

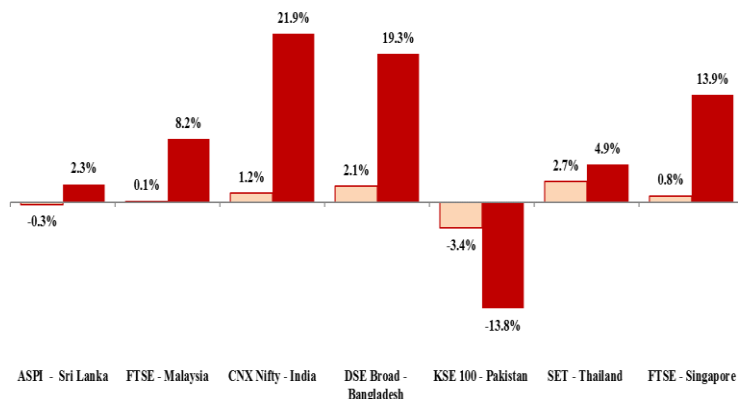
- During the week ended Friday 31st August CSE saw a decline for the 7th straight week. The All Share Price Index (ASPI) ended at 6,390.7 (0.3% down) while the S&P SL 20 Index contracted to 3,686.0 (0.1% down) led by diversified, manufacturing and plantation sectors. Total turnover for the week was Rs. 3,240.2Mn, a 22.8% increase compared to previous week. Net foreign investments recorded a net outflow of Rs. 434 Mn during the week for the first time over the recent three months due to the foreign selling seen in last week. 2017 annual net foreign investment amounted to a positive Rs. 27,529Mn.
- The Colombo Stock Exchange plans to introduce a special tool to encourage real estate sector investors. This is to be titled Real Estate Investment Trusts (REITs). Through this, investors could buy into the real estate market.
- Ministry of Finance reported that Sri Lanka's tax free listed bonds issued in the past are likely to be treated the same way until they are redeemed.
- Hayleys Advantis, the transportation and logistics arm of Hayleys Plc, has acquired 94.8% stake in the Sri Lanka Shipping Company Ltd. for Rs. 4.9Bn in line with the group's strategy on expanding its maritime operations and paving the way for the establishment of the largest marine and shipping company in Sri Lanka.
- IFC, a member of the World Bank Group, is extending a USD 50Mn financing facility to Nations Trust Bank PLC (NTB). The funds will enable the bank to expand its lending in the small and medium enterprise (SME) segment across the country.
- The NDB Private Wealth Center recently opened its 107th branch in Colombo 04 which is the Sri Lanka's first all-in-one financial services hub which provides immediate access to a number of important financial and advisory services, all in the same building aiming its high net worth clients.

MARKET INDICATORS

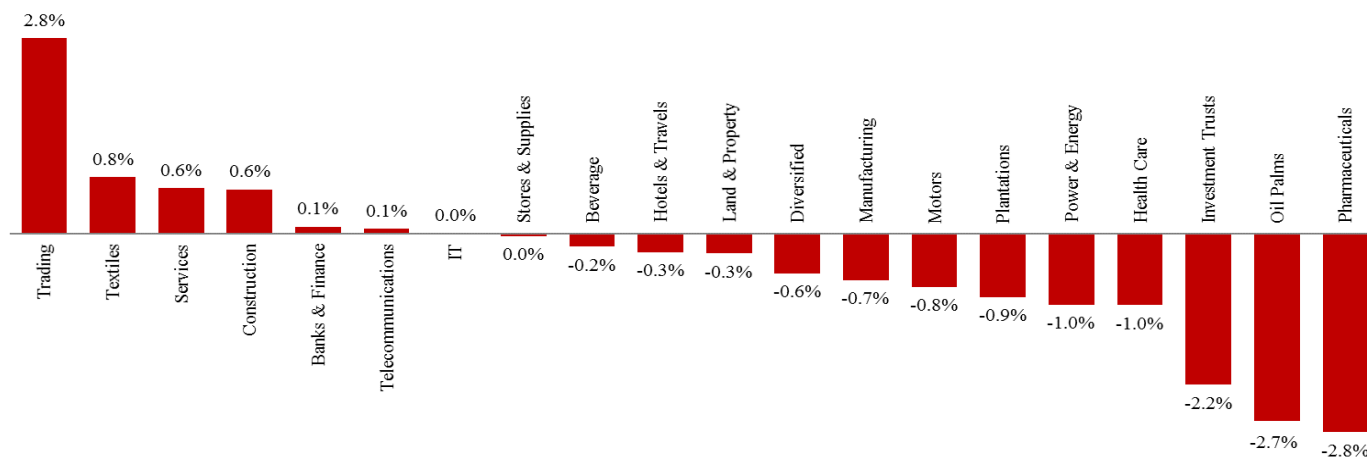
Regional Market Performance

Week Return 2017 YTD Return

| | Week Return | 2017 YTD Return |
|------------------------|-------------|-----------------|
| ASPI - Sri Lanka | -0.3% | 2.3% |
| FTSE - Malaysia | 0.1% | 8.2% |
| CNX Nifty - India | 1.2% | 21.9% |
| DSE Broad - Bangladesh | 2.1% | 19.3% |
| KSE 100 - Pakistan | -3.4% | -13.8% |
| SET - Thailand | 2.7% | 4.9% |
| FTSE - Singapore | 0.8% | 13.9% |



CSE Weekly Sector Returns (%)



STORY OF THE WEEK

Sri Lanka's inflation accelerates to 6.0-pct in August

- The YoY inflation as measured by CCPI recorded 6.0% in August 2017 a 120bps increase compared to July which recorded 4.8% inflation. YoY inflation of Food Group has increased from 4.8% in July to 6.9% in August 2017 and that of Non-food Group has increased from 4.7% to 5.7% during this period. The moving average inflation rate for the month of August 2017 was 5.5% whilst the corresponding rate for the month of July was 5.4%.
- For the month of August 2017, YoY contribution to inflation by food commodities was 2.07%. The contribution of Nonfood items was 3.96%. This was mainly due to value increases in groups of Education (0.90%), Health (0.55%), Transport (0.46%), Miscellaneous Goods and Services (0.44%), Communication (0.43%), Alcoholic Beverages Tobacco & Narcotic (0.36%) and etc.
- Sri Lanka's inflation measured by the CCPI peaked at 7.3% in March 2017 following money printing by the central bank and has since started to fall, after interest rates were raised and money printing ended. The spike in August 2017 comes with sharp fall in the index recorded in August 2016.

IN OTHER NEWS

- **GOSL to cut 2017 spending to meet deficit goal**
 - The GOSL plans to cut down on expenditure to stick to its 2017 budget deficit target of 4.6% of Gross Domestic Product (GDP) and compensate for a fall in its 2017 revenue target because of delays in adopting budget proposals and worst whether conditions prevailed in most of the regions in the country.
 - Sri Lanka has committed to cut the budget deficit to 4.6% of the GDP this year from the last year's 5.4% to satisfy conditions set by the IMF for a USD 1.5Bn loan approved mid last year. Sri Lanka has targeted revenue of Rs. 2,088Bn (USD13.68Bn) this year, a 27% rise from last year's total. However, the Finance Ministry now expects full-year revenue to lag its target and settle around Rs. 1,900Bn, according to the assessment based on 31st July revenue figures.
- **Navesta Pharmaceuticals Opens Sri Lanka's First Sterile Pharmaceutical Manufacturing Plant**
 - Navesta Pharmaceuticals Private Limited, Sri Lanka's first European Union Good Manufacturing Practices (EU-GMP) and Pharmaceutical Inspection Co-Operation Scheme (PIC/S), opened the Country's first sterile pharmaceutical manufacturing plant in Horana. The facility will primarily meet the local demand of 12 products in the Penicillin category dry powder injectable that were previously imported to the Country.
 - Navesta's 40,000sq:ft: manufacturing facility has a capacity to produce 50Mn vials and it will expand the facility in the coming years to increase its production capacity by three-fold and contribute significantly to the Sri Lankan economy with exports while creating over 100 direct and over 500 indirect employment opportunities.

UPDATE ON GOVERNMENT SECURITIES

- At the T:bill auction held on 29th Tuesday, the weighted averages of treasuries saw a recovery over the week. The 06 month bill increased 3bps to 9.30% and the 01 year bill yield also increased 2bps to 9.67%.
- The state offered Rs. 18Bn of bills at the auction for re-issue and accepted the total Rs. 18Bn. Bids for 03 month bills were not accepted for the 3rd consecutive week.

ECONOMIC DATA

| Credit-Pvt Sec Rs.Bn- Apr (17)-YTD | 2016 | 2017 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Tourist Arrivals: July (17) | 209,351 | 205,482 | -1.85% |
| Tourist Arrivals: July (17)-YTD | 1,173,618 | 1,215,926 | 3.60% |
| Credit-Pvt Sec Rs.Bn- June (17)-YTD | 3,798 | 4,505 | 18.62% |
| Trade Balance (US\$ Mn) – June | (775.0) | (553.6) | 28.57% |
| Imports (US\$ Mn) – June | 1,675.8 | 1,540.9 | -8.05% |
| Investment Goods | 410.1 | 405.3 | -1.17% |
| Intermediate Goods | 909.7 | 792.1 | -12.93% |
| Exports (US\$ Mn) - June | 900.6 | 987.3 | 9.63% |
| Agricultural | 214.1 | 232.0 | 8.36% |
| Textiles and Apparel | 430.2 | 398.1 | -7.46% |

| Quarterly GDP Real Growth | 2015 | 2016 | 2017 |
|-----------------------------------|--------------|--------------|----------|
| Q1 | 4.40% | 5.20% | 3.80% |
| Q2 | 7.00% | 2.70% | - |
| Q3 | 5.60% | 4.10% | - |
| Q4 | 2.80% | 5.30% | - |
| Annual GDP Real Growth (%) | 4.80% | 4.40% | - |

Based on newbase year-2010

| Inflation -CCPI | Year Ago | July 17 | Aug 17 |
|-----------------|----------|---------|---------|
| Year on Year | 4.40% | 4.80% | 6.00% |
| Annual Average | 3.70% | 5.40% | 5.50% |
| Inflation -NCPI | Year Ago | June 17 | July 17 |
| Year on Year | 5.80% | 6.30% | 6.30% |
| Annual Average | 3.40% | 6.10% | 6.20% |

| Currencies | Year Ago | Pre. Week | This Week |
|------------|----------|-----------|-----------|
| US\$ | 145.51 | 152.90 | 152.74 |
| STG | 190.59 | 195.86 | 197.32 |
| Yen | 1.41 | 1.40 | 1.38 |
| Euro | 162.28 | 180.35 | 181.44 |

| T - Bills | Year Ago | Pre. Week | This Week |
|-----------|----------|-----------|-----------|
| 3 Months | 9.03 | - | - |
| 6 Months | 9.94 | 9.27 | 9.30 |
| 12 Months | 10.73 | 9.65 | 9.67 |

CSE DATA

| | Pre. Week | This Week | Change |
|------------------------------------|-----------|-----------|---------|
| CSE All Share Index (ASI) | 6,409.37 | 6,390.74 | -0.3% |
| S&P Sri Lanka 20 Index (S&P SL 20) | 3,690.57 | 3,685.96 | -0.1% |
| Total Turnover (LKR Mn) | 2,639.28 | 3,240.24 | 22.8% |
| Market PER | 10.40 | 10.36 | -0.4% |
| Market PBV | 1.40 | 1.39 | -0.7% |
| Dividend Yield | 3.08 | 3.07 | -0.3% |
| Market Capitalization (LKR Bn) | 2,906.18 | 2,897.75 | -0.3% |
| Foreign Purchases (LKR Mn) | 990.13 | 1,243.23 | 25.6% |
| Foreign Sales (LKR Mn) | 741.68 | 1,677.25 | 126.1% |
| Net Foreign (LKR Mn) | 248.44 | (434.02) | -274.7% |

| Top 5 Gainers | Pre. Week | This Week | Change |
|-------------------|-----------|-----------|--------|
| ADAM INVESTMENTS | 0.40 | 0.50 | 25% |
| BLUE DIAMONDS [X] | 0.40 | 0.50 | 25% |
| CITRUS HIKKADUWA | 12.90 | 14.70 | 14% |
| SATHOSA MOTORS | 300.10 | 340.70 | 14% |
| LANKEM DEV. | 3.90 | 4.40 | 13% |

| Top 5 Losers | Pre. Week | This Week | Change |
|-----------------|-----------|-----------|--------|
| AMANA LIFE | 1.50 | 1.30 | -13% |
| CIT | 87.30 | 75.90 | -13% |
| TAPROBANE | 5.80 | 5.10 | -12% |
| NUWARA ELIYA | 1,306.20 | 1,159.60 | -11% |
| RENUKA HOLDINGS | 26.40 | 23.60 | -11% |

LICENSED COMMERCIAL BANKS

| | June 17 | Month Ago | Year Ago |
|-------------------------|------------|------------|------------|
| Saving Deposits | 0.50-09.00 | 0.50-9.00 | 0.50-9.00 |
| One Year Fixed Deposits | 4.89-15.00 | 4.89-15.00 | 4.50-15.00 |
| | Jul-17 | Month Ago | Year Ago |
| AWDR | 9.13 | 9.13 | 7.10 |
| AWFDR | 11.66 | 11.66 | 8.99 |
| | May-17 | Month Ago | Year Ago |
| AWLR | 13.73 | 13.57 | 12.09 |