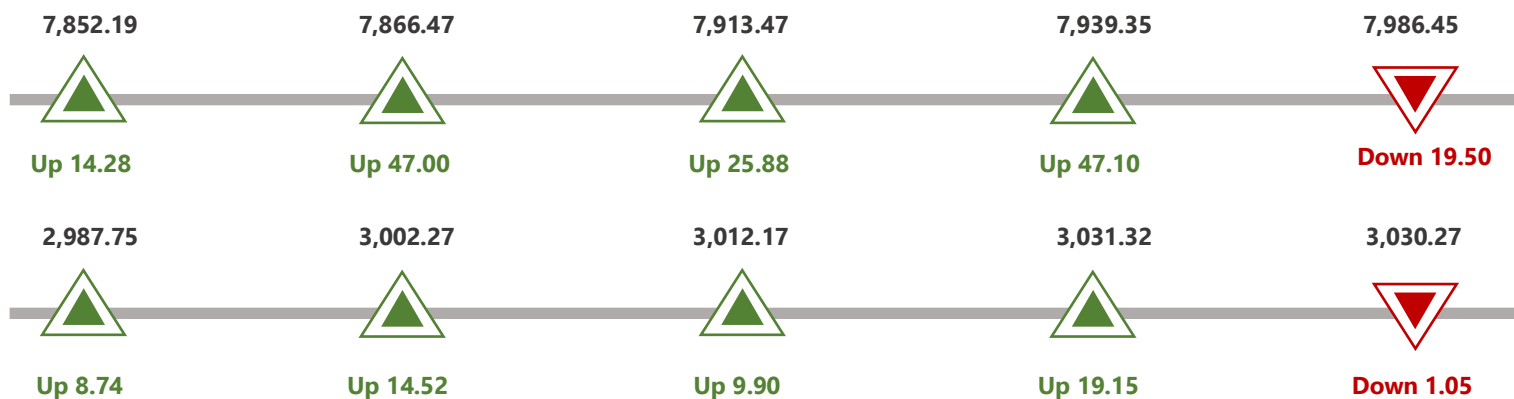


All Share Posts Positive Growth Driven Primarily by Locals, Foreign Selling However Continues

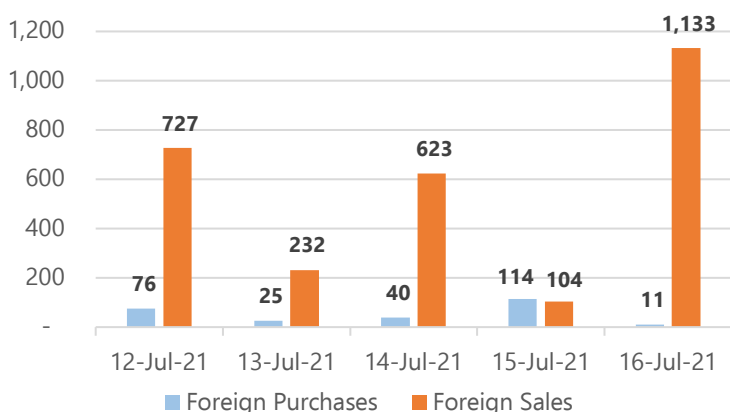
ASPI and S&P SL 20 Weekly Movement 12th July – 16th July

Source: CSE



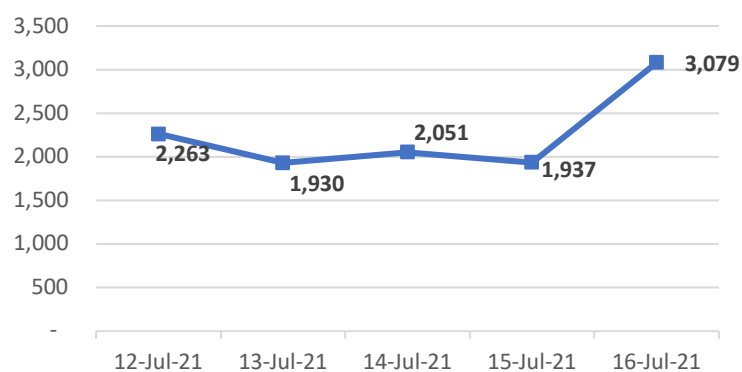
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI rose by 1.28% this week.
- The S&P rose by 1.42% this week.
- The positive performance was primarily driven by local demand especially via a combination of the corporates and HNI's. The all share briefly crossed the 8,000 mark on Thursday before settling just below the mark at close.
- Positive run can also be attributed to price gains on counters such as JKH, LOLC and CTC.
- However, foreign net outflows for the week registered at 2.5 Bn.

Significant Foreign Selling Hangs Over Like a Dark Cloud Over the Exchange

- The index saw this week in particular, a huge net foreign outflow of 2.5 Bn.
- The year-to-date (YTD) net foreign milestones of LKR 27, 28 and 29 Bn were all crossed in matter of five market days. The continued foreign outflow remains a significant stain on the market as it indicates foreign interest continues to wane.
- Despite restrictions, imports continue to enlarge the country's trade deficit. External trade data released by the Central Bank shows imports rose 61.7% YoY in May whilst exports rose 52% YoY. The trade deficit thus, widened for the third consecutive month.
- Sri Lanka's Tea export earnings saw 14% increase over the first half of the year on the back of a 10% increase in the quantity shipped compared to the year prior. Turkey topped the destination list followed by Iraq and Russia. The latter, however, continues to lower its quantity demanded compared to this time, last year. This was somewhat partially offset by exports to the UAE more than doubling over the last year.

Bond Auction Sells Full Quantum With 3-Month and 6-Month Bill Yields Marginally Up

Spot Rates

	Current	Previous Week	Change
USD/LKR	199.90	199.90	-
GBP/LKR	276.35	275.23	1.12
EUR/LKR	235.98	236.60	-0.62
JPY/LKR	1.82	1.82	-

Source: CSE

- The bond auction held on 14th (Wednesday) of July, sold its full quantum of bonds offered.
- 3-month and 6-month bill yields moved up marginally whilst volumes skewed to the short end.
- The Central Bank held c. LKR 917 Bn of the bills issued as of 15th July.

Gold Spikes as Fed Warns of Global Slowdown, Aluminium Rises due to Continued Slowdown from China

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	73.64	75.62	-1.98
Gold (USD per Troy Ounce)	1,822.8	1,776.3	+46.5
Copper (USD per Pound)	4.32	4.32	-
Aluminium (USD per Tonne)	2,495.0	2,397.5	+97.5

Source: Gold Council, LME, Reuters

- Gold hit a one-month high this week, spurred on by the Fed's statement voicing concerns over a stalling global economy on the back of continued Delta variant cases.
- Aluminium also saw a spike in prices as China's primary aluminium output in June fell for a second consecutive month on the back of limits being imposed on power consumption in the smelting hub of Yunnan.
- Oil prices fell this week as concerns persists with OPEC+. As we discussed last week, OPEC+ are looking to curb the supply of oil, however, there seems to be an impasse with certain members.
- We still expect oil prices to hit the USD 80 mark in the next couple of months.

Markets Come in Mixed as US 2Q Earnings Comes in Strong, However, China Slowdown is a Concern

- European stocks rose on Friday as travel stocks posted a rebound after an early slump, this was further driven by upbeat earnings reports that helped overshadow concerns about rising Delta variant cases.
- The pan-European STOXX 600 index rose 0.1% still on course to end the week flat to slightly lower.
- UK's FTSE 100 and midcap stocks rose with Britain looking to relieve it restrictions on the 19th (Monday) of July.
- Chinese stocks posted gains this week on the back of the Central Bank's decision to reduce the reserve ratio requirement from its banks to further drive the country's post pandemic economic recovery.
- However, this was partially offset by news that the Chinese economy's expansion post pandemic is levelling off – Asian markets came in mixed on Friday with the Nikkei slipping 0.98% whilst the Hong Kong Hang Seng rose slightly by 0.03% and the Shanghai Composite came in 0.71% lower.
- Overall, markets have moved sideways this week. On one hand, there has been a strong start to the U.S. 2Q earnings season and dovish rhetoric from the Fed. Whilst on the other hand, the slowdown of activity in China is a cause for

Notions on the ASPI



Source: Investing.com

- The Relative Strength Index (RSI) closed at 72.96 in the overbought region.
- The daily chart of ASPI indicates that the index is trading above the daily resistance zone of 7,950 – 8,000. Therefore, if the index manages to break the resistance, it could potentially test the 15th of February high of 8,130.17.
- However, a continuous rejection from the daily resistance could pull back the price to the 19th of February high of 7,821.39.
- The 18 & 8 Exponential Moving Averages (EMA's) indicates a strong bullish momentum as the index is trading above both averages.

Pick of the Week: EXPO



Source: Investing.com

- The RSI closed at 72.17.
- EXPO closed at LKR 54.70 for the week. The price could reach the daily resistance levels of LKR 55.00 - LKR 56.00. If the price manages to break the daily resistance, it could test the next resistance of LKR 57.50 - LKR 58.00. However, a rejection from the daily resistance of LKR 55.00 – LKR 56.00 could pull back the price to the daily support of LKR 52.50 – LKR 53.00.
- 18 & 8 EMA's indicates a bullish momentum as the share is trading above both averages.

This document was prepared under the supervision from the Research Department of SC Securities a company authorized to engage in Equity trading in the Colombo Stock Exchange in Sri Lanka. Data used in this document was gathered from reliable sources, but the analyst(s) and the publishers of this document do not hold themselves responsible for the accuracy or completeness of data used. The document provides the opinions, analyses and conclusions of the Research division only and is provided without any warranties of any kind. This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by SC Securities or any employee of SC Securities as to the accuracy, timeliness, completeness merchantability or fitness for any particular purpose of any such recommendation or information contained and opinions expressed herein. SC Securities do not accept any liability for any direct or remote loss or damage arising out of the use of all or any part of the information contained in this document. This document is published for information purposes only and is not an offer to solicit, buy or sell any security of any kind. This document does not provide customized investment advice. It has been prepared without regard to the individual financial circumstances and risk and return objectives of individuals who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances, risk tolerance and return objectives. The investments securities referred to in this document may not be suitable for all or certain categories of investors. The Research Division of SC Securities has implemented Chinese walls procedures to prevent any conflict of interest. The opinions presented in this note may be changed without prior notice or cannot be depended upon if used in the place of the investor's independent judgment. The historical performance of a security is not representative of the security's future returns. Investment in securities can be highly risky as security prices may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may adversely affect the value, price, or income of that investment.

In case of illiquid investments for which there is no organized market it may be difficult for investors to exit investment positions or to obtain reliable information about its value or the extent of the risk to which it is exposed. The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

DISCLOSURES: Research analyst certification. The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

ADDITIONAL DISCLOSURES: This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports, or developments referred to in this research report. Neither SC Securities nor any of its directors, officers, employees, or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.