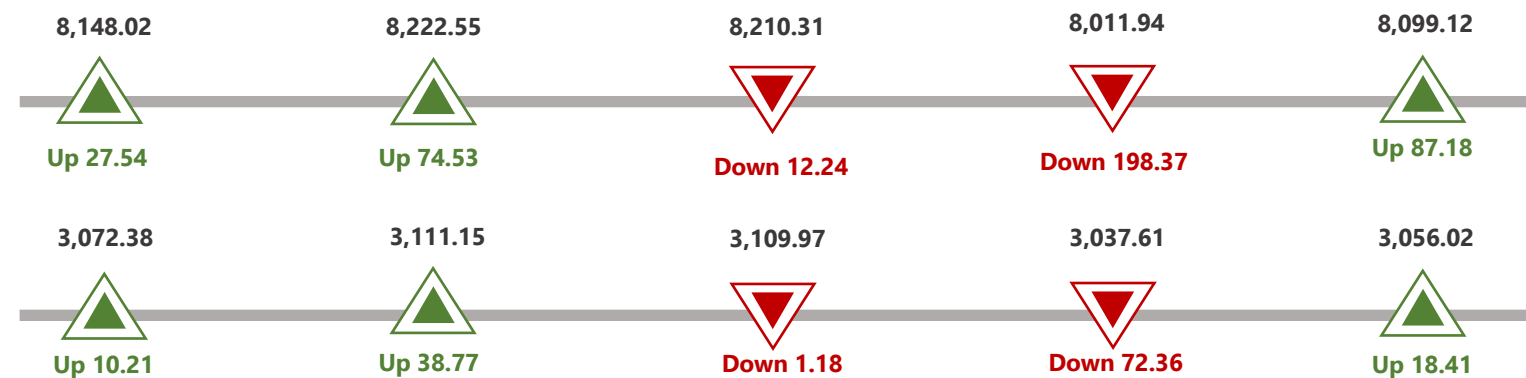


EXPO Continues to be the Flavour of the Week as Market Ends in the Green After Mid-Week Drop

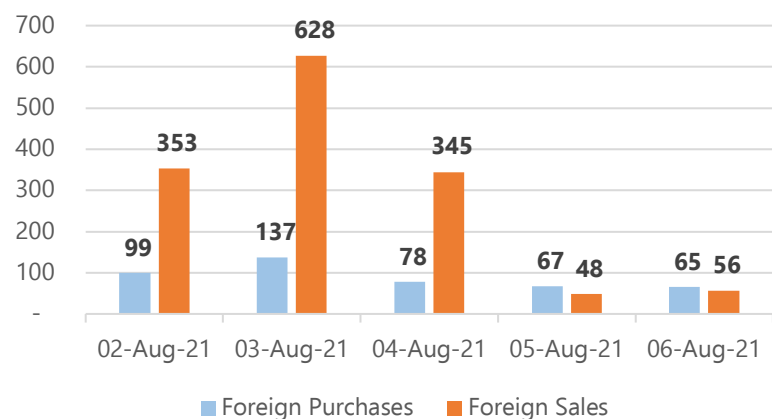
ASPI and S&P SL 20 Weekly Movement 02nd August – 06th August

Source: CSE



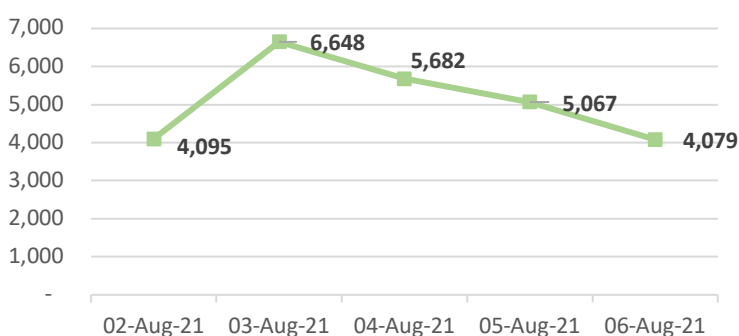
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI fell by 0.60% this week.
- The S&P fell by 0.53% this week.
- The All Share continued its bull run during the first two days of the week as EXPO continued to drive the upward momentum.
- However, these gains were eroded after the market dropped mid-week, in particular, on Thursday as fears of the economy coming to a halt amidst the surge of the Delta variant caused the All Share to fall by nearly 200 points.
- Friday saw a partial recovery driven again by EXPO with the Share settling at LKR 75.40.

Government Reassures of no Further Lockdowns as Covid Cases Start to Mount Up

- Sri Lanka's Covid situation has taken a turn for the worse, with 2,674 persons testing positive yesterday.
- Fears have been arising as hospitals start reaching full capacity whilst locally manufactured oxygen is used almost entirely for patient needs, with the country set to import more oxygen from India and Singapore respectively.
- Furthermore, with the spread of the Delta variant, many expect the economic recovery to be stunted further. However, the government has reassured that there will not be another lockdown.
- The continued money printing exercise has further exacerbated the country's balance of payment and currency crisis. Last week's bond auction resulted in 44% of the total auction going unsold which resulted in the Central Bank having to print LKR 53.9 Bn.
- The Central Bank's Treasuries stocks rose to LKR 1.194 Bn from LKR 1.141 Bn as a result of this.

Sri Lanka Development Bond Auction for USD 75 Mn Comes Online

Spot Rates

	Current	Previous Week	Change
LKR/USD	199.90	199.90	-
LKR/GBP	278.20	278.95	-0.75
LKR/EUR	236.33	237.53	-1.20
LKR/JPY	1.82	1.83	-0.01

Source: CSE

- Another Sri Lankan Development Bond (SLDB) auction for a further USD 75 Mn opened today with bids to close on the 11th of August.
- The dollar denominated bonds can be bought by banks, exporters, and those with personal or business foreign currency accounts and foreign investors. Bids can be submitted for 9-month, 1-year 7 months, 3-year 5 months and 4-year 11 months.
- We expect that there will be demand for the short tenors as there have been traction in past auctions. However, we expect this auction to also not be fully subscribed.

Oil Prices Fall as Middle East Tensions Rise. Aluminium Prices Continue to Rise as China Supply Wanes

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	71.63	76.05	-4.42
Gold (USD per Troy Ounce)	1,799.35	1,828.10	-28.75
Copper (USD per Pound)	4.39	4.54	-0.15
Aluminium (USD per Tonne)	2,583.50	2,556.50	+27.00

Source: Gold Council, LME, Reuters

- Oil prices rallied towards the latter part of week after falling below USD 70 per barrel earlier on in the week.
- The late week rally can be attributed to increasing tensions in the Middle East with escalations between Israel and Lebanon. However, gains were capped as fresh restrictions to counter a surge in Covid-19 cases threatened the global energy demand.
- Aluminium prices continued its price appreciation as China continues to wind down domestic supply as smelting plants adapt to tightening energy efficiency targets.
- During 2021, China has switched to a net importer of unwrought metal – experts predict that aluminium prices will go above USD 3,000 per tonne next year.

Asian Stocks Down as Fears of Recovery Continue Amidst Delta Variant Whilst Bank of England Keep Rates as is

- Asian stocks again ended down for the second consecutive week as the spread of the Delta variant in the region stokes fears about economic recovery, despite a rally on Wall Street
- The MSCI broad index of Asia-Pacific shares lost 0.35% on the back of a 0.56% fall in Chinese blue-chips and a 0.46% in Hong Kong share index. The Nikkei posted a slight uptick, rising 0.11%.
- European stocks fell marginally on Friday but are set for a strong weekly gain.
- The pan regional STOXX 600 index was down 0.1% in early trading ahead of a key U.S. jobs report.
- The Bank of England kept its policy rates constant (at 0.1%), as it signalled its continued support for the UK's economy despite rebound and higher inflation.

Notions on the ASPI



Source: Investing.com

- The Relative Strength Index (RSI) closed at 59.03.
- The daily chart indicates that the All Share is trading above the daily support zone of 7,950 – 8,000 as the index got rejected from the aforementioned area. The index rallied to the daily resistance of 8,200-8,250 and a high of 8,273.78 on the 4th of August with an RSI of 78.62. This dropped to 59.03 within the week to form a High-Low structure.
- The index is trading below the 8 EMA and above the 18 EMA. If the index continues to trade above the 8 and 18 EMA levels – the index will continue its bullish momentum.

Pick of the Week: EXPO



Source: Investing.com

- The RSI closed at 72.95 – which is in the overbought territory.
- EXPO closed at LKR 75.70 for the week. Whereas the price closed at the daily resistance level of LKR 75.00-LKR 76.00. A breakout above the current daily resistance could drive the price again to the next resistance levels of LKR 78.00-LKR 78.50 and LKR 80.00-LKR 81.00.
- If the price is rejected from the current resistance level of LKR 75.00-LKR 76.00, the price could further decline to support levels of LKR 72.50-LKR 73.00 and LKR 70.00-LKR 71.00.
- The 18 & 8 EMA levels indicate a strong bullish momentum since the price is trading above both the moving averages and the price has been rejected from the 8 EMA.

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