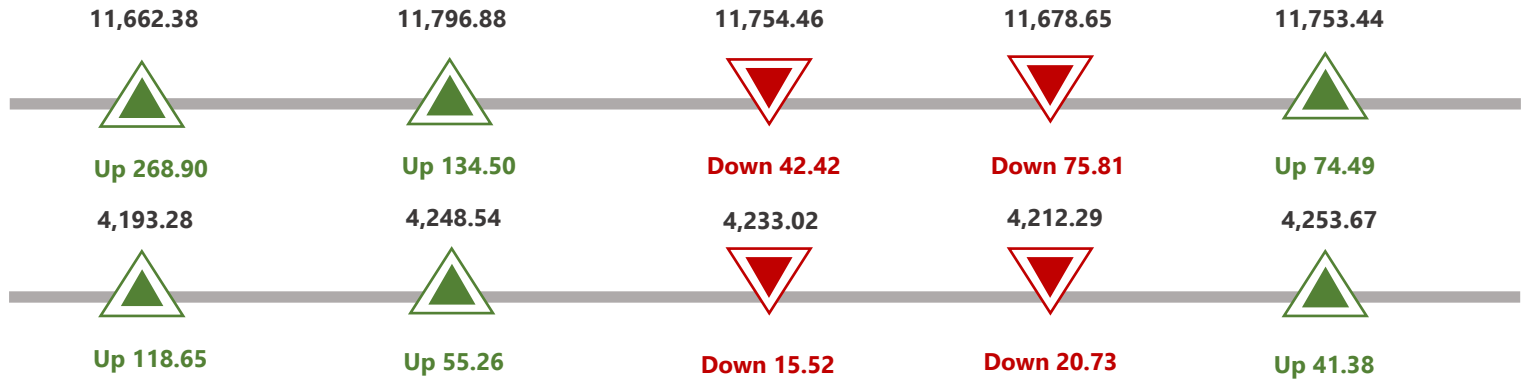


Market Bounced Back After a Minor Correction: Locals Remained Bullish While Foreigners Exit

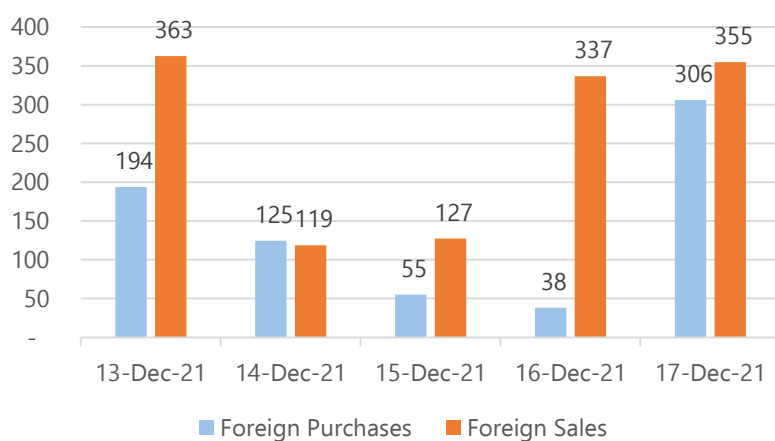
ASPI and S&P SL 20 Weekly Movement 13th December – 17th December

Source: CSE



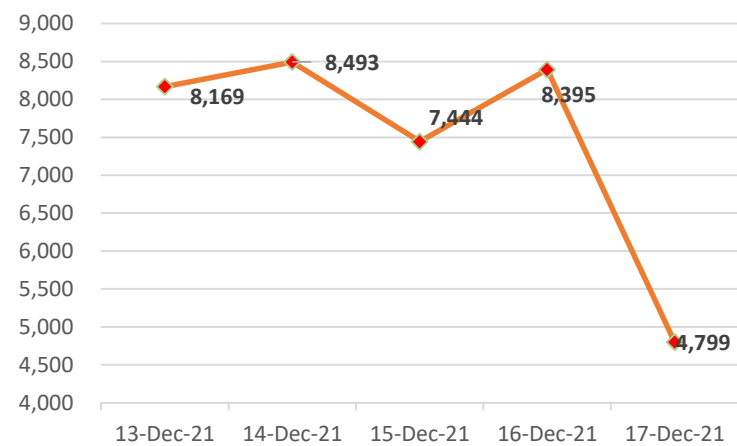
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI increased by 0.78% this week.
- The S&P increased by 1.44% this week.
- The net foreign outflows for the week stood at LKR 582.5 Mn.
- All share price index on Monday kicked a fresh start, recording its highest per day gain in three months to close at 11,662.38 with S&P SL20 index of most liquid stocks gained over 118 points to reach 4,193.28. The said gain was majorly attributed by index heavy counters LOLC, EXPO & BRWN.
- Bourse survived its momentum on Tuesday, reaching a pinnacle of 11,796.88 despite the ongoing worries of a possible economic crisis resulting from depleting foreign currency reserves. Both indices went up by over 1% reporting a total turnover of over LKR 8 Billion for the second consecutive day.
- Stock Market slightly dipped on Wednesday due to price declines resulted in index heavy counters EXPO, RCL & LOLC. Capital Alliance Limited closed 109.0% up from its offer price at its debut trading, reporting a total turnover of LKR 659 Mn. Foreigners exited with a net outflow of LKR 72 Mn.
- Colombo bourse witnessed a drop for the second consecutive trading over profit taking ahead of next week's Christmas holidays. Turnover reported a value over LKR 8 Bn majorly on the back of HAYL & EXPO.
- Market bounced back to green territory after suffering two consecutive sessions in red. ASPI closed at 11,753.44, 74.79 points up from previous close. Market turnover turned out to be 4.7 Bn, comparatively lesser from the turnovers recorded in previous trading sessions.
- With the said bounce back of ASPI after a minor correction, we could positively expect ASPI will remain to be bullish in next week as well.

- Data from the Department of Census and Statistics revealed that our economy had witnessed its first contraction in five quarters with an average decline of 1.5% in the third quarter from July – September 2021. This was against the 1.5% growth resulted in previous year corresponding quarter. Agricultural sector however experienced a slight growth of 1.7% majorly due to the continuation of island wide agricultural activities even amid the prevailed quarantine curfew and travel restrictions. Industry and Services-related activities on contrary experienced negative growth of 2.1% and 1.6% respectively. GDP at constant prices for the quarter declined to LKR 2.49 Mn over LKR 2.53 Mn year ago. Higher increase in the number of Covid patients infected with widely spread Delta variant set out a major drawback for country to operate at 'new normal conditions'. On the other hand, increased input prices also contributed to the said negative growth. Provincial Gross Domestic data showed that Western province remained to be the 'nerve centre' of overall economy despite the slowdown of economic activities due to pandemic situation. However, DCS further stated that despite the contraction caused in third quarter, the GDP measured at real prices has grown up by 4.4% to LKR 7 trillion compared 6.7 trillion in 2020 corresponding period.
- Benefiting from the 'new normal', Sri Lanka's manufacturing and service sectors further expanded in November. Statistics from Central Bank's Purchasing Managers' Index showed that significant increase in production, new orders and stock of purchases sub-indices were mainly contributed to this improvement in manufacturing. Textile and Apparel manufacturing said to be significantly increased during the month. Continuous increase in global commodity prices was a major concern for all the manufacturers. Service sector growth was underpinned by the increases observed in new businesses, business activities, employment and expectations for activity sub-indices.

Treasury Yields Climbed Up: Treasuries Worth of 9 Bn Remained Unsold

Spot Rates

	Current	Previous Week	Change
LKR/USD	201.54	201.06	-0.48
LKR/GBP	268.60	266.00	-2.60
LKR/EUR	228.18	227.14	-1.04
LKR/JPY	1.77	1.77	-0.00

- Central Bank's Treasury bill auction for this week held last Wednesday, only accepting 57 Bn worth of bids out of 66 Bn offered. Yields rose up with the 3-month yield further going upward by 19 basis points from 7.05% to 7.24%, whilst 6-month yield also increased from 7.84% to 8.03%, up by 19 basis points. The 12-month yield oppositely came down to 8.06% from 8.11%, down by 06 basis points. This remarked to be the first failed auction in around 8 weeks.

Commodities Positively Reacted On Fed's Decisions: Omicron Worries Oil Investors

Commodity Prices

	Current	Previous Week	Change
Oil, Brent (USD per Barrel)	74.46	75.43	-0.97
Gold (USD per Troy Ounce)	1,808.90	1,785.20	+23.70
Copper (USD per Pound)	4.30	4.31	-0.01
Aluminium (USD per Tonne)	2,667.00	2,626.50	+40.50

- Surging cases of the Omicron coronavirus variant plunged oil prices on Friday. Brent crude futures fell 59 cents, or 0.8% a barrel as investors fear new curbs may hit fuel demand while a weaker dollar supported commodity market broadly.
- Gold prices remained flat on Friday, but on its track for the best week since mid- November as the dollar weakened after US Federal Reserve's decision to withdraw its pre pandemic-era stimulus.
- Copper prices jumped on Thursday as the US Federal Reserve's upbeat reading of the world's largest economy stoked risk appetite. LME copper prices rose 3.2% per tonne.
- Aluminium prices fell in week's beginning after inventories in London Metal Exchange –registered warehouses jumped, though losses were limited by expectations of robust demand and tight supplies in top producer China.

Global Markets Lowered Over Omicron & Hawkish Pivots: China Drugmakers to get Blacklisted?

- Global Market shares touched their lows on Friday, as fears on Omicron, inflation concerns and hawkish monetary policy actions by the world's top Central Banks' eased investor confidence. MSCI broadest index of Asia-Pacific shares edged by 0.7% on Friday.
- Some of China's biggest drugmakers experienced major market value declines after a day of wild speculation over possible inclusion in US President's Blacklist. SSE Composite Index dropped by 1.16% to close at 3,632.36.
- The Nasdaq ended sharply lower on Thursday due to Federal Reserve's announcement of a quicker measures are to be undertaken to end its pandemic era stimulus which ultimately pushed investors away from Tech giants toward more economically sensitive sectors. Dow Jones fell by 0.08% while S&P 500 also lost 0.87% during Thursday's trading.
- World share markets acted on a mix note on Thursday with European shares rising after Britain and Norway hiked interest rates while European Central Bank trimmed its bond buying program.

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.

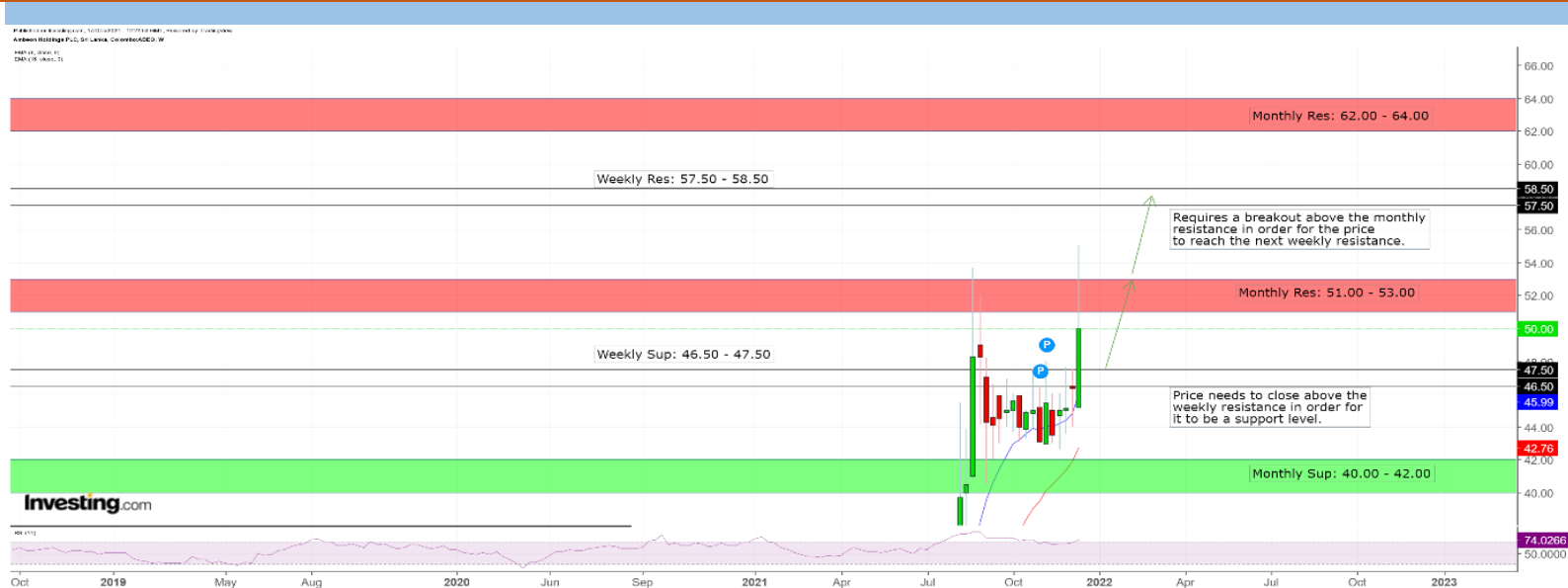
Notions on the ASPI



Source: Investing.com

- The daily RSI of ASPI closed at 70.01 which is in the overbought region for the trading week ended on 17th December 2021.
- The index made a new high of 11,871.72 on 15th December 2021 and made a low of 11,609.80 on 17th December 2021 but managed to close at 11,753.44 for the week ended 17th December 2021. The next daily resistance is at 11,950 - 12,000.
- Looking at the EMA's the index is currently trading above the 8 EMA and 18 EMA which indicates bullish momentum.

Pick of the Week: GREG



Source: Investing.com

- The price is currently trading above the weekly support LKR 46.50 – 47.50. However, the price failed to close above the monthly resistance LKR 51.00 - 53.00 for the week ended 17th December 2021. Therefore, the price needs to trade above the monthly resistance to reach the weekly resistance LKR 57.50 - 58.50. Rejections from the monthly resistance LKR 51.00 - 53.00 could decline the price to the weekly support LKR 46.50 - 47.50.
- GREG is trading above 18 and 8 EMA's which indicates bullish momentum.

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