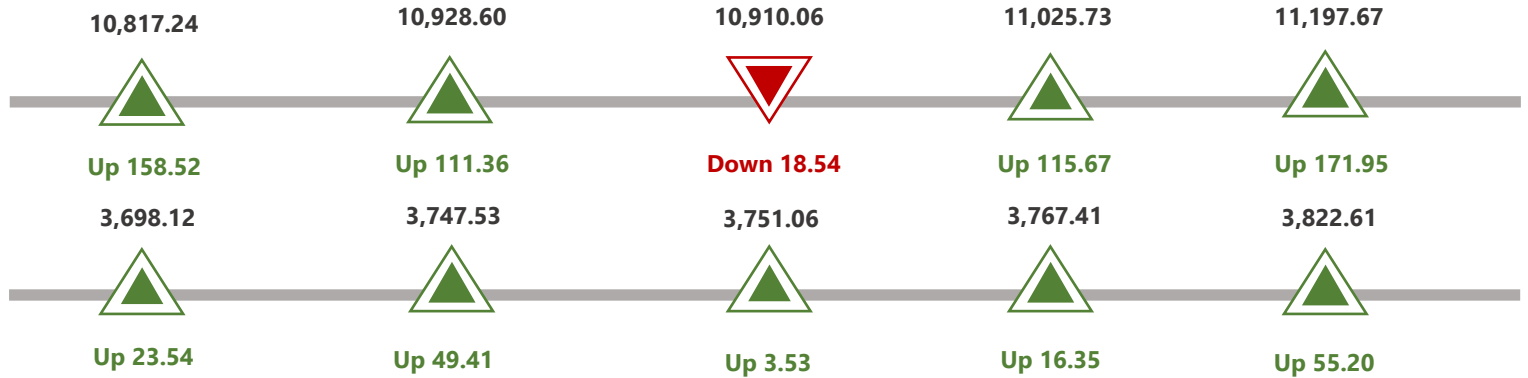


Plantation Stocks Rallied After Gazette Reversal: ASPI Gained New Highs

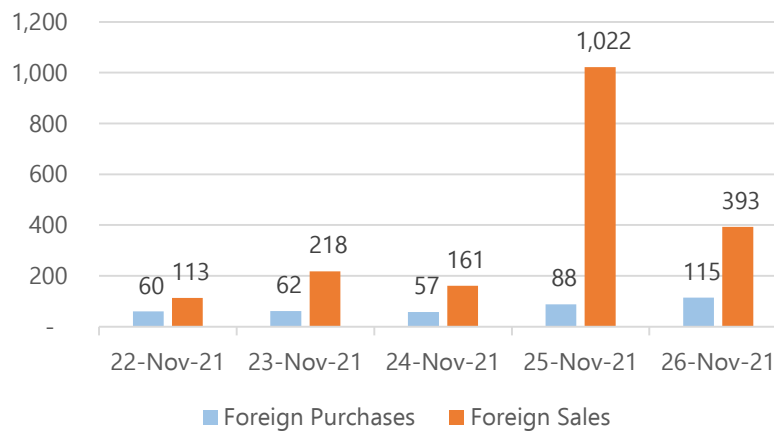
ASPI and S&P SL 20 Weekly Movement 22<sup>nd</sup> November – 26<sup>th</sup> November

Source: CSE



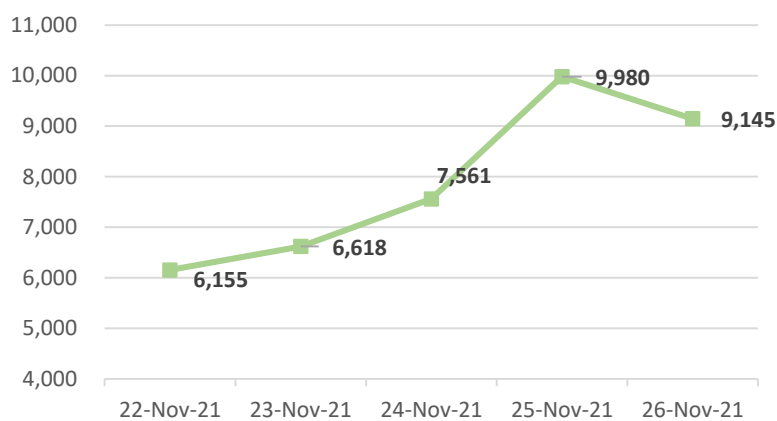
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI increased by 3.52% this week.
- The S&P increased by 3.37% this week.
- The net foreign outflows for the week stood at LKR 1.52 Bn.
- All share price index on Monday bounced back to close at 10,817.24, partially recovering from losses incurred during last Friday trading session. Turnover remained at a healthy level amounting 6.15 Bn majorly led by retail and HNI participation in LOFC, EXPO & LOLC counters.
- Bourse rose up by 1.03% for the second straight session on Tuesday, majorly on the back of gains reported by LOLC. Alongside, S&P SL20 gained 1.34% to close at 3,747.53. Foreign investors however exit with a net cash outflow of LKR 156 Mn.
- Sri Lanka stocks were slightly declined on Wednesday ahead of Central Bank’s monetary policy review. However, BIL, LOLC, EXPO & SUN coupled with the stocks in plantation sector after government’s decision to revise chemical fertilizer importation ban, brought up the turnover to reach LKR 7.56 Bn.
- Colombo stock market on Thursday gained over 115 points to close at a fresh peak of 11,025.73. Locals seemed to be the key participants whereas, foreign sales represented a notable increase over previous figures. Gains were majorly backed by BIL & EXPO.
- Sri Lanka stock market remained to stay bullish, reached to a new record high of 11,197.67 on Friday despite the declines observed in majority of other Asian Markets.
- We could expect this bullish momentum to continue in next week as well but there can expect a considerable amount of selling since we are at the very edge of this month.

## Policy Interest Rates, No Change: October Inflation Notably Risen to 8.3%

- The Monetary Board of Central Bank of Sri Lanka has decided to maintain policy interest rates at current levels during the policy review meeting held on last 24<sup>th</sup> November. Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) will prevail to stand at 5% and 6% respectively. Other than that, Bank Rate & Statutory Reserve Ratio (SRR) will also remain unchanged at 9% & 4% respectively. The board has considered multiple factors when arriving the decision specially the external sector resilience on the account of robust earnings from exports, revival of tourism front and rise in worker remittances, upon the ongoing vaccination rollout. It said that yield on government securities are now more toward stabilizing which reflects the improved market sentiment over money tightening measures undertaken and it further said that measures are already taken to attract fresh forex inflows to accelerate gross official reserves while managing excessive demand pressures to ease unnecessary inflation fears. Sri Lanka's latest NCPI based inflation figure for the month of October stood at 8.3%, and it was majorly due to supply side disturbances and surge in global commodity prices.
- Unprecedented talks and worries over the restrictions imposed on Chemical Fertilizer will hopefully to calm down after government's decision to reverse the gazette imprinted on banning the importation of such fertilizer early this year. Government has taken the decision in response to appeals received from different parties and with that, private sector companies will be entitled to import fertilizer and related chemical materials. However, government will continue to incentivize organic agriculture and will support by way of subsidies, maximum guaranteed price for those who use non-hazardous inputs for cultivation.

## Yields Declined to Sustain: Central Bank Flipped Over All Maturities

### Spot Rates

	Current	Previous Week	Change
LKR/USD	202.19	202.19	+0.98
LKR/GBP	272.72	272.72	+5.09
LKR/EUR	229.61	229.61	+3.96
LKR/JPY	1.77	1.77	+0.02

Source: CBSL

- During this week's Treasury bill auction Central Bank has managed to sell 61 Bn rupees of T-bills, the entire lot offered. Yields dropped with the 3-month yield going down from 7.77% to 7.53%, down by 22 basis points whilst 6-month yield going down from 8.03% to 8.02%. The 12-month yield alongside came down to 8.16% from 8.17%, down by 01 basis point. 49.17 Mn worth of 3-month treasury bills sold out of 112 Mn bids received while considerable number of bids were accepted from 6-month & 12-month as well.

## Oil Prices to Slip with Top Countries Releasing Reserves: Copper fell over Covid Fears

### Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	78.48	81.58	-3.10
Gold (USD per Troy Ounce)	1,803.75	1,853.50	-49.75
Copper (USD per Pound)	4.43	4.31	+0.12
Aluminium (USD per Tonne)	2,717.50	2,616.50	+38.00

Source: Gold Council, LME, Reuters

- Oil prices slid with concerns over possible global supply surplus could swell in the first quarter after the coordinated release of oil reserves among major consumer, majorly led by countries like US, UK, Japan, India, China & S. Korea.
- Gold set its worst week in 5 months, as bullion prices were hampered by increasing bets as U.S. Federal Reserve would possibly fasten the pace of stimulus tapering to increase interest rates sooner to tackle interest rates.
- Copper prices fell on Friday after detecting new Covid variant in South Africa along with U.S. rate hikes fuelled worries of a slowdown in economic activities.
- Overall base metal prices varied on a mixed note due to flashing manufacturing sector statistics from Europe and United States exceeded the expectations of investors and due to the rising numbers of Covid patients again in European region.

### New Covid Variant Troubled Investor Sentiment: More Focus On Safe Heavens

- Asian stocks on Friday suffered their sharpest drop in two months after the health authorities detected a new and possible vaccine-resistant coronavirus variant which made worries over investors to rush toward safe heaven bonds, yen and the soften dollar.
- Wall Street ended higher on Wednesday after gains led by Nvidia and other tech related stocks but Dow lagged behind poor retail earnings. US markets remained closed on Thursday for Thanksgiving.
- European shares rose on Thursday on the back of technology shares. UK's FTSE 100 index rose up for fourth consecutive session over gains in consumer stocks while pub group Mitchells rose after its sales surpassed pre-pandemic levels amidst worldwide supply disruptions.
- European Union's executive board published draft laws to establish a single market for securities, as an aid to fund 'green' projects of companies to recover from Covid-19 downturn.
- Japan's Nikkei dropped nearly 3% on Friday over weighed investor sentiment due to new Covid variant detected. Hang Seng also witnessed a nearly 3% decline in the index.

### Commodity Watch: WTI Crude Oil (USOIL)



Source: Trading view

- The daily RSI of USOIL is in the mid-range.
- The price managed to break the daily resistance level of \$74.50 - 76.00. If the bearish momentum continues the daily support of \$66.50 - 68.00 could be tested.
- Since there was a bearish crossing from EMA's 18 and 8 the OIL price is now trading in a bear market.

## Notions on the ASPI



Source: Investing.com

- The daily RSI of ASPI closed at 72.80 which is in the over-bought range for the trading week ended on 26th November 2021.
- After breaking the previous high of 11,117.79 which was recorded on 17th November 2021 the index managed to make a new high of 11,197.68 on 26th November 2021. The index remains to be bullish as it broke the previous level of resistance at 10,950 - 11,000. The next level of resistance is at 11,450 - 11,500.
- Looking at the EMA's the index is currently trading above the 8 EMA and 18 EMA. Since the index is trading above both EMA's this indicates bullish momentum.

## Pick of the Week: HAYL



Source: Investing.com

- The daily RSI of HAYL closed at 59.25 which is in the mid-range.
- After continuous rejections from the weekly support LKR 100.00 - 102.50 the price of HAYL started to trade above the psychological area of LKR 100. If the price manages to sustain above the weekly support zone of LKR 100.00 - 102.50 the price would test the monthly resistance LKR 115.00 - 120.00.
- 18 & 8 Exponential moving averages indicate a bullish momentum since the price is trading above both the EMAs'.

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