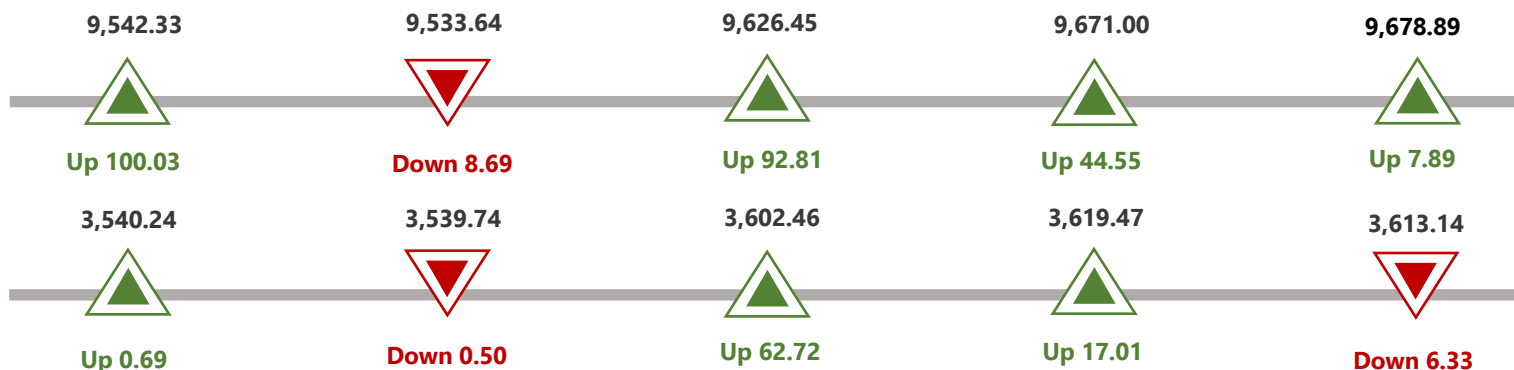


Records Hitting Week: Consecutive All-time Highs: Locals Rally as Foreigner's Exit Continues

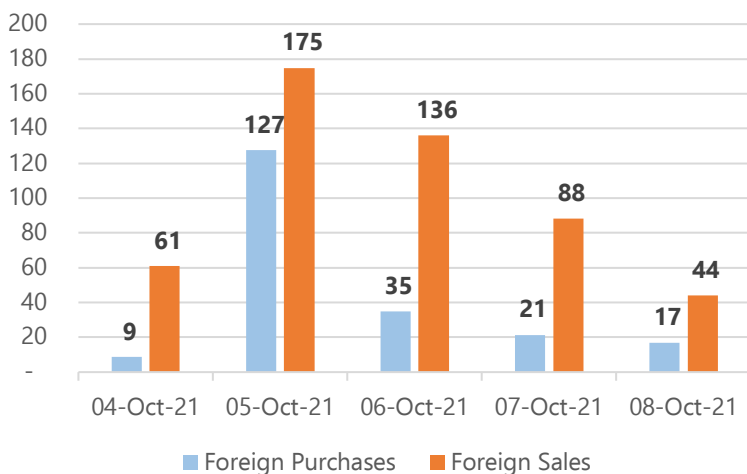
ASPI and S&P SL 20 Weekly Movement 4th October – 8th October

Source: CSE



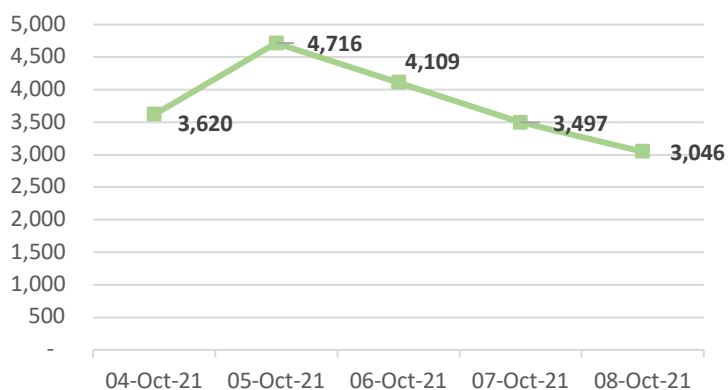
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI rose by 1.43% this week.
- The S&P rose by 2.06% this week.
- The net foreign outflows for the week came in at LKR 295 Mn.
- Monday stock market witnessed a rise in ASPI with over 100 points, surpassing the 9,500 psychological level. Price gain was majorly led by CLC with a sole contribution of 67 points to the index. HNI & Institutional Investor participation was noted in RCL & CARG.
- Bourse ended up in red zone on Tuesday with a slight fall of 9 points in ASPI. Nevertheless, the turnover exceeded 4 billion, which was a 30% increase compared to Monday. Turnover was improved on the back of HNI activities in EXPO and notable foreign buying interest in RCL & TILE.
- Wednesday, ASPI bounced back to positive territory on the back of heavy counters NIFL, LOLC & COMB. Bourse hit a new all-time high, surpassing 9,600 mark. Foreign investor exits continued with LKR 101 Mn. worth of funds outflowing.
- Locals remained on a bullish sentiment for Thursday with growing interest in banking and leisure sector counters. ASPI was up by 45 points despite the fall in Turnover to 3.5 Bn.
- We expect the momentum to continue for next week as well especially with the positive expectations on tourism industry.

Positive Movements to Boost Sri Lankan Tourism: Economy Rising Back from the Ashes

- Undoubtedly, Tourism is one of the major revenue streams to bring forex to the country, yet it has been hampered since 2019 with Easter Attacks and COVID-19 outbreak. On a positive note, the Sri Lankan Tourism industry was highlighted from different avenues throughout the week. World Expo 2020 in Dubai which was inaugurated last Friday was aimed to utilize as a successful platform to boost Sri Lankan tourism by the authorities. Other than that, Tourism in Sri Lanka showcased its diversity at International French Travel Mart (IFTM) in France with promising news of commencing Air France's flight services to Sri Lanka from November onwards, whilst Sri Lankan Ambassador to China has confirmed that around 1 million Chinese tourists expect to visit Sri Lanka once travel restrictions are being lifted. Therefore, on a positive note we can expect an escalation in Tourism industry which would eventually benefit the hotel sector listed stocks as well in near future.
- September 2021 saw the highest tourist arrival growth numbers post the pandemic. Arrivals were up 169% to 13,547 from August, this can be attributed to the relaxation of travel restrictions on the back of the continued success of Sri Lanka's vaccination programme. Bulk of the inbound traffic came from traditional inbound markets such as India, Germany, UK, Russia and Pakistan. In a bid to further ease the passage of foreign inbound tourists, has decided to resume the Electronic Travel Authorisation (ETA) for fully vaccinated passengers into the island with immediate effect. This is very much a step in the right direction in bringing back one of the country's main forex earners.

Yields Endured the Upwarding Trend: Interest Rates to Rise Further

Spot Rates

	Current	Previous Week	Change
LKR/USD	202.98	200.70	+2.28
LKR/GBP	276.35	270.06	+6.29
LKR/EUR	234.48	232.34	+2.15
LKR/JPY	1.81	1.80	+0.01

Source: CBSL

- Sri Lanka Treasuries yields consecutively rose across maturities, with the 12-month yield going up 27 basis points to 7.28% at the Treasuries auction held on 06th October. The 3-month yield rose by 45 basis points to 7.15% whilst the 6-month yield rose 21 basis points to 7.20%. Only 1 percent of each bids received under current yields of 12 months and 6 months was accepted.

Surge in Global Oil Prices: OPEC+ to Uphold Current Output Policy

Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	83.00	77.98	+5.02
Gold (USD per Troy Ounce)	1,758.25	1,742.80	+15.45
Copper (USD per Pound)	4.29	4.09	+0.20
Aluminium (USD per Tonne)	2,916.00	2,850.50	+65.50

Source: Gold Council, LME, Reuters

- Oil prices rose sharply on Monday after the OPEC+ reported that they are going to stick to current output policy which of unleashing further 400,000 barrels per day (bpd) in November. Contingently, Brent was up \$ 1.97 or 2.5% per barrel which was the highest value recorded after 2018. The rise in oil prices is heavily subject to the increase in global demand and prevailing supply disruptions.
- Investors are keen upon the existing energy crunch in China which has led few commodities like coal and liquefied natural gas (LNG) to record all-time highs. It's most likely that the rally won't last for some long but anyhow the fact that how other commodities like Aluminium are going to get affected is largely underpinned by how China intends to ration power demand over winter.
- Global Copper prices were up on Thursday, backed by the recovery on global equities. However, copper is likely to fall further before rising demand regains its rally.

Topsy – Turvy Week Ends in the Green as U.S. Agrees to Temporarily Lift the Debt Ceiling

- Asian shares held onto gains on Friday and snapped a four-week losing streak as Chinese markets came back more positive after Golden Week break.
- The Hang Seng closed 0.55% up whilst the Nikkei recorded an upturn of 1.34%. The growth in Chinese index was due to a rally in blue-chip counters couple with a survey stating that the country's service sector was normalising again.
- European indexes came in mixed in what was a topsy turvy week for global markets. The pan-European STOXX 600 was marginally down by 0.3%.
- Global markets will next focus on U.S. payrolls data due on Friday which investors do anticipate that reasonable figure will mean the Federal Reserve to begin tapering its massive stimulus programme.
- Some investor trepidation was laid to rest on late Thursday as the U.S. managed to temporarily lift the debt ceiling avoiding what otherwise could've led to a potentially historic default. The action taken by the U.S. only remedies the situation up till December this year with a decision needed to be made on a longer lasting remedy.
- U.S stocks rallied on Thursday on the back of the news on the debt ceiling. The Dow Jones was up 1.0% (up 337.95 points).

Commodity Watch: Gold



Source: Trading View

- The Relative Strength Index (RSI) for Gold remains in the mid-range.
- Gold Prices are currently trading at the daily support level of USD 1,740 – USD 1,760. If the price manages to trade above the support level, the psychological area of USD 1,800 could be tested again. However, failing to retain the current price zone ahead of the NFP data, the price may plummet – breaking the current daily support zone and testing the 29th of September 2021 low of USD 1,721.
- Furthermore, the price is trading below the 18 & 8 Exponentially Moving Averages (EMA's), which indicates a bearish momentum.

Notions on the ASPI

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CSE All Share, Sri Lanka, Colombo, CSE, D



Source: Investing.com

- The RSI of the ASPI closed at 72.78.
- The daily chart indicates that the index is trading above the daily support of 9,450 – 9,500. If the index manages to sustain over the daily support, the index could test the next daily resistance of 9,950 – 10,000. Furthermore, there could be certain lower low formations while the index is moving to certain highs. Therefore, considering 9,450 – 9,500 as a strong support level, sustaining above that key area would push the index to test the psychological level of 10,000.
- The index is currently trading above the 8 & 18 EMA's. Which indicates that the index will remain bullish.

Pick of the Week: PABC



Source: Investing.com

- The monthly RSI is at 58.43 – which is in the mid-range.
- The price closed above the weekly support LKR 17.00 – LKR 17.50. If the price manages to sustain above the weekly support, the monthly resistance of LKR 19.00 – LKR 20.00 could be tested. This week, the price made a high of LKR 19.50, therefore, the monthly resistance could be tested again. A breakout above the monthly resistance could drive the price to the weekly resistance LKR 22.00 – LKR 22.50. However, failure to test the monthly resistance could drive the price back to the weekly support level LKR 17.00 – LKR 17.50.
- Since the price is trading above both 18 & 8 EMA levels and since there was a crossing on the month of December 2020, the price would continue to trade above the moving averages.

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