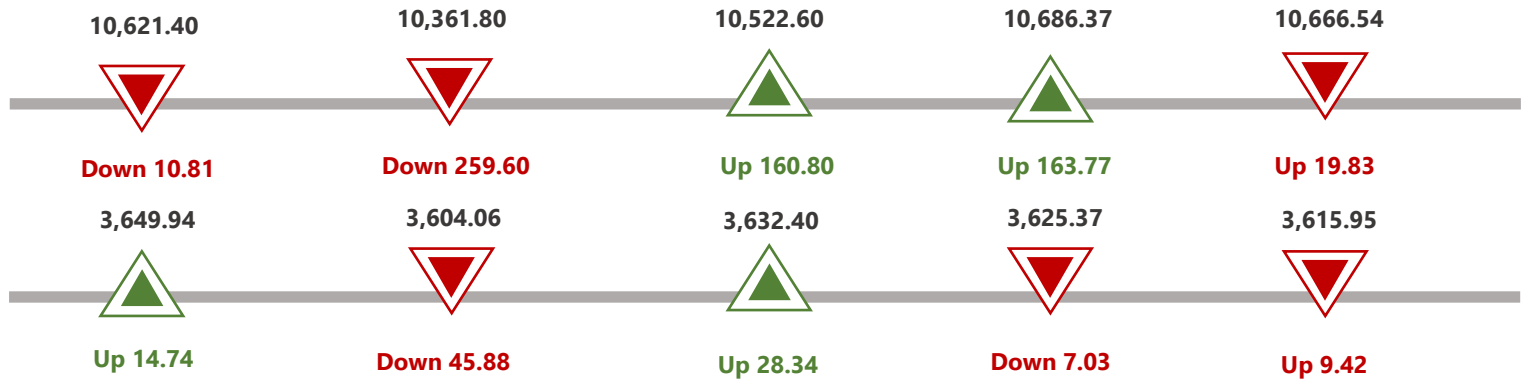


Mixed Investor Sentiment Throughout the Week: Tuesday Turnover Tripled the Average

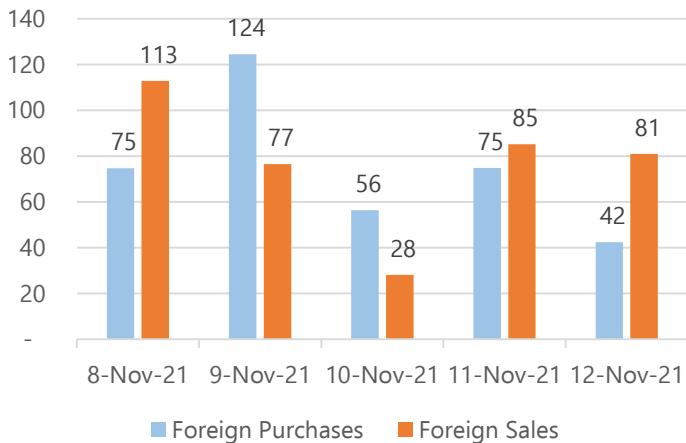
ASPI and S&P SL 20 Weekly Movement 08<sup>th</sup> November – 12<sup>th</sup> November

Source: CSE



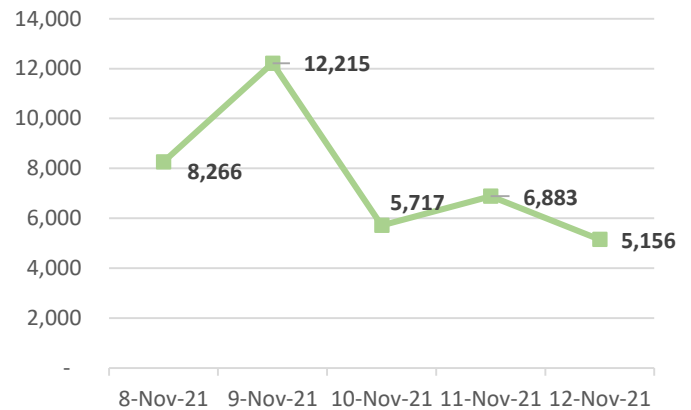
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI increased by 0.42% this week.
- The S&P declined by 0.93% this week.
- The net foreign outflows for the week came in at LKR 11 Mn.
- All share price index on Monday fell down by 10.81 points to close at 10,621.40. Index touched an intra-day high of 10,703.92 which was later dragged down by CLC on the back of investor worries over its adequacy in public float.
- Bourse had witnessed its steepest decline in two months on Tuesday with CLC continued to drag down the index along with several other speculative stocks. S&P SL20 of most liquid stocks fell down by 1.26% to close at 3,604.60. Meanwhile turnover reported more than triple of this year's average daily turnover to stand at LKR 12.2 Bn.
- ASPI index closed 1.55% or 160.8 points up on Wednesday after two consecutive sessions of declining, mainly due to price pickup in Ex-pack at its debut trading. CLC gained 5.71% after losses. Net foreign buying stood at LKR 28.2 Mn, slightly down compared LKR 48 Mn reported in day prior.
- All share price index on Thursday closed at a fresh all time high of 10,686.37, ahead of Budget 2022 presentation on Friday. Day's turnover was LKR 6.8 Bn, majorly led by activity in LOFC. Foreigners exit recording a net outflow of LKR 10.4 Mn.
- Bourse saw a decline of 19.83 points to close at 10,666.54 on Friday. It reached to an intra-day high 10,778.93 but failed to sustain. Turnover for the day recorded as LKR 5.2 Bn.
- Market is still operating at a bullish momentum despite the decline caused by end of the week. We expect the index to touch its previous all-time high of 10,904.37, yet it can depend on how market is going to respond the proposals and changes from Budget 2022.

- The 76<sup>th</sup> Budget of Independent Sri Lanka for the fiscal year 2022, presented yesterday at parliament by Finance Minister Basil Rajapaksa. As it was hinted, heightening of taxes could have been observed where new levies and charges introduced from the proposed budget. VAT on Banks & finance sector companies is to be increased from 15% to 18% whilst a one-time surcharge of 25% will be charged from individuals & companies with taxable income over LKR 2 Bn. Priority was given to Agricultural sector where production of organic fertilizer & non-toxic weedicides is incentivized. Additional allocation of LKR 10 billion was made for plantation sector. It has proposed to establish new investment zones for producing organic fertilizer, livestock zones and fisheries & aquaculture development zones. Importation of rubber related products is banned where additional funds have allocated to encourage the consumption of fresh milk. Other than that, private sector participation for the investment in renewable energy sector and pharmaceutical production is encouraged.
- Central Bank of Sri Lanka has issued rules of reinforcing the repatriation requirement on proceeds of merchandise exports within a specific period of time. With these rules the minimum mandatory conversion of 25% will be relaxed, whereas exporters have been granted the opportunity to utilize their proceeds for permitted payments specified by CBSL. Any residual amount needs to be mandatorily converted in to LKR. It is expected that new mechanism will ensure exports with higher value addition will convert greater percentage of their proceeds to domestic currency. Under new repatriation rules, merchandise exports and services exports will be equally treated in order to yield greater foreign currency liquidity to the market.

### Yields Declined: Strong Investor Participation for 3-Month T-Bills to Continue

Spot Rates			
	Current	Previous Week	Change
LKR/USD	202.35	202.62	+0.28
LKR/GBP	270.22	273.35	+3.14
LKR/EUR	231.45	233.97	+2.53
LKR/JPY	1.77	1.78	+0.01

Source: CBSL

- Central bank of Sri Lanka held this week's Treasury bill auction on 10<sup>th</sup> November and sold 52 billion rupees of T-bills as prescribed. Yields dropped with the 3-month yield going down from 8.18% to 7.98%, down by 20 basis points whilst 6-month yield going down from 8.21% to 8.12%. The 12-month yield too came down to 8.19% from 8.26%, down by 7 basis points. Strong investor demand showcased for 3-month treasury bills through selling off 51.4 billion, whereas only 125 million & 394 million sold out from 6-months and 12-months respectively.

### Inflation Fears Led a Rally for Gold: US Infrastructure Bill Picked up Commodities

Commodity Prices			
	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	82.34	81.00	+1.34
Gold (USD per Troy Ounce)	1,857.90	1,801.85	+56.05
Copper (USD per Pound)	4.41	4.35	+0.06
Aluminium (USD per Tonne)	2,660.00	2,556.50	+103.50

Source: Gold Council, LME, Reuters

- Oil prices increased after US President's concern over reducing energy costs amid the broader surge in inflation, since the largest share to Consumer Price Index comes from rising energy costs. Further the massive infrastructure project proposed in US caused a positive impact over prices of oil and base metal.
- Gold which act as a wealth store during pandemic times continued to surge, reporting its best week in 6 months supported by softer dollar and spike in US bond yields.
- The tighter supply from China set to continue higher prices of Aluminium. Copper prices slightly up after Chinese property market stabilizes after Evergrande's managed to avoid the default of overdue interest payment.

## Global Markets Act on a Mixed Note: Investors Eyes on Fed's Reaction over Rising Inflation

- Global shares went up in week's beginning subject to improved investor sentiment on passing a massive US infrastructure bill and price pick up reported in close commodities.
- Worries of a possible default of interest payment by China's most indebted property developer, Evergrande eased after its last minute payment of overdue interest to international bondholders. Shares of Evergrande in Hong Kong went up around seven percent on Thursday mid-afternoon.
- US stocks were dragged down by high inflation fears after the statistics released on Wednesday showing that inflation hit a three-decade high which could possibly lead towards a tighter monetary policy from Federal Reserve. S&P 500 witnessed its worst slump in more than a month on Wednesday.
- European shares on Thursday closed higher on the back of price surge in mining shares along with strong earnings from corporates. The Pan-European STOXX 600 closed at a new peak of 485.29 points.
- Asian stocks picked up on Friday. Japan's Nikkei gained 1.1%, underpinned by tech stocks.

## Commodity Watch: WTI Crude Oil (USOIL)



Source: Trading view

- The daily RSI of USOIL is in the mid-range.
- The price continuously got rejected from the daily resistance level \$82.50 - 84.00 and now trading in between the daily support level \$74.50 - 84.00. If the price continues to decline the daily support level \$74.50 - 76.00 could be tested again. Moreover, the price continuously got rejected from the daily resistance level \$82.50 - 84.00.
- Looking at 18 and 8 EMA's there is a possibility that there could be a bearish crossing on EMAs'. If a crossing occurs the price of USOIL could decline to the daily support level of \$82.50 - 84.00. Also, the price is currently trading below the EMAs

# Notions on the ASPI



- The daily RSI of ASPI closed at 73.66 which is in the overbought region for the trading week ended on 12th November 2021.
- The index made a new high of 10,904.37 on 9th November 2021 and declined below the daily support level of 10,450 - 10,500. The index is currently trading above the daily support level of 10,450 - 10,500. Therefore, the previous all-time high of 10,904.37 which was recorded on 9th November 2021 could be tested again if the index manages to sustain above the daily support level. However, if the index fails to sustain above the daily support level the index could decline below the daily support level of 10,450 - 10,500.
- Looking at the EMA's the index is currently trading above the 18 and 8 periods this indicates bullish momentum.

# Pick of the Week: LOLC



- The daily RSI of LOLC closed at 71.39 which is in the overbought region for the week ended 12th November 2021. LOLC managed to make a new all-time high of LKR 699.75 on 12th November 2021. The price is currently trading above the weekly support of LKR 670.00 - 680.00 and the next daily resistance of LKR 710.00 - 715.00 could be tested if the price manages to sustain over the weekly support level LKR 670.00 - 680.00. However, if the price declines below the weekly support level the price could test the daily support level LKR 640.00 - 645.00.
- Both 18 and 8 EMA's indicates a bullish momentum as the price of LOLC is trading above both the moving averages.

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