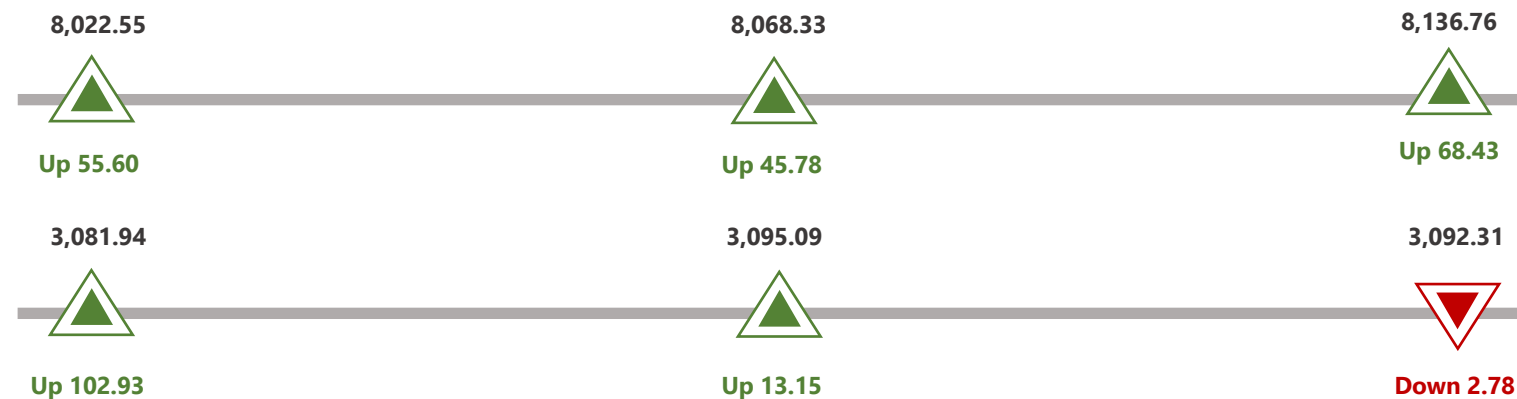


Market Continues to be Driven by Locals with Increased Appetite for EXPO

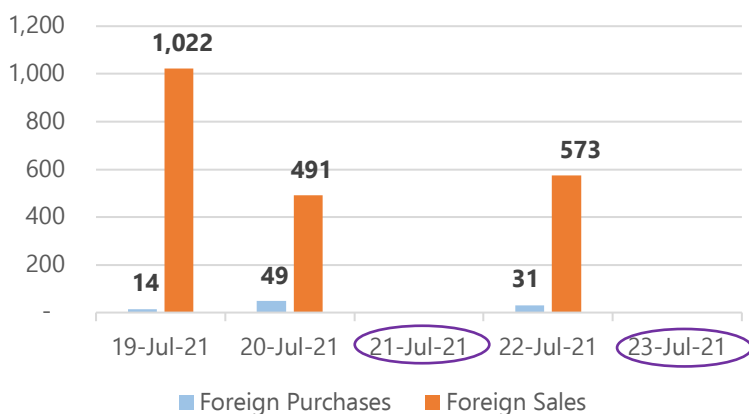
ASPI and S&P SL 20 Weekly Movement 19th July – 22nd July

Source: CSE



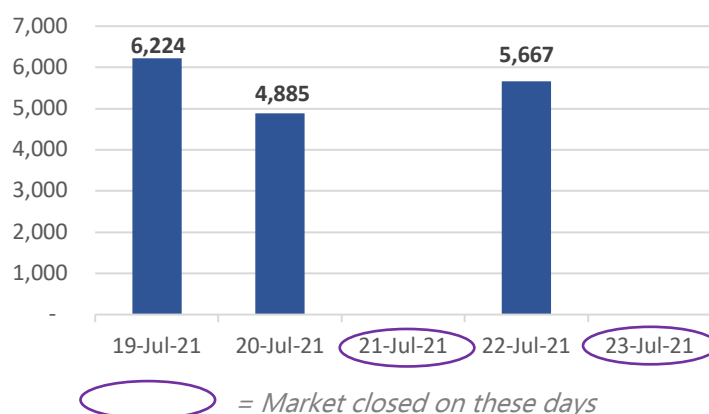
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



○ = Market closed on these days

- The ASPI rose by 1.42% this week.
- The S&P rose by 0.34% this week.
- The All Share closed on 8,137 capping off another great week of gains. Despite the continued foreign sell-off most of it was being collected by local players.
- Appetite for index heavy counters further attributed to gains made over the past week with counters such as EXPO leading the charge.

Sri Lanka Set for a Further Downgrade by Moody's as Fears Mount on Country's External Liquidity Position

- The country's sovereign rating has been placed on review for downgrade by Moody's citing weak external position and decreasing institutional strength. Moody's rationale was based on the country's increasingly fragile external liquidity position which raises the risk of default. This statement confirmed most local fears as the government looks increasingly likely to turn to an IMF bailout as forex earnings from tourism remain in the grey as concerns persists regarding the spread of the delta variant globally.
- Laugfs Gas PLC stated that it had halted import and distribution of liquified petroleum gas (LPG) imports as authorities had denied requests for a price hike during soaring raw material costs.
- Sri Lanka's balance of payments deficit hit USD 1.1 Bn in the five months up till May 2021 amid continuous money printing while the trade deficit exceeded 2019 levels despite import controls being in play.

USD 100 Mn Development Bond Auction Set for the 29th of July as Another Auction Fails to Sell Full Quantum

Spot Rates

	Current	Previous Week	Change
LKR/USD	199.90	199.90	-
LKR/GBP	273.99	276.35	-2.36
LKR/EUR	235.81	235.98	-0.17
LKR/JPY	1.82	1.82	-0.005

Source: CSE

- The bond auction held on 19th July, failed to sell 27% of an LKR 64 Bn treasuries auction despite a 01-basis point de facto policy rate which served as a price control.
- Sri Lanka's debt office is seeking to raise up to USD 110 Mn in development bonds. The auction will close on the 27th of July. Bids can be made for 9-month, 1-year 8-months, 2-year 9-months and 5 years.

Oil Climbs Back Up After Slump due to Higher Demand Whilst Aluminium Drops with China Releasing Reserves

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	72.50	73.64	-1.14
Gold (USD per Troy Ounce)	1,797.03	1,822.80	-25.77
Copper (USD per Pound)	4.15	4.32	-0.17
Aluminium (USD per Tonne)	2,432.00	2,495.00	-63.00

Source: Gold Council, LME, Reuters

- Oil prices slumped earlier in the week. However, it rose 0.4% on Thursday, extending strong gains made in previous sessions on the back of expectations of tighter supplies until the end of the year as economies recover from Covid.
- Despite OPEC+ agreeing to supply an additional 400,000 barrels per day, demand remains on course to outstrip supply, thus putting an upward pressure on prices.
- Aluminium prices fell this week as China plans to release 90,000 tonnes to the market on the 29th of July. With that in mind, we could see some further selling pressure come into play as we move forward.
- Gold saw a slight dip this week as investor sentiment grew on positive corporate earnings releases despite the lingering fears of delta variant and inflation.

Markets Rally Behind Strong Earnings Season However, it May Not be Long Lived

- Asian stocks rallied towards the end of the week. MSCI's broadest index of Asia-Pacific shares outside Japan followed wall Street and rose 1.0% with gains from Sydney, Hong Kong, and Seoul.
- European stocks extended gains for a third straight session by Thursday driven by a strong earnings season coupled with the expectation that the European Central bank (ECB) will stick to a dovish policy stance to further bolster overall market sentiment.
- Pan-European STOXX 600 rose 0.5%, the index closed 1.7% higher on Wednesday arresting some of the slide earlier during the week resulting from sharp sell offs.
- Despite these gains, experts still maintain the overhanging cloud of the delta variant as a going concern for the long-term economic recovery.

Notions on the ASPI



Source: Investing.com

- The Relative Strength Index (RSI) closed at 80.95 in the overbought region.
- The daily chart of ASPI indicates that the index is trading above the daily support zone of 7,950 – 8,000. The index has tested the 15th of February high of 8,130.17.
- If the index sustains, then the next daily resistance of 8,250-8,300 could be tested again. However, failure to sustain above that high could potentially pull back the index back to the support level of 7,950 – 8,000 creating a high-low formation.
- The Exponential Moving Average (EMA) of 18 & 8 indicates a strong bullish momentum. However, there is a gap between the 8 EMA and the index. Which indicates a correction is imminent.

Pick of the Week: ALUM



Source: Investing.com

- The RSI closed at 76.52 – which is in the overbought territory.
- The daily chart indicates the price broke from the previous resistance of LKR 13.90-LKR14.10 and reached the resistance level of LKR14.90-LKR15.10. Moreover, if the price sustains above the resistance level, the next daily resistance of LKR15.90-LKR16.10 could be tested.
- However, failure to sustain at the resistance level may pull the price back to the daily support of LKR13.90-LKR14.10 resulting in a high-low formation.
- The 18 & 8 EMA's indicates a strong bullish momentum since the price is trading above both moving averages.

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