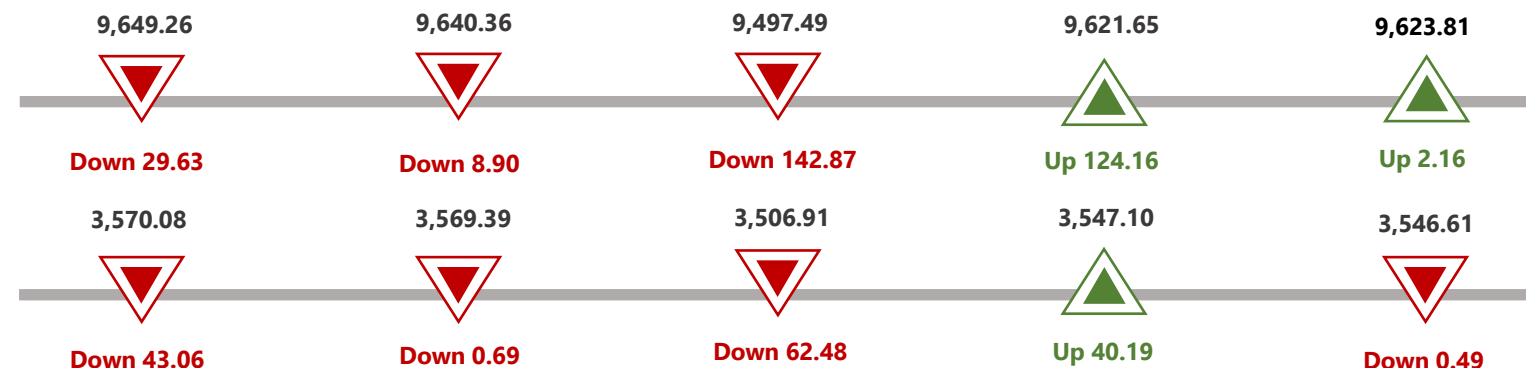


Market Bounced Back to Green After Three Consecutive Days in Red

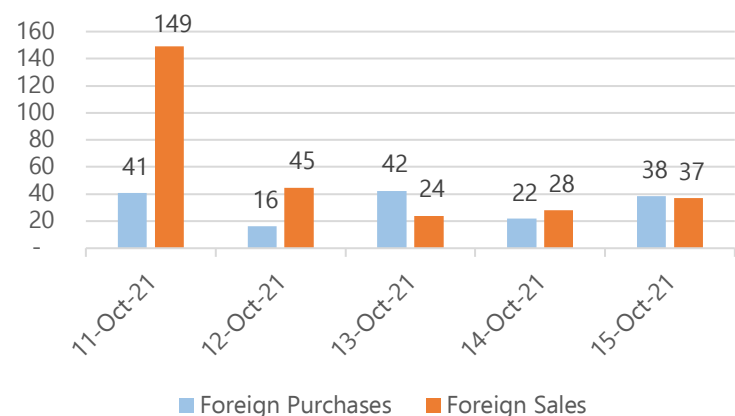
ASPI and S&P SL 20 Weekly Movement 11th October – 15th October

Source: CSE



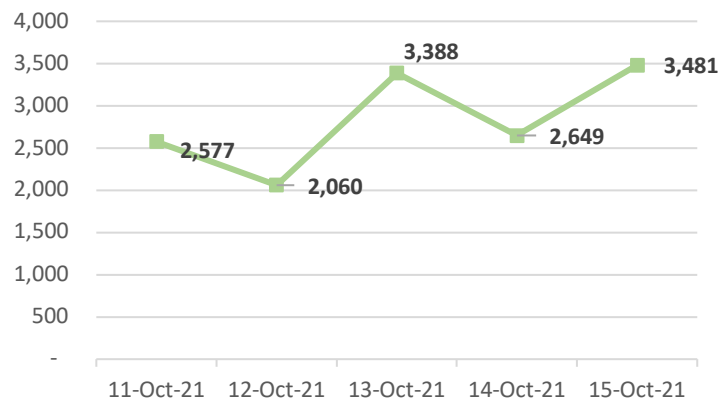
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI declined by 0.26% this week.
- The S&P declined by 0.66% this week.
- The net foreign outflows for the week came in at LKR 123 Mn.
- Sri Lanka stocks closed lower on Monday, with 29.63 basis points decline in ASPI on the back of investor worries upon government’s decision to withdraw price controls imposed on several essential category commodities.
- Bourse remained bearish for the second consecutive day on Tuesday, resulting a dip in all share index with a low turnover of LKR 2 billion. The decline was majorly backed by the price declines in index-heavy counters BIL, LOLC and CTC.
- Indexes closed in red on Wednesday, marking the sharpest decline recorded in recent days. Nevertheless, the turnover witnessed a considerable hike, surpassing LKR 3 billion with improved investor activity through increased foreign buying.
- Stock market bounced back to positive territory on Thursday after the Central Bank’s decision to keep the policy rates unchanged. All share price index was up by 124 points to reach 9,621.65 backed by the price gains recorded in CLC, EXPO & LOLC.
- On Friday, bourse remained to stay in positive territory, whereas S&P SL20 which contains more of a liquid stocks witnessed a slight decline. Considering the prevailing bullish momentum of ASPI we can expect it to move up further and will touch 10,000 mark as soon as the index manages to surpass its current all-time high.

- Subject to government's decision on removing price controls imposed on several essential goods, market prices of those have been skyrocketed. Decision was taken nearly after one-year time of imposing price controls and accordingly the market prices of wheat flour, LP gas, milk powder & cement prices jumped up. State owned Litro company revised its previously increased prices, whilst LAUGFS decided to increase their prices significantly, allowing market forces to determine prices after years of under-pricing as per the specifications by the government. CPC & LIOC too requested a price increment which is yet to be concerned. Therefore, the decision to withdraw controls at this point was severely criticized by many parties pointing out the fact of further inflation soaring which is unbearable to general public.
- Central Bank of Sri Lanka has recently decided to keep its policy rates unchanged. The Monetary board at a meeting held on last Wednesday made the decision to continue Standing Deposit Facility Rate (SDFR) at 5.0% and the Standing Lending Facility Rate (SLFR) at 6.0%. It is expected that the momentum of private sector credit expansion will continue, with the recovery in economic activities upon the pillars of a successful vaccination program. Inflationary pressures due to emerging global price developments in commodities was also spotlighted in the policy review which is likely to cause headline inflation to deviate from targeted levels. However, it was ensured that such supply side developments will not necessarily warrant a monetary policy tightening since measures have already taken up by Central Bank to stabilize demand pressures over near term.

3-Month Treasury Bill Rate Went Up: Rising Momentum to Be Continued

Spot Rates

	Current	Previous Week	Change
LKR/USD	201.25	202.98	-1.73
LKR/GBP	275.35	276.35	-1.00
LKR/EUR	233.52	234.48	-0.96
LKR/JPY	1.77	1.81	-0.05

- The 3 months Treasury bill rate rose up by 89 basis points to reach 8.04% at the Treasury bill auction held on 13th October. However, 6 months and 12 months treasury bills were rejected at the current yields of 7.20% and 7.28%. We could expect the yields to increase moreover in short term with increasing credit demand and interest rates continued to catch up with budget deficit.

Commodity Prices Continue to Move up: Aluminium Recorded its 13-year High

Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	84.77	83.00	+0.59
Gold (USD per Troy Ounce)	1,781.65	1,758.25	+23.40
Copper (USD per Pound)	4.61	4.29	+0.32
Aluminium (USD per Tonne)	3,152.00	2,916.00	+236.00

Source: Gold Council, LME, Reuters

- Oil prices soar after top oil producer South Arabia dismissed calls for additional OPEC+ supply and the International Energy Agency said the prevailing surge in gas prices could boost demand for oil among power generators.
- The global energy crunch is expected to boost oil demand by another 100,000 barrels from current demand and could expect to slow down the world's recovery from the Covid-19 pandemic.
- Gold prices fell on Friday as U.S. Bond yields rebounded, though a subdued dollar helped out the precious metal to stay back on its track. It is expected if Fed and other central banks attempting to tighten their monetary policy, yields would rise which cause gold to struggle.
- Aluminium has reported its 13-year high due to the deepening energy crisis, which has hampered the supplies of metal. With the energy prices rising up significantly, the cost of producing aluminium will also take off.

Bank & Tech Stocks Boost Global Markets Indexes: Yuexiu Property Pulled Out the Deal with Evergrande

- Asian markets shares edged up on Friday, with Wall Street's positive lead after a bunch of strong earnings reported by corporates, even though the worries about Chinese economy resulting from Evergrande crisis halted gains. Yuexiu Property has pulled out their deal to buy Evergrande over worries on the company's financial situation.
- Japan's Nikkei surged 1.81% on Friday, mainly led by tech stocks to a more than two-week high and posted its weekly gain in four. Tokyo Electron contributed the most of Nikkei through rising up by 2.97%.
- London FTSE 100 & European markets bounced back to pre-pandemic levels resulting the best week for stocks in seven months on Friday upon the gains reported in energy and bank stocks. The STOXX index of 600 European shares was too up 0.2% at three-week highs
- US stocks rallied on the back on strong earnings from top U.S. banks on Thursday, recording the biggest ever daily percentage increase in S&P500 index since early March.
- However, the investor optimism on markets will be highly relied on the fact that how weaker the anticipated growth data from China next week and the impact of strengthening oil prices on consumers going into the winter months.

Commodity Watch: Copper



Source: Investing.com

- The daily RSI of Copper is in the mid-range. However, the RSI seems to be reaching the overbought territory.
- The price is trading above the daily support level: \$4.40 - 4.45 after a period of consolidation below the level of \$4.40 - 4.45. As the price managed to breakout successfully on 13th October the price is now reaching the daily resistance level: \$4.80 - 4.85.
- The price is trading above 8 and 18 EMA's. Therefore, indicates bullish momentum.

Notions on the ASPI



Source: Investing.com

- The daily RSI of ASPI closed at 66.08 for the trading week ended on 15th October 2021.
- The daily chart of ASPI indicates that the index is trading above the daily support 9450 - 9500 as the index got rejected from the daily support level after making a low of 9482.56 on 13th October 2021. If the index sustains over the daily support level the previous all-time high of 9711.55 which was recorded on 11th October 2021 could be tested again and a breakout over the previous all-time high could lead the index to the next daily resistance level at 9950 - 10000.
- Once again, the index started to trade above 8 EMA on 14th October 2021 after trading below on 13th October and testing the daily support level of 9450 - 9500. Both 18 and 8 EMA's indicates a bullish momentum as the index is trading above moving averages.

Pick of the Week: LOLC



Source: Investing.com

- The daily RSI of LOLC closed at 60.28 which is still in the mid-range.
- On 13th October 2021, the price made a low of LKR 583.00 and managed to bounce back to the weekly support LKR 600.00 - 610.00 and managed to close at LKR 608.00 for the week ended 15th October 2021. Since the price is back at the weekly support level LKR 600.00 - 610.00 the 13th of October would be considered as a false breakout if the price manages to sustain over the level LKR 600.00 - 610.00. The daily resistance of LKR 640.00 - 645.00 could be tested.
- Both 18 and 8 EMA's indicates a bullish momentum as the price of LOLC is trading above the moving averages.

This document was prepared under the supervision from the Research Department of SC Securities a company authorized to engage in Equity trading in the Colombo Stock Exchange in Sri Lanka. Data used in this document was gathered from reliable sources, but the analyst(s) and the publishers of this document do not hold themselves responsible for the accuracy or completeness of data used. The document provides the opinions, analyses and conclusions of the Research division only and is provided without any warranties of any kind. This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by SC Securities or any employee of SC Securities as to the accuracy, timeliness, completeness merchantability or fitness for any particular purpose of any such recommendation or information contained and opinions expressed herein. SC Securities do not accept any liability for any direct or remote loss or damage arising out of the use of all or any part of the information contained in this document. This document is published for information purposes only and is not an offer to solicit, buy or sell any security of any kind. This document does not provide customized investment advice. It has been prepared without regard to the individual financial circumstances and risk and return objectives of individuals who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances, risk tolerance and return objectives. The investments securities referred to in this document may not be suitable for all or certain categories of investors. The Research Division of SC Securities has implemented Chinese walls procedures to prevent any conflict of interest. The opinions presented in this note may be changed without prior notice or cannot be depended upon if used in the place of the investor's independent judgment. The historical performance of a security is not representative of the security's future returns. Investment in securities can be highly risky as security prices may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may adversely affect the value, price, or income of that investment.

In case of illiquid investments for which there is no organized market it may be difficult for investors to exit investment positions or to obtain reliable information about its value or the extent of the risk to which it is exposed. The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

DISCLOSURES: Research analyst certification. The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

ADDITIONAL DISCLOSURES: This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports, or developments referred to in this research

report. Neither SC Securities nor any of its directors, officers, employees, or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.