

Stock Market Dynamics

The background of the slide features a stylized, semi-transparent stock market candlestick chart. The chart is rendered in shades of blue and red, with the blue areas representing upward price movements and the red areas representing downward movements. The chart is set against a dark, gradient background that transitions from a deep red on the left to a dark blue on the right.

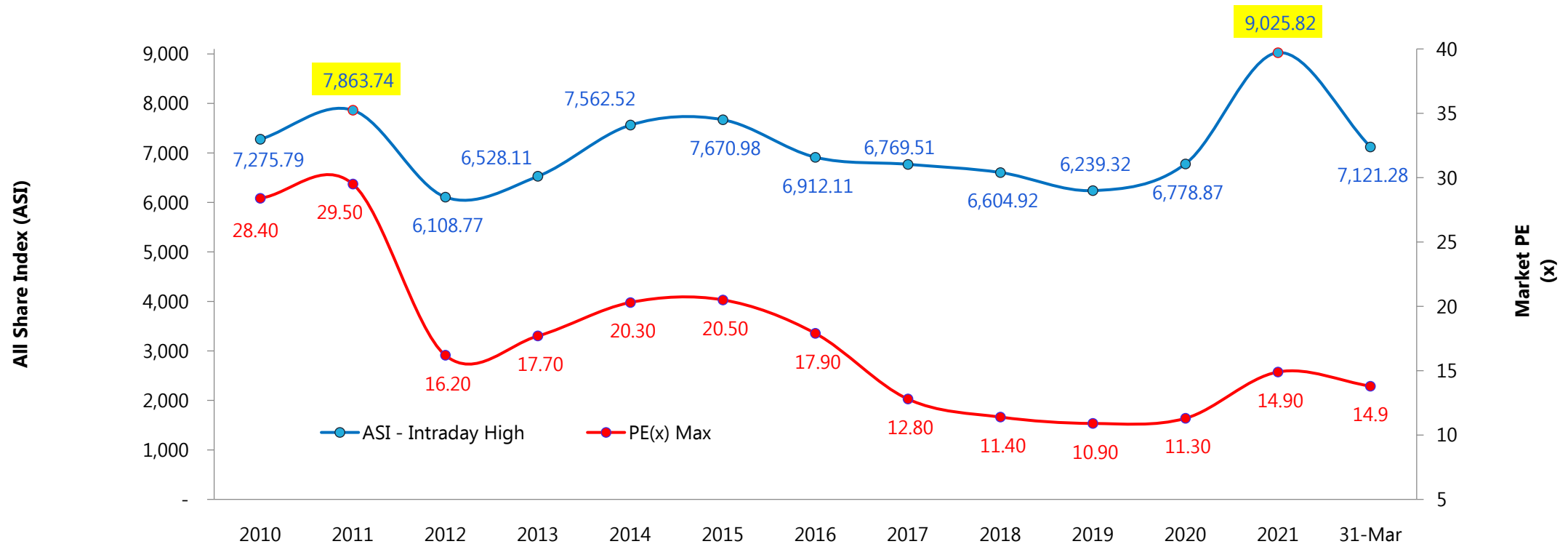
Presented by SC Securities (Pvt) Limited

After reaching a new all time high, the ASI has retraced back to levels seen in early Jan 2021

Highest : 9,025.82
(29-Jan 2021)

Lowest: 4,219.03
(12-May 2020)

Present: 7,121.28
(31-Mar 2021)



Is the CSE over-valued?

	Previous All Time High	Recent All Time High	Change	Present status	Change since
	15-Feb-11	29-Jan-21		31-Mar-21	27-Jan-21
Market Indicators					
ASI	7,863.74	9,025.82	1,162.08	7,121.28	-1,904.54
Market Cap. (LKR.Bn)	2,600	3,852	1,189.00	3,111	-678.00
Market PE	29.5x	14.9X		14.9X	
Market PBV	3.5X	1.5X		1.1X	
Economic Indicators					
AWPLR	9.17%	5.90%	-3.27%	5.75%	-0.15%
AWFDR	8.16%	6.88%	-1.28%	6.53%	-0.35%
AWLR	14.25%	10.17%	-4.08%	10.17%	0.00%
SRR	7.00%	2.00%	-5.00%	2.00%	0.00%
SDFR	7.00%	4.50%	-2.50%	4.50%	0.00%
SLFR	8.50%	5.50%	-3.00%	5.50%	0.00%

The ASI has now reached its old trend line

Highest : 8,812.01

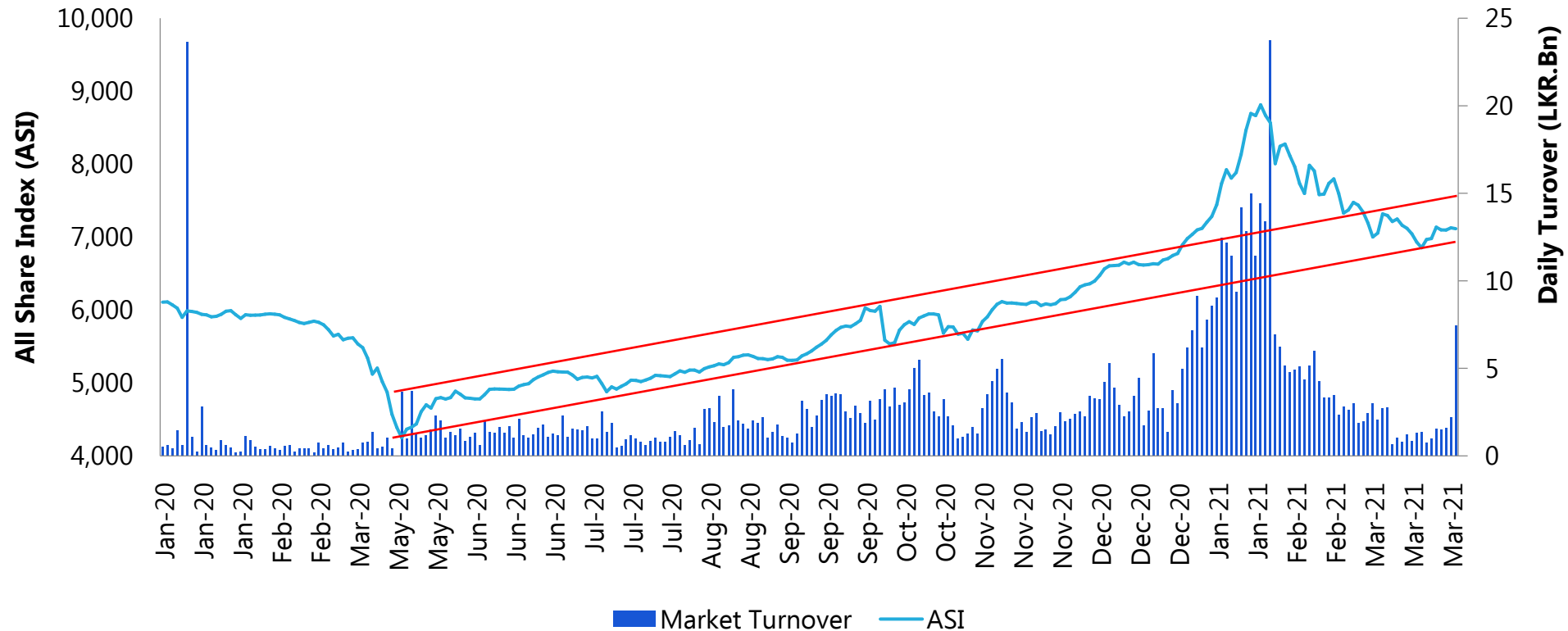
(27-Jan 2021)

Lowest: 4,247.95

(12-May 2020)

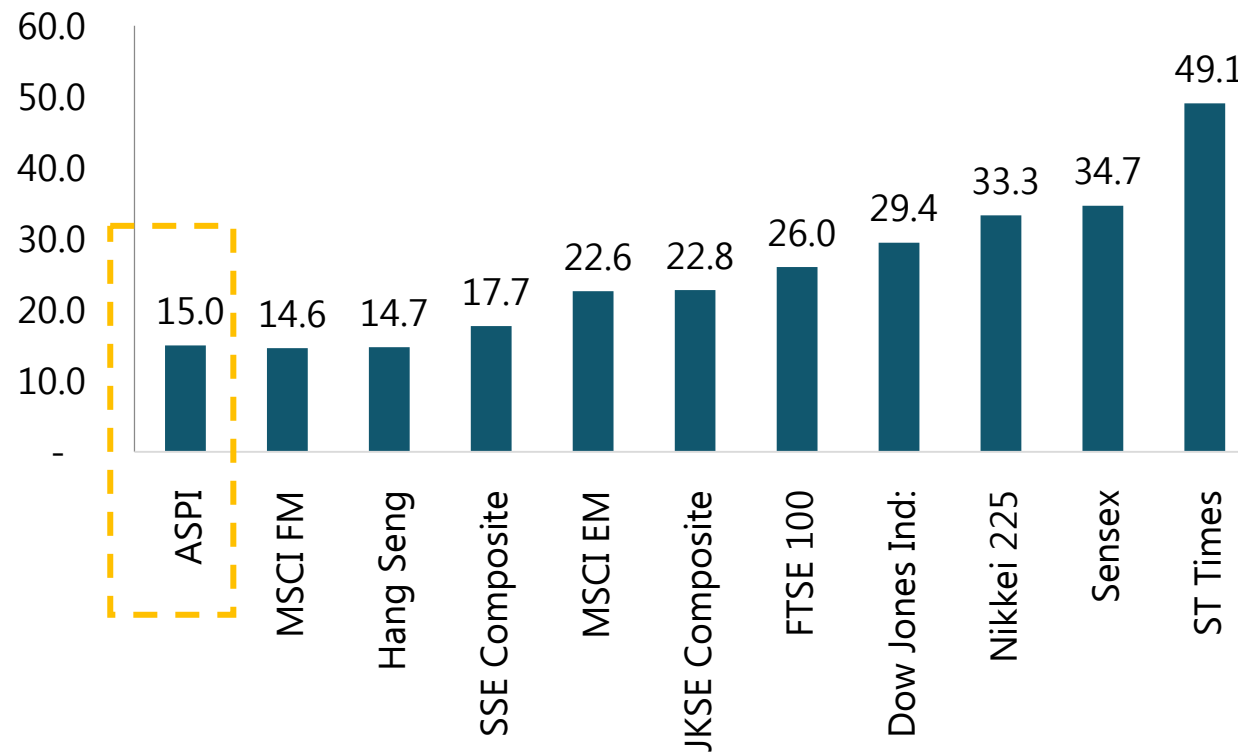
Present: 7,115.12

(31-Mar 2021)



In terms of PE, Sri Lanka is one of the most attractive in terms of its peers whilst also having fundamentally strong stocks that are cheaper than the overall market

Market PE Comparison



Companies trading at
PBV < 1x

54%

Companies trading at
*PE < 10x

36%

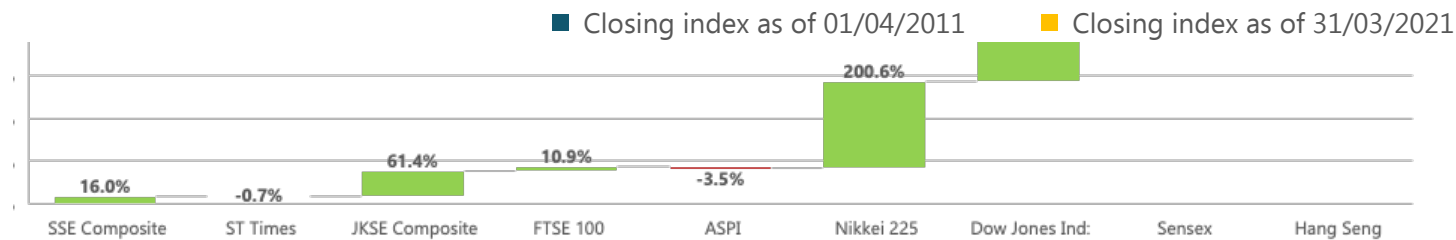
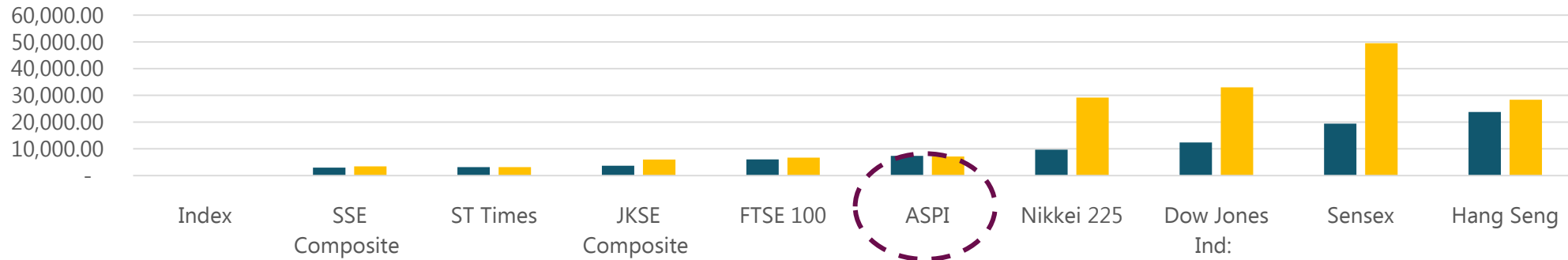
Source: Bloomberg, CEIC

* PE based on TTM earnings

Note: PE of MSCI indices are as of month ended February 2021)

Decade comparison shows that economies with a strong manufacturing sector are best geared for growth

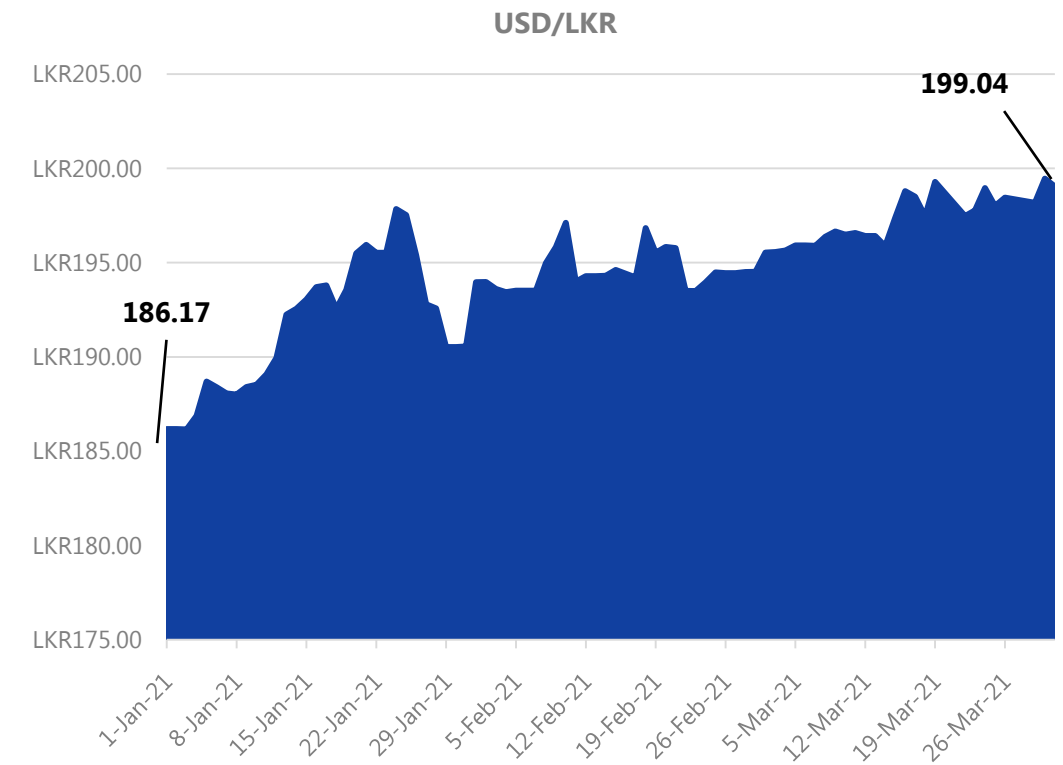
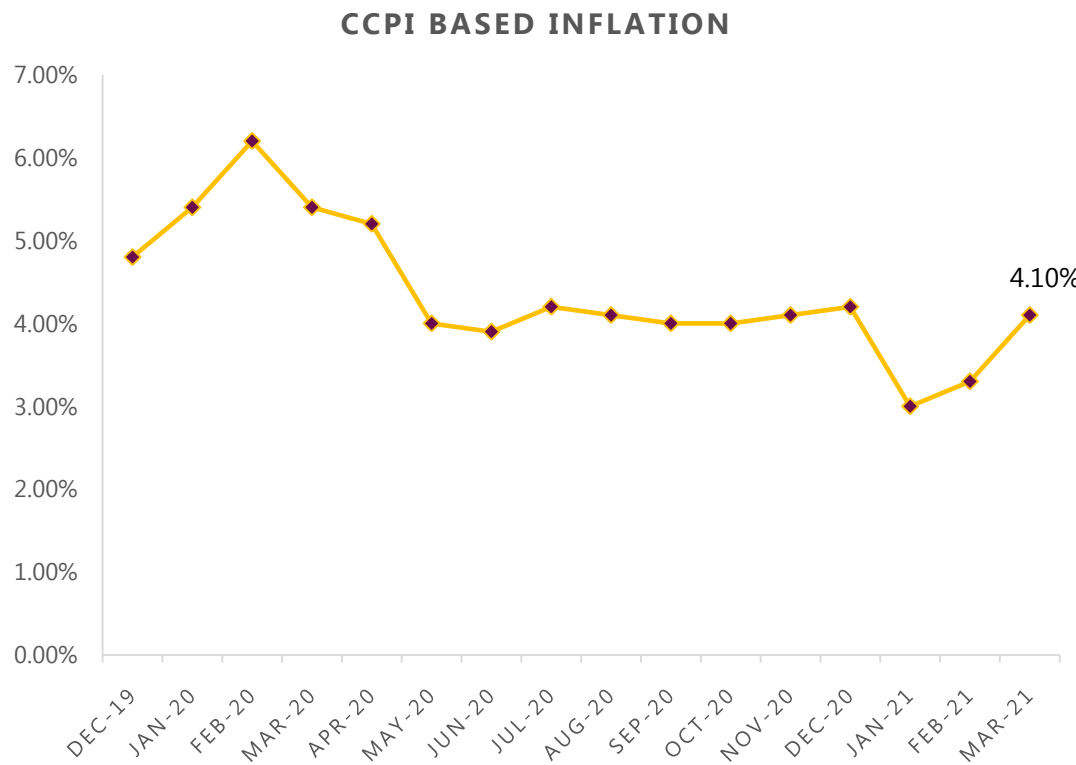
Index Comparison Through the Decade



The Economy

**Much needed boost as Port City
comes one step closer to fruition**

We believe that with inflation on the rise coupled with a depreciating rupee, that interest rates will gradually move up



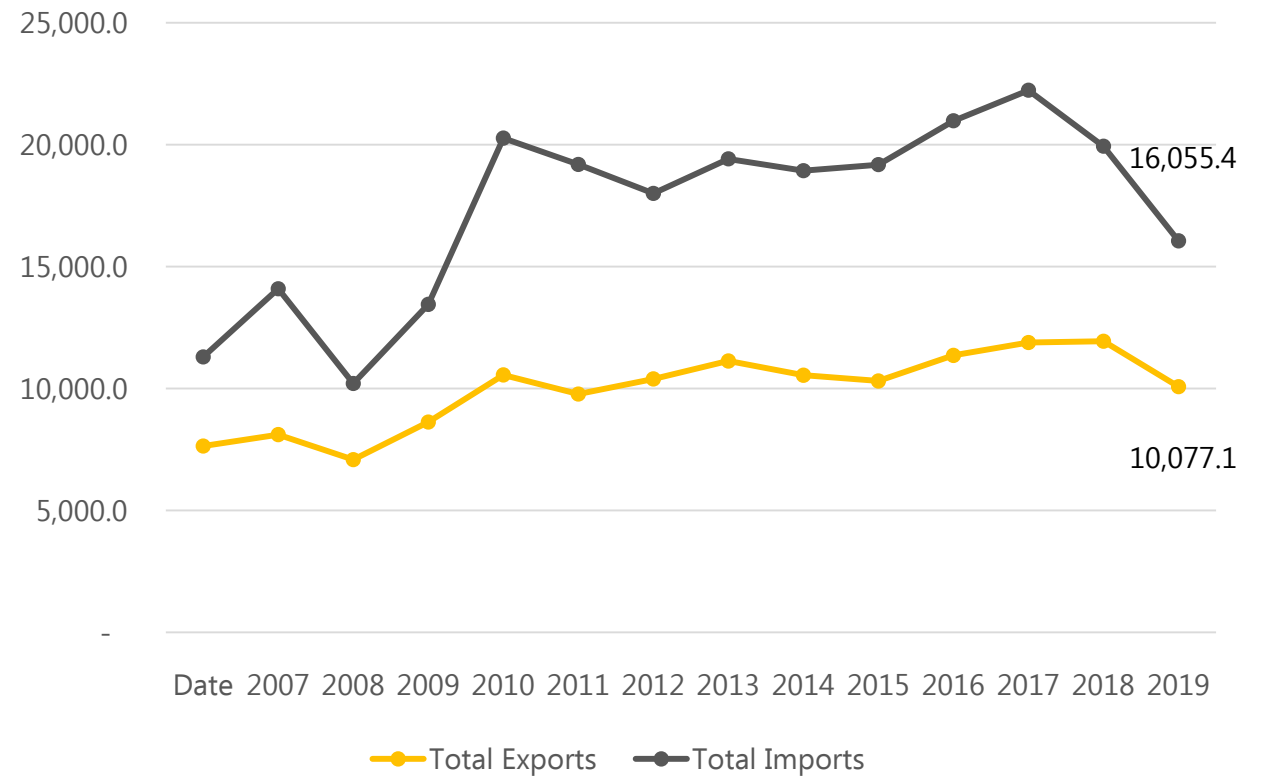
Balance of payments have been improving due to import controls

Year		Current Account - Net
2012		(3,851)
2013		(2,470)
2014		(1,929)
2015		(1,836)
2016		(1,717)
2017		(2,298)
2018		(2,785)
2019		(1,785)
2020	Q1	(603)
	Q2	748
	Q3	481

Effect of Import Controls



Total Exports vs. Total Imports (in USD Mn)



Foreign Debt Position: Reserves drop to USD 4.8 Bn. However, much needed relief incoming from China swap deal

Outstanding International Sovereign Bond Issuances (ISB's)

- Sri Lanka's **outstanding purchases and loans to the IMF as of 31st December 2021 was SDR 924.24 Mn which amounts to USD 1.3 Bn.**
- As of November 2020, **the country's external-debt obligation payments from 2021 – 2025 amounts to USD 23.2 Bn.**
- On average, that amounts to a debt repayment of **c. USD 4 Bn per annum.**
- The government's **total reserves as of January 2021, amounted to USD 4.8 Bn.**
- The government has a further **USD 600 Mn development loan to payoff in May 2021** on top of the **USD 1 Bn in July 2021.**

Series	Coupon Rate	Amount (USD Mn)	Issue Date	Maturity Date
SRILAN 6.250 07/21	6.25%	1,000	27-Jul-11	27-Jul-21
SRILAN 5.750 01/22	5.75%	500	18-Jul-16	18-Jan-22
SRILAN 5.875 07/22	5.88%	1,000	25-Jul-12	25-Jul-22
SRILAN 5.750 04/23	5.75%	1,250	18-Apr-18	18-Apr-23
SRILAN 6.850 03/24	6.85%	1,000	14-Mar-19	14-Mar-24
SRILAN 6.350 06/24	6.35%	500	28-Jun-19	28-Jun-24
SRILAN 6.125 06/25	6.13%	650	3-Jun-15	3-Jun-25
SRILAN 6.850 11/25	6.85%	1,500	3-Nov-15	3-Nov-25
SRILAN 6.825 07/26	6.83%	1,000	18-Jul-16	18-Jul-26
SRILAN 6.200 05/27	6.20%	1,500	11-May-17	11-May-27
SRILAN 6.750 04/28	6.75%	1,250	18-Apr-18	18-Apr-28
SRILAN 7.850 03/29	7.85%	1,400	14-Mar-19	14-Mar-29
SRILAN 7.550 06/30	7.55%	1,500	28-Jun-19	28-Mar-30
Total		14,050		

Port City takes first step to come online but government begins tightrope walk with UNHRC

- After a short delay, **the legal framework that will establish a special economic zone in the port city came through.**

- Pending approval in parliament, this will finally **enable the government to attract some much needed FDI's.**

- **The government expect USD 1 Bn** in investments to come in this year once approval has come through.

- Upon completion, **the entire project should bring in an annual income of c. USD 11.8 Bn.**

- The UNHRC recently passed resolutions against Sri Lanka for alleged wartime abuses and human rights violations.

- Despite this being a somewhat of a black stain, **the one positive spin is that the resolutions are non-binding.**

- However, **caution must be exercised** as this is seen as the **first step in what may potentially lead to economic sanctions down the line** if co-operation is not established between the government and UNHRC.



Port City economic zone being dollarized protects everyone from currency that does not have a credible anchor

All investment applications will have to be made via foreign currency. No domestic bank will be allowed to fund such investments through their foreign currency banking units.

All land plots will be sold in US dollars whilst all workers will be paid in dollars and be tax free.

Port City will have off-shore banking facilities whose regulation will be set up by special committee within the Port City.

A separate stock exchange will also be operational that will be regulated by an economic commission that will administer in the area, according to a draft law.



Technical & Recommendations

Our picks based off fundamentals and technical analysis



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