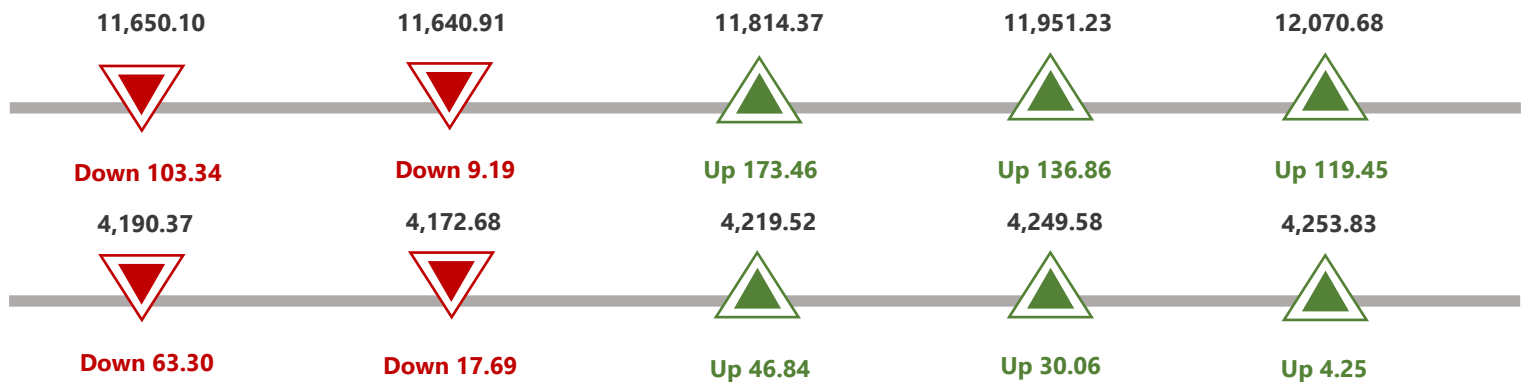


## ASPI Settled Above 12,000 Benchmark Level: LIOC Topped After Fuel Price Hike

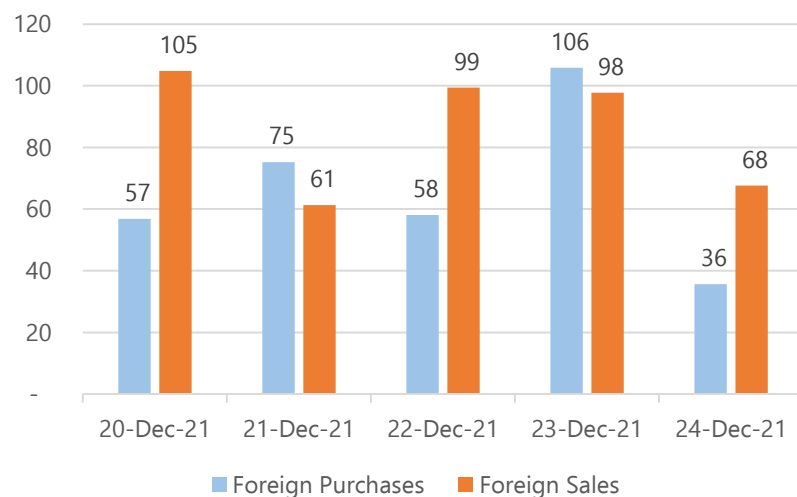
### ASPI and S&P SL 20 Weekly Movement 20<sup>th</sup> December – 24<sup>th</sup> December

Source: CSE



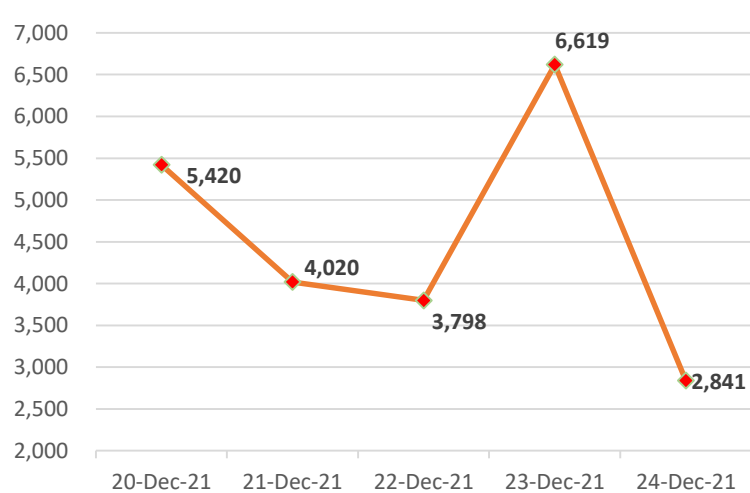
### Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



### Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI increased by 3.61% this week.
- The S&P increased by 1.51% this week.
- The net foreign outflows for the week stood at LKR 99 Mn.
- The Colombo stock Exchange settled lower on Monday with both indices ended up in red zone as investors remained profit taking ahead of the Christmas festival. Price declines in market heavyweights BIL, EXPO, RCL and HAYL dragged the indices down whereas turnover stood at LKR 5.4 Bn.
- Market remained to be bearish on Tuesday for the second consecutive day of the week. The all share price index edged down to 11,640.91. Foreign buying topped with foreigners buying LKR 14 Mn worth of shares.
- Stock Market gained after two sessions of losses. ASPI managed to reach a fresh all time high of 11,754.46 amid thin trade, resulting a total turnover of only LKR 3.8 Bn. Gain was majorly led by SFCL, LOLC & CLC.
- Colombo bourse witnessed a sharp increase of 136.86 points to reach another milestone on Thursday. ASPI touched a remarkable intra-day high of 12,044.29 which was later declined to close below 12,000. Investor speculations over widening storage capacity blessed LIOC to trade higher and close 6.9% up at LKR 81.30.
- ASPI managed to cross the 12,000 psychological level on Friday to close at 12,070.68. Highest contribution to the day's turnover was done by LIOC. Foreigners exited with net outflow of LKR 32 Mn.
- We could positively expect this bullish behaviour to continue in the coming week as well.

## November Inflation Soared to Double Digits: Official Reserves to Remain Above \$ 3 Billion

- The overall rate of Inflation captured by National Consumer Price Index, showed a value of 11.1% for the month ended November. This denoted to be the first time in a decade to report a double digit inflation figure where it directly went up to said percentage over 8.3% in October. Prevailing high prices in both food and non-food categories paved their way for such an increase in overall inflation level. Accordingly, YoY inflation of food group rose to 16.9% and non-food to 6.2% from respective 11.7% and 5.4% in October. With the recently announced fuel price hike, it expects to reach even higher in future from corresponding amounts. However, Central Bank has claimed the said fact of further acceleration of headline is possible but such movements are expected to be transitory since effective monetary policy measures are already undertaken to ease excessive demand pressures to prevent adverse inflation expectations.
- The Central Bank of Sri Lanka in a statement assured that Official Reserves will remain above \$ 3 billion by the end of 2021. Country's forex reserves dropped to 1.58 \$ billion by the end of November which was only equivalent to one month of imports. Foreseeing the potential risks of defaulting debt repayments, top official visits abroad made their way forward to support the sinking reserves of the country. Accordingly, major foreign exchange inflows to Sri Lanka are to be included SWAP arrangements with Middle Eastern and other regional banks amounting a total of \$ 2 billion. In addition to that, India said to be working on an immediate economic package to support Sri Lanka while oil imports from Iran are planned to pay off with Sri Lankan tea. Further, the recent rise in departures for foreign employment and recovering tourist arrivals too expect to strengthen external sector.

## Treasury Yields Continued to Rise Up: 3-month Yield Up by 47 Bps

| Spot Rates |         |               |        |
|------------|---------|---------------|--------|
|            | Current | Previous Week | Change |
| LKR/USD    | 200.92  | 201.54        | -0.62  |
| LKR/GBP    | 269.36  | 268.60        | +0.76  |
| LKR/EUR    | 227.55  | 228.18        | -0.63  |
| LKR/JPY    | 1.76    | 1.77          | -0.02  |

Source: CBSL

- Central Bank's Treasury bill auction for this week held last Tuesday, only accepting 40.1 Bn worth of bids out of 47.5 Bn offered. Yields rose up with the 3-month yield further going upward by 47 basis points from 7.24% to 7.71%, whilst 6-month yield also increased from 8.03% to 8.10%, up by 07 basis points. The 12-month yield on contrary came down to 8.02% from 8.06%, down by 04 basis points.

## Omicron's Pros & Cons Rallied Commodities: Aluminium Rose to a Two Month High

| Commodity Prices            |          |               |         |
|-----------------------------|----------|---------------|---------|
|                             | Current  | Previous Week | Change  |
| Oil, Brent (USD per Barrel) | 76.46    | 74.46         | +2.00   |
| Gold (USD per Troy Ounce)   | 1,809.65 | 1,808.90      | +0.75   |
| Copper (USD per Pound)      | 4.35     | 4.30          | +0.05   |
| Aluminium (USD per Tonne)   | 2,846.00 | 2,667.00      | +179.00 |

Source: Gold Council, LME, Reuters

- Oil prices fell on Friday, holiday trade after three-day rally with investors trying to relate rising fears of Omicron variant to oil demand. Brent crude futures slid by 0.55%, to \$76.43 a barrel by 0632 GMT.
- Gold prices remained flat around \$ 1,800 per ounce ahead of the year-end holidays and appetite for riskier assets improved on easing fears over a fallout from Omicron.
- Copper advanced on Friday as investors await fresh clues on how rapidly the new variant effect on global demand, over tight supply conditions and renewed risk appetite.
- Aluminium prices rose to a two month high on Thursday as surging energy prices raise concerns of higher production costs and smelter closures.

## Investor Positivism Led Global Markets to Close Higher: Rising Infections Troubled Chinese Blue Chips

- Global Markets opened a fresh week on a negative note as disappointing discussions were around the world to introduce new restrictions to taper the increasing Omicron cases. UK recorded over 100,000 Omicron cases in just 24 hours, highest recorded since the beginning of the pandemic.
- Wall street main indexes posted solid gains on for a third consecutive session on Thursday with S&P 500 marking a record high since investors were optimistic about positive economic data despite the surging Omicron numbers. Dow Jones rose up by 0.55% together with S&P 500 by 0.62% and Nasdaq by 0.85%.
- Most of the Asian markets edged higher on Friday with expectations for Omicron variant would not significantly sabotage the global economic growth. Japan's Nikkei index closed higher on Friday with technology stocks gaining from an overnight strong finish on Wall street.
- Some markets however fell on tighter measures to control the spread of Omicron. Chinese blue chips slipped 0.32% a day after rising infections caused to lockdown 13 million residents in Xi'an.

## Commodity Watch: Gold



Source: Trading View

- The Daily RSI of gold remains at the mid-range
- The price of Gold is currently trading above the daily support level of \$1740 - 1760, and the psychological level of \$1800. If the price manages to sustain above \$1800 the next resistance at \$1840 - 1860 could be tested.
- On 22nd December, the 8 EMA crossed the 18 EMA which indicates a bullish momentum since the price started to trade above both the EMA's

## Notions on the ASPI



*Source: Investing.com*

- The daily RSI of ASPI closed at 73.65 which is in the overbought region for the trading week ended on 24th December 2021.
- The index made a new high of 12,070.68 on 24th December 2021. The next daily resistance is at 12,450 - 12,500.
- 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: CIC



*Source: Investing.com*

- The monthly RSI of CIC closed at 71.61 which is in the overbought region.
- The price is currently trading at a weekly resistance LKR 60.00 - 63.00. If the price manages to break the weekly resistance the monthly resistance LKR 75.00 - 80.00 could be tested. However, if the price gets rejected from the weekly resistance the price could consolidate between LKR 63.00 - 45.00.
- The price is trading above the 18 and 8 EMA's therefore, the price indicates bullish momentum.

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