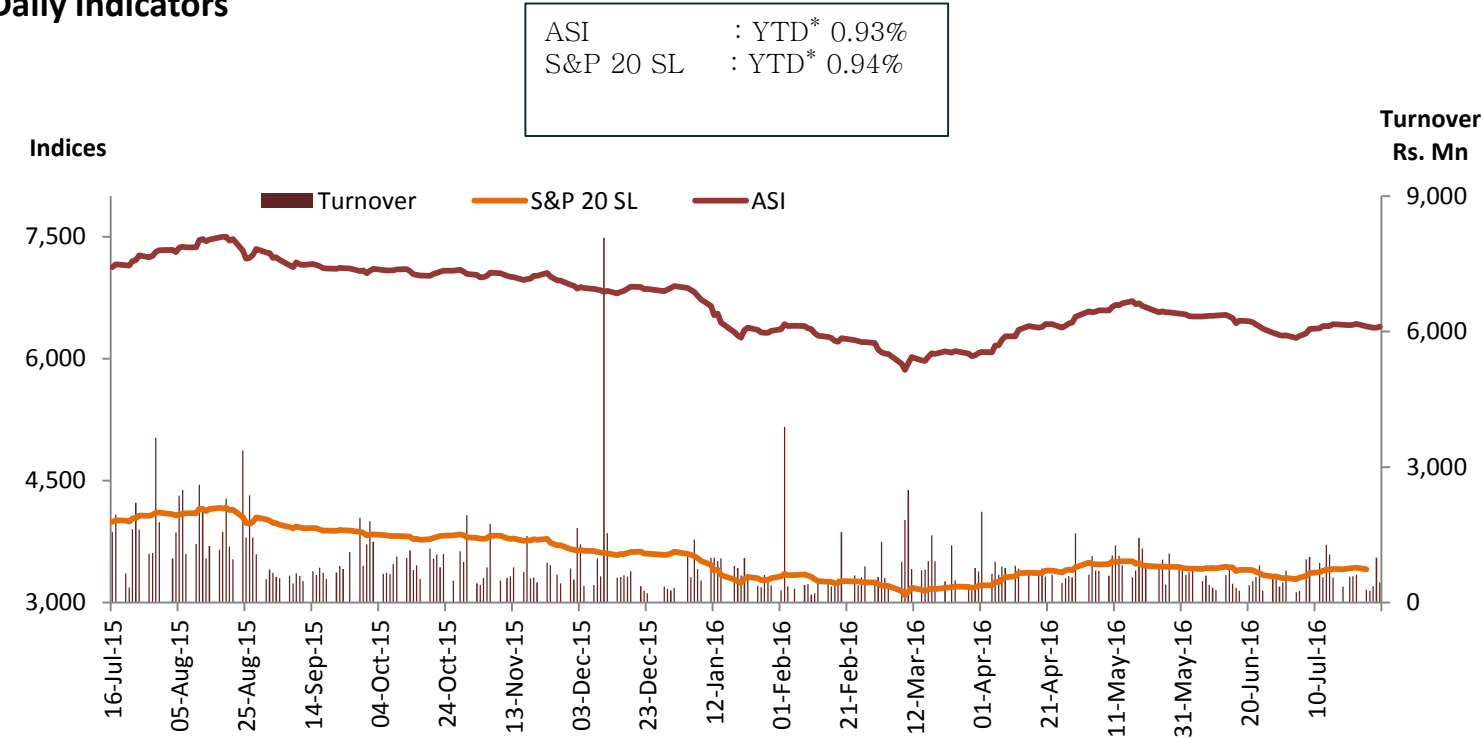
Regional Market Performance

Week Return YTD Return

Index	Week Return	YTD Return
ASPI - Sri Lanka	-0.5%	-7.3%
FTSE - Malaysia	-0.2%	-1.6%
CNX Nifty - India	-47.0%	-43.1%
DSE Broad - Bangladesh	-0.6%	-2.3%
KSE 100 - Pakistan	1.0%	20.5%
SET - Thailand	1.0%	18.3%
FTSE - Singapore	-2.8%	-1.6%

- The Colombo Stock Exchange (CSE) declined marginally during the week ended Friday 29th July 2016. The All Share Price Index (ASPI) declined by 0.54% to report at 6,393.9 while the S&P Sri Lanka 20 Index declined by 0.41% to report at 3,414.4. Total turnover for the week was Rs. 2.35Bn.
- Net foreign investments recorded a net inflow of Rs. 207.8Mn during the week. Year to date net foreign investment amounted to a negative Rs. 4,653.6Mn.
- Sri Lanka's John Keells group is expecting to start construction of a 3.7 billion rupee hotel in Nuwara Eliya in the island's central hills early next year. Cinnamon Hotels and Resorts will continue to focus on brand building initiatives through its social media strategy to secure a strong online brand presence that would drive direct online sales, whilst reducing distribution costs.
- Shareholders of Hayleys Fibre PLC (HEXP), a unit of the Hayleys group, have unanimously approved a disposal of its six-acre freehold property in Ekala for a consideration of Rs.420 million to Alumex PLC. The land, which in full extent, six acres, one rood and 7.9 perches, situated on the Minuwangoda Road, Ekala, Ja-Ela.

Daily Indicators



* YTD- 01st Jan 2016 to 29th Jul 2016

Sources: Colombo Stock Exchange (CSE), Business Newspapers

CSE Weekly Sector Returns (%)

