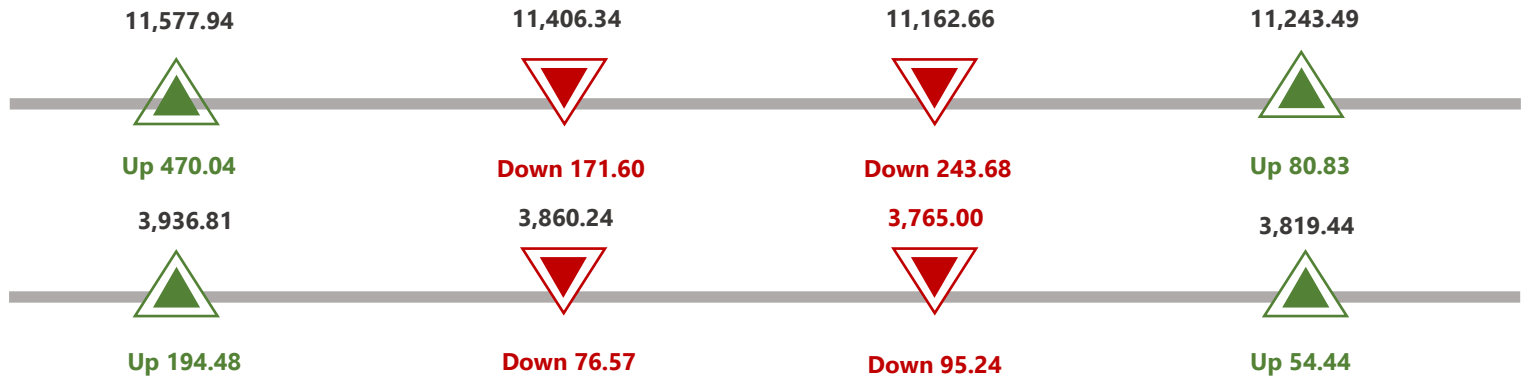


Economic Concerns Damage Market Sentiment: Investors Trade at Thin Volumes

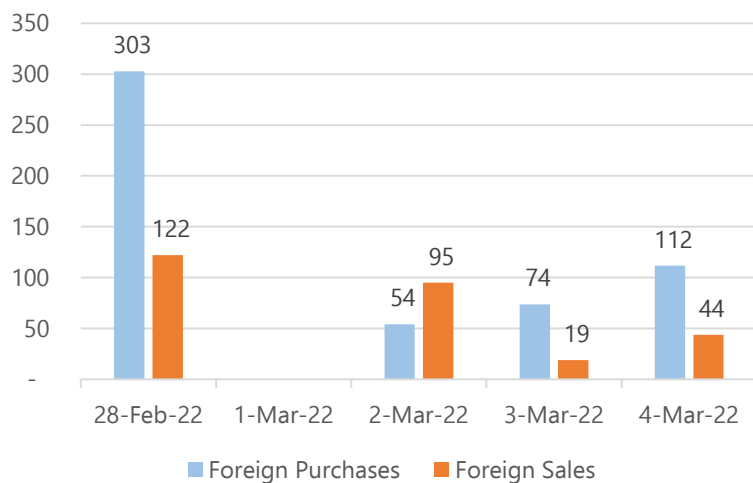
ASPI and S&P SL 20 Weekly Movement 28th February – 04th March

Source: CSE



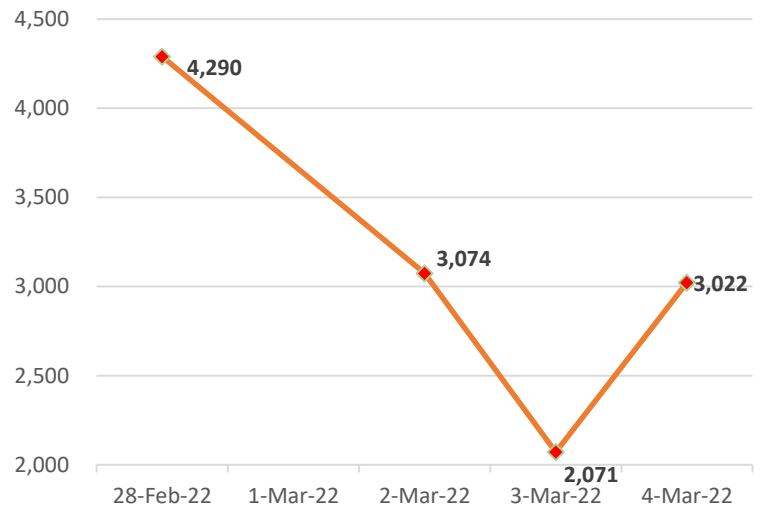
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI declined by 2.89% this week.
- The S&P declined by 2.98% this week.
- The net foreign inflows for the week stood at LKR 262 Mn.
- Sri Lanka stock market witnessed another strong rebound during Monday's trading session gaining 470 points in ASPI and 204 points in S&P SL20. The said uptick in prices was mainly attributed by index heavy counters, EXPO, LOLC, BIL, RCL, LOFC and AAIC. EXPO managed to generate the highest turnover for the day and foreigners returned back to buying side with a net inflow of LKR 181 million.
- Sri Lanka stock prices lowered again on Wednesday, with concerns over extended power cut, fuel shortage and other looming economic worries. The negative market sentiment caused a decline of 171 points in ASPI with a loss of 76 points in S&P SL20. LOLC, EXPO and BIL pioneered to drag down the indices.
- All share price index further declined on Thursday amid widened macro-economic concerns and ahead of possible rate hike by Central Bank dampened market sentiment. Turnover was just LKR 2 billion involving only 73 million shares. Large price declines were reported in EXPO, LOLC, BIL, RCL and CLC.
- Sri Lanka stocks bounced back to green ending the first week of March after losing 0.90% at the opening of Friday's session after Central Bank has raised its key policy rates. Turnovers were majorly led by EXPO, LOLC, CLC and BIL.
- Looming economic worries and political instability caused will remain to shake the positivity of investors. As it was urged by several parties' country is at its utmost requirement to seek measures to ensure macroeconomic stability.

CBSL Further Adores Monetary Tightening: IMF Warns About Potential Downsides

- Considering the severity caused to Sri Lankan economy by both domestic and global shocks, Central Bank of Sri Lanka has decided to increase the policy rates during the monetary board meeting held on 03rd March 2022. Accordingly, CBSL has confirmed to increase Standing Deposit Facility rate (SDFR) and Standing Lending Facility (SLFR) rate by 100 basis points each to 6.50% and 7.50% respectively. However, Statutory Reserve ratio (SRR) will remain unchanged at 4% but Bank rate will rise up to 10.5% with SLFR. Other than the policy rate revisions mentioned above, CBSL has further advised Sri Lanka government to introduce measures to discourage non-essential imports, increase fuel prices and electricity tariffs, further incentivising foreign remittances, implement energy conservation measures, increase government revenue through suitable tax increases, mobilise foreign financing and non-debt forex inflows on an urgent basis, monetise underutilised assets and postpone non-urgent capital projects to ensure a coordinated approach to overcome the challenging economic circumstances faced by the country.
- The International Monetary Fund (IMF) has recently warned of serious downside risks for Sri Lanka's socio-economic outlook. IMF at a conclusion of the Article IV consultation in February has urged SL government to implement multiple measures to address both immediate and medium term challenges. Whilst acknowledging the damage caused by pandemic to Sri Lankan economy IMF has provided several directions to adhere. Directions stressed the urgency of implementing strategies to restore macroeconomic stability through ambitious fiscal consolidation, improvements to expenditure rationalisation, legislative reforms to strengthen regulations, encouraging female labour force participation and prudent management of Port City as important precautionary measures.

Yields Rose Across Maturities: Biggest One Day Gain in One Year Yield

| Spot Rates | | | |
|------------|---------|---------------|--------|
| | Current | Previous Week | Change |
| LKR/USD | 201.63 | 202.33 | -0.70 |
| LKR/GBP | 268.94 | 271.06 | -2.12 |
| LKR/EUR | 222.53 | 226.78 | -4.25 |
| LKR/JPY | 1.75 | 1.75 | -0.01 |

Source: CBSL

- Central Bank's Treasury bill auction for this week concluded selling off LKR 35.9 Bn worth treasury bills out of 55 Bn offered. Yields rose up resulting highest gains in recent times hinting the harshness of ongoing uncertainties. 3-month yield went up by 72 basis points to 9.33% from 8.61% whilst 6-month went up by 135 points to reach 9.88% from 8.53%. 12-month treasuries reported its biggest one-day gain of 142 points to reach 9.95% over 8.53%.

Oil Rose Above \$ 112: Russia-Ukraine Conflicts Continue to Rush Global Commodities

| Commodity Prices | | | |
|-----------------------------|----------|---------------|---------|
| | Current | Previous Week | Change |
| Oil, Brent (USD per Barrel) | 112.14 | 99.17 | +12.97 |
| Gold (USD per Troy Ounce) | 1,946.35 | 1,909.10 | +37.25 |
| Copper (USD per Pound) | 4.80 | 4.46 | +0.34 |
| Aluminium (USD per Tonne) | 3,716.50 | 3,394.50 | +322.00 |

Source: Gold Council, LME, Reuters

- Oil prices rise above \$ 112 per barrel on Friday as fears over disruptions to Russian oil exports offset the prospect of more Iranian supplies in the event of nuclear deal with Tehran.
- Gold prices also rose up at the mercy of Ukraine- Russia headlines, but started to rekindle its relationship with real yields as rising U.S. interest rates and expectations for another possible hike increase the opportunity cost of holding non-interest bearing bullion.
- Russia Ukraine conflicts continued to fan the flames of already stretched base metal markets to record market highs. Copper prices reached 4.83 USD as of 0530 GMT.
- Aluminium prices too picked up to join the commodity prices rally to record all-time highs as of Russia's invasion has threatened the Aluminium market supply.

Global Markets Suffered with Extended Losses: U.S. Job Data Expects a Recovery

- Global Markets stocks suffered with losses throughout the week and it was further extended on Friday as investors shifted to government bonds and gold while Russia's escalating Invasion on Ukraine continues with latest attack on a nuclear plant.
- Asian stocks reported their lowest since November 2020 due to Russia's attack on Ukraine. The MSCI index fell over 1.8% after Russia setting the said attack on Europe's largest nuclear power plant to cause a fire. Japan's Nikkei fell over 2% to close at 25,985.47 on Friday.
- European stocks too sank to near 1-year lows on the back of price declines in auto and bank sector stocks following the fire caused by Russia. The Pan-European STOXX 600 index fell 2.8% to report worst since March 2020.
- Wall Street's main indexes lost more than 1% in morning session on Friday due to worsening conflicts between Russia and Ukraine. Strong jobs report is likely to be eased the impact from events in Ukraine.
- China's technology shares stepped back to oversold territory following a 3-day, 8% plunge in Hang Seng Tech index as investors dumped the sector subject to earnings shock and escalating war in Ukraine.

Commodity Watch: USOIL



Source: Trading View

- The daily RSI is currently over-bought, above the level of 70.
- USOIL remains bullish due to strong liquidity, the price is currently trading at a daily resistance LKR 110.00 - 112.00. The next daily resistance is at LKR 119.00 - 121.00.
- USOIL is trading above both the 18 and 8 EMA's, since it is also in an uptrend the price could remain bullish.

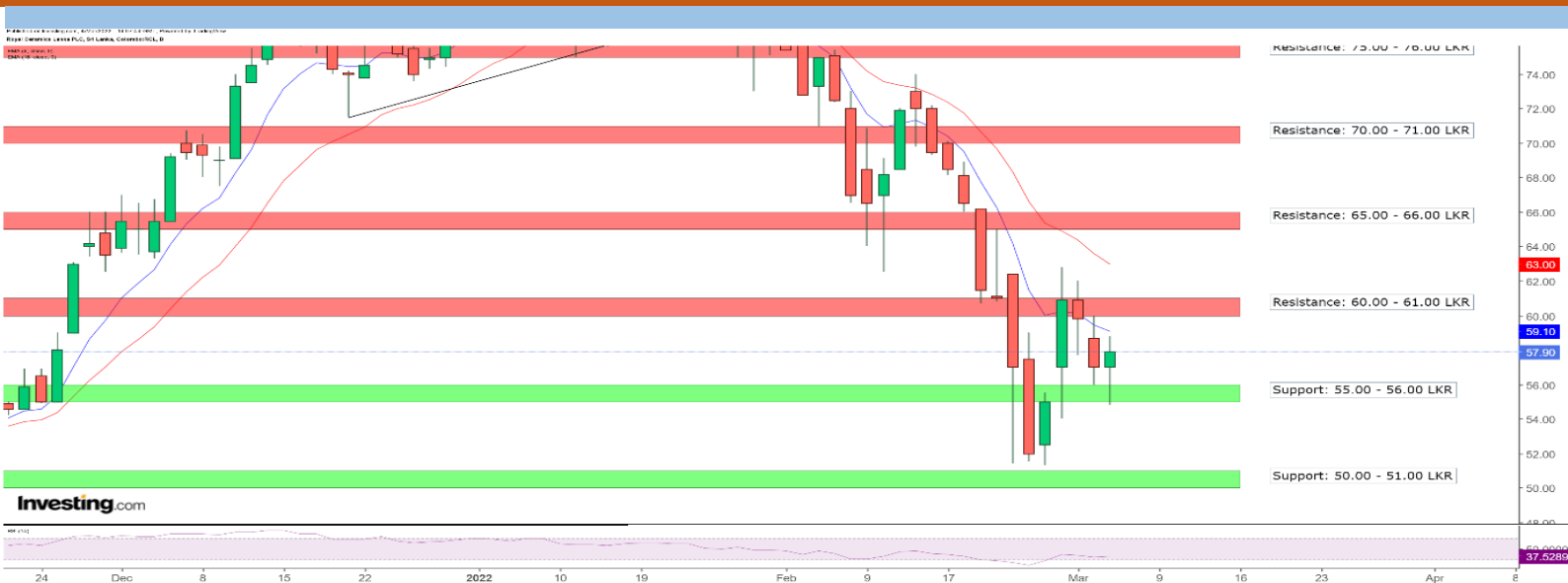
Notions on the ASPI



Source: Investing.com

- The daily RSI of ASPI closed at 38.46 which is in the mid-range for the trading week ended on 4th March 2022.
- After making a low of 10,609.58 the index managed to cross above the psychological level of 11,000 and test the daily resistance 11,450 - 11,500. However, on the 2nd and 3rd of March, the price became bearish as the index got rejected from the daily resistance. Therefore, strong bullish momentum could test the daily resistance and 2nd March high 11,628.80.
- Looking at the EMA's the index is currently trading below the 8 EMA and 18 EMA which indicates bearish momentum.

Pick of the Week: RCL



Source: Investing.com

- The RSI closed at 37.52 for the week ended on 4th March 2022.
- The price tested the daily support LKR 55.00 - 56.00 on 4th March 2022. Price is currently trading between daily resistance LKR 60.00 - 61.00 and daily support LKR 55.00 - 56.00.
- Since the price is trading below 18 and 8 EMA's this indicates bearish momentum.

This document was prepared under the supervision from the Research Department of SC Securities a company authorized to engage in Equity trading in the Colombo Stock Exchange in Sri Lanka. Data used in this document was gathered from reliable sources, but the analyst(s) and the publishers of this document do not hold themselves responsible for the accuracy or completeness of data used. The document provides the opinions, analyses and conclusions of the Research division only and is provided without any warranties of any kind. This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by SC Securities or any employee of SC Securities as to the accuracy, timeliness, completeness merchantability or fitness for any particular purpose of any such recommendation or information contained and opinions expressed herein. SC Securities do not accept any liability for any direct or remote loss or damage arising out of the use of all or any part of the information contained in this document. This document is published for information purposes only and is not an offer to solicit, buy or sell any security of any kind. This document does not provide customized investment advice. It has been prepared without regard to the individual financial circumstances and risk and return objectives of individuals who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances, risk tolerance and return objectives. The investments securities referred to in this document may not be suitable for all or certain categories of investors. The Research Division of SC Securities has implemented Chinese walls procedures to prevent any conflict of interest. The opinions presented in this note may be changed without prior notice or cannot be depended upon if used in the place of the investor's independent judgment. The historical performance of a security is not representative of the security's future returns. Investment in securities can be highly risky as security prices may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may adversely affect the value, price, or income of that investment.

In case of illiquid investments for which there is no organized market it may be difficult for investors to exit investment positions or to obtain reliable information about its value or the extent of the risk to which it is exposed. The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

DISCLOSURES: Research analyst certification. The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

ADDITIONAL DISCLOSURES: This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports, or developments referred to in this research

report. Neither SC Securities nor any of its directors, officers, employees, or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.