



गर्मा कॅपिटल लिमिटेड

गर्मा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED

[A Subsidiary of GARIMA BIKAS BANK LIMITED]

समृद्धि की सारथी

THE ANALYTICS

GARIMA MONTHLY INSIGHT

BAISHAKH 2081
(13 APRIL 2024 - 13 MAY 2024)
VOL: 2, ISSUE: 10



**Headwinds and Tailwinds
of Market Ahead**



NEPSE SCANNER



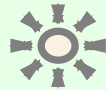
**MACROECONOMIC
FACTORS**



MARKET SCANNER

Market Update:

Headwinds and Tailwinds Of Market Ahead



SYNOPSIS:

The month of Baishakh saw a roller coaster journey for investors despite market losing just 1% by month-end. The market experienced a sharp initial decline of 3%, shedding 60 points, attributed primarily to the release of third-quarter BFI's (A, B, and C sector) reports. These reports revealed significant impairment charges and elevated non-performing loan (NPL) figures, negatively impacting the financial performance of BFIs and eroding investor confidence. Despite the initial setback, the market managed to stabilize and recover later in the month.

Commercial banks, on average, recorded an NPL rate of 3.65%, with several exceeding 5%, indicating ongoing economic challenges and year long recovery issues in BFI. Despite fixed deposit rates aligning closely with inflation rates, there has been no noticeable increase in loan demand. It is imperative for the government to focus on policy adjustments to stimulate aggregate demand in the market. Additionally, the unstable political environment and delayed appointment of the Securities Board of Nepal (SEBON) chairman have directly hampered the overall progress of the capital market.

The 3rd Nepal Investment Summit, 2024, which was held in the month, saw little attractions from the stock market investors despite the government commitment in facilitating the investment climate in country through legal amendments via ordinance issuance. Featuring a diverse portfolio of 151 projects, the summit aimed at stimulating the nation's economy by attracting foreign direct investment (FDI) for the establishment of factories and industries across various sectors. Despite these efforts, stock market investors expressed dissatisfaction and threatened strike action during the summit due to the absence of policy changes addressing to the stock market.

Tailwinds:

1. The Asia development outlook of 2080, by the ADB, forecasts the Nepal economy is expected to grow by 3.6% (at market prices) in FY 2024, up from an anticipated growth of 1.9% in FY 2023. Economic activities are expected to be encouraged, along with improvement in consumer and investor confidence plus continued flexibility in monetary policy.
2. Nepal Investment Summit 2024 was able to garner investments commitment totaling Rs. 9 billion on four projects. Including 800 foreign investors, a total of 2500 people attended the event.

3. Tourist inflow has observed a surge in terms of number of visitors, reaching 99,426 in the month of March, which is 28.9% surge as compared to the same period of previous year.

4. Commercial banks have cut the deposit rates for the month of Jestha as well, signaling excess liquidity in the banking channel. The average interest rate on individual fixed deposits drop to 7.06 percent compared to 7.14 percent in the previous month. However, demand side for the credit is sluggish till now, so credit mobility is inevitable to thrive the economy and equity market.

5. Nepal's total foreign exchange reserves spiked 24.2 percent to Rs 1.911 trillion as of mid-April 2024. This latest update from Nepal Rastra Bank (NRB) marks a substantial rise from Rs 1.53936 billion in mid-July 2023.

6. Securities Board of Nepal (SEBON) has reduced the broker commission fee by 10% effective from 14th May. Under the new guideline, the upper limit for fees is decreased from 0.40% to 0.36% while the lower limit will be adjusted from 0.27% to 0.24%.

Headwinds:

1. Banks and financial institutions have filed 342 cases at Debt Recovery Tribunal after facing difficulties to recover the bad loan amidst declining economic activities as of mid-March 2024. The number of cases at the Tribunal was only 200 last fiscal year. The non-banking assets of most banks have increased, bank is compelled to put aside the provisions which will ultimately hit in their bottom line.

2. With the overall low demand within the economy, the decrease in imports have put pressure on the government revenue. As a result, the government has started taking massive debts and with limited revenue sources, they are compelled to take further loans to pay off the existing debts.

3. Due to delay in appointment of SEBON's chairman, 34 listed companies have been waiting for the approval of the Securities Board of Nepal (SEBON) to float their primary shares in the market. These kinds of activities tends to reduce the speed on development of entire capital market since the prime regulatory body of capital market is expected to work promptly and efficiently.

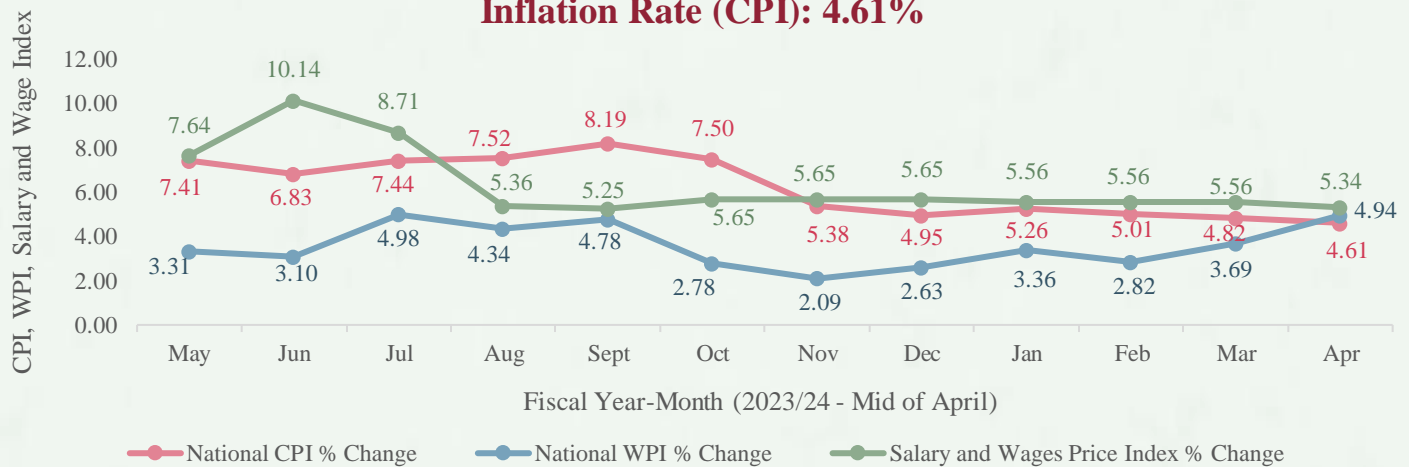
Concluding Remark:

Apparently, most of the BFI's have decreased the interest rate on FD for the 8th time, which means that this has increased the possibility of making additional lending. Our external indicators are getting stronger by the day, and with addressing the challenge of stimulating internal demand can boost the economy. For instance: the remittance has increased by leaps and bounds right around the festival season as Nepal has received remittance amounting to Rs. 1,082.62 Arba in the first nine months. With the end of the fiscal year and new budget programs, there are reasons to be optimistic with the supportive policy changes by addressing the change that stimulate the demand in economy. Likewise, with the growing number of tourists will directly contribute national economy to increase the demand factor. To conclude, the market might catch the bullish journey in upcoming fiscal year.

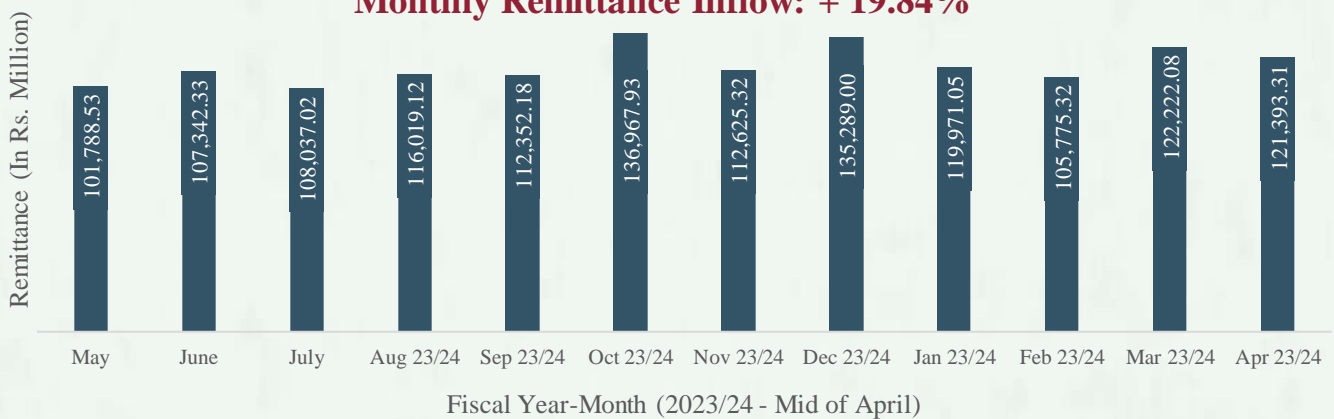
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI): 4.61%



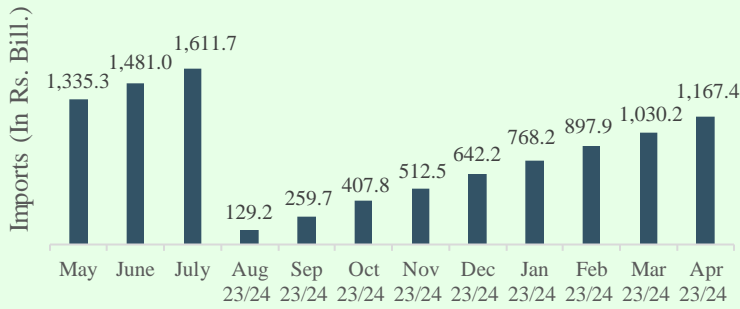
Monthly Remittance Inflow: + 19.84%



Liquidity Indicators (As on 7th May 2024):

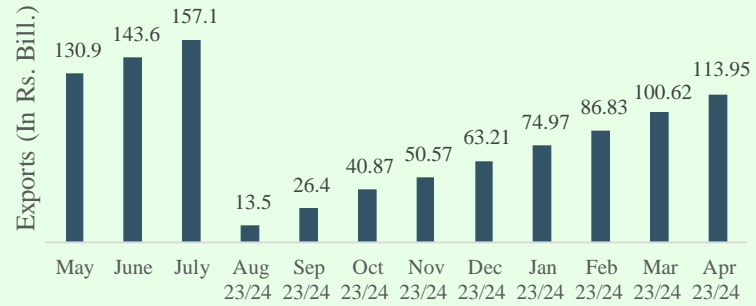
- ❖ BFI's Deposits: NPR. 6,175 billion
- ❖ BFI's Lending: NPR. 5,111 billion
- ❖ CD Ratio: 80.51%
- ❖ Inter-bank Interest Rate: 2.56%

Total Import (-2.8% Y-o-Y)



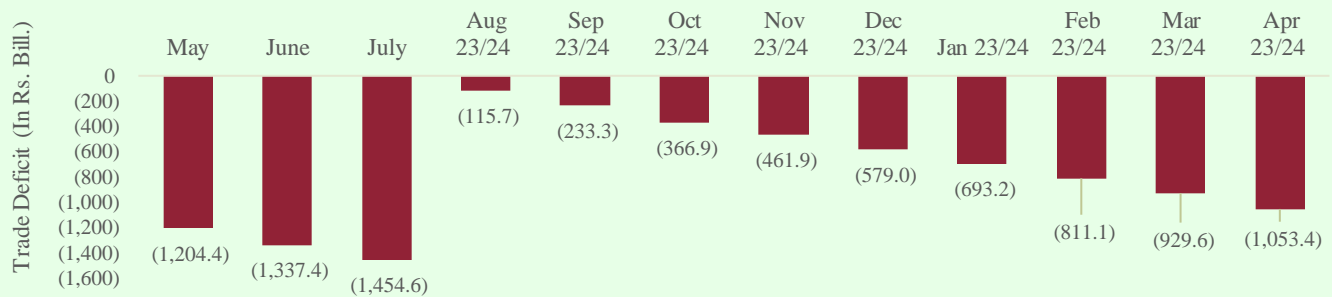
Fiscal Year-Month (2023/24 - Mid of April)

Total Export (-3.7% Y-o-Y)



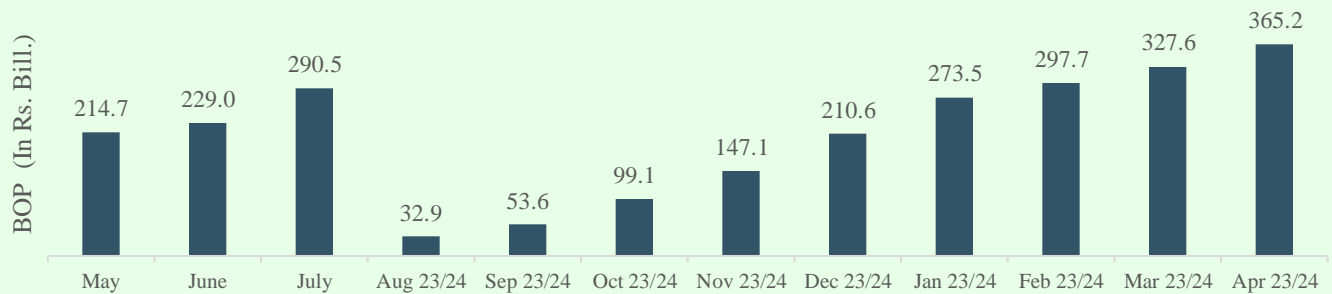
Fiscal Year-Month (2023/24 - Mid of April)

Trade Deficit



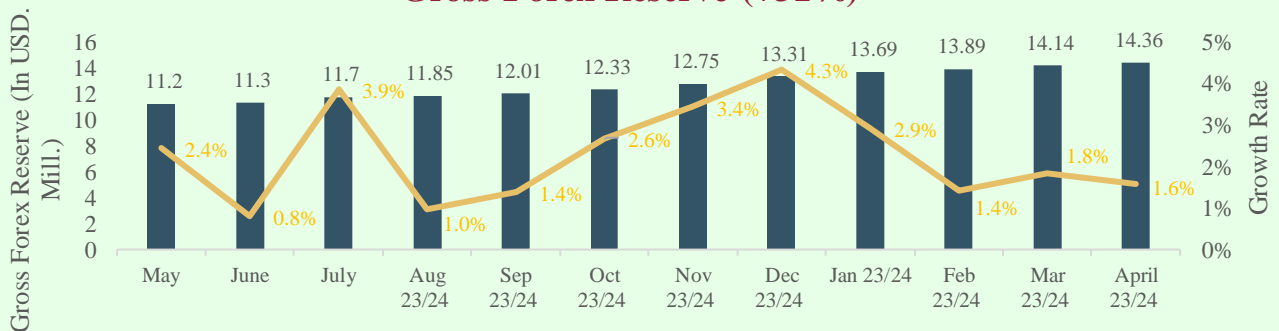
Fiscal Year-Month (2023/24 - Mid of April)

Balance of Payments (Surplus)



Fiscal Year-Month (2023/24 - Mid of April)

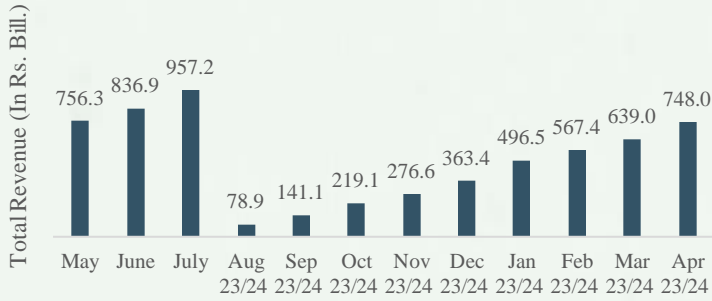
Gross Forex Reserve (+31%)



Fiscal Year-Month (2023/24 - Mid of April)

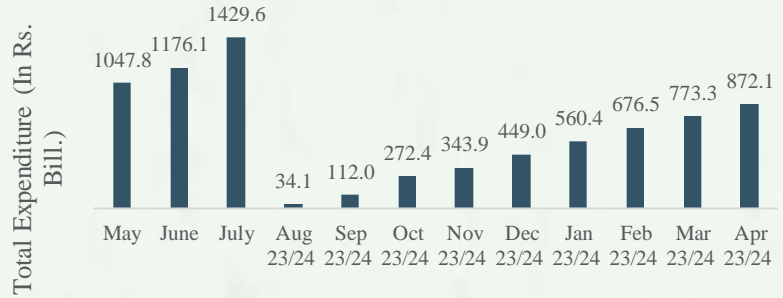
■ Gross Foreign Exchange Reserves — Growth Rate

Govt. Revenue



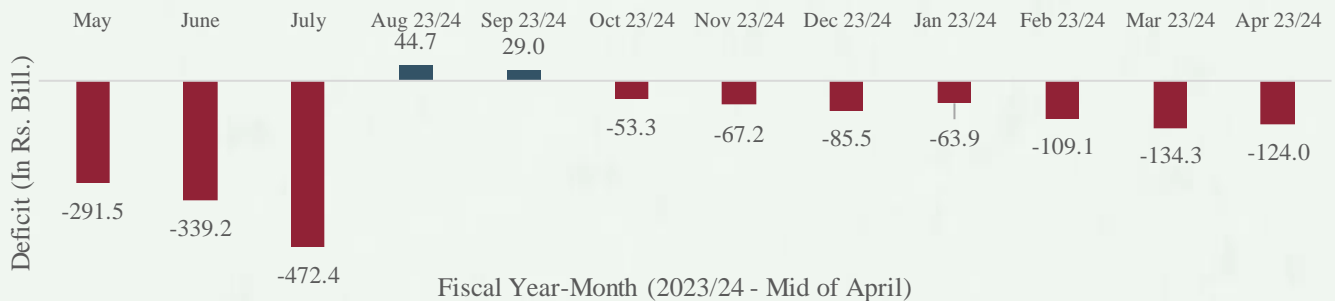
Fiscal Year-Month (2022/23 - Mid of April)

Govt. Expenditure



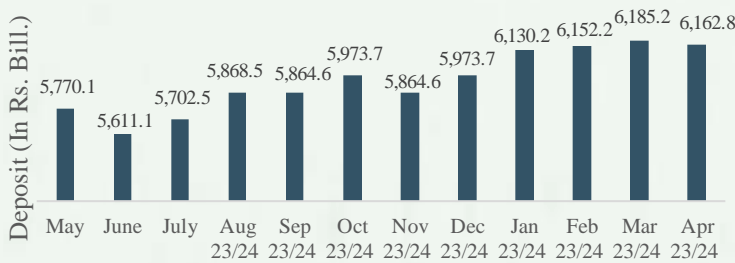
Fiscal Year-Month (2023/24 - Mid of April)

Fiscal Surplus/Deficit



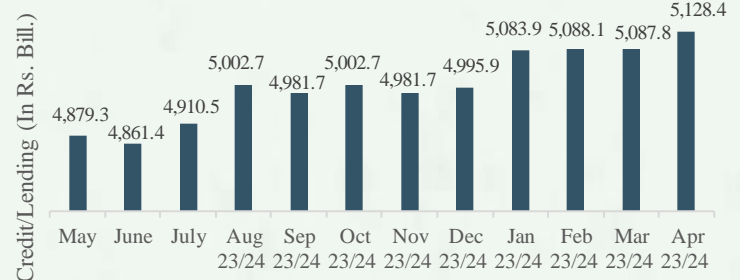
Fiscal Year-Month (2023/24 - Mid of April)

Deposit (+12.5% Y-O-Y)



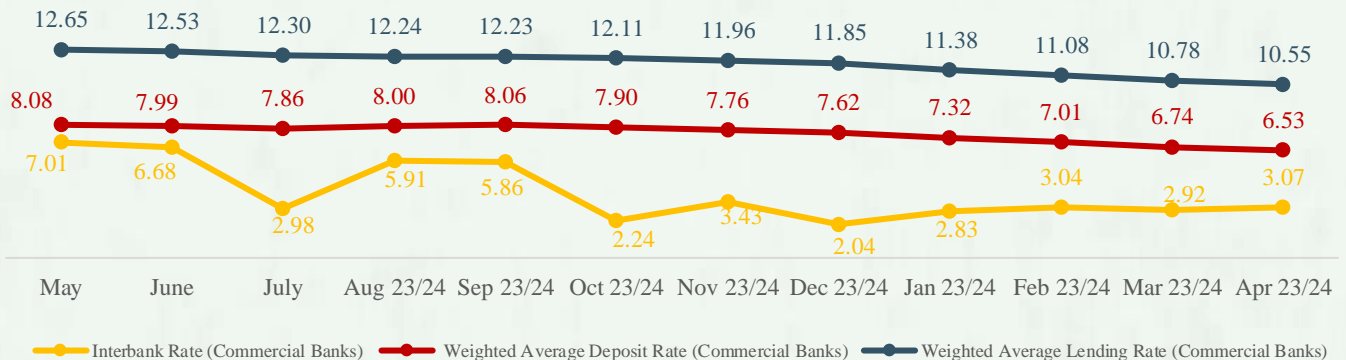
Fiscal Year-Month (2023/24 - Mid of April)

Credit /Lending(+4.9% Y-O-Y)



Fiscal Year-Month (2023/24 - Mid of April)

Market Interest Rates



Short-term Interest Rates (As on 14th May 2024):

- ❖ 28 days: 2.69%
- ❖ 91 days: 3.00%
- ❖ 364 days: 3.20%

Market Update: NEPSE SCANNER



Baisakh Performance



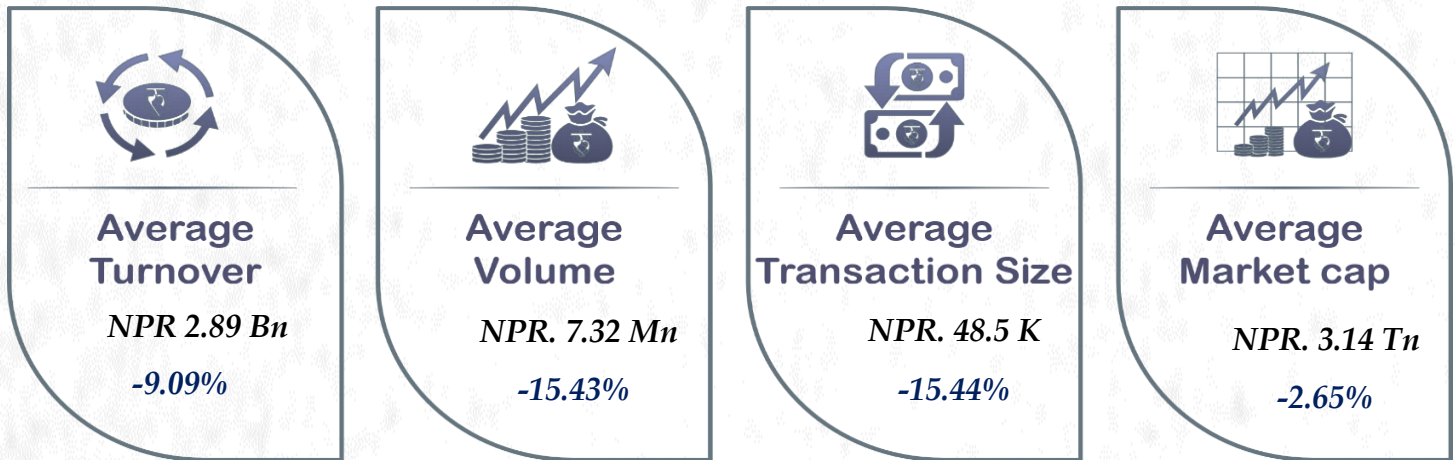
- NEPSE fell to 1998.89 level from 2025.70 (previous month end), losing 26.81 points (-1.32%); high and low index remained 2031.90 and 1952.63 resp. in the review month.
- Sensitive, float and sensitive float index dropped by 0.43%, 0.97% and 0.40% respectively.
- By the Month end, the turnover witnessed the fall of 2.21% but volume increased by 9.71%. The transactions fell by 25.39% as compared to the previous month end.

Metrics	13.5.24	10.4.24	Monthly Change
NEPSE	1998.89	2,025.70	-1.32%
Sensitive	356.65	358.19	-0.43%
Float	135.69	137.02	-0.97%
Sensitive Float	116.6	117.07	-0.40%
Turnover (Million)	3,408.61	3,485.66	-2.21%
Shares Volumes	9,541,017	8,696,918	9.71%
Total Transactions	45,828	61,420	-25.39%
Total Scrips Traded	320	308	3.90%
Market Cap (Rs. Million)	3,208,270.10	3,212,008.09	-0.12%
Sensitive Mrkt. Cap (Rs. Mn)	1,094,743.32	1,094,697.43	0.004%
Float Market Cap (Rs. Mn)	1,081,707.31	1,083,398.79	-0.16%
Sens. Float Mrkt. Cap (Rs.Mn)	374,360.44	374,644.01	-0.08%
Average Return	12.34%	12.90%	-0.56%
Std. Deviation	23.54%	23.72%	-0.18%
10 Day 10% VAR	-6.19%	-6.23%	0.04%
Market Cap / GDP Ratio	59.62%	59.69%	-0.07%

Monthly average of these metrics computes to Rs. 2.89 billion (-9.09%), Rs. 7.32 million (-15.43%), and Rs. 48.5 thousand (-15.44%) respectively.

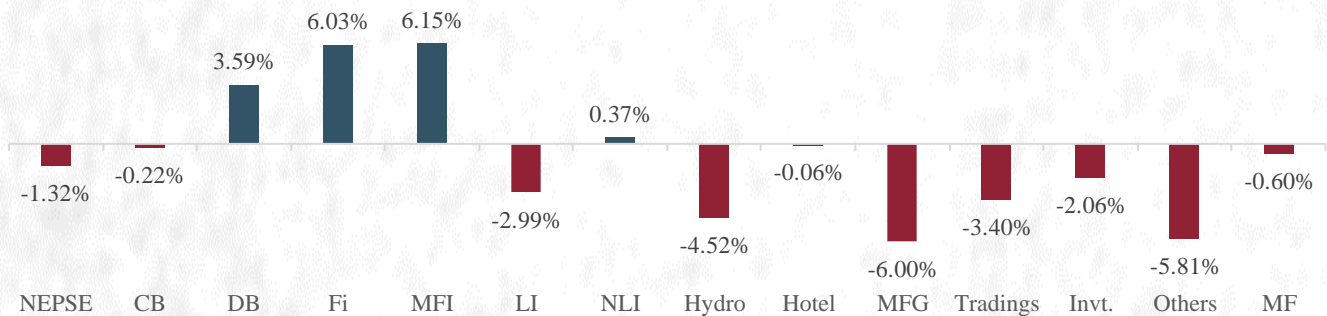
- Market cap decreased by 0.12% to Rs. 3.208 trillion, out of which approx. 34% are only floated. Sensitive market cap which covers A class stocks saw a dismal 2.67% decline, Sensitive float market cap fell by 2.32% and the size of Float market cap fell 2.59%.

- Avg. market return decreased to 12.34% from 12.90%, Standard Deviation slightly dropped to 23.54% and 10-day 10% VAR stood at 6.19%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 59.62%.
- In the review period, market traded for 19 days. Last month, number of trading days was 18.

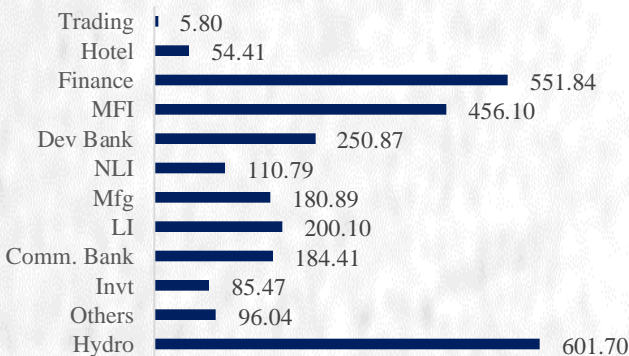


SECTOR SCANNER

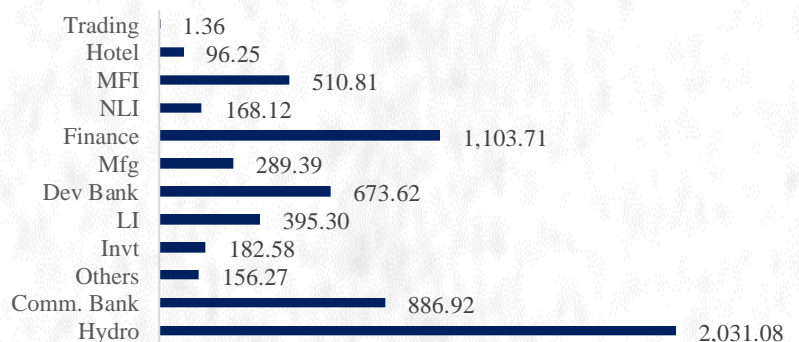
Monthly Sectoral Performance



Baisakh Avg. Turnover (Millions)

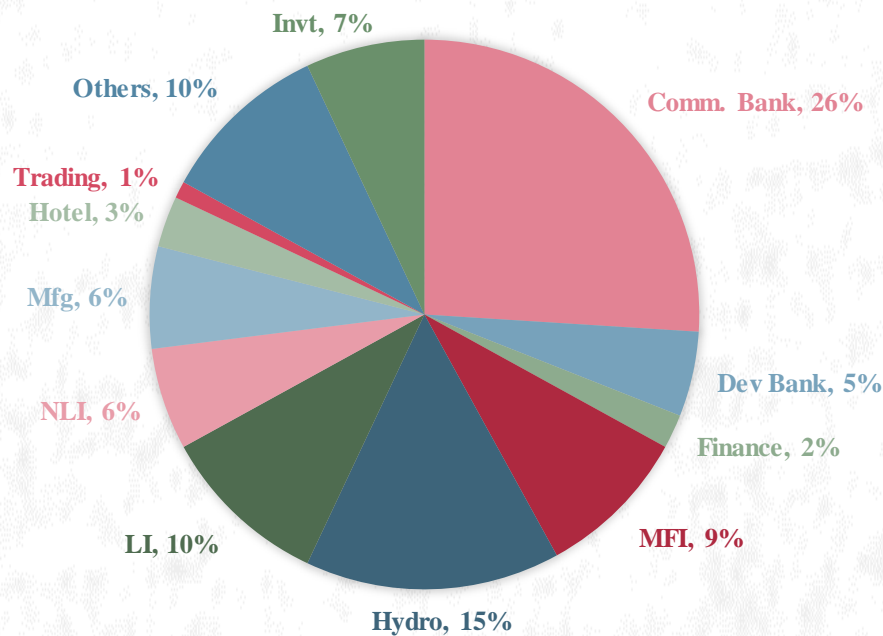


Baisakh Avg. Volume ('000)



- Finance and Microfinance sectors saw a highest surge of 6.03% and 6.15% respectively in the review period. Sectors that witnessed highest decline are Mfg & Processing (-6.00%), Others (-5.81%), Hydropower (-4.52%), Tradings (-3.40%) and Life Insurance (-2.99%). Investment and Hotels sectors also had a loss of 2.06% and 0.06% respectively.
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 21.71% and 29.18% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 28.43%. Both Commercial Banking and Finance sector made the notable Turnover of average 12.34% and 14.86% respectively while their average Transaction size was 12.26% and 8.58% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Baisakh i.e. Monday 31st Baisakh, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 42%, Commercial Bank alone 26%. Hydro and Hotel has 15% and 3% coverage respectively. Insurance sector occupy 16% (Life - 10% and Non-Life - 6%). Trading sector has the least capitalization, amounting approx. Rs.15.68 billion.

SECTORAL MARKET CAPITALIZATION

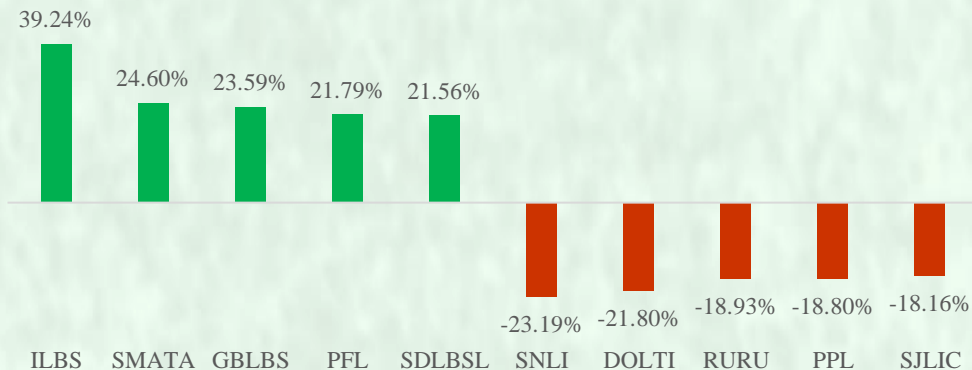


Monthly Terminology: Bond Proxy

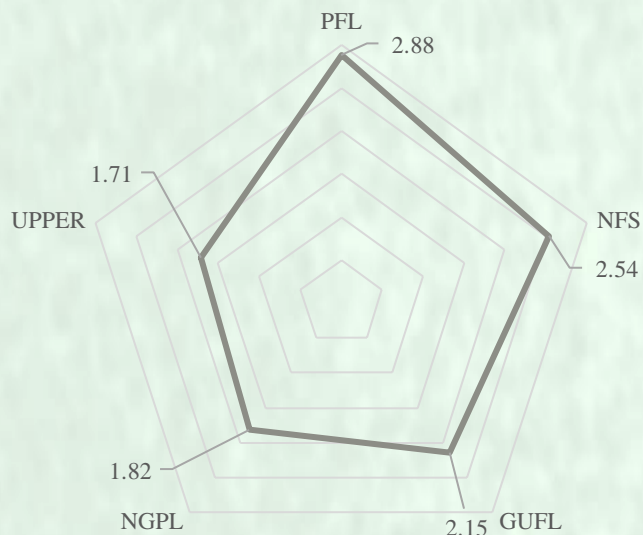
*“A **Bond Proxy** is an investment vehicle that mirrors certain characteristics of bonds, such as stable income generation and low volatility, but is an alternative to investing directly in bonds. Common examples include dividend-paying stocks, utility stocks, real estate investment trusts (REITs) and preferred stocks, all of which offer steady income streams akin to bond coupon payments.*”

STOCK SCANNER

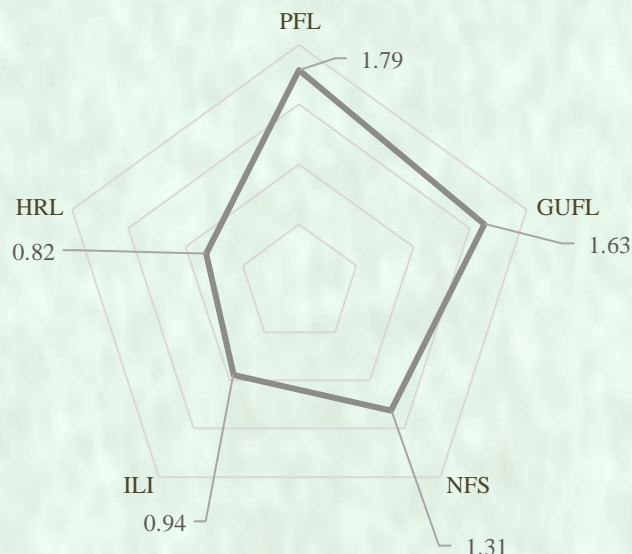
Top 5 Gaining and Losing Stocks/Scripts



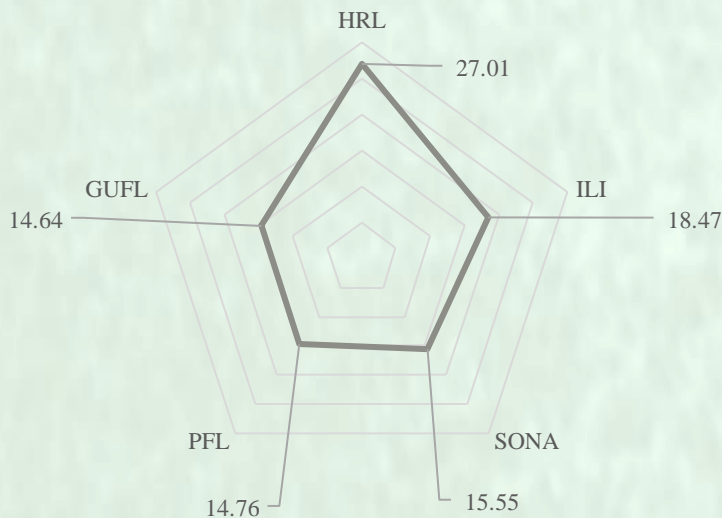
Stocks with Highest Volume (Millions)



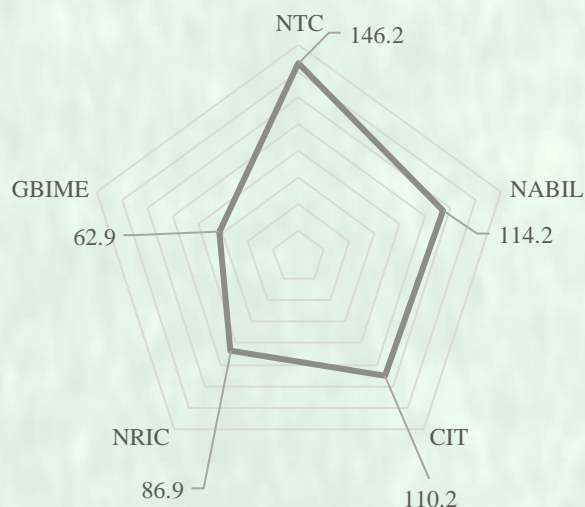
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (13 th May)	Value
RSI	52.06
MACD line	-12.20
Signal line	-14.80
Bollinger Upper Band	2023.27
Bollinger Middle Band	1983.40
Bollinger Lower Band	1943.52
ADX	13.43
Exp. Moving Avg. (9 Days)	1987.94
Exp. Moving Avg. (26 Days)	1994.33
Exp. Moving Avg. (50 Days)	2007.80
Exp. Moving Avg. (200 Days)	2013.06

Technical Overview:

After three consecutive sideways candles, Nepse continues to find support around the 1950 zone, a crucial level for the market. A breach below this support could set a negative tone, potentially forming a new lower low. However, there are some positive signs as the market has halted its steep decline, hinting a possible pullback. Despite the absence of a strong reversal signal in the closing candle, a bullish candle in the next trading session could signal an upward movement. Currently, the market is trapped in a downward channel pattern, but breaking above the downtrend line could initiate a bullish trend. The 2200 index remains a formidable resistance level. According to the Bollinger Bands, the market is trading below the middle band, indicating the need to sustain above it for a bullish momentum.

From a volume standpoint, volume is still below the 20 weeks average volume. In bullish rally, higher volume is must requirements to increase the investors confident. Likewise, both the MACD line and signal line is closed with each other, it signals for sideways market. And currently RSI is at 50.79 which signal for neutral zone. No any divergency is seen in the market.

Key Bulletins of the Month

- 1) Interest rate have further lowered for the month of Jestha; FD rate for individual ranges 6.39% to 7.80%, while FD rate for Insitution ranges 4.75% to 6.80%. 8 banks have lowered their interest rates, 9 banks kept rates unchanged, while NMB, and NICA increased the rate to 7.8% (individual) and 6.8% institutional.
- 2) SEBON has implemented a 10% reduction in broker commission fees, effective from Jestha 1. Under the new guidelines, the upper limit for fees will decrease from 0.40% to 0.36%, while the lower limit will be adjusted from 0.27% to 0.24%.
- 3) The World Bank has approved \$80 million development policy credit for Nepal to strengthen the stability of its financial sector, diversify financial solutions, and enhance access to financial services.
- 4) The 3rd Nepal Investment Summit 2024 took place on 28th – 29th April in Kathmandu; participants representing WB, ADB, IMF, UNDP, among others; key agendas – green finance, climate issues, investment in tourism, agro sectors, etc. including the infrastructures and government facilitations.
- 5) Tax revenue collected nationwide has increased by 1.53% in mid-April of the F.Y. 2023/24 compared to the same period last year, totaling Rs 12.16 billion.
- 6) Nepal received FDI worth Rs. 30.09 billion in the first nine months, up from Rs. 28.11 billion last year, with FDI pledges totaling Rs. 480 billion for 6,128 firms.
- 7) In the nine months of the F.Y. 2080/81, Life Insurance companies collected a total premium of Rs. 110 billion, with Nepal Life Insurance Company Limited single-handedly collected Rs. 29.45 billion, having 1,323,831 active number of insurance policies.
- 8) The Swiss Investment Fund for Emerging Markets (SIFEM) to invest 10 million USD (approximately 1 Arba 32 Crore rupees) in Global IME Bank Limited (GBIME), Nepal.
- 9) The Bagmati Provincial Government has spent only 38.92% of its budget allocation for the F.Y. 2080/81, amounting to 24.4 billion.
- 10) NRB took action against six BFIs (PCBL, KBL, NIMB, LSL, LBBL and EDBL) for regulatory violations such as misclassification of loans and inadequate loan loss provisions, improper loan monitoring, bill purchase breaches and compliance deficiencies in customer identification.

Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash (%)
1. IME Life Insurance Company Limited	ILI	2079/80	25	1.3158
2. CEDB Hydropower Development Company Limited	CHDC	2079/80	11	0.5789
3. Nepal Reinsurance Company Limited	NRIC	2079/80	4.75	0.25

Major Events

- ❖ *3rd Quarter Monetary Policy Review*
- ❖ *Fiscal Budget 2081/82*

Important Disclaimer:

This report has been prepared by the Research and Product Department of Garima Capital Limited after the study and analysis of publicly available data and information and does not use any inside information. The data and information studied are believed to be proper and reliable. However, we do not guarantee the correctness and completeness of the same, neither any independent verifications of the same are made by third parties.

The opinion and views expressed in this report are the consensus understanding and comprehension of the Department and the Company. However, such opinion, views, and information expressed in this report are subject to change based on change in market information and circumstances.

The sole purpose of this report is to provide analytical insight of the market performance and the state of affairs to whoever interested market participants along with our valued clients and customers.

This report should not be construed as investment advice or recommendation and ultimate investment decision stays on investors own wisdom. Garima Capital Ltd. including the Research and Product Team shall not be liable for any loss or damages that investors incur from investment actions based on this report.

नेपाल पुरातन ब्याङ्क लिमिटेडको सहायतामा गरिमा क्यापिटल लिमिटेडको कार्य गर्ने अनुमतिपत्र प्राप्त संस्था



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