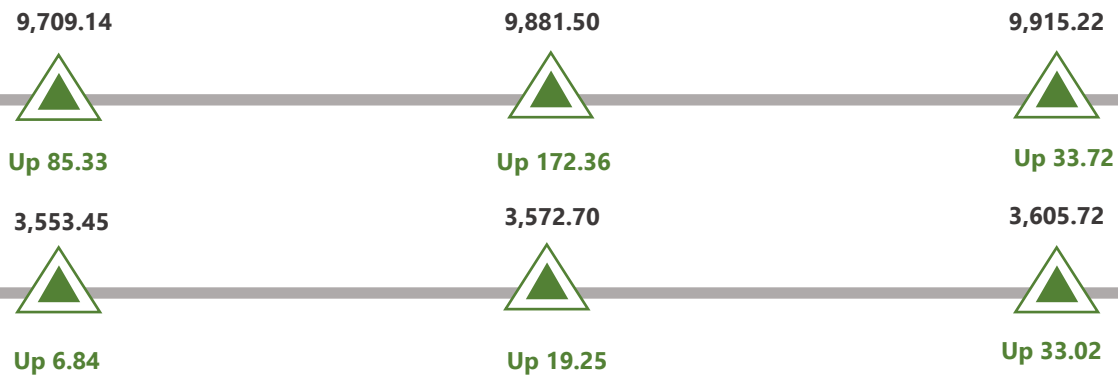


Investor Optimism Bumped Up the Stock Market: ASPI to Record New Highs

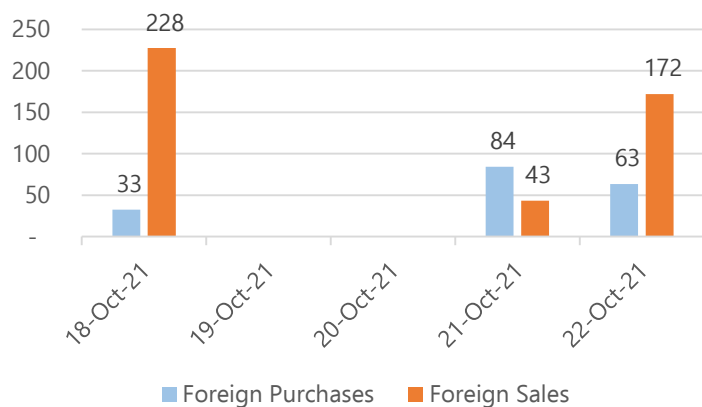
ASPI and S&P SL 20 Weekly Movement 18th October – 22nd October

Source: CSE



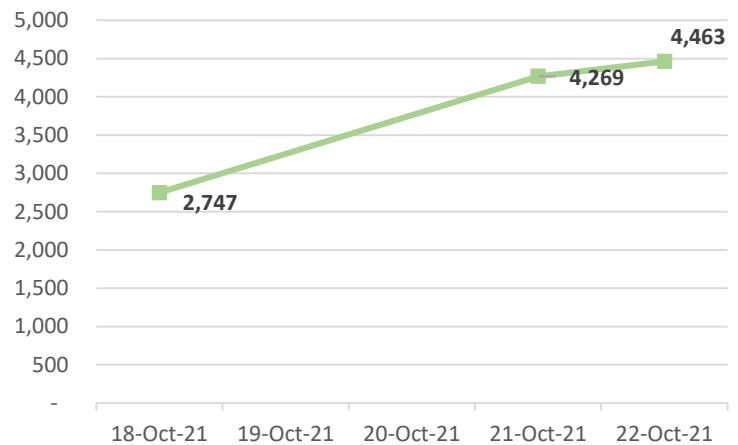
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI declined by 2.12% this week.
- The S&P declined by 1.47% this week.
- The net foreign outflows for the week came in at LKR 262 Mn.
- Sri Lanka stock market's All-share index gained 0.89 percent on Monday to close at 9,709.14 whilst S&P SL20 closed at 3,553.61 with a gain of 0.19 percent.
- The uptick was majorly driven by speculative purchasing of CLC and thoughts on strong earnings for several export-related stocks, especially like EXPO. However, day's turnover recorded as LKR 2.7 billion and a net worth of LKR 195 million shares were sold out by foreign investors.
- Bourse hit a new record high of 9,881.50 on Thursday, surpassing 9,800 level for the first time in history. Gains were heavily supported by CLC. Turnover bounced back to exceed 4 billion, which was relatively low on Monday with the notable buying witnessed in heavy counters such as RCL, ACL & GLAS.
- All share price index on Friday surpassed 9,900 level and closed at 9,915.22. S&P SL20 with most liquid stocks managed to rise up by 33.02 points to reach 3,605.72. Turnover recorded as 4.5 Billion whereas Foreign Sales recorded a significant high leading to a net outflow of 262 Million.
- Considering the existing bullish momentum, we can expect ASPI to hit 10,000 psychological level at its immediate possible. But anyhow, it is worth enough to stay cautious on market signals due to the fact that market is now quite overbought.

Trade Deficit Widened to \$ 5.5 b: Import Expenses to Further Pick up: Head Inflation Slightly Dwindled

- Latest External Sector Performance statistics for August 2021 revealed that the trade deficit in trade account has widened on YoY basis to US Dollars 586 million in August this year, over 342 million deficit recorded in August 2020. Cumulative deficit in trade account from January to August has reached to a level of US Dollars 5,509 million over 3,812 million in corresponding period of 2020. Despite the admirable 16.2% growth in merchandise export earnings to record USD 1,100 million, overall Merchandise imports rose up by 30.8% to reach USD 1,687 million even amidst the prevailing import restrictions. Workers' remittances for the month of August were marginally declined to USD 447 Million and Earnings from tourism has recorded a value of USD 7 Million over zero from last year. Gross official reserves increased to USD 3.5 Billion whilst Sri Lankan rupee depreciated by 4.8% against US Dollar during the month of August 2021.
- The headline inflation measured by a year-on-year change based on the National Consumer Price Index (NCPI) was marginally down to 6.2% in September from 6.7% in August 2021. The marginal decline was entirely due to the statistic effect of the high base prevailed in September 2020. Food inflation however decreased to 10.0% from 11.1% YoY despite the unchanged Non-Food Inflation which was remained at 3.0%. NCPI, measured on annual average basis remained at 5.5% in September. Looking ahead, we expect both food & non-food inflation to rise due to the prevailing shortage in chemical fertilizers & recent removal of price controls on several essential category commodities.

Treasury bill Auction to raise 74.5 Billion Succeed: Strong Investor Interest Remarked for 3-month Bills

	Current	Previous Week	Change
LKR/USD	201.05	201.25	-0.20
LKR/GBP	277.31	275.35	+1.96
LKR/EUR	233.75	233.52	+0.23
LKR/JPY	1.76	1.77	-0.01

Source: CBSL

- Central Bank of Sri Lanka held its recently successful Treasury bill auction last Monday (18th) by selling off LKR 74.5 Billion worth of treasury bills as prescribed. Yields continued to rise across maturities, with the 12-month yield going up 89 basis points to 8.17%, whilst the 3-month yield rose by 35 basis points to 8.39% and the 6-month yield rose 96 basis points to 8.16%. Strong investor participation could have been observed for 3-month bills, compared to 6-month & 12-month.

Oil Prices Continue to Hike: Climate Ambitions Over Copper Mines to Cause a Shortage

Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	85.05	84.77	+0.28
Gold (USD per Troy Ounce)	1,794.10	1,781.65	+12.45
Copper (USD per Pound)	4.59	4.61	-0.02
Aluminium (USD per Tonne)	3,014.00	3,152.00	-138.00

Source: Gold Council, LME, Reuters

- Oil prices continued to rise sharply throughout the week as an energy supply crunch hits globally, while the world's biggest energy consumer China, hustles to meet its domestic heating needs in coming winter season. The existing deficit in oil supply is expected to ease hopefully by the end of fourth quarter, 2022.
- Gold prices rose for several straight sessions on the back of investor expectations on central banks to raise interest rates sooner than anticipated. Spot gold went up to \$ 1,794.40
- Copper corporates warn on a possible shortage in copper supply due to the fact that environmentalists increasingly oppose for new mines. Copper prices are up 10% this month due to low supply yet the demand for is expected to increase alongside the global economy.

Evergrande's Surprise Interest Payment Rallied Global Markets: Corporate Earnings Further Supported

- Global Shares rose up on Friday on the back of the price picks in Tech stocks while Chinese Property stocks rallied after Evergrande made a sudden surprise interest payment to its bondholders. The assurances from Chinese state officials further eased the worries of investors over real estate sector.
- Japan's Nikkei advanced 0.34% to 28,804.85, mainly led by technology shares. Despite the uptick recorded on Friday, market is still weighing over worries of Evergrande crisis, rising up of oil prices and upcoming general election season in Japan.
- London's FTSE 100 gained on Friday to a six-weeks high, as a result of gains reported by mining stocks eased concerns over Chinese property market despite the continuing inflation hike in Europe. Wall Street's S&P 500 recorded a high on Thursday subject to solid earnings of several stocks.
- Global markets will continue to react on strong corporate quarterly results but on contrary, Evergrande fears which are yet to be eased and inflation soaring in Euro Zone can cause sluggish effects to markets worldwide.

Commodity Watch: Gold



Source: Trading view

- The Daily RSI of gold remains at the mid-range.
- The price of Gold is currently trading at the daily support level of \$1740 - 1760. Since the price is bullish the psychological area of \$1800 could be tested. Further, if the price manages to trade above \$1800 the next daily resistance of \$1840 - 1860 could be tested breaking the descending trend line. Failure to break the psychological area of \$1800 could decline the price to the daily support level of \$1740 - 1760.
- On 13th October price of gold started trading above 8 and 18EMA's. This indicates a bullish momentum since there was a crossing on 8 and 18 EMA's.

Notions on the ASPI



Source: Investing.com

- The daily RSI of ASPI closed at 73.55 for the trading week ended on 22nd October 2021.
- The index made a high of 10001.58 on 22nd October 2021. If the index manages to close above 10,000 in the upcoming week the next daily resistance of 10,450 - 10,500 could be tested. However, since the current RSI is quite over-bought there could be some sort of rejection from the current psychological area of 10,000 whereas the index could consolidate between 9700 - 10,000 area.
- Looking at the EMA's the index is currently trading above the 18 and 8 periods. However, there is a strong gap between the current price index and 8 EMA. Therefore, there could be a correction if the index continues to reject from 9,450 - 10,000.

Pick of the Week: LIOC



Source: Investing.com

- The weekly RSI closed at 72.70 for the weekly ended 22nd October 2021.
- The price got rejected from the monthly resistance LKR 27.00 - 28.00 after making a high of LKR 28.50 on 22nd October 2021, continuous rejection from the resistance zone could drive the price to the weekly support level of LKR 24.00 - 24.50. If the monthly resistance of LKR 27.00 - 28.00 breaks, then the next weekly resistance LKR 29.50 - 30.00 could be tested.
- There is a strong gap between 18 and 8 EMA's and the current market price. Therefore, there could be a correction if the price gets rejected from the monthly resistance LKR 27.00 - 28.00.

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