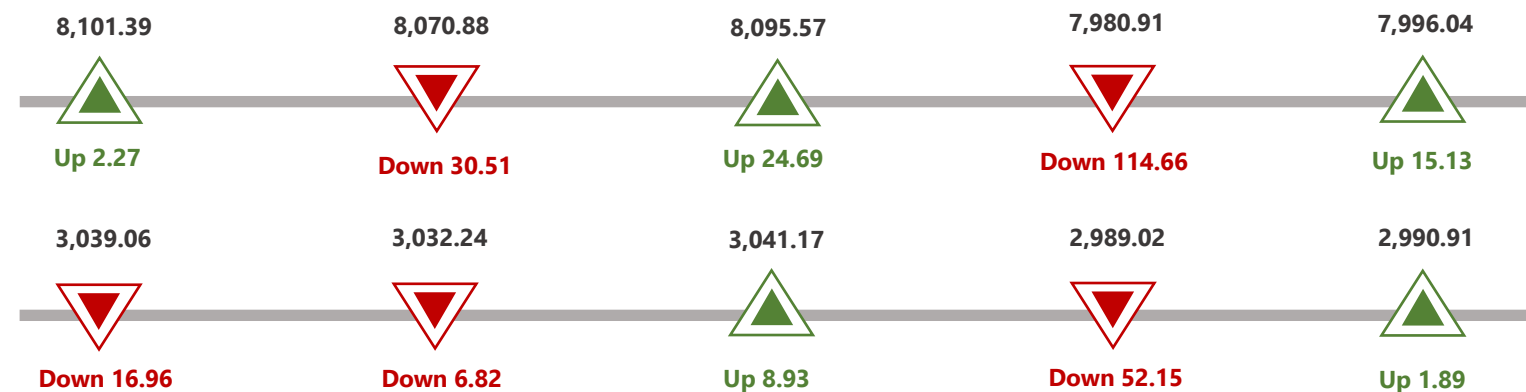


Lockdown Concerns Drives Market Turbulence

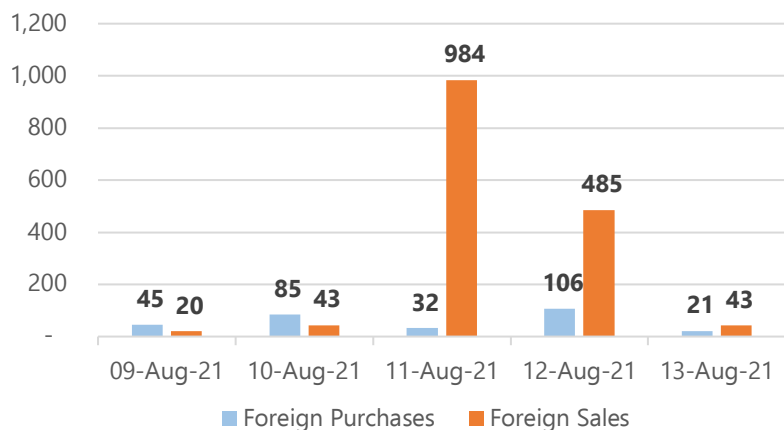
ASPI and S&P SL 20 Weekly Movement 09th August – 13th August

Source: CSE



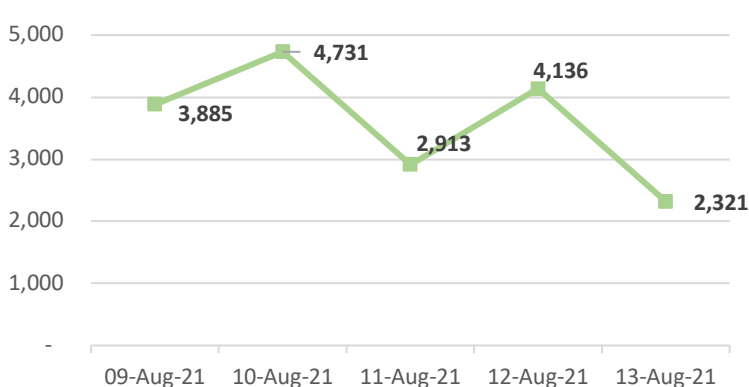
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI fell by 1.30% this week.
- The S&P fell by 1.58% this week.
- The All Share witnessed somewhat of a turbulent week as Monday’s momentum was brought to a halt with the market turning red. This was attributable to negative sentiment arising from lockdown concerns as delta variant spreads rampantly.
- Wednesday also saw net foreign outflows breaking a four-day consecutive run of net foreign inflows, with net foreign outflow for the week at LKR 1.29 Bn.

New SEC Bill to be Debated in Parliament Next Week, LAUGFS Allowed to Increase LP Gas Prices

- Sri Lanka’s Consumer Affairs Authority (CAA), in a bid to resolve the LP gas shortage, granted approval to LAUGFS Gas PLC to increase the price of 12.5 kg cylinder by LKR 363 and 5 kg cylinder by LKR 145. The Government did state that the price of Litro Gas would not go unchanged.
- Last month, LAUGFS Gas temporarily halted the importation and distribution of LP gas after authorities denied a price hike, despite rising costs.
- The new Securities and Exchange Commission (SEC) bill, that will look to regulate the capital market in keeping with current international best practices is to be taken up on the 18th of August. The bill is likely to be debated and passed on the same day.
- The Government has decided to open for tourists from India (the country’s biggest tourism source), subject to strict health guidelines.

Bond Yields Slightly Up for the Week, Whilst SLDB Auction Remained Undersubscribed

Spot Rates

	Current	Previous Week	Change
LKR/USD	199.92	199.90	+0.02
LKR/GBP	276.17	278.20	-2.03
LKR/EUR	234.71	236.33	-1.62
LKR/JPY	1.81	1.82	-0.01

Source: CSE

- The treasury bill auction held on the 11th of August saw most of the T-bills offered being sold. Majority of the demand came for the short term according to data from the debt office. The debt office sold LKR 26.2 Bn of 3-month bills, LKR 2.1 Bn of 6-month bills. Whereas only LKR 10 Mn of 12-month bills were sold.
- Another Sri Lankan Development Bond auction worth USD 75 Mn went unsold with only USD 61Mn being bought. There is also a tap issue has been opened for post-auction sales until 13th of August.
- Sri Lankan bond yields in the secondary market were up whilst the rupee remained somewhat inactive in the forex market.

Gold Prices Fall Due to Tapering Whilst Aluminium Continues its Climb on the Back of Rising Global Demand

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	71.26	71.63	-0.37
Gold (USD per Troy Ounce)	1,758.05	1,799.35	-41.30
Copper (USD per Pound)	4.36	4.39	-0.03
Aluminium (USD per Tonne)	2,602.00	2,583.50	+18.50

Source: Gold Council, LME, Reuters

- Oil prices fell 0.52% on a weekly basis as the spread of the delta variant. On Thursday the fall was further exacerbated with the International Energy Agency (IEA) stated that the spread of delta would slow the recovery of global oil demand.
- Gold prices posted 0.2% rise on Friday amid concerns over rising cases in the delta variant. However, gold is set for a weekly drop of 2.3% after last week's U.S. jobs report boosted early tapering expectations which sent bullion prices to a four-month low.
- Aluminium prices continued its climb, closing in on their highest level in 10 years, as global demand for everything from beer cans to packaging rebounds from the pandemic. The metal's price has surged 31.0% in 2021.

U.S. and European Markets Gain on Strong Earnings Season Whilst Asia Slumps Due to Fresh Covid Concerns

- Asian stocks continued its slump this week. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.59%, having closed lower on each of the past three days.
- Traders have been citing to continued worries about the potential for new regulatory crackdowns in China and the fallout from surging Delta variant in several countries in the region.
- European stocks hit new highs on Friday and are on course for a record run as investors seized on a dip in U.S. inflation and more forecast-beating corporate earnings.
- The pan-Euro STOXX 600 was 0.15% higher – on Thursday it equalled its longest winning streak.
- U.S. stocks rose this week ahead of a series of earnings reports and after fresh labour-market data provided insight on the pace of the recovery.
- The S&P 500 gained 0.3% whilst the Nasdaq composite rose 0.35% and the Dow Jones increased by 0.1%.

Notions on the ASPI



- The Relative Strength Index (RSI) closed at 49.43.
- The daily chart of the ASPI indicates that the index is trading above the daily support zone of 7,950-8,000 as the index keeps getting rejected from the psychological area of 7,950-8,000. If the index remains above the support level it would consolidate in between the daily support level of 7,950-8,000 and daily resistance of 8,200-8,250. However, if the index closes below the support level and makes it a resistance level after a retest then the index would decline to previous daily support level of 7,650-7,700.
- The index is trading below the 18 & 8 Exponential Moving Average (EMA). If the index trades below the EMA levels, this could indicate a bearish momentum.

Pick of the Week: GREG



Source: Investing.com

- The RSI closed at 84.51 for the trading week.
- This week the price made a high of LKR 45.50 and closed below the monthly resistance of LKR 40.00-LKR 42.00. If the price manages to close above the monthly resistance, the resistance of LKR 46.50-LKR 47.50 could be tested. However, if the price remains below the monthly resistance, the weekly support of LKR 35.50-LKR 36.50 could be tested.
- The stock is trading above the 8 & 18 EMA levels. However, there is a strong gap between the EMA's and the current price. Therefore, the price needs to test the 8 EMA for a correction or a high-low formation.

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