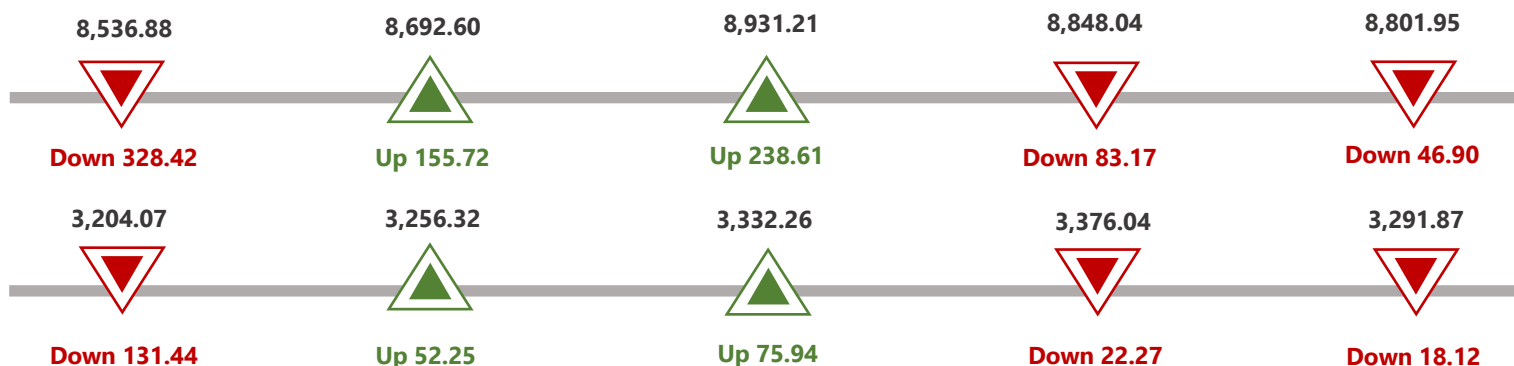


Choppy Waters Ahead – Erratic Investor Sentiment Drives a Turbulent Week for the Market

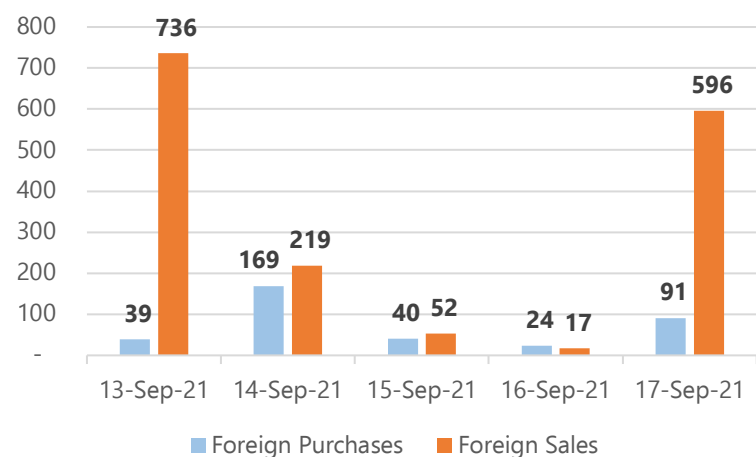
ASPI and S&P SL 20 Weekly Movement 13th September – 17th September

Source: CSE



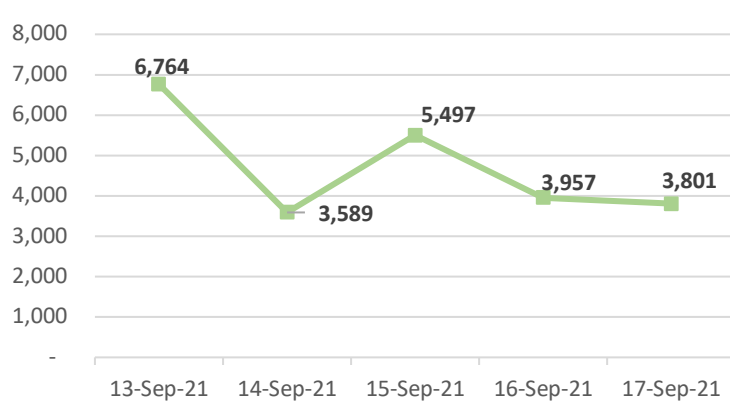
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI rose by 3.10% this week.
- The S&P rose by 2.74% this week.
- The net foreign outflows for the week came in at LKR 1,258 Mn.
- The bourse started the week with a steep fall as Monday saw a 328 point drop on the back of panic selling by investors. This was primarily due to concerns over the prevailing economy. The recent bull runners were the main driving force of the fall as EXPO, LOLC and BIL all registered significant falls.
- Tuesday saw the all share regain momentum as it jump up by 156 points driven by investors collecting stocks by taking advantage of the massive drop and regaining part of the losses. However, turnover came in at a one month low.
- Wednesday, we saw the index make up the losses from Monday as it rose 239 points spurred on by renewed buying interest coupled with gains in index heavy counters. Thursday, however, saw the bourse retrace by 83 points as investor sentiment remained unpredictable. The erratic momentum has been driven by the large-cap stocks.
- Turnover was markedly low compared to previous weeks.
- Currently the market is experiencing a high degree of volatility, however, we feel that it will consolidate at the 8,600 level before we see another uptick down the line.

A Welcome U-Turn – Government States that ISB’s are No Longer a Viable Option for Debt Funding

- The United Nations Human Rights Council (UNHRC) convened its 48th session this week. Sri Lanka remains a key issue with the council. UNHRC has continuously highlighted the country’s lagged efforts on reconciliation and accountability with regards to the civil war 12 years ago. It had further highlighted concerns regarding the lags in the judicial system and its scrutiny over the Prevention Terrorism Act. Whilst Sri Lanka has refuted these claims, it is a key area of concern as a deterioration in dialogue may lead to the country losing international preferential tariff systems such as, GSP+.
- Sri Lanka’s Gross Domestic Product (GDP) grew by 12.3% for the second quarter this year when compared to a 16.4% contraction over the same period last year. This was driven by increases in the agricultural, industrial and services sector. The Department for Census and Statistics maintained that the growth was significantly offset by the third wave that occurred during April and is currently still ongoing. We expect the third quarter figures for GDP to be severely impacted as result of lockdowns that were in place since the beginning of August and are likely to carry on till the end of this month.
- Sri Lanka has stated it will no longer go for further International Sovereign Bonds (ISB's) and look to replace them with alternative long-term debt instruments. Currently, Sri Lanka has c. USD 15 Bn worth of ISB’s with USD 2 Bn already paid for. The government hopes the switch will in the long run, lead to a more stable external debt portfolio.

Breaking the Glass Ceiling – CBSL Finally Lifts the Capon Yield Controls

Spot Rates

	Current	Previous Week	Change
LKR/USD	200.01	200.00	+0.01
LKR/GBP	276.78	276.96	-0.18
LKR/EUR	236.36	236.55	-0.19
LKR/JPY	1.83	1.82	+0.01

Source: CBSL

- Sri Lanka has finally removed the yield controls on next week’s 12 – month Treasury Bill Auction abolishing a year-long de facto policy rate which led to large volumes of liquidity injections, which led to forex shortages and reserve losses. This is a positive note as the yield controls that were in place was significantly hampering any effect the recent policy rate revisions were supposed to be having.

I Love You 3,000 – Aluminium Crosses USD 3,000 Threshold as China Imposes Further Production Curbs

Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	75.50	72.60	+2.90
Gold (USD per Troy Ounce)	1,760.90	1,802.15	-41.25
Copper (USD per Pound)	4.30	4.31	-0.01
Aluminium (USD per Tonne)	2,879.50	2,839.50	+40.00

Source: Gold Council, LME, Reuters

- Oil prices witnessed a significant rise, particularly on Wednesday as prices rose by USD 2 per barrel after industry data showed that a larger-than-expected drawdown in U.S. crude inventories coupled with a rise in demand expectations as vaccination rollouts widen further.
- Aluminium prices touched USD 3,000 per tonne this week before settling at USD 2,879 per tonne by the end of the week. The metal counter hit the 3,000 mark for the first time since 2008. The primary reason as we have highlighted in prior weeks is China's continued restrictions on production. This year alone, we have the light-weight metal appreciate by over 50% whilst the last three weeks has seen a 15% uptick. The cutbacks in production were further exacerbated by cuts in the Yunnan province, home to about 10% of China's aluminium capacity. The government this week had told smelters to keep average monthly output for September to December at August levels or preferably lower. The combination of reduced supply and high demand has seen the metal's price soar.

A Mixed Bag – Asian Stocks End in the Green, However, Europe and U.S. Err on the Side of Caution

- Asian markets ended the week in the green, breaking a two-day losing streak. The Hang Seng rebounded 0.4% whilst CSI300 rose 0.3% respectively. At the start of the week, Asian markets made a guarded start as all eyes were on U.S. Consumer Price Index (CPI) and retail figures. Wednesday and Thursday saw dips in the index driven by China retail figures coming in below expectation and a plummet in casino shares.
- European markets had a mixed week with the pan-European STOXX 600 rose 0.5% on Thursday. The start of the week saw European stocks start on a positive note snapping a 5-day losing streak driven by strong euro-zone recovery sentiment among investors. Mid-week saw indexes coming in mixed as U.K. inflation figures soared to a nine year high. The CPI rose 3.2% - the sharpest rise since records began.
- The U.S. index witnessed a somewhat bearish week with a slight gain mid-week. U.S indexes ended in the red on Monday despite better-than-expected inflation data. On Thursday, the Dow Jones contracted 0.18% on the back of weekly jobless claims report signalled a mixed economic outlook. Another key news highlight this week was that house democrats are lobbying for a new tax hike on individuals and corporates to finance a USD 3.5 Bn spending package.

Commodity Watch: WTI Oil



Source: Trading View

- The Relative Strength Index (RSI) for USOIL is currently in the mid-range.
- The price got continuously rejected from the daily support level USD 66.50 – USD 68.00 and now trading above the psychological price level of USD 70.
- The next resistance level is USD 74.50 – USD 76.00 Since the price is trading above the psychological level of USD 70 and of the price manages to sustain above the psychological level, the price could test the resistance level of USD 74.50 – USD 76.00. Whereas the previous descending channel formation has now been broken.
- Since there was a crossing on both 18 & 8 Exponential Moving Average (EMA's), and as the price is trading above the EMA's, the price remains bullish.

Notions on the ASPI



Source: Investing.com

- The RSI of the ASPI closed at 52.66 for the week ended 17th September 2021.
- In the daily chart, the index made a high of 9,425.62 on 3rd September after making the high index continuously declined and now trading below the daily resistance of 9,000 – 9,050. The index is now trading in between the daily support of 8550 - 8600 and the daily resistance of 9,000 – 9,050. Therefore, the index could consolidate in between those two key regions before we could expect a breakout.
- Currently, the index is trading below the 8 EMA and above the 18 EMA. If the index manages to trade above 8 and 18 EMA's it could test the daily resistance of 9,000 – 9,050 again. However, failure to trade above the EMA's would lead the index to the daily support 8,550 – 8,600.

Pick of the Week: EXPO



Source: Investing.com

- The daily RSI for the week closed at 60.81.
- The price of EXPO got rejected from the daily resistance LKR 172.50 - 175.00 on the 16th of September. The price declined to the weekly support LKR 160.00 - LKR 165.00 and closed at LKR 165.25 for the week ended 17th September 2021. Continuous rejection from the weekly support could push the price to the daily resistance LKR 172.50 - 175.00 and further to the weekly resistance of LKR 185.00 - 190.00. However, if the price breaks the current weekly support LKR 160.00 - LKR 165.00 the price could further decline to the daily support level LKR 150.00 - 152.50.

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