ACAP
STOCK BROKERS

The Colombo Stock Market



Time for a closer look

Dynamics & Future Prospects 2025



The Broad Framework

Macro Stability
GDP back on a positive trajectory

External Finance-
Macro pointers displaying optimism

Corporate Earnings Velocity –
Building on momentum

Σ

Enhanced Capital Market Outlook + Performance

Key Factoid – Capital Markets

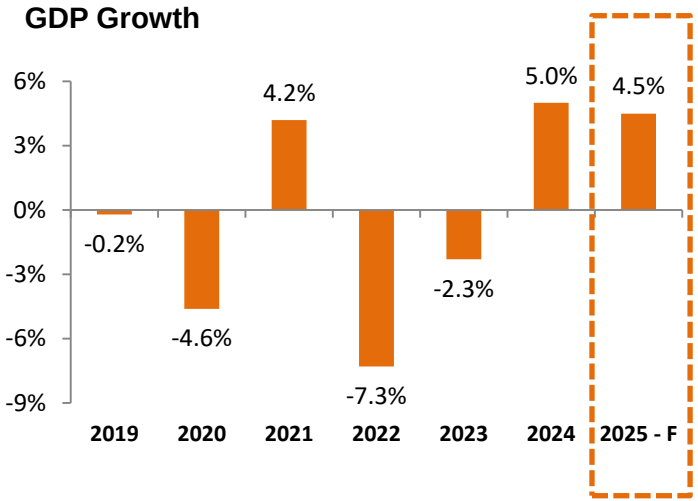
- **3 Plus years of double digit market Returns .**
  - **2023 = 25.5%**
  - **2024 = 49.7%**
  - **2025 (F) = 40.0%**
- **Corporate Earnings displaying momentum and Velocity.**
  - **June 24 = LKR 103.23 bn**
  - **June 25 = LKR 158.77 bn**

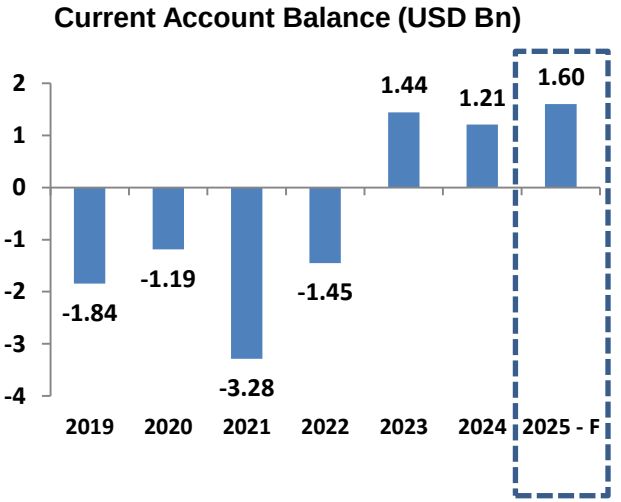
  54 % ⬆
- **Low interest Rates (AWDR and FD's)- will siphon funds into Equities from Fixed Income.**
  - **AWDR = 6.82%**
  - **AWFDR = 8.36%**
- **Relatively undervalued (Price to Earnings multiple -P/E X) by Regional market standards.**

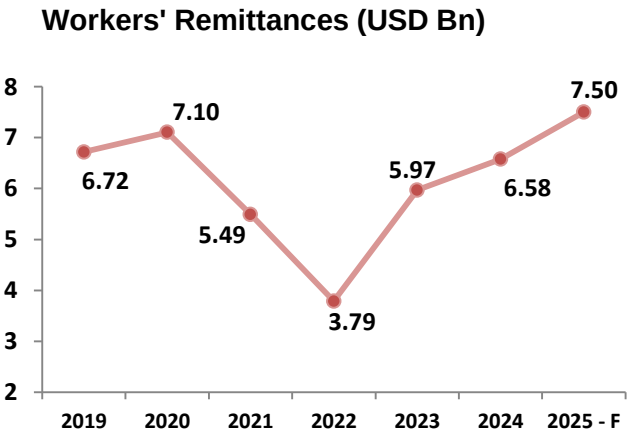
With GDP back on a positive trajectory & aided in part by steady USD inflows in Remittances and Tourism , the expected current Account surplus of USD 1.60 bn for CY 2025 will abet market liquidity

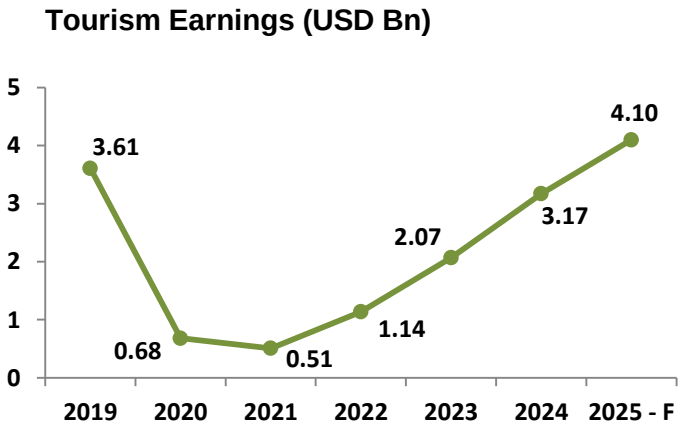
Macro Stability

- GDP back to positive territory – in 2024 @ 5 % and 2025 @ 4.5 % (E)
- Stable progress under IMF guidelines and targets achievement.
- Steady inflow of USD in tourism and remittances ***14 % upside in Remittances and 29.5 % increase in Tourism inflows*** – from 2024 to 2025
- Expected current account surplus of USD 1.6 bn for 2025.







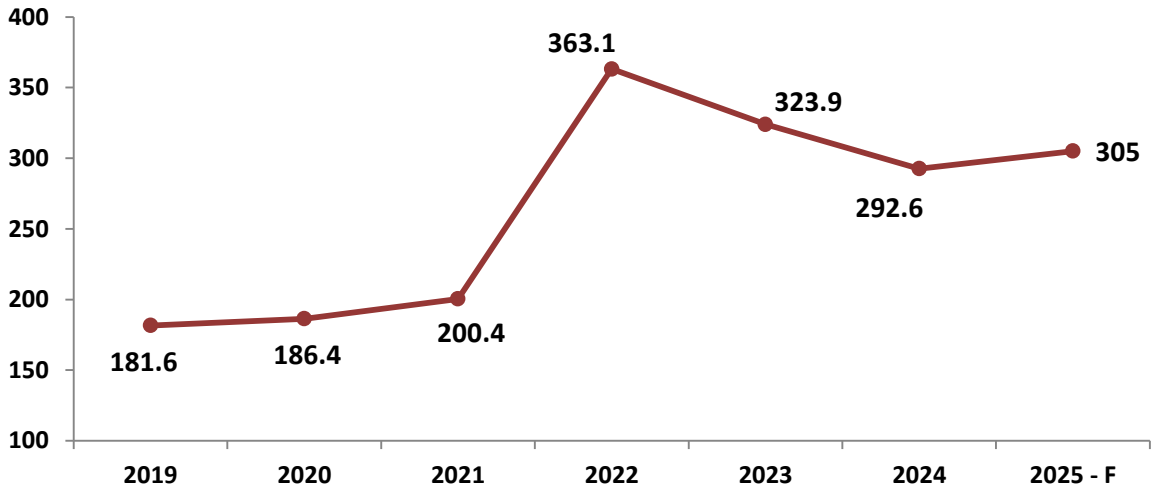


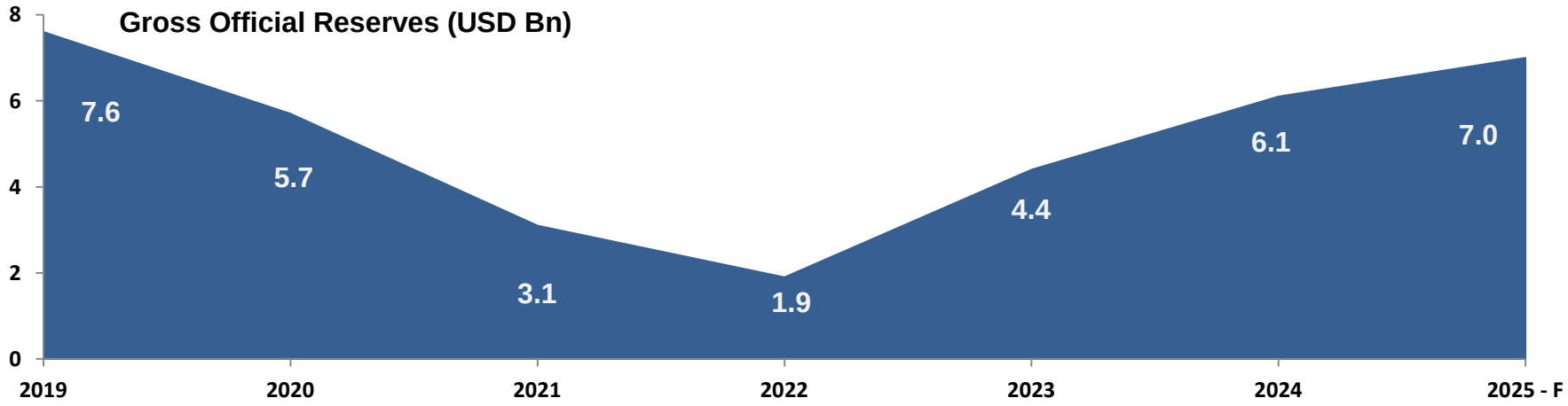
The Exchange Rate has remained steady around the LKR 300 Range buoyed in part by the gradual build up in official Reserves, *thereby minimizing the currency exchange risk for foreign investors*

External Finance

- Fairly stable exchange rate LKR vs USD, with a only a small degree of volatility.
- The Gross Official Reserves are expected to reach USD 7.0 bn for 2025
- We expect the LKR / USD to hover in the range of 305 – 315 to 1 US Dollar without exhibiting much volatility –

Exchange Rate (USD / LKR)

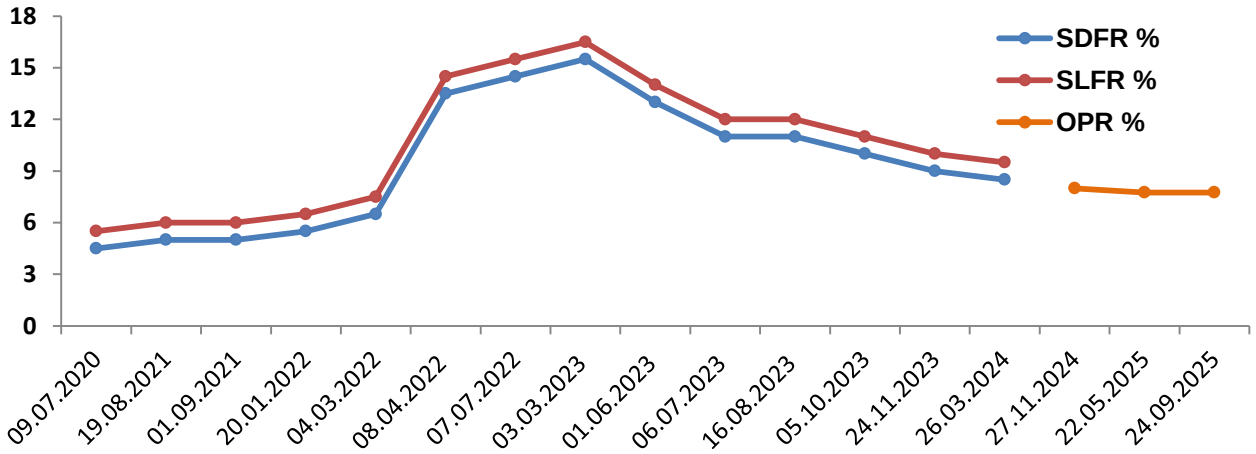


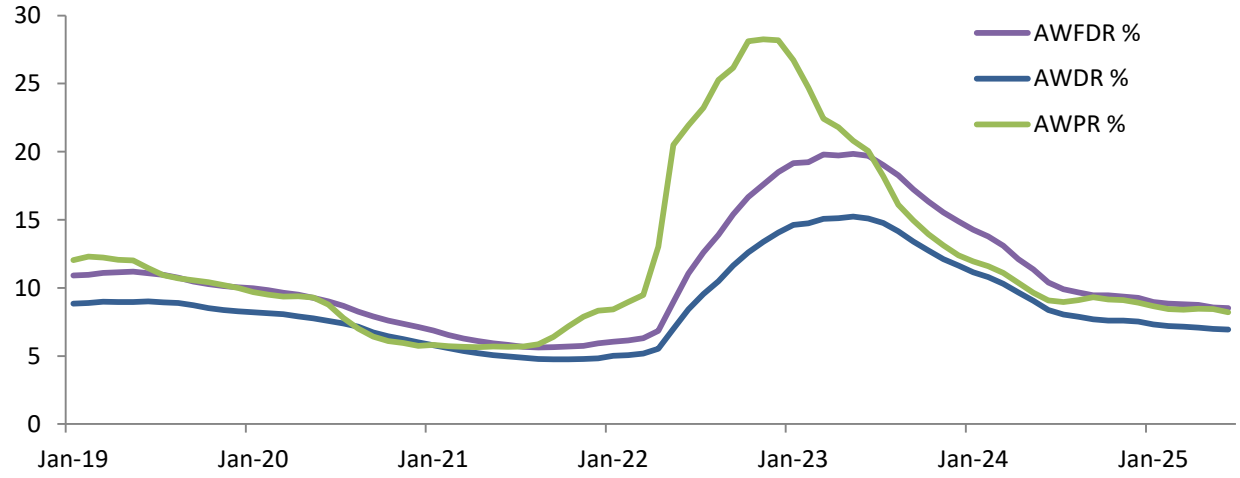


Since 2023 the Monetary Board saw it fit to gradually ease the interest rates – to increase liquidity and boost GDP growth … *in turn the capital markets responded with momentous gain …*

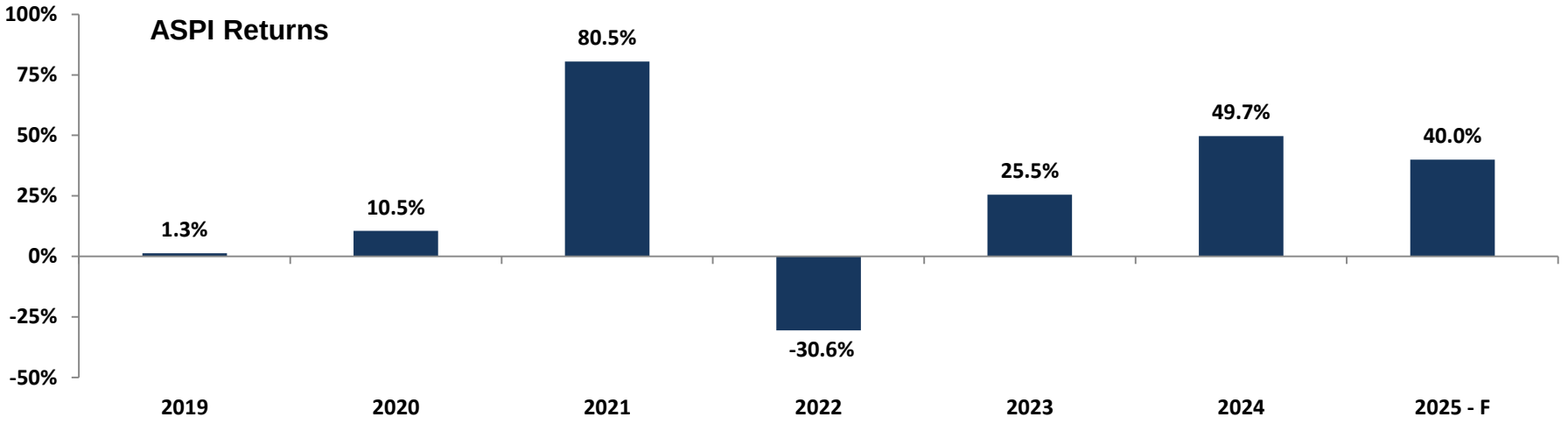
- The SDFR , & SLFR prior to the introduction of the OPR were on a downward trend from 2023 .
- The aim was to boost market liquidity and to prompt private sector credit expansion
- AWDR / AWPR continue to be at supportive levels.

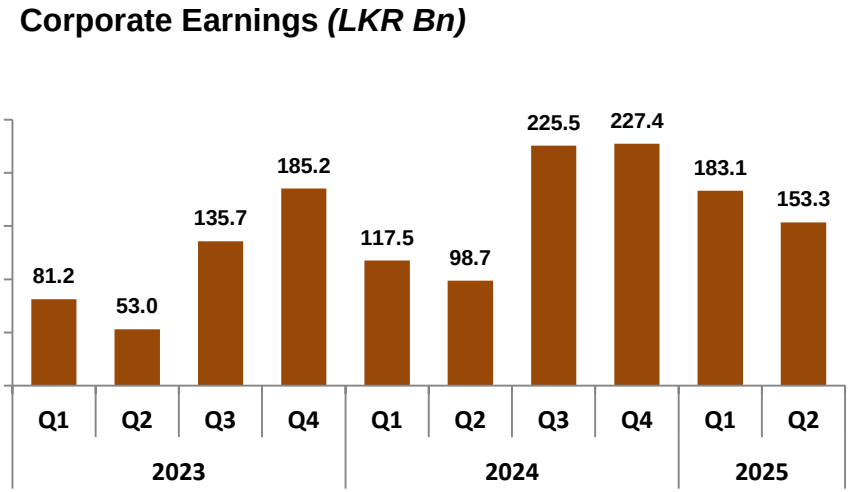
To this effect the historically lower FD rates are expected to siphon funds from fixed income investments into the capital markets .

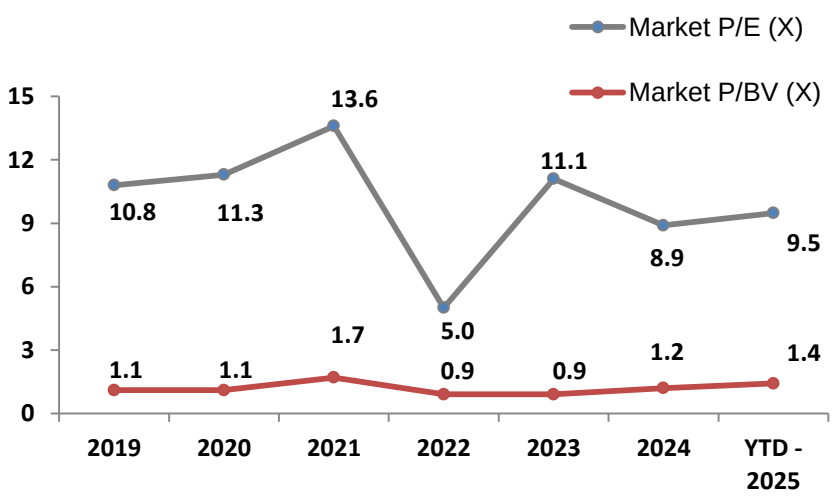




Ever since the GDP rebounded into positive territory in Q2 - 2023 the market followed suit by returning 25.5 % in 2023 & 49.7 % in 2024 …

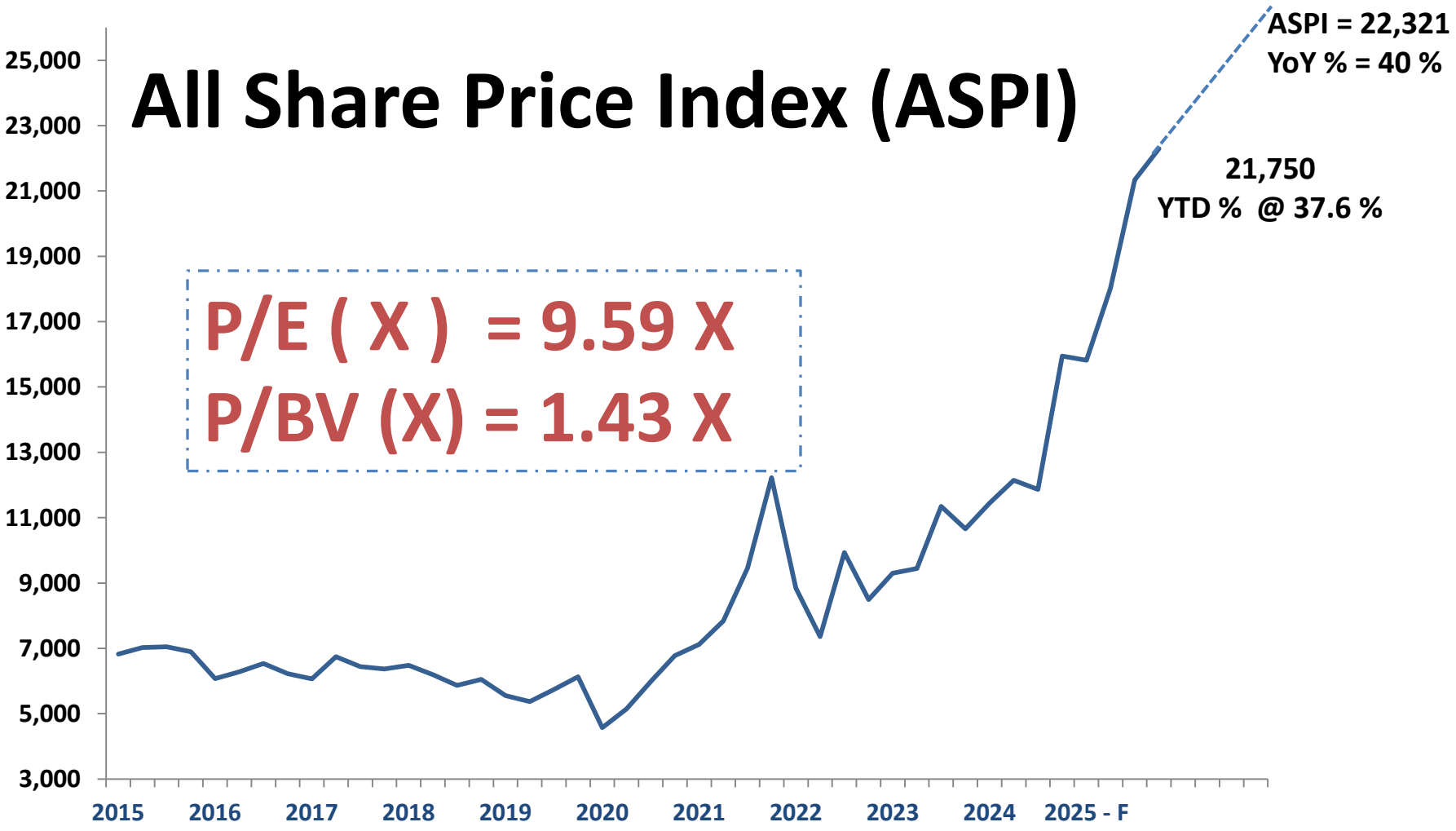




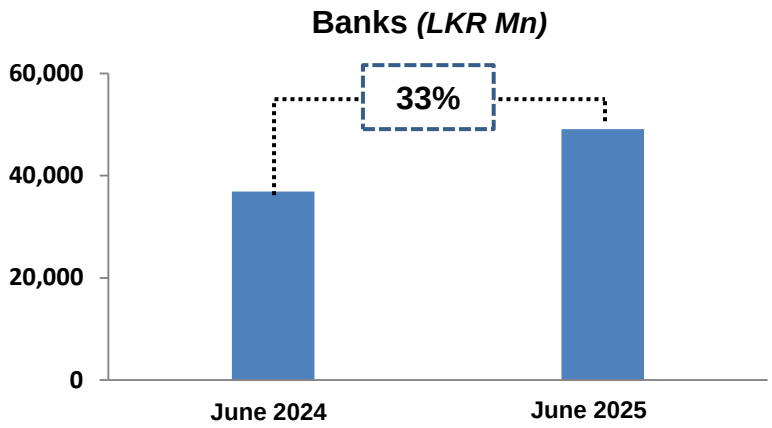


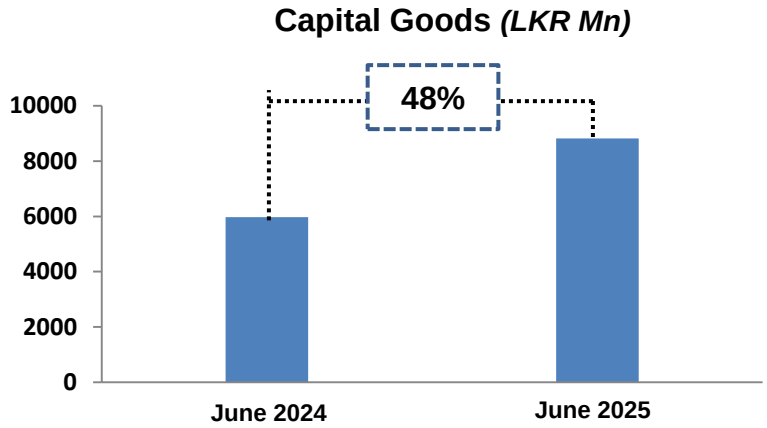
We expect the index to enhance by 40 % for 2025 to reach 22,321 by Dec 2025 ..

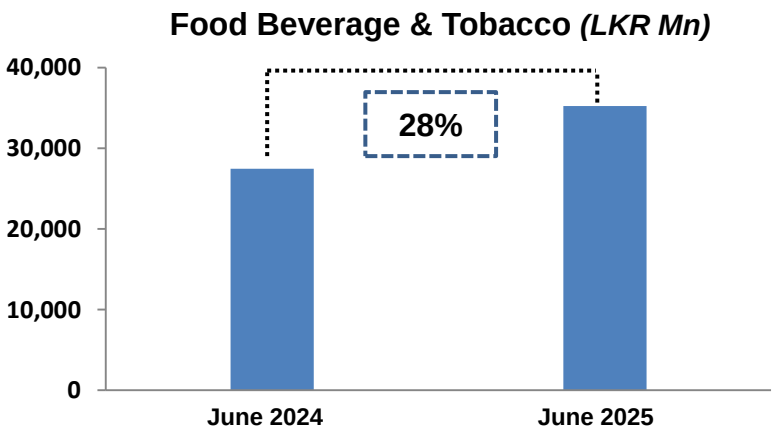
Driven by stability in corporate earnings and higher liquidity due to low fixed income rates

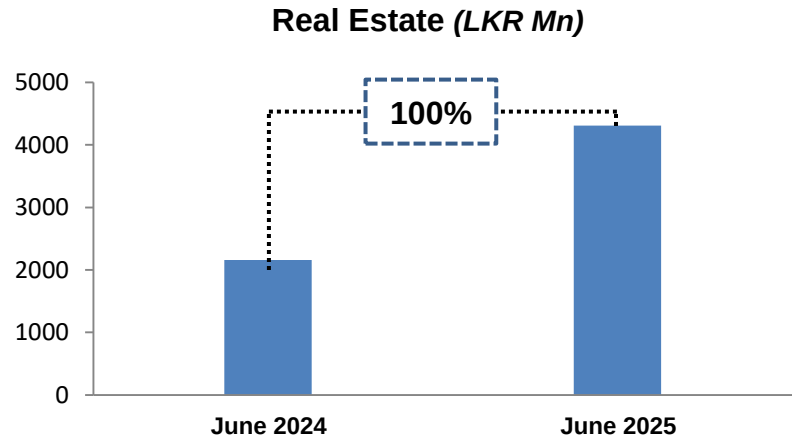


Sector Earnings – Year on Year basis (YoY)

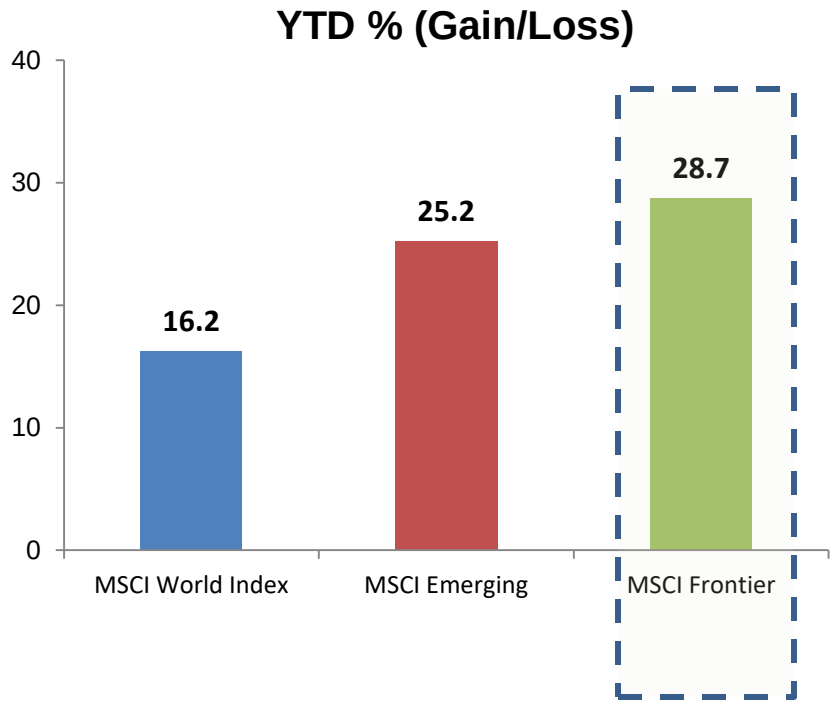


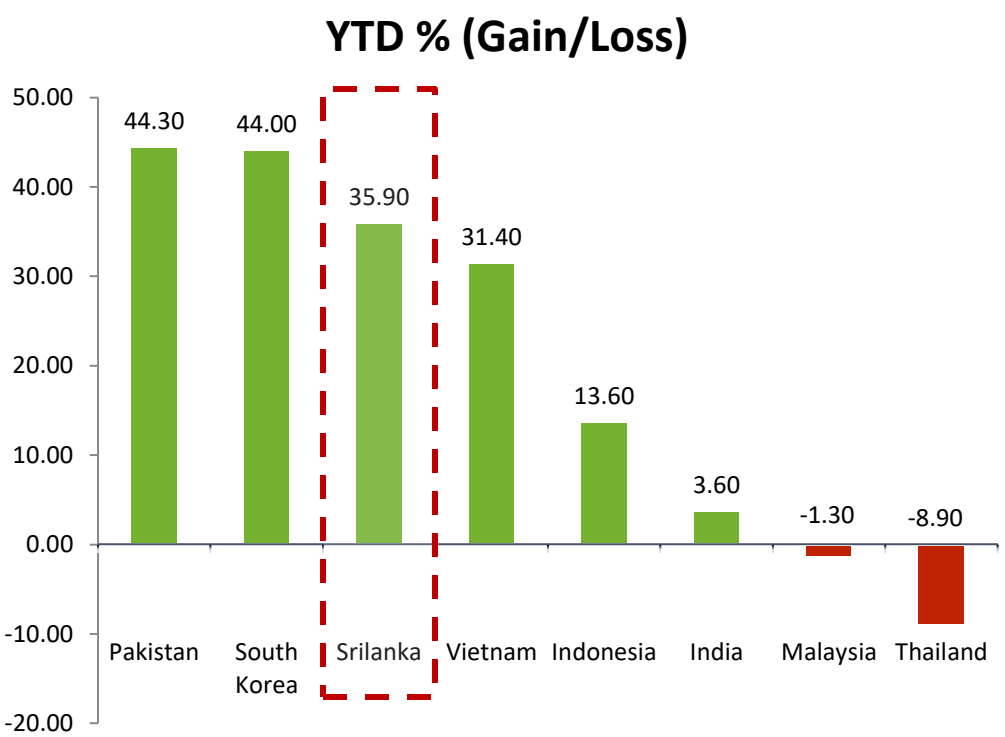






The Colombo Stock Market outperformed the MSCI Frontier Index on a YTD basis and comfortably outpaced other regional markets as well





End of Report
Sept - 2025