DAILY WATCH – 2024.01.24

Capital Market Development Department

Share Market			Daily Exchange Rates			Policy Rates
			Currency	Buying	Selling	
ASPI	▼	10,274.39	USD	314.9824	324.7787	SDFR - 09.00
S&P	▲	2,903.39	GBP	398.3700	413.8838	
Turnover -		583,772,700.80	EURO	340.5948	354.4106	SLFR - 10.00
Share Volume -		18,502,762	Yen	2.1186	2.2034	

01. SEC calls for positive mindset, better housekeeping and collaborative synergies by industry stakeholders.

Capital Market regulator, the Securities and Exchange Commission of Sri Lanka (SEC) recently held meaningful discussions with Chief Executive Officers (CEOs) of stock broker firms and other market intermediaries in separate stakeholder engagements in January 2024.

The meetings were aimed at fostering collaborative efforts to fortify the regulatory framework and operational infrastructure of the securities market. The exchange of ideas and perspectives reflected a shared dedication to upholding the highest standards of integrity and investor protection.

The agenda covered a range of pertinent issues and housekeeping matters, and included Related Party Transactions, the prompt submission of business plans for year 2024 by all Market Intermediaries, the need for concerted efforts to pursue and attract foreign investment as well as increasing marketing efforts aimed at local retail investors and the need for all organisations to formulate a comprehensive data protection framework in accordance with the Personal Data Protection Act.

The SEC officials expressed concerns regarding the conduct of certain RIAs based on SEC's inquiries into investor complaints and emphasised the need for better self-governance within the industry. Market Intermediaries were urged to act responsibly and diligently, particularly in managing client relationships, risk and compliance.

The meeting concluded with SEC reaffirming its commitment to ongoing collaboration with the industry to implement effective solutions and drive positive change. The outcomes of these meetings are expected to shape future regulatory initiatives and industry practices, fostering a more transparent, efficient, and resilient capital market.

Source: Daily Financial Times

02. S&P 500 notches third straight record high close.

The S&P 500 climbed to a record high close on Tuesday as investors digested a mixed bag of early quarterly results and awaited a slew of additional reports from Tesla and other companies later this week.

It was the third straight all-time high for the benchmark stock index, and many investors view upcoming quarterly reports from the heavily weighted "Magnificent 7" group of megacap companies as key to whether Wall Street's recent rally continues or loses steam.

In extended trade, Netflix rallied 3.2% after the video streaming service blew past Wall Street subscriber estimates in the fourth quarter, driven by a strong slate of shows.

Wall Street's recent gains have been fueled by expectations of lower interest rates and optimism around artificial intelligence, which has helped lift the Philadelphia chip index over 5% so far in 2024, adding to a 65% surge last year.

The S&P 500 posted 34 new highs and one new low; the Nasdaq recorded 102 new highs and 90 new lows.

Source: Reuters

03. China announces biggest bank reserve ratio cut since December 2021.

China's central bank will cut the amount of cash that banks must hold as reserves from Feb. 5, the first such cut for the year as policymakers extend efforts to shore up a fragile economic recovery amid plunging stock markets.

The world's second-largest economy struggled to mount a strong post-COVID recovery last year as distress in the housing market, local government debt risks and weakening global demand slowed momentum, weighing on investors' sentiment at the beginning of 2024.

People's Bank of China (PBOC) Governor Pan Gongsheng said on Wednesday at a press conference in Beijing that the bank would cut the reserve requirement ratio (RRR) for all banks by 50 basis points (bps), adding the move would free up 1 trillion yuan ($139.45 billion) to the market.

Source: Reuters

04. China short sellers retreat as contrarians sense an opportunity.

Global investors aren't expecting much from China's economy this year, but some say the collapse in its already cheap stocks merits a wager on an eventual rebound and perhaps a new approach to investing in the market.

Measures such shrinking short positions, fund flows, options pricing and bounces on the main boards show investors have been selectively buying or at least curtailing bearish bets lately.

While a lot of long-term money has left, the selling that has driven the MSCI China index 60% lower in three years has opened a lopsided entry point if the mood shifts. Authorities have been promising increasingly strong measures to help.

Herald van der Linde, head of equity strategy for Asia Pacific at HSBC, forecasts 30-40% gains for Chinese equities if and when the gloomy sentiment lifts. The Hang Seng had its best day in two months on Tuesday and has bounced 5% from Monday's 15-month low.

Foreigners were net buyers of 4.8 billion yuan ($677 million) in Chinese equities on Monday and Tuesday this week .

Source: Reuters

05. Stocks climb on positive tech earnings, China rescue report.

Global shares rose on Wednesday, fuelled by positive tech earnings and optimism Chinese authorities will offer support to its stock markets, while the dollar showed resilience on growing expectations the U.S. Federal Reserve won't rush to cut rates. European stocks (.STOXX), opens new tab climbed 0.8%, with tech stocks (.SX8P), opens new tab adding over 3.6% to their highest in two years.

Investors are also focused on manufacturing purchasing managers' index (PMI) figures - seen as a good gauge of economic health - from the euro zone, Germany, France and Britain later in the day.

The European Central Bank (ECB) meets on Thursday and is widely expected to keep rates unchanged - though traders are pricing in as much as 130 basis points of interest rate cuts this year.

The MSCI world equity index (.MIWD00000PUS), opens new tab, which tracks shares in 47 countries, gained 0.3%.

The MSCI's broadest index of Asia-Pacific shares outside Japan (.MIAPJ0000PUS), opens new tab gained 1%. Still, the index is down around 4.7% so far this month.

Source: Reuters