

Bourse ends positive despite island wide travel restrictions

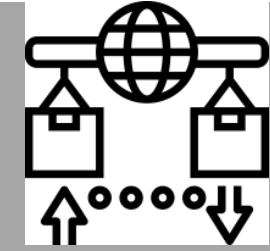


Trade Deficit



5.8%

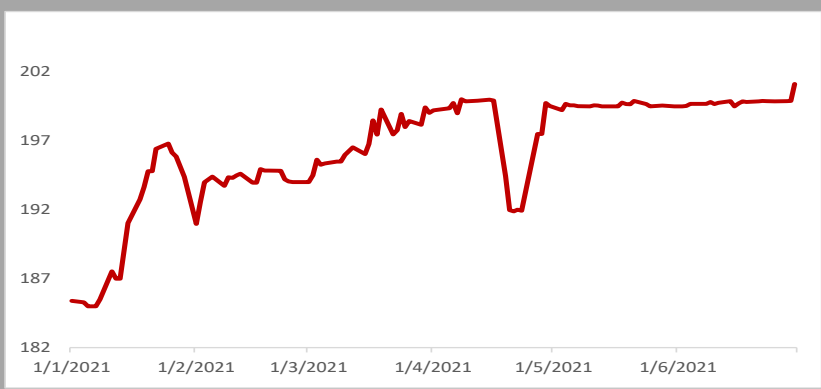
To USD 889Mn



Pvt sector credit grew for the tenth consecutive month



For Apr'21



LKR depreciates by 7.0% YTD against USD

Worker Remittances



7%YoY

USD 460 Mn



For May' 21

Inflation



5.2%



For Jun' 21

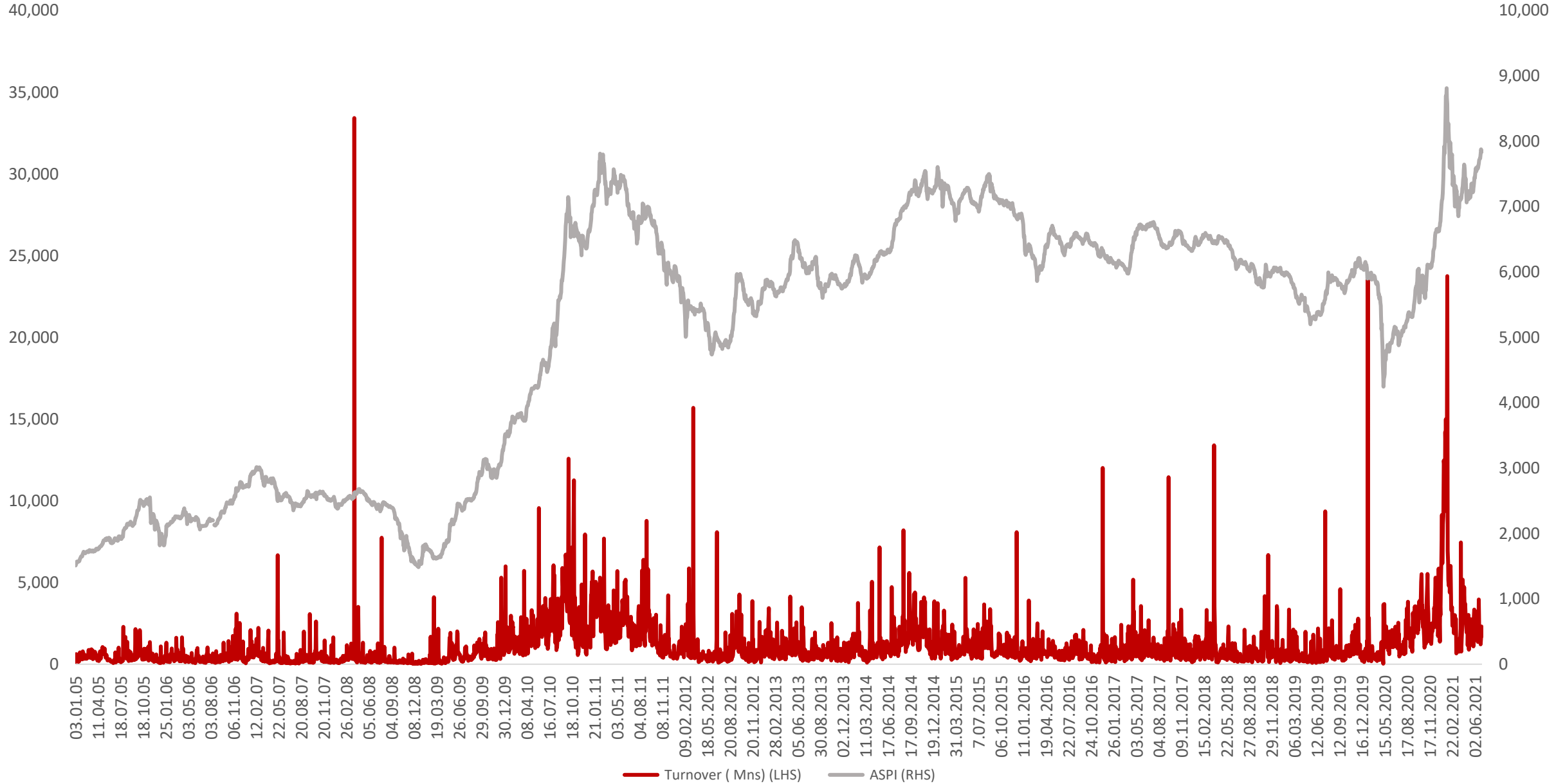


Key events for June'21

- Colombo bourse ended bullish, adding 434 points for the month of June'21 (5.9%) despite island wide travel restrictions remaining through most part of the month. The ASPI ended at 7837.76 while more liquid S&P SL 20 ended at 2968.26 shredding 10.5 points. Reruns on ASPI now stands at 15.7% YTD while S&P SL 20 stands at 12.5% YTD.
- Average turnover levels meanwhile too increased by 8%MoM to LKR 2.2Bn despite YTD average turnover levels declining to LKR 4.0Bn from LKR 4.4Bn reported a month earlier.
- Various proposals were also brought in by CBSL to address the concerns on depleting reserves. Licensed commercial banks, NSB and non-financial companies were allowed to purchase ISBs and SLDBs by revoking the previous condition. Furthermore, the ban on import of non-essential products was also extended for another six months from July 2021. The proposal to allow listed companies to issue dollar denominated shares and debt to investors also got the cabinet nod, while approval also went through to pay an additional interest rate for Special Deposit Accounts (SDAs) to safeguard the reserve position of the country.
- Trade deficit meanwhile widened by 5.8%YoY for Apr'21 despite export income increasing more (190% YoY). Import expenses meanwhile increased by 52% YoY with biggest chunk coming from fuel increasing by 239%YoY.
- Remittances continued rising in May'21, climbing up by 7% YoY to USD 460Mn while CCPI inflation increased to 5.2% in May'21 while 12M average inflation increased to 4.1%.



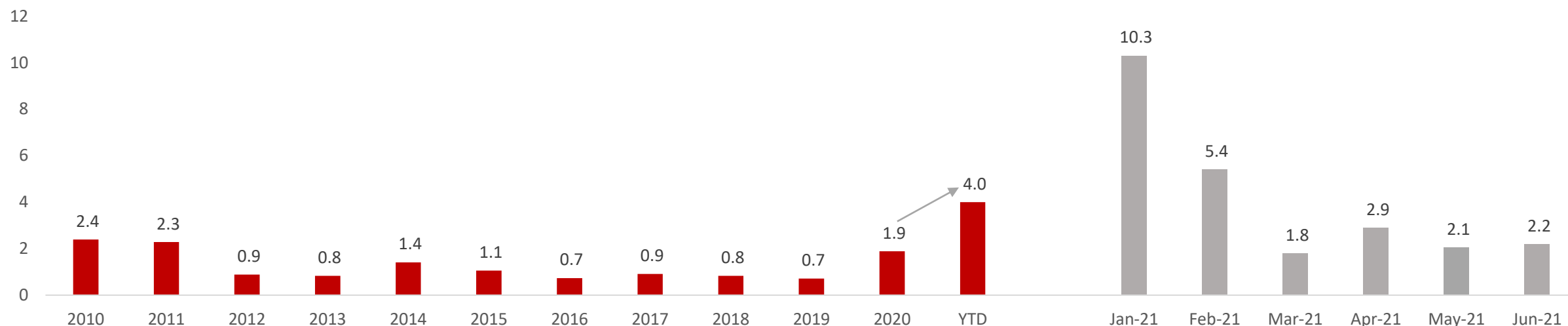
CSE gained 434.3 points in June'21



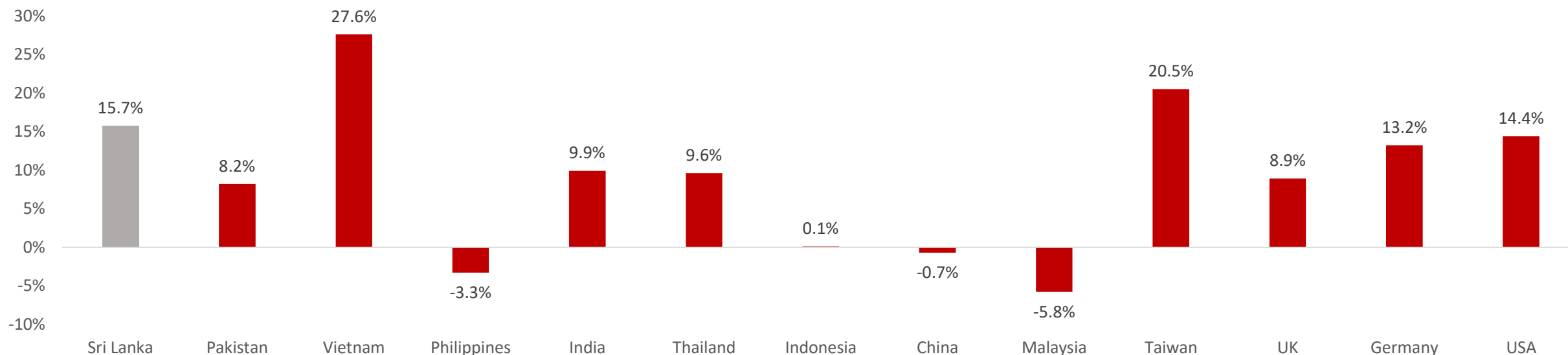
Source : CSE

Average daily turnover are still 2.1x higher than 2020

Avg YTD turnover levels now stands at LKR 4.0Bn while turnover levels increased to LKR 2.2Bn in June'21



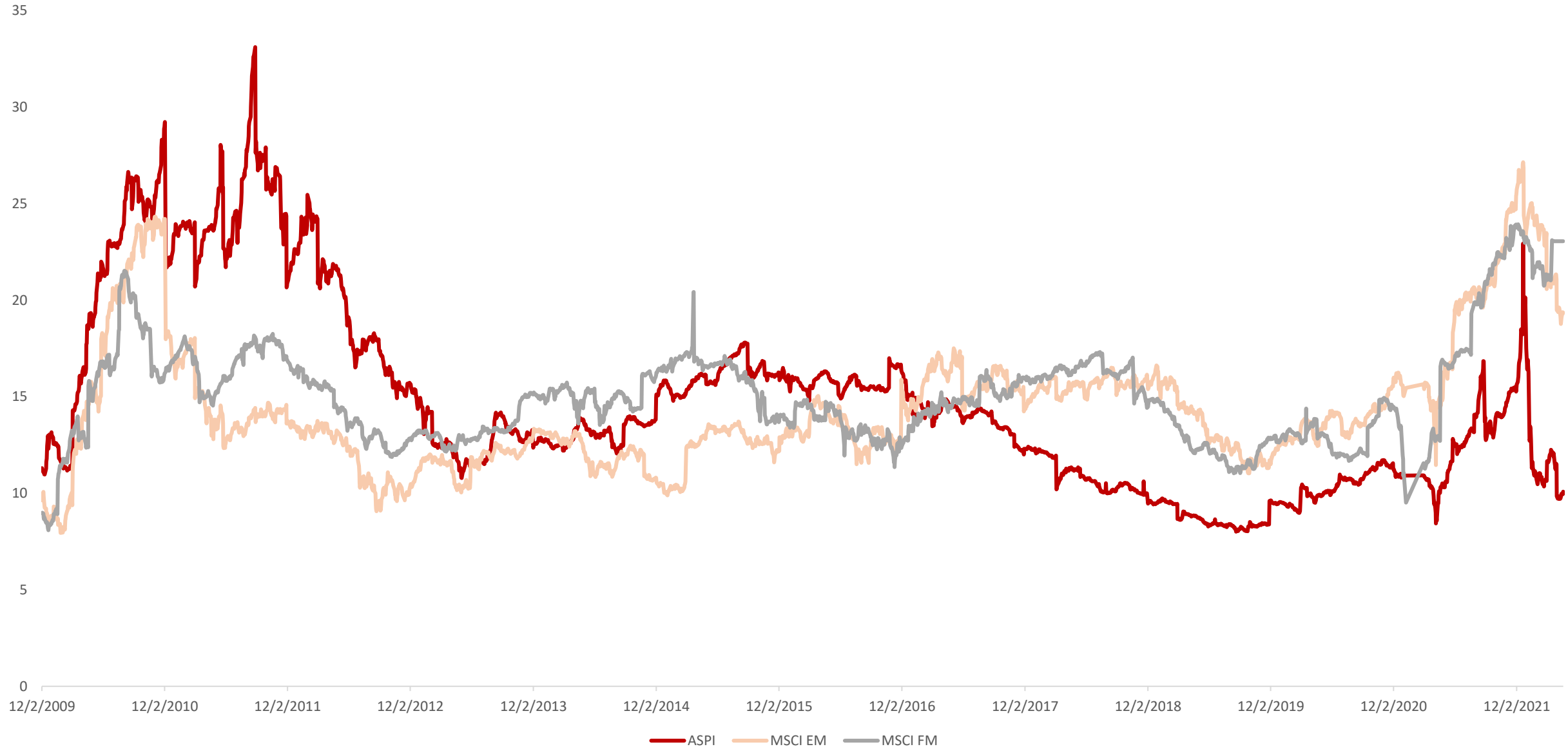
SL's YTD returns still stands in the positive territory





CSE is back at attractive valuations

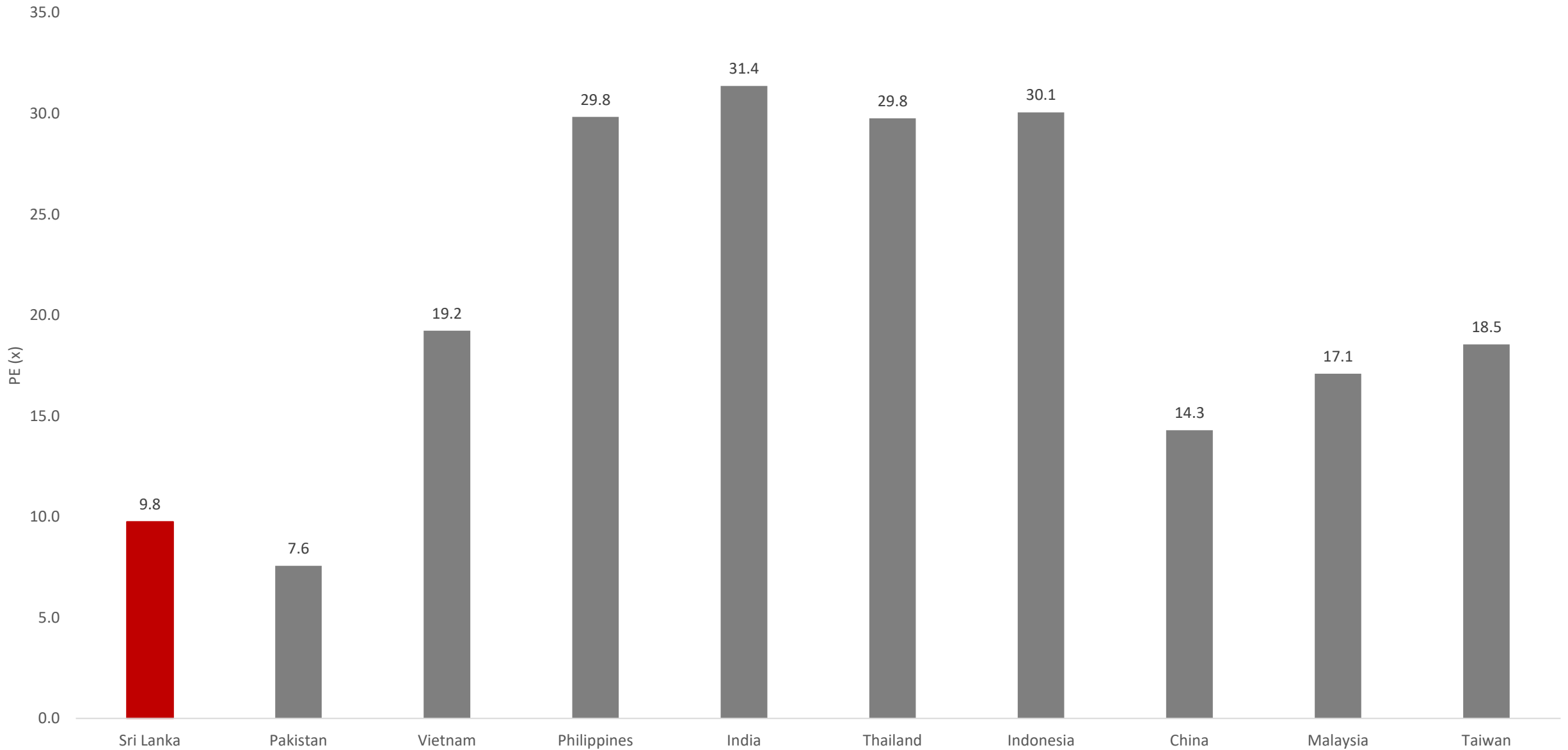
CSE currently trades at 9.8x PE, 43% discount to Emerging market and 57% discount to Frontier Market indices



Source : Bloomberg , Prices as at 30.06.2021

Sri Lanka is yet cheaper than most of the regional peers

Sri Lanka trades at a 69% discount to India, 67% discount to Thailand and 43% discount to Malaysia

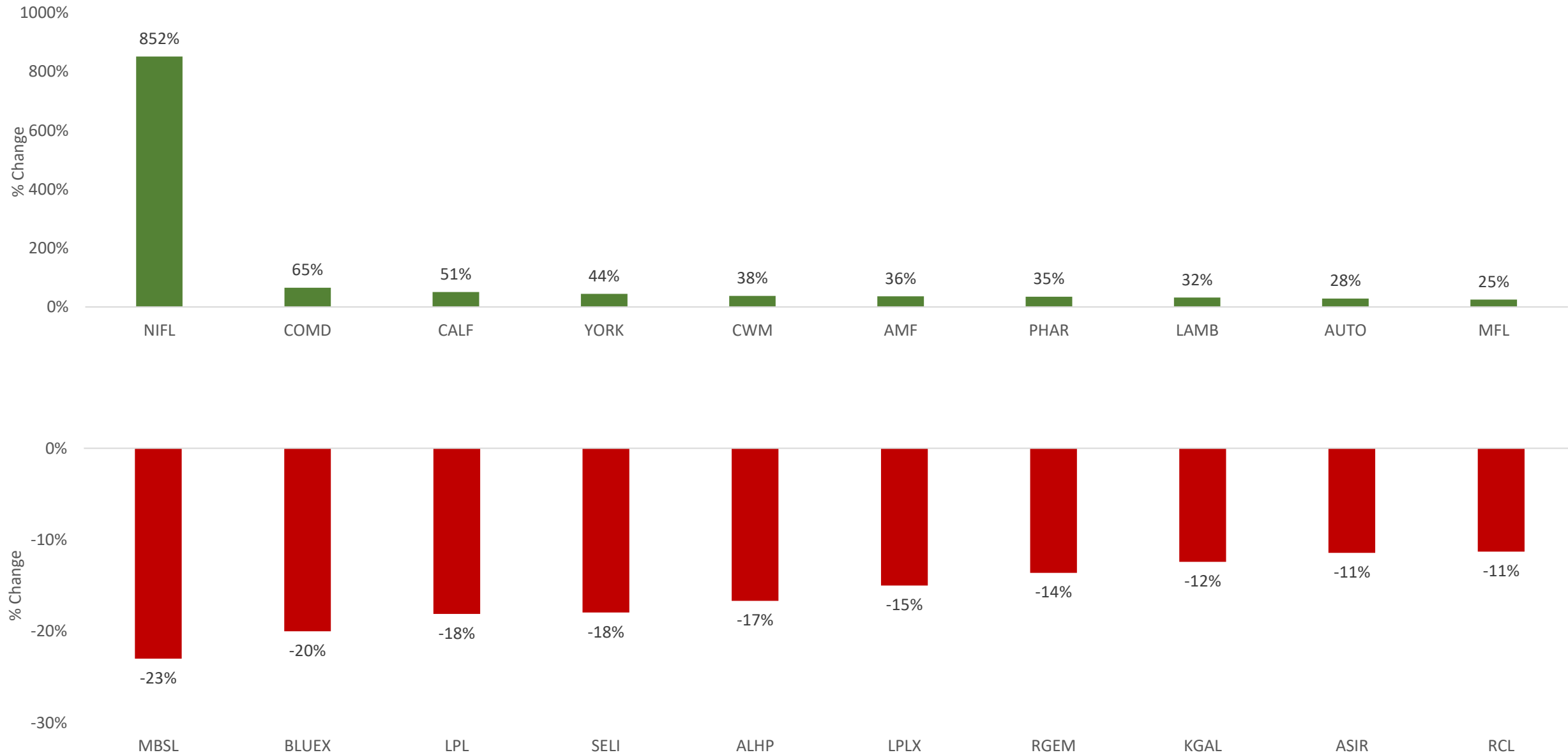


Source : Bloomberg



Top ten gainers and losers for the month

NIFL and COMD emerged as the biggest price gainers for the month





Net foreign selling tops LKR 1.1Bn for the month

HNBX, PLC and COMB saw heavy foreign selling

Top 10 foreign purchases in value

Counter	Volume Traded	Value Traded (LKR Mn)
WINDFORCE	34,241,117	640.31
HEMAS HOLDINGS	1,196,469	97.63
NESTLE	72,739	94.83
CARGILLS	339,813	81.56
LANKA WALLTILE	892,784	52.85
TEEJAY LANKA	1,035,841	39.78
LANKA TILES	574,013	28.70
REGNIS	364,698	24.95
TOKYO CEMENT[X.0000]	398,907	23.58
HNB	159,273	21.34

Top 10 foreign purchases by volume

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WINDFORCE	34,241,117	640.31
HEMAS HOLDINGS	1,196,469	97.63
TEEJAY LANKA	1,035,841	39.78
LANKA WALLTILE	892,784	52.85
SEYLAN DEVTS	603,973	9.30
LANKA TILES	574,013	28.70
RICHARD PIERIS	533,661	8.97
HAYLEYS FABRIC	518,042	9.38
TOKYO CEMENT[X.0000]	398,907	23.58
REGNIS	364,698	24.95

Top 10 foreign sales in value

Counter	Volume Traded	Value Traded (LKR Mn)
HNB[X.0000]	(5,794,755)	(621.49)
PEOPLES LEASING	(28,367,115)	(368.77)
COMMERCIAL BANK	(1,993,538)	(175.43)
JKH	(1,240,406)	(167.76)
BUKIT DARAH	(571,056)	(165.32)
CEYLON TOBACCO	(117,222)	(111.92)
LB FINANCE	(971,501)	(65.67)
HAYLEYS	(667,190)	(49.97)
L O L C HOLDINGS	(118,383)	(46.70)
CHEVRON	(395,001)	(41.48)

Top 10 foreign sales by volume

Counter	Volume Traded	Value Traded (LKR Mn)
PEOPLES LEASING	(28,367,115)	(368.77)
HNB[X.0000]	(5,794,755)	(621.49)
COMMERCIAL BANK	(1,993,538)	(175.43)
DIALOG	(1,550,412)	(18.92)
EAST WEST	(1,443,660)	(14.44)
BROWNS INVSTMNTS	(1,316,516)	(7.77)
VALLIBEL	(1,309,207)	(10.60)
JKH	(1,240,406)	(167.76)
SINGER FINANCE	(1,147,505)	(17.21)
LB FINANCE	(971,501)	(65.67)

Source : CSE



ASPI returns stands at 15.7% YTD while S&P SL 20 returns stands at 12.5%YTD

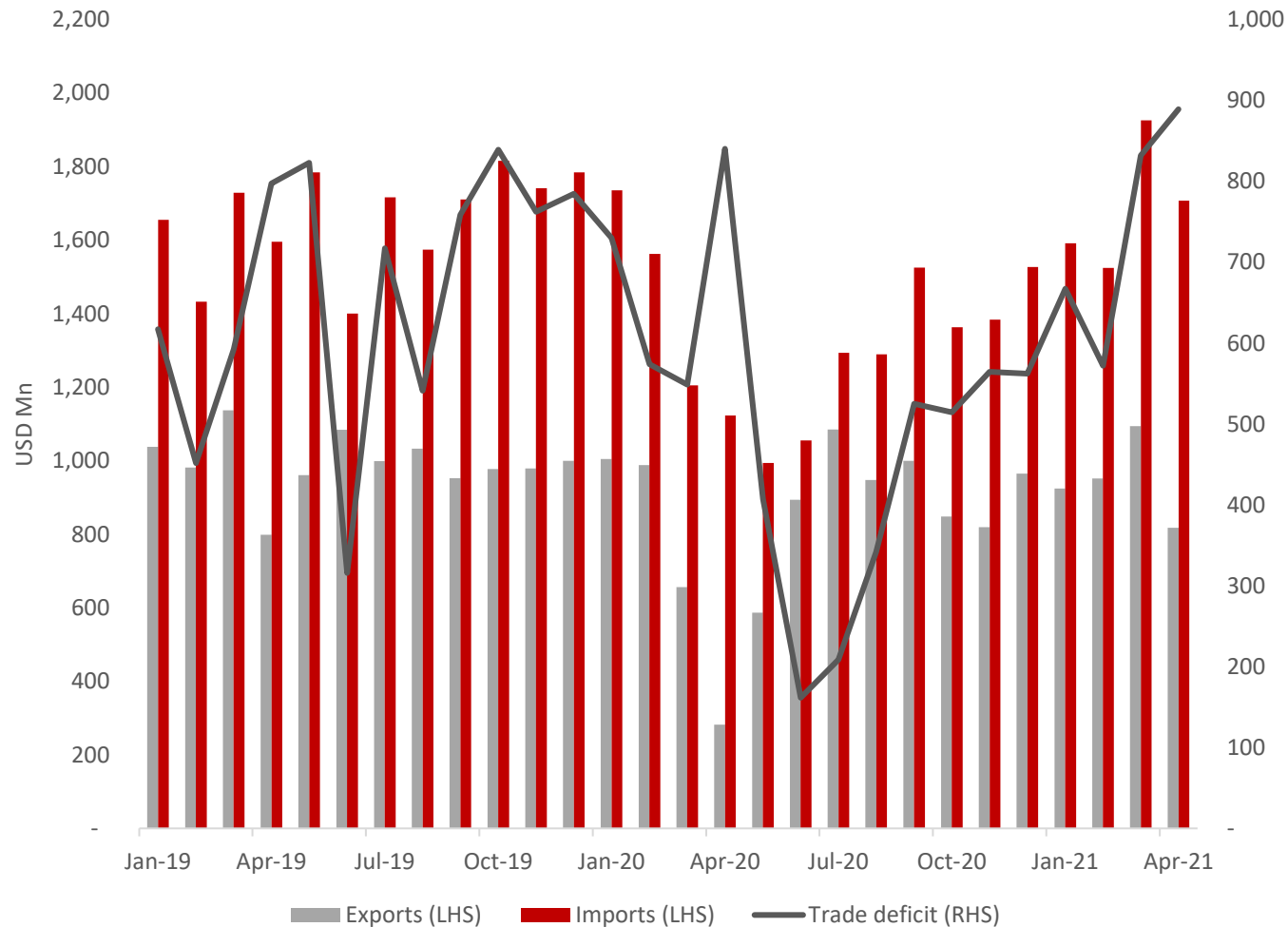
Total net foreign selling for the year tops LKR 26.4Bn

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	As at 30.06.2021
ASPI (Year End)	6635.9	6074.4	5643.0	5912.8	7299.0	6894.5	6228.3	6369.3	6052.4	6129.2	6774.2	7837.8
ASPI Return (%)	96%	-8%	-7.1%	4.8%	23.4%	-5.5%	-9.7%	2.3%	-5.0%	1.3%	10.5%	15.7%
S&P SL20			3069.0	3263.9	4089.1	3625.7	3496.4	3671.7	3135.2	2937.0	2638.1	2968.3
S&P SL20 Return (%)				6.3%	25.3%	-11.3%	-3.6%	5.0%	-14.6%	-6.3%	-10.2%	12.5%
Average Daily Turnover (LKR Mn)	2,396	2,286	884	828	1,415	1,060	737	915	834	711	1,899	4,008
YoY Growth		-5%	-61%	-6%	71%	-25%	-30%	24%	-9%	-15%	167%	111%
Avg USD =LKR	113.1	110.6	127.6	129.1	130.6	135.9	145.6	152.5	162.5	178.8	185.4	199.8
Average Daily Turnover (USD Mn)	21.2	20.7	6.9	6.4	10.8	7.8	5.1	6.0	5.1	4.0	10.2	20.1
Foreign Purchases (LKR Mn)	92,425.5	49,776.8	72,614.2	83,607.0	104,689.8	84,414.6	74,583.0	113,276.0	76,621.5	56,649.0	53,901.0	22,097.9
Foreign Sales (LKR Mn)	118,760.9	68,816.0	33,953.6	60,873.3	83,550.8	89,784.4	74,199.5	95,052.0	99,979.3	68,366.5	104,233.0	48,540.0
Net Foreign flows	(26,335.3)	(19,039.2)	38,660.7	22,733.7	21,139.0	(5,369.9)	383.5	18,224	(23,357.9)	(11,717.5)	(50,332.1)	(26,441.7)
Foreign Purchases (USD Mn)	817,491	450,184	569,077	647,564	801,852	620,969	512,246	742,793	471,401	316,776	290,660	110,600
Foreign Sales (USD Mn)	1,050,423	622,375	266,094	471,484	639,942	660,471	509,612	623,292	615,106	382,299	562,075	242,943
Net Foreign Flows (USD Mn)	(232,932)	(172,192)	302,983	176,080	161,910	(39,502)	2,634	119,498	(143,705)	(65,523)	(271,415)	(132,341)
Market Cap (LKR Bn)	2,210	2,214	2,168	2,460	3,105	2,938	2,745	2,899	2,839	2,851	2,959	3,470
Market Cap (USD Mn)	19,551	20,022	16,987	19,053	23,781	21,612	18,856	19,010	17,469	15,944	15,959	17,367
CSE - PER (Year End)	25.2	15.8	15.9	15.9	19.7	18.0	12.4	10.7	9.7	11.5	15.2	10.6

Source : CSE

Economic Indicators – June'21

Export income soared by 190%YoY while import bill jumped by 52% YoY for Apr'21. Trade deficit continued to widen in Apr'21 to USD 889Mn



- Cumulative exports grew by 30%YoY while imports increased by 20%YoY, thus increasing the trade deficit by 9% to USD 2,948Mn for the first four months of 2021.
- Textiles and Garment exports increased by 461%YoY to USD 366Mn while rubber products jumped by 154%YoY in Apr'21 as disruptions to domestic production processes due to lockdowns hindered export income last year. Industrial exports however saw a decline of 22%MoM reflecting the impact of the third wave of the pandemic and the festive holiday related developments in April.
- Monthly fuel bill meanwhile increased by 239.2%YoY (19% MoM) to USD 413Mn for Apr'21, with average import prices of crude oil increasing . Cumulative cost of the fuel bill for the year jumped by 30%YoY to USD 1,390Mn.
- Restrictions in importing vehicles meanwhile resulted with personal vehicle imports dipping by 98%YoY in Apr'21.



Export income increased more than Import expenses in Apr'21

Import bill on fuel increased by 239%YoY while vehicle imports dropped by 98%YoY . Export income from Textile and garments soared by 461%YoY in Apr'21

USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance	Contribution to Exports
Total Exports	282	818	190%	2,932	3,800	30%	
Industrial Exports	161	647	303%	2,295	2,949	29%	78%
Textiles and garments	65	366	461%	1,320	1,700	29%	45%
Rubber Products	24	62	155%	220	318	44%	8%
Agricultural Exports	120	166	38%	627	829	32%	22%
Tea	78	79	1%	348	417	20%	11%

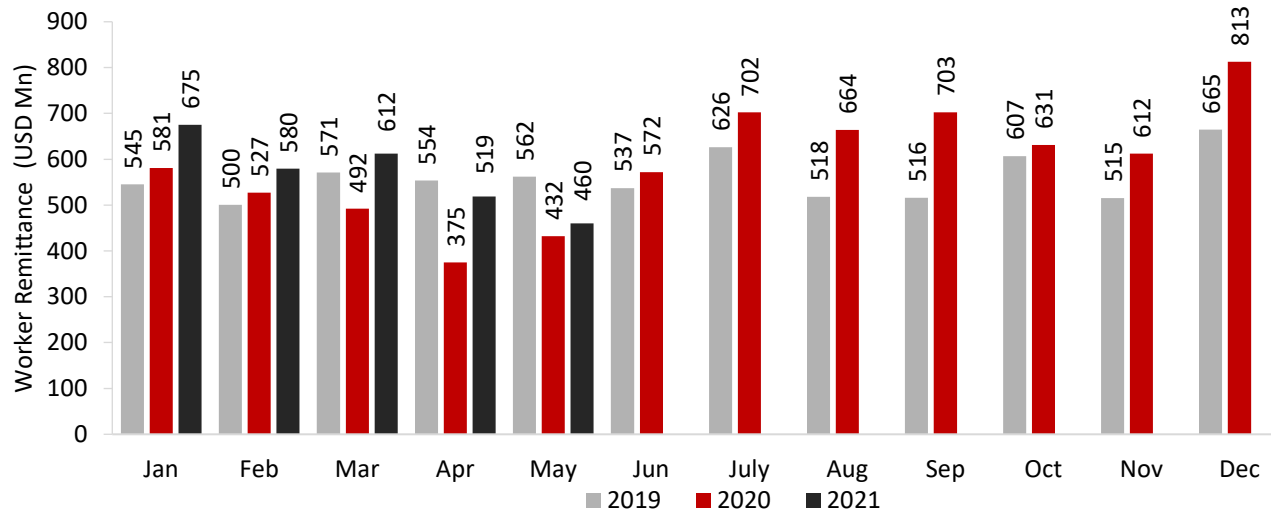
USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance	Contribution to Imports
Total Imports	1123	1707	52%	5,625	6,748	20%	
Consumer Goods	303	279	-8%	1,269	1,277	1%	19%
Food and beverages	137	124	-10%	563	629	12%	9%
Non-food consumer goods	166	155	-6%	705	648	-8%	10%
Vehicles	60	1	-98%	217	4	-98%	0%
Intermediate goods	570	1075	89%	3,116	4,066	30%	60%
Fuel	122	413	239%	1,070	1,390	30%	21%
Textiles and textile articles	147	228	55%	769	939	22%	14%
Investment goods	250	353	41%	1,233	1,403	14%	21%
Machinery and equipment	113	228	102%	686	913	33%	14%

USD Mn	Apr'20	Apr'21	Variance	Jan-Apr 2020	Jan-Apr 2021	Variance
Trade balance	-840	-889	5.8%	-2,693	-2,948	9%
Earnings from tourism	-	6	-	682	19	-97%
Workers' remittances	375	519	38%	1,975	2,386	21%
Foreign Direct Investment	-	-	-	-	-	-
Overall Balance				-290	-929	220%

Source : CBSL



Worker remittances continued to rise, Earnings from tourism declined by 93%MoM



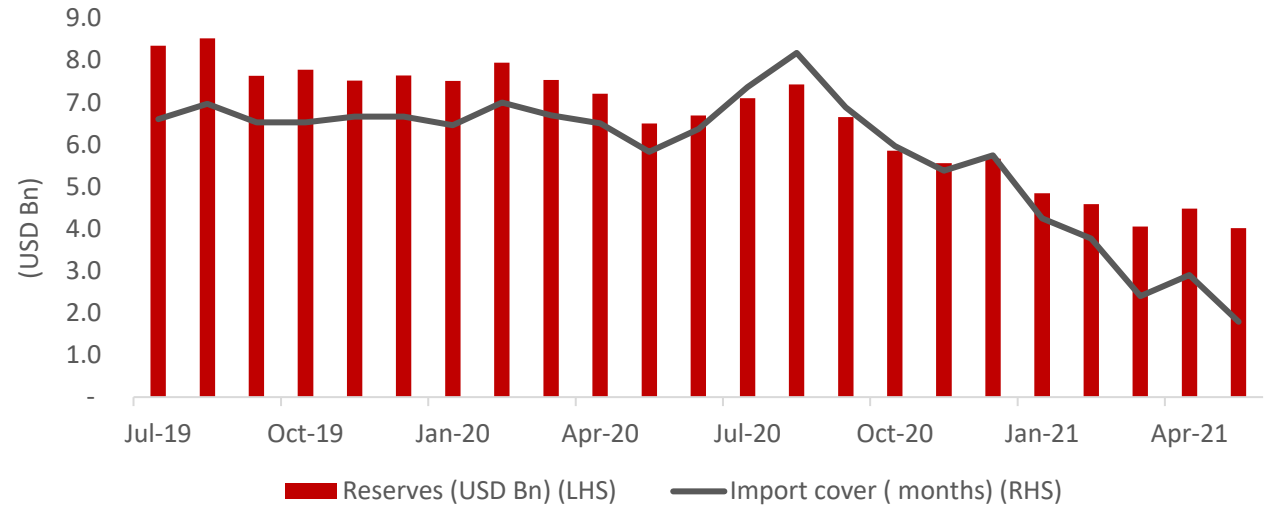
- Remittances continued to increase by 7% YoY in May'21 to USD 460Mn. However, it is a decline of 11%MoM and also the lowest figure recorded for the year 2021 which indicates the slow down of monthly worker remittance inflows. Inability to spend money due to the pandemic restrictions and saving plans of the Sri Lankan expatriates is believed to have contributed to the growth of 18%YoY during Jan'21-May'21 compared to the corresponding period of 2020.
- Tourism earnings were recorded for the first time in Dec'20 after seven months due to closure of borders. Arrivals were recorded at 15,294 after reopening of airports on 21st Jan, accounting to a USD 20.6Mn for the first five months of 2021.
- The contraction in May'21 is due to the closure of country's international airports from 21st -31st of May due to the third wave of Covid-19

Source : CBSL , SLTDA

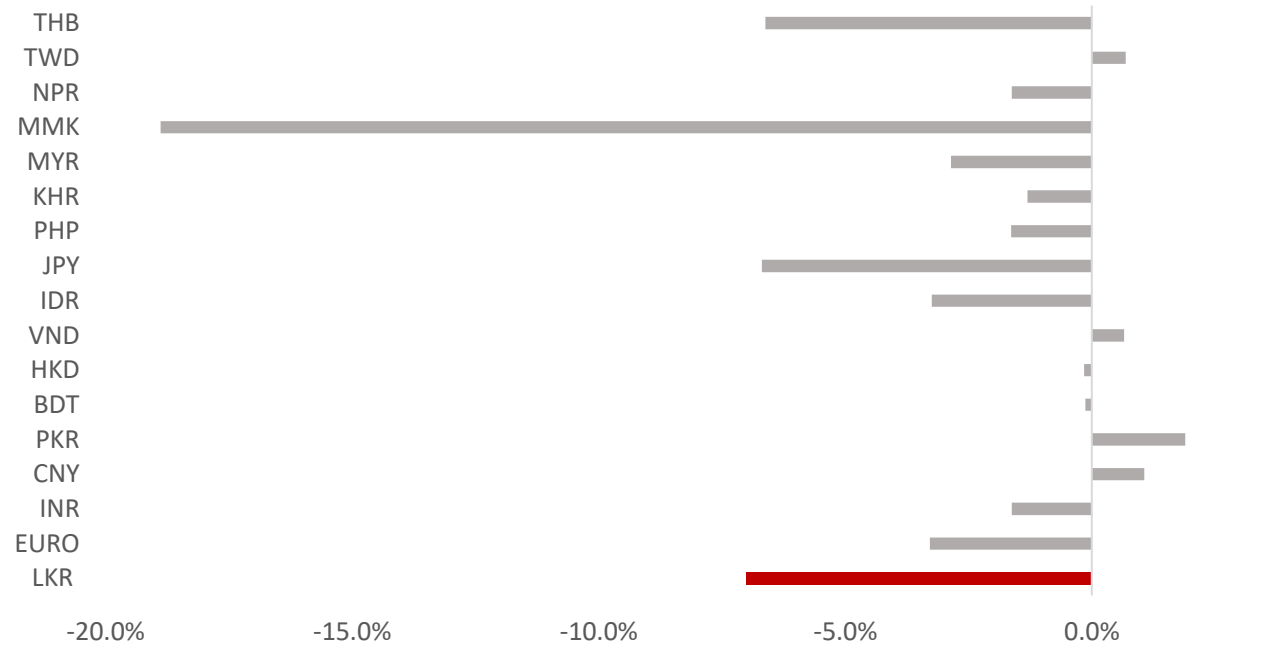


LKR/USD

Reserves declines to USD 4.0Bn covering 2.7 months of imports, LKR depreciates by 7.0% so far



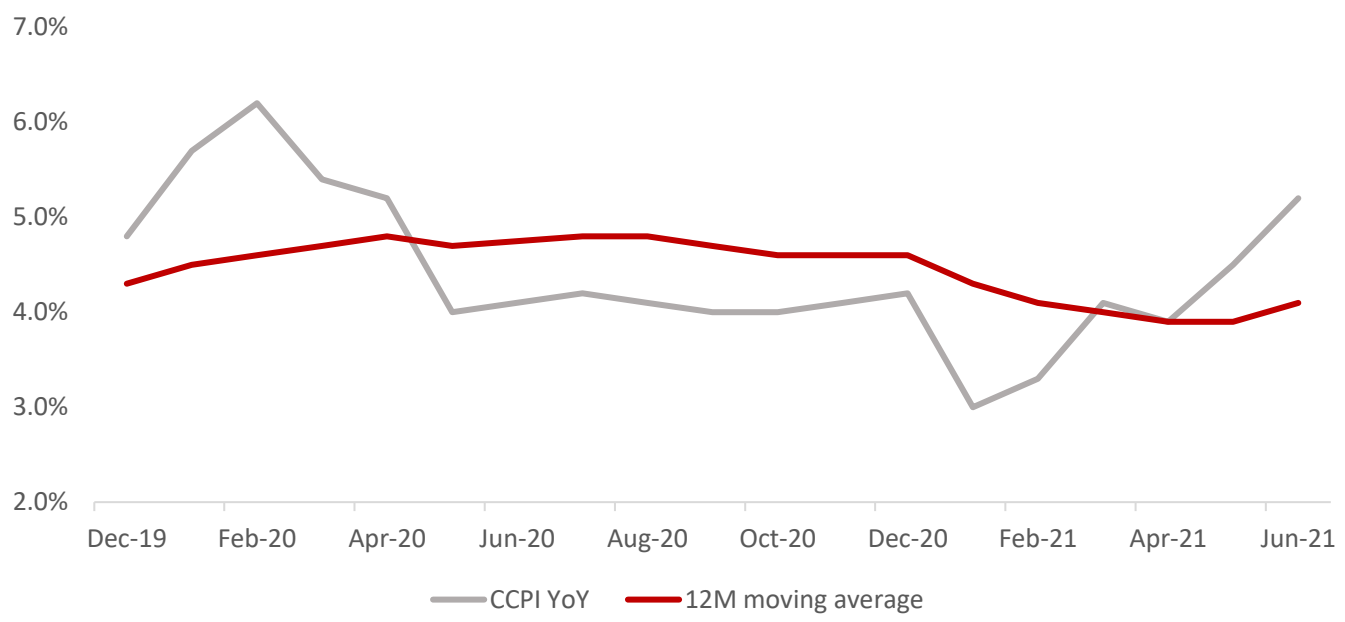
- Sri Lanka reserves depleted to USD 4.01Bn in May'21 (from USD 4.47Bn in Apr'21) covering just 2.7 months of imports. SL was due to pay USD 100Mn worth of SLDB by end of June (SL issued USD100Mn SLDB which was undersubscribed receiving only USD 36.7Mn bids) and is expected to pay another USD1Bn worth of ISB by July 27th which would result with some serious pressure on the reserve position in our view. However, Sri Lanka's Central Bank Chief assured that the government will meet its debt service obligation in due time.



- LKR against USD depreciated by 7.0% for the year while Pakistan Rupee, Chinese Yuan and New Taiwan Dollar appreciated by 1.9%, 1.1% and 0.7% respectively against USD YTD.

Source : CBSL, Xe Currency
 Note: LKR : Sri Lankan Rupee, EURO: Euro INR: Indian Rupee, CNY:Chinese yuan, PKR:Pakistan Rupee , BDT:Bangladesh Taka , HKD:Hong Kong Dollar , VND:Vietnamese Dong , IDR:Indonesian Rupiah, JPY:Japanese Yen , PHP:Philippine Peso, KHR:Cambodian riel , MYR:Malaysian Ringgit, MMK :Myanmar Kyat , NPR:Nepalese Rupee, TWD:New Taiwan dollar, THB; Thai Bhat

CCPI Inflation increased to 5.2% for the month of June'21 while 12M moving average inflation increased to 4.1%



- The CCPI recorded a 1.47% monthly change with the increase of Food category and Non Food category by 1.25% and 0.21% respectively
- Within the Food category, prices of Rice (0.54%), Vegetables (0.37%) and Sea Fish (0.15%) increased, whereas prices of Fresh fruits (0.19%) and Chicken (0.04%) declined. Increase in Transport (0.12%) and Health (0.06%) contributed largely to the value change of Non Food category
- We expect inflation to rise further with prevailing high commodity prices, transport cost and weak LKR

Food Inflation (Y-o-Y)

11.3%

Non Food Inflation (Y-o-Y)

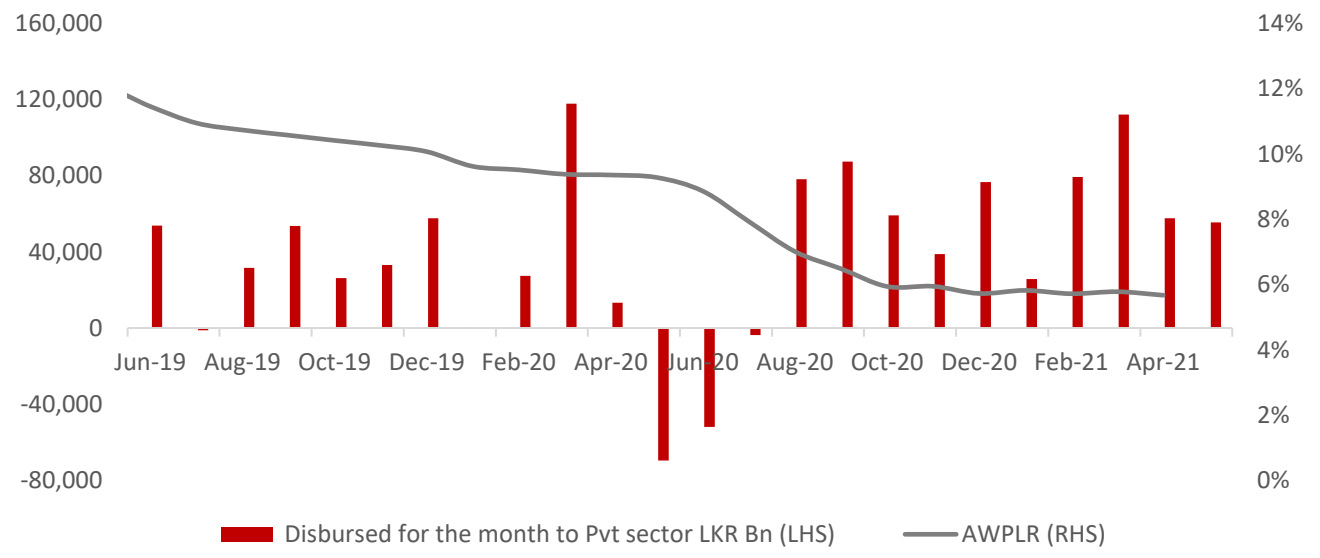
2.5%

Source : CBSL , Department of Census and Statistics- Sri Lanka

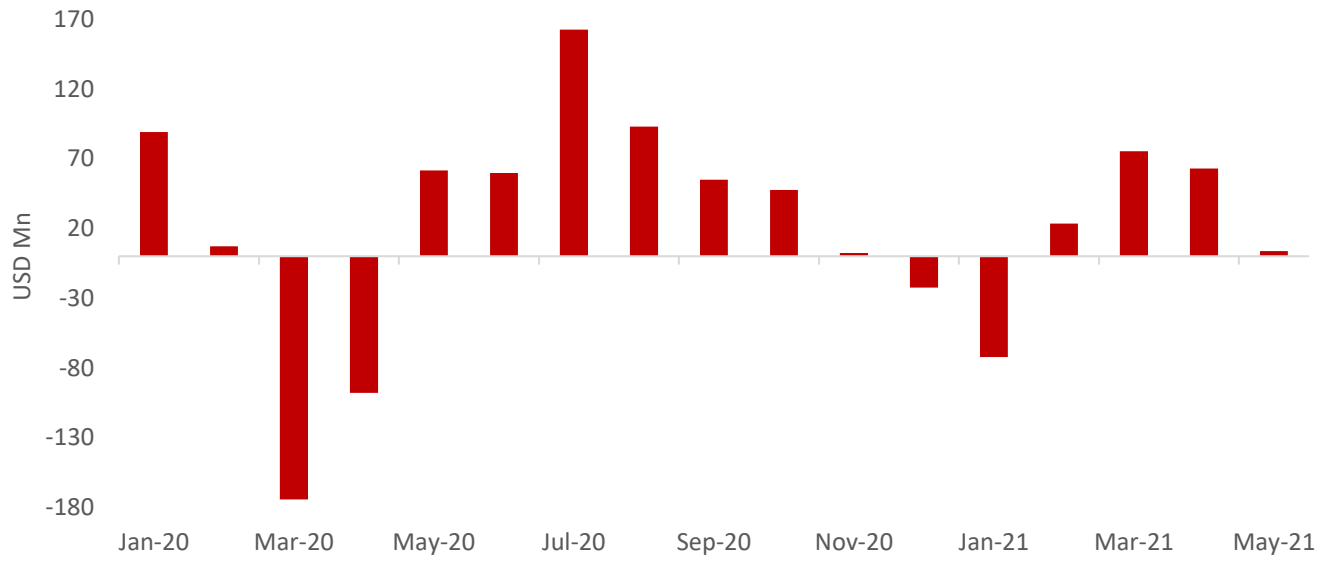


Pvt sector credit & Foreign Intervention

Private sector credit growth picks up for the tenth consecutive month to end at 10.5% YoY in May'21.



- Credit to private sector by banks expended by LKR 50Bn in May'21 resulting in a growth of 10.5% from a year. This was mainly due to the low base effect as private sector credit fell significantly in May, June 2020 due to countrywide lockdown. The momentum could see a spike in June again due to low base effect , however, may see a gradual pick up thereafter with the easing of lockdown measures which started from 21st June 2021.



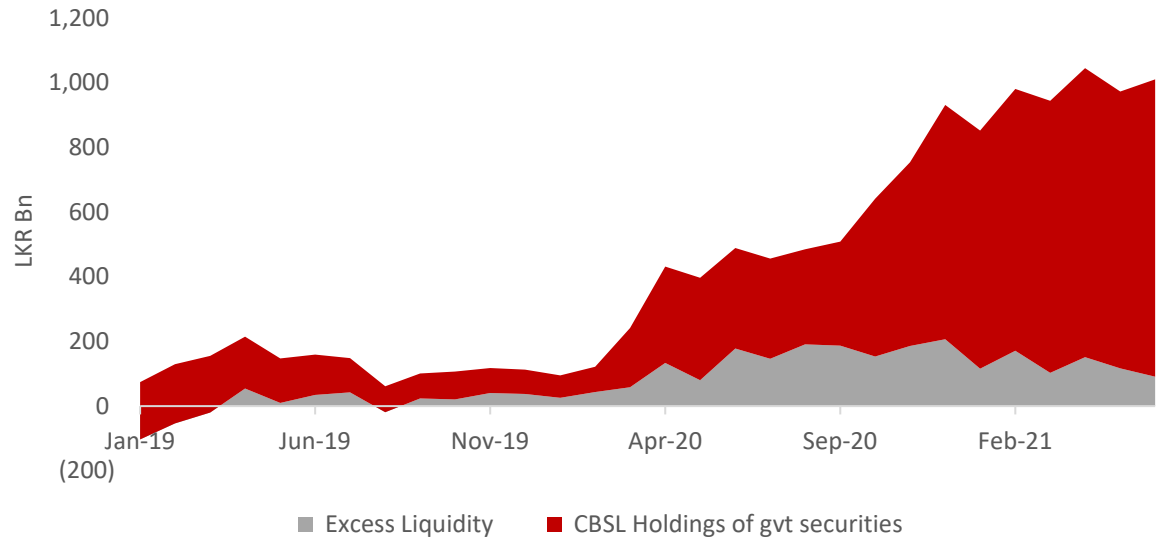
- Sri Lanka purchased dollars for the fourth consecutive month, from the domestic foreign exchange market of USD 3.6Mn in May'21 despite the recent pressure on the currency. This is after SL forex interventions sold USD 10Mn worth of dollars in May'21 after three months.

Source : CBSL



Liquidity & Rates

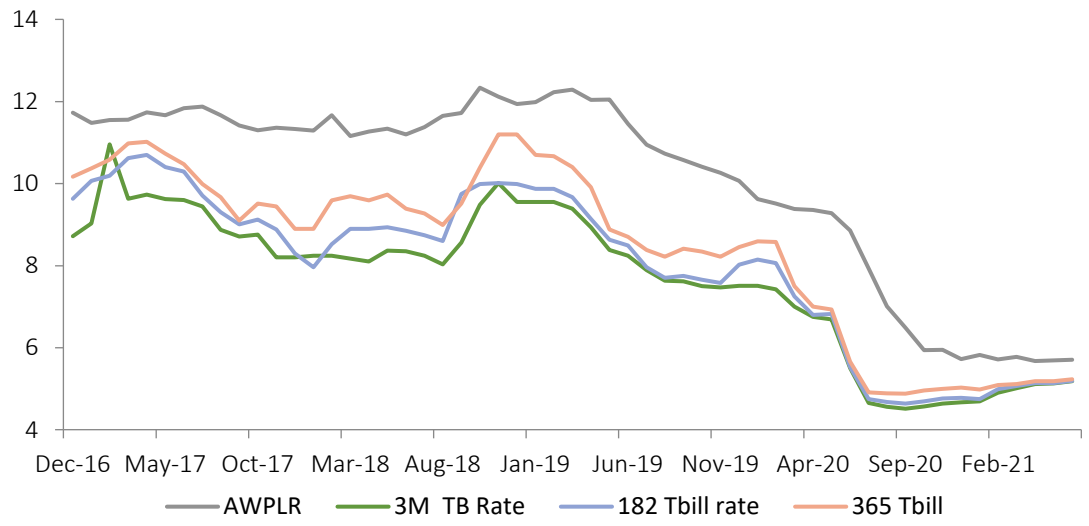
SL printed money reached LKR 856Bn



- CBSL printed LKR 62.5Bn to end the month of June to bridge a budget deficit, amid shrinking tax income, and increased expenditure to contain the virus. (The CBSL holding of GSEC was seen crossing the LKR 1 trillion-mark for the first time in its history on 28th June) . Meanwhile while excess liquidity position came down to LKR 91Bn (from 116.4Bn in May). Inflation too edged up to 5.2% in May.

- Sri Lanka Treasury bill rates edged up by 0.05% for both 91Days and 182Day to stand at 5.18% and 5.19% respectively. The rates meanwhile have increased by 0.51% and 0.41% for 91days and 182 days YTD. However 1 YR bill rates were allowed to raise only by 0.20% as CBSL capped the rates at auctions.

- AWPLR edged up by a marginal 2bps by end of June to 5.71% while AWFDR slipped further by 12bps for June'21 to 5.82% .

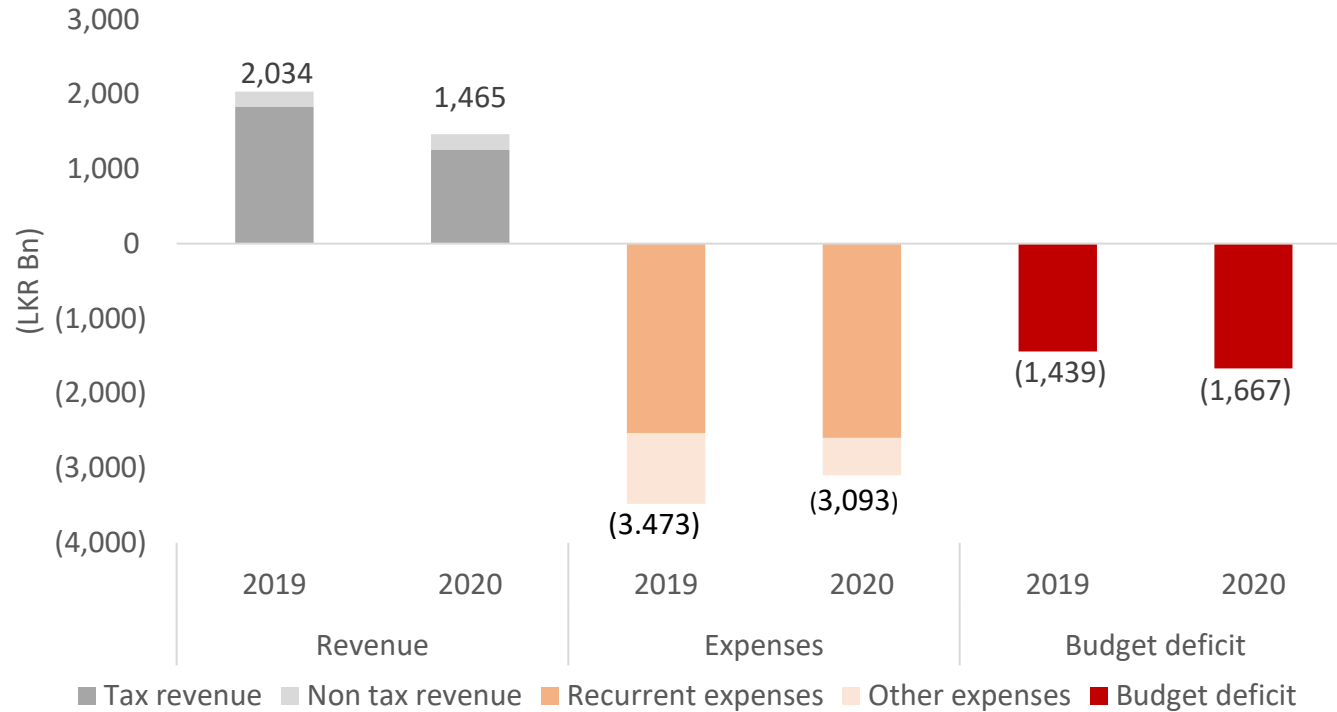


Source : CBSL



Fiscal Position

SL's budget deficit for the year 2020 widened by 16%YoY to LKR 1.6 Tn



- Government revenue for 2020 dipped by 28% , with tax revenue dipping by 30% (accounts to 89% of total revenue) and non tax revenue declining by 3% for the same period
- Recurrent expenses however increased by 5% YoY and capital expenses increased by 28% for 2020. However, the total expenses declined by 9% for the year 2020
- Budget deficit thus widened by 16%YoY in 2020 to LKR 1,667Bn.

Source : CBSL

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