

Market Update:

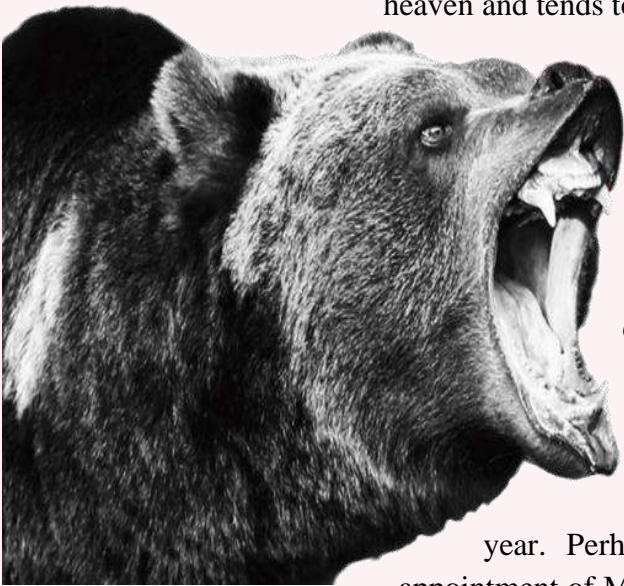
The political twist ensued by the exit of CPN-UML from its coalition with CPN-Maoist Center in order to form the new government with Nepali Congress led to stock market turnabout in the mid of Ashadh. Market has since rebounded approx. 13% up, making the high of 2290 and turnover above Rs. 8.7 billions, phenomenon seldom observed in recent market affairs. Especially, the comeback of Mr. Bishnu Prasad Paudel as the Finance Minister has juiced the market. It seems market participants to have found a new hope to the market, but are cautious at same time, with the timely profit bookings given the end of FY 2080/81 or perhaps squaring off the entry position at 2200 level before.

Beside the political issue, no other significant fundamental development, including any rules, guidelines etc. impacting the market at large took place in Ashadh. It's the month of fiscal year end, so government expenditure and revenue collection process expedited while corporate entities strived to bolster its revenues amid the tax dues to settle. NRB released the Eleven Months (till Jestha 2081) CME Reports and Banking & Financial Statistics till Jestha 2081. The other event to follow was the decision on interest rates for the month of Ashadh by the Nepal Banker's Association (NBA). The important outcomes of these fundamental events are outlined in points below:



1. NRB has now allowed the "A", and "B" Class BFIs to issue the 'Perpetual Non-Cumulative Preference Shares' to the institutional investors. Such securities will be taken as Additional Tier 1 Capital, enabling BFI's to satisfy the CAR requirements. In case the Common Equity Tier 1 Capital (CET1) of BFI's falls below 5.125% (trigger point), then BFI has to convert such preference shares into promoter shares. Following the provision, the Board (BoD) of Kamana Sewa Bikas Bank (KSBBL) decided to issue 9% Perpetual Non-Cumulative 3.5 Million units shares at Rs. 100 each through private placement.
2. Interest rates continued its down trend as the majority of commercial banks cut the rate on fixed deposits for the month of Shrawan as well; average FD rates for Individual and Institution now stands 6.74% and 5.48% respectively. This signals the situation of excess liquidity in the banking channel but the sluggish credit demands. As per the CME Report, Y-o-Y deposits at BFIs has increased by 12.6% while the private sector credit has increased by just 5.6%.
3. On the external side of economy, remittance inflow increased 19.3% to Rs. 1327.51 billion till 11 months of current FY, the inflow was approx. Rs. 129 billion in Jestha alone; import, export's and trade deficits all fell 1.8%, 3%, and 1.7% respectively. BOP, current account balance, and gross forex reserves all increased to Rs. 425.67 billion, Rs. 200.39 billion, and \$14.72 billion respectively. Nepali workers taking first time approval for foreign employment stood 422,936 while approval for renew entry stood 262,705.
4. In pursuit to facilitate investment climate in Nepal, President Ram Chandra Paudel has approved the bill empowering amendment of some acts, rules or provisions connected to such investment.

5. Monthly statistics of BFIs as on Jestha as published by NRB show the slight fall in CD ratio of Commercial Banks – from 79.82% to 79.64% while NPL static at 3.89%; CAR stands 12.55%; weighted average interest rate on deposit is 6.06% (saving: 3.77%, fixed: 8.38%, call: 1.66%), and weighted average interest rate on credit is 10.15%.
6. The appointment process of the SEBON Chairman has been now prolonged for an indefinite periods after the short-listed candidates failed to attend the scheduled interviews. The absence of SEBON's Chairman for more than 6 months now can be regarded as one factor for the dead-and-alive market. With no proper regulations, monitoring and supervision, piles up of application for primary issues, pending works on development of other financial instruments or investment avenues, market participants confidence and morale are trimmed.
7. NRB has revised its foreign exchange regulations, allowing the foreign companies without regulatory oversight in Nepal to repatriate dividends based on self-declaration, but at approval of NRB.
8. Coming to 6 months of 2024, total tourists' arrival is 583,016 which is 38% higher than the records of corresponding periods of 2023. This shows the Hotel and Tourisms sectors to thrive further.
9. Investors in Hydropower sectors has to be very careful during this time since the risks of landslides, floods, and hydrological risks tends to persists, resulting damage to the projects operation. For instance, power generation by Theule Khola HEP (1.5MW), operated by Barahi Hydropower Ltd. (BHPL), got completely halted for a week due to damages of its plant by the floods (partial generation as of writing this).
10. The commodity - gold/silver (metals) have continued rising, making new high in Ashadh as well. Domestically, the rise got support from the marriage functions in the month; gold hallmark traded at Rs.146,900 per tola while gold tejabi traded at Rs.146,200 per tola on 31st Ashadh. Internationally, the fragile global economy and growth attributed the price hike. Such commodities are considered a safe heaven and tends to have a negative correlation with the stock markets.



11. The Monetary Policy for FY 2081/82 is likely to be released on first week of Shrawan. This will be the last Monetary Policy of Governor Maha Prasad Adhikari tenure. Given the need to revitalize the private sectors and create aggregate demands in economy, the flexible policy could boost the investors morale. Lastly, the 4th Quarter reports of companies which will reflect the dividend capacities for FY 2080/81 can be the catalyst directing the market ahead.

Coda: The statistics of liquidity and interest rate should have played well for market rebound, which it wasn't happening for over a year. Perhaps market participants was lacking the confidence, which the appointment of Mr. Bishnu Paudel as Finance Minister filled to some extent, resulting market to break the 2200 strong resistance. The repetition of such market behaviour shows market participants placing perhaps too much weights, hopes to a single person rather than weighing the fundamental economic substance or variables, which may not be long sustainable rally for market. So, we caution investors to prudently and judiciously select the fundamentally justified stocks, rather than marching in the herds.



Steering Nepal's Economy: NRB's Bold Moves and Market Impacts

Think of monetary policy as the steering wheel of a country's economy, and Nepal Rastra Bank (NRB) is in the helm. Monetary policy encompasses the strategies used by a central bank to control the supply of money and interest rates. Whether NRB is hitting the gas by lowering rates to stimulate borrowing and spending or tapping the brakes to control inflation, its recent adjustments are all about guiding the economic road ahead. Let's dive into some of their latest maneuvers and how they're impacting the market.

Ever wondered why banks can't just spend all your money? Enter CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio), the banking world's safety nets. CRR ensures banks keep a slice of your deposits as cash with the central bank, keeping things secure.

Meanwhile, SLR makes sure banks hold onto a chunk of their deposits in easily accessible assets, ready for any

unexpected needs. The Nepal Rastra Bank (NRB) adjusts these ratios like a master conductor, fine-tuning the economy to keep everything running smoothly.

NRB's Recent Adjustments and Counter-Cyclical Buffer

NRB recently made some interesting tweaks. They kept the ratios for bank reserves steady but cut the policy rate from 7% to 6.50%. Initially, the bank rate held at 7.5%, and the deposit collection rate dropped from 5.5% to 4.5%. Later, they went even further: lowering the bank rate to 7%, the policy rate to 6%, and the deposit collection rate to 3%. This is like giving banks a discount on money, encouraging them to lend more and get the economy moving.

So, what NRB could also do was to reduce the CRR (Cash Reserve Ratio) and SLR (Statutory

Liquidity Ratio), but they did not change these rates. Why? Because banks still have excess liquidity and funds to lend, but the demand is not there, so rates are dropped to stimulate borrowing. Additionally, NRB now feels the best way to inject money into the economy is through the private sector, as emphasized in the Governor's speech. Despite these cuts, credit growth hasn't sped up as much as hoped, mostly affected as the country economy is currently recovering from the pandemic. NRB's goal here is clear: make borrowing cheaper, get more loans out there, and boost the economy.

NRB also cut the risk weight for hire purchase loans from 125% to 100%. This should make it easier for people to get loans for buying vehicles, giving the auto industry a nice little boost. Additionally, housing loans now cover 70% of an employed person's salary, up from the previous 50%, making home ownership more accessible.

In a move to strengthen the banking sector against economic fluctuations, NRB has enforced a 0.50% Counter-Cyclical Buffer. Commercial banks must maintain this buffer by the end of the fiscal year, fortifying their resilience. While this ensures stability, it might constrain banks' operational capacities as they allocate capital to build this buffer, potentially limiting resources available for lending and investment.

Impacts on the Stock Market and Real Estate

Remember when NRB capped margin loans, causing them to drop from Rs. 108.5 billion to Rs. 76.3 billion? That was a rough patch for the market. But with recent changes, like raising the cap and reducing the risk for larger share loans, NRB is aiming to inject some optimism. If they lift the cap even more, it could get the market buzzing again with more trading activity and investor participation.

The ceiling on home loans has been raised from Rs. 15 million to Rs. 20 million. While this isn't a game-changer, it could give the real estate sector a little push. More people might take out loans to buy homes, which could stimulate the real estate market.

Outlook

Investors should keep a close eye on monetary policy as it's a treasure map for new investment opportunities. NRB's current signals suggest more money flowing into the private productive sector without twitching the interest corridor, which could be a goldmine for savvy investors.

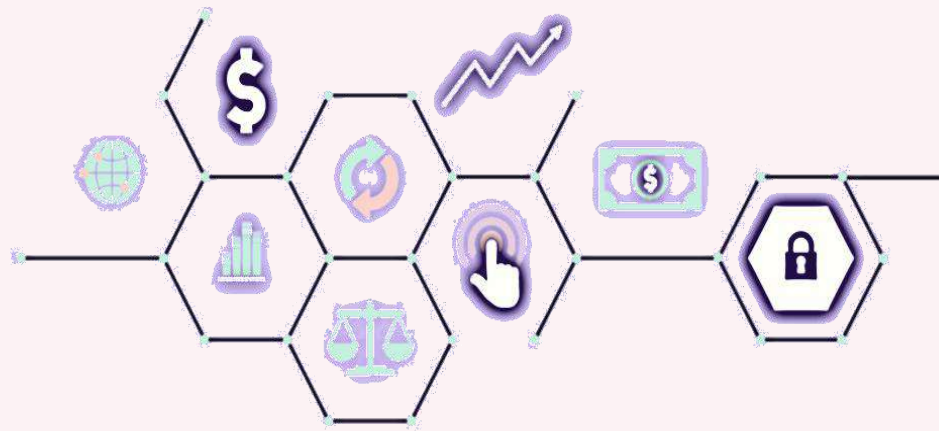
Treasury bills (T-bills) are a risk-free investment for banks, making them highly attractive. However, the risk of high interest rates bid by commercial banks on T-bills needs careful management. During the year (2079/80), the average interest rate on T-bills reached 12%. If this risk-free rate is high, the interest rates banks charge borrowers would also increase. To address this, the Nepal Rastra Bank (NRB) intervened by capping the T-bill interest rate growth to 6% by the year's end. The NRB achieved this by allocating the majority of T-bills to itself and only a small portion to banks and financial institutions (BFIs), which effectively brought down the average interest rate on T-bills. This strategic move by the NRB ensured stability in the financial market while controlling the potential risk of high interest rates.

NRB's recent policy changes are all about finding the sweet spot between boosting economic activity and keeping things stable. Lower interest rates and adjusted lending caps are designed to encourage more lending and investment, which is good news for the stock market and real estate sector. NRB's efforts to foster the private sector with lower-interest loans are promising, though they need to watch out for the risk of inflation.

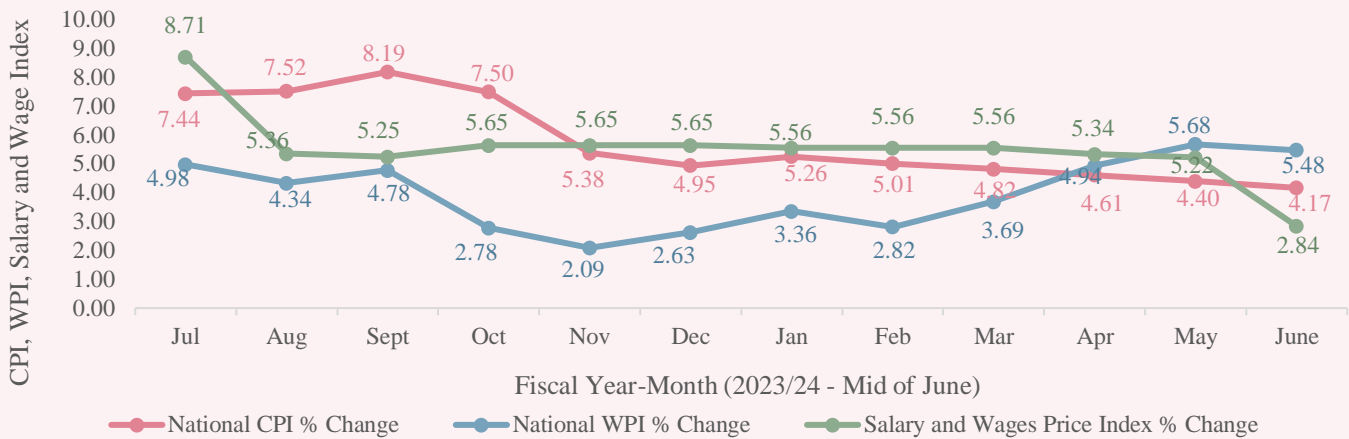
NRB doesn't directly control the interest rates; instead, it changes the policy rate, making the cost of funds cheaper for banks. This leads to lower credit rates. Additionally, NRB can fluctuate the interest corridor for cash reserves and SLR.

In conclusion, NRB's strategy is to ease the economic environment, creating conditions that naturally inject cash into the economy.

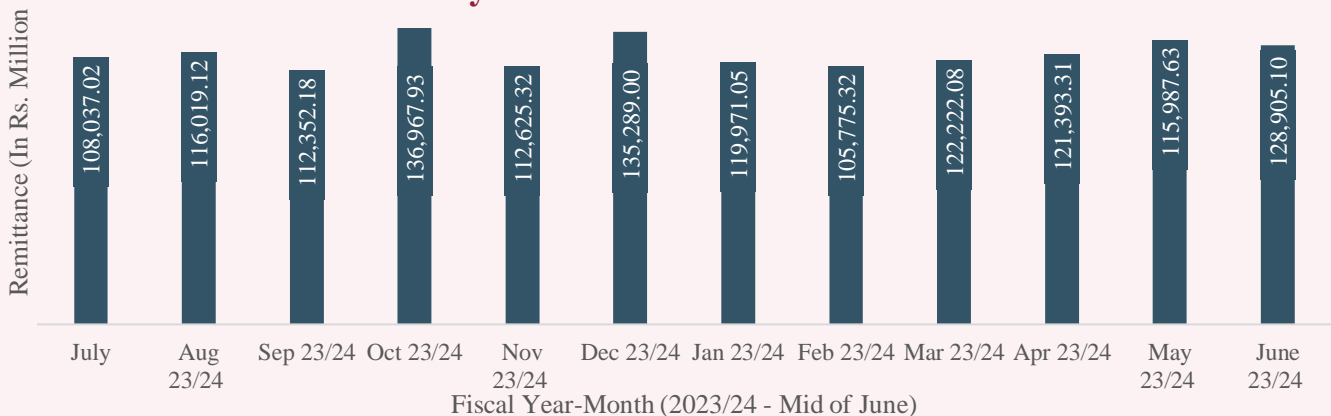
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI): 4.17%



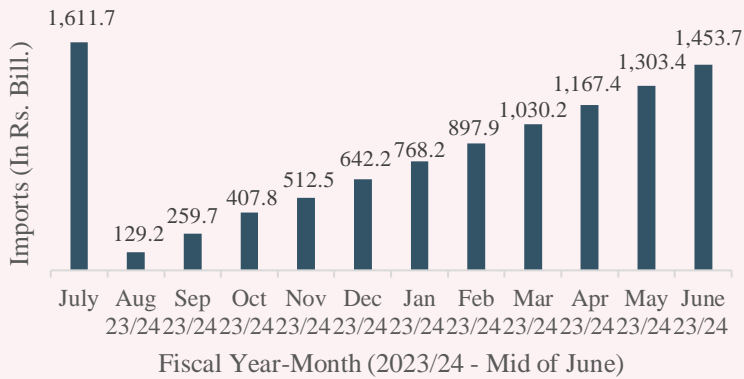
Monthly Remittance inflow: 10.32%



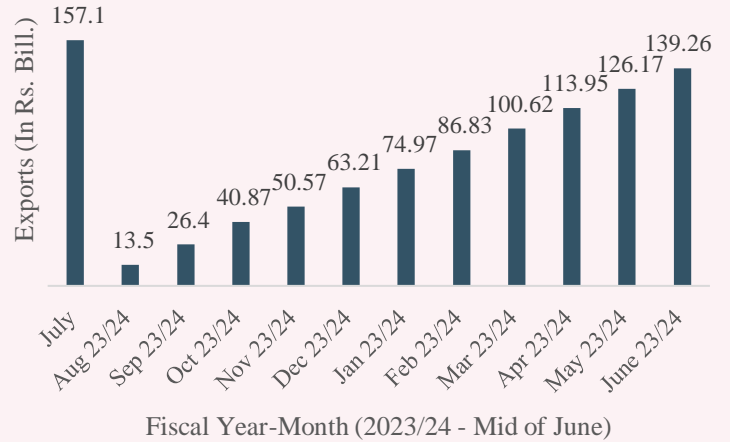
Liquidity Indicators (As on 15th July 2024):

- ❖ BFI's Deposits: NPR. 6,482 billion
- ❖ BFI's Lending: NPR. 5,160 billion
- ❖ CD Ratio: 77.61%
- ❖ Inter-bank Interest Rate: 2.93%

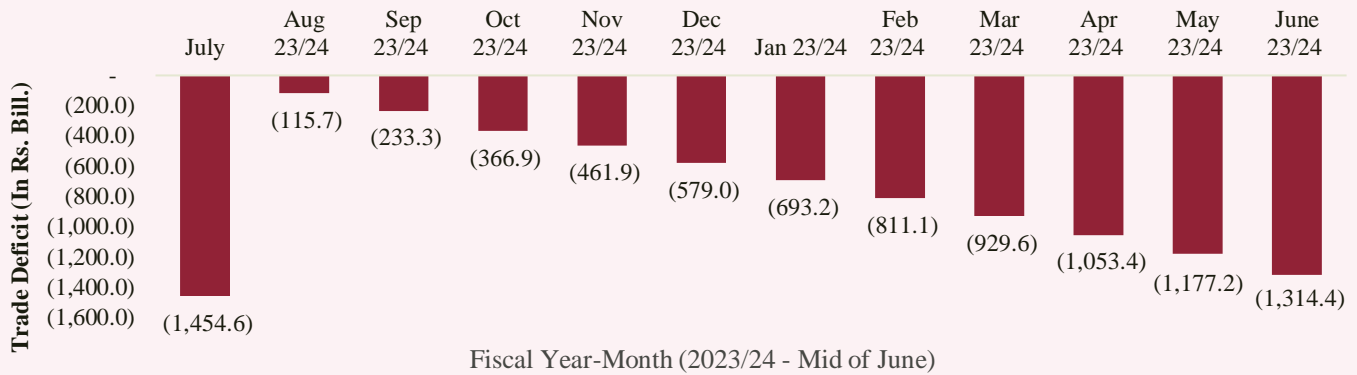
Total Import (-1.8% Y-o-Y)



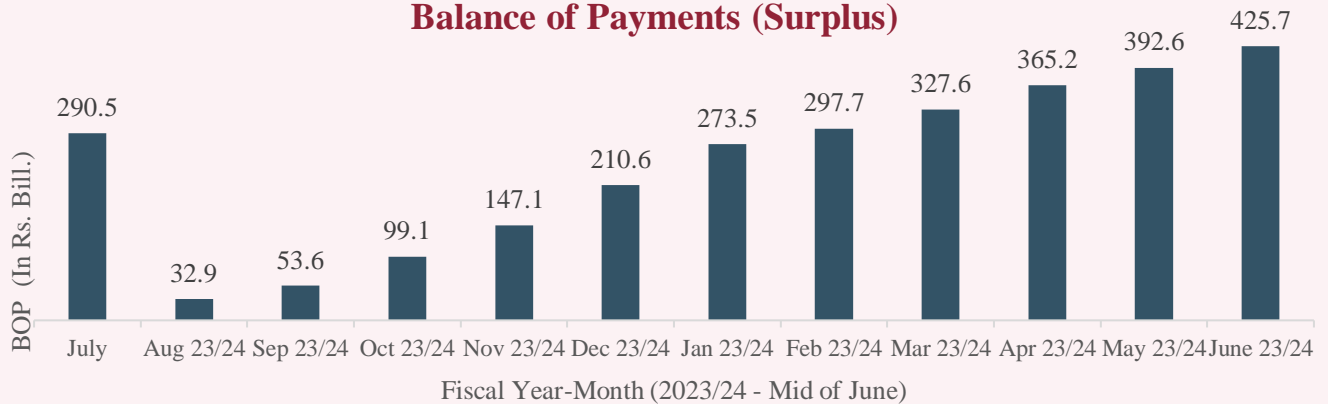
Total Export (-3.6% Y-o-Y)



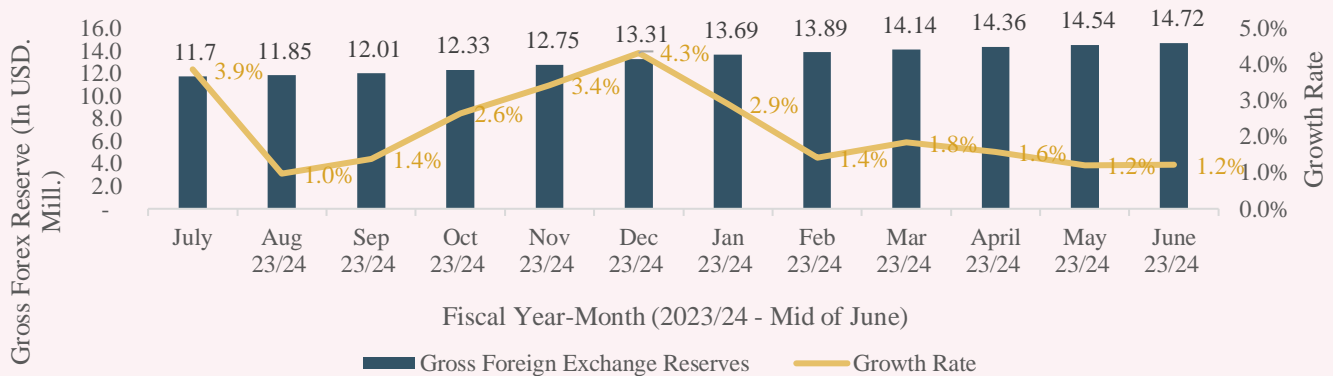
Trade Deficit

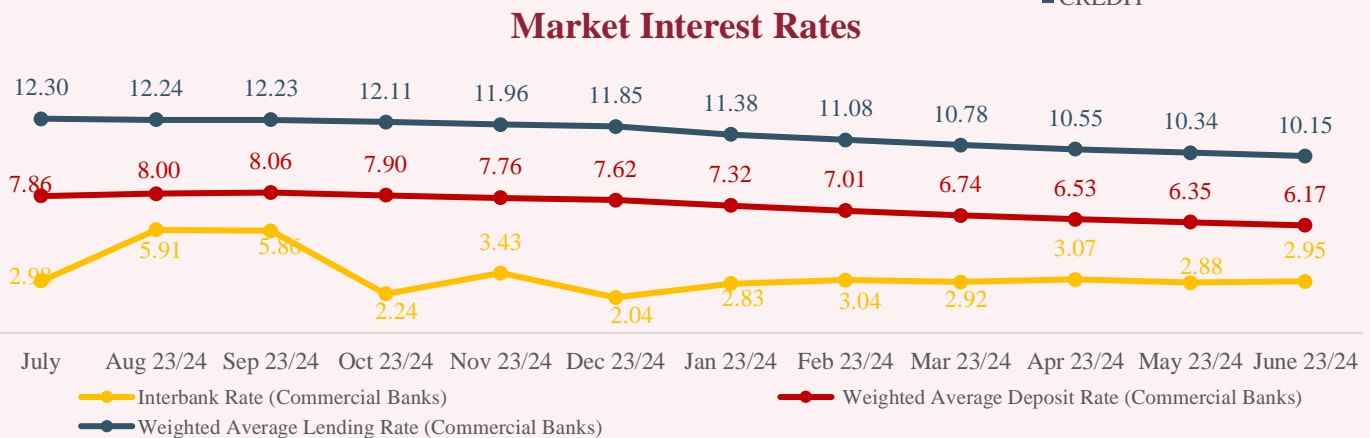
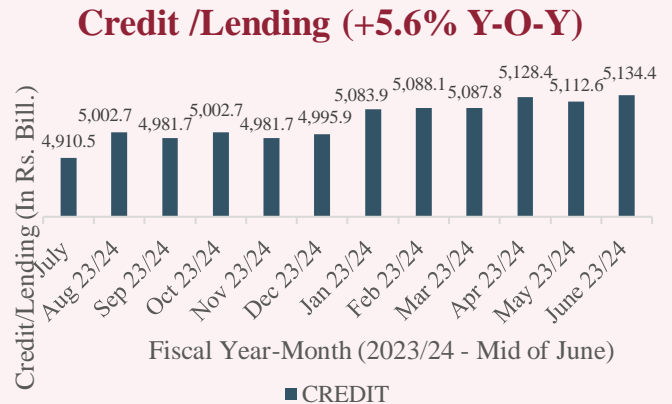
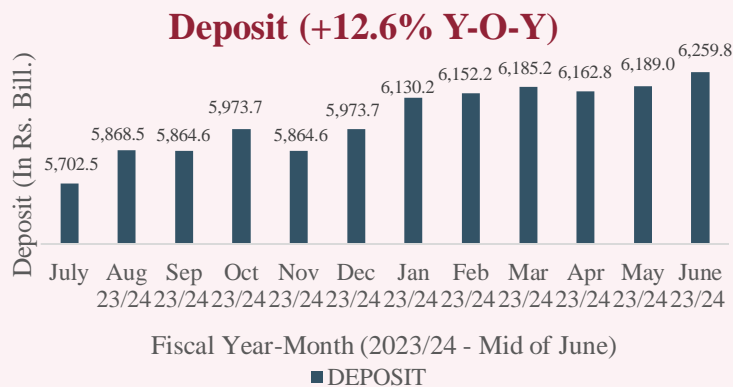
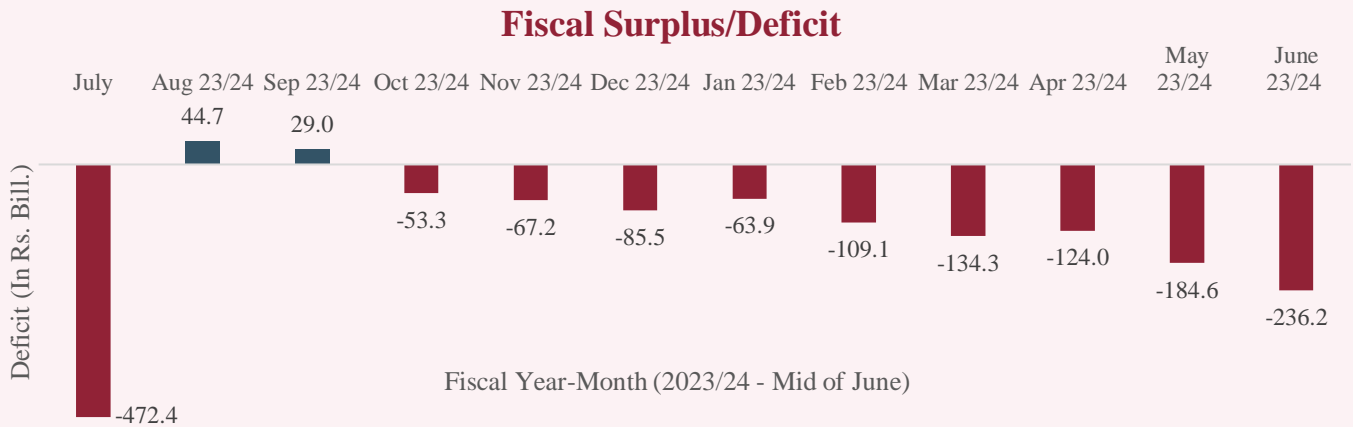
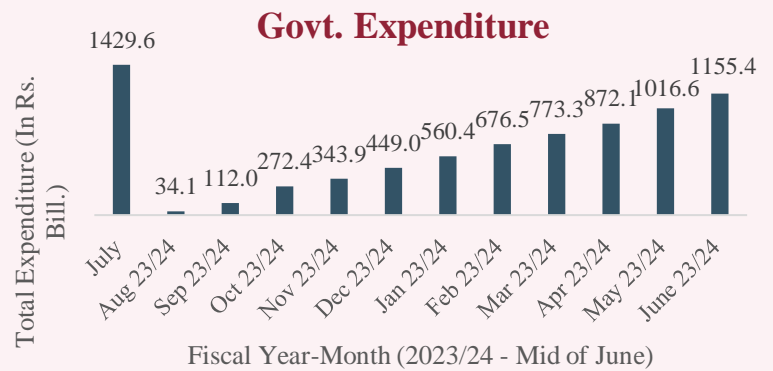
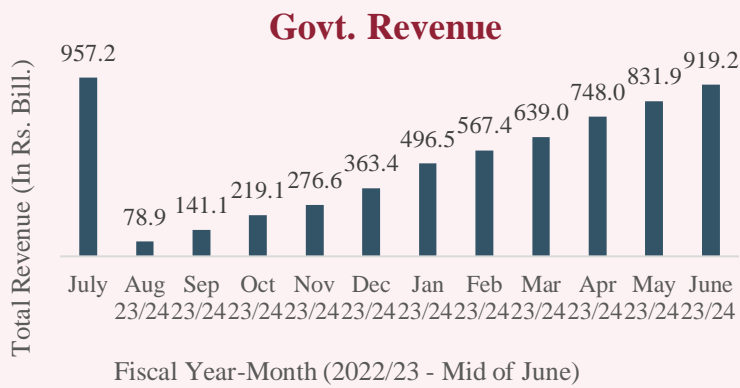


Balance of Payments (Surplus)



Gross Forex Reserve (+30.24%)





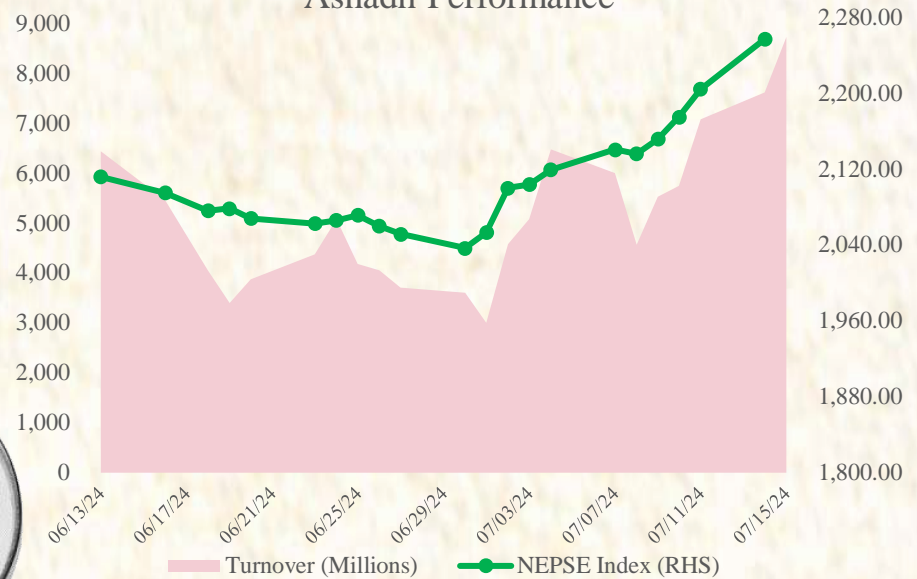
Short-term Interest Rates (As on 14th July 2024):

- ❖ 28 days: 2.91%
- ❖ 91 days: 2.93%
- ❖ 364 days: 3.18%

Market Update: NEPSE SCANNER



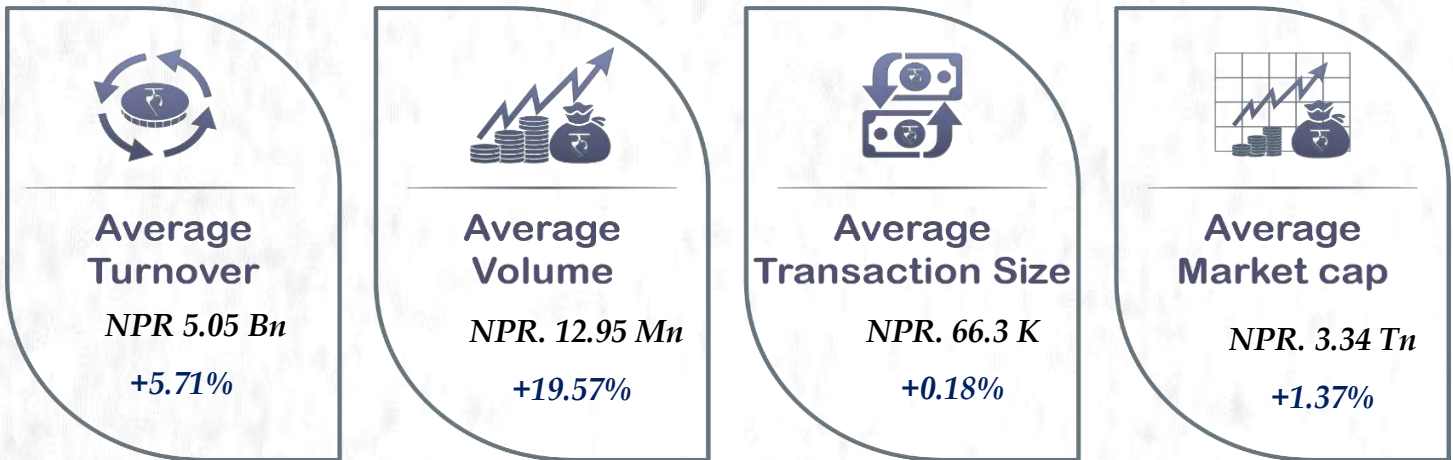
Ashadh Performance



Metrics	13.6.24	13.5.24	Monthly Change
NEPSE	2,240.41	2,112.29	6.07%
Sensitive	397.18	374.18	6.15%
Float	152.61	143.33	6.47%
Sensitive Float	131.34	122.80	6.95%
Turnover (Million)	8,731,436,037.15	6,443,029,208.11	35.52%
Shares Volumes	25,079,079	14,294,712	75.44%
Total Transactions	102,372	77,400.00	32.26%
Total Scrips Traded	322	313.00	2.88%
Market Cap (Rs. Million)	3,553,677.24	3,349,475.46	6.10%
Sensitive Mrkt. Cap (Rs. Mn)	1,214,029.86	1,143,732.61	6.146%
Float Market Cap (Rs. Mn)	1,215,431.42	1,137,825.43	6.82%
Sens. Float Mrkt. Cap (Rs.Mn)	429,716.76	397,972.81	7.98%
Average Return	14.35%	13.33%	1.03%
Std. Deviation	23.22%	23.37%	-0.15%
10 Day 10% VAR	-6.07%	-6.13%	0.05%
Market Cap / GDP Ratio	66.04%	62.24%	3.79%

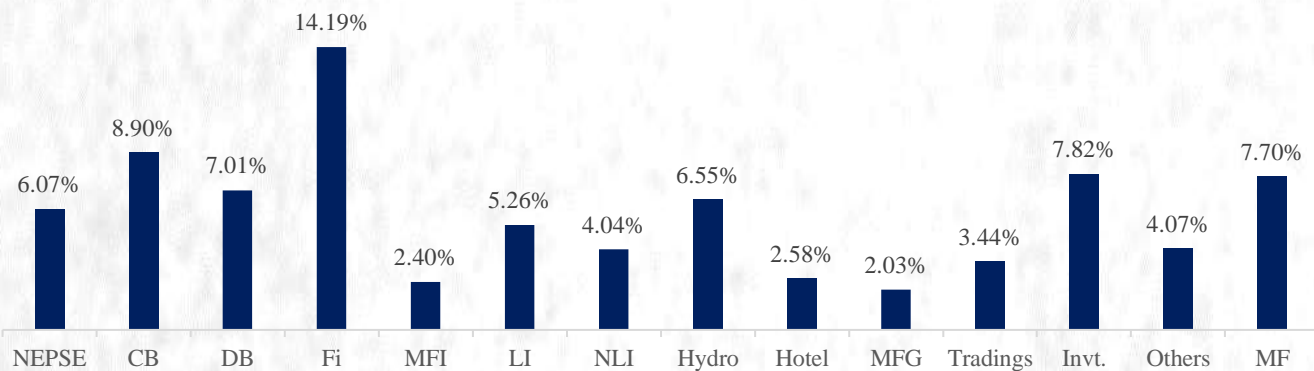
- NEPSE rose to 2,240.41 level from 2,112.29 (previous month end), gaining 128.12 points (+6.07%); high and low index remained 2290.95 and 2030.38 resp. in the review month.
- Sensitive, float and sensitive float index surged by 6.15%, 6.47% and 6.95% respectively.
- By the Month end, the turnover witnessed the rise of 35.52% and volume by 75.44%. The transactions rose by 32.26% as compared to the previous month end.
- Monthly average of these metrics computes to Rs. 5.05 billion (5.71%), Rs. 12.95 million (19.57%), and Rs.66.3 thousand (0.18%) respectively.
- Market cap increased by 1.37% to Rs. 3.349 trillion, out of which approx. 34% are only floated. Sensitive market cap which covers A class stocks saw a 0.58% incline, Sensitive float market cap rose by 1.61% and the size of Float market cap rose 1.58%.

- Avg. market return increased to 14.35% from 13.33%, Standard Deviation slightly dropped to 23.22% and 10-day 10% VAR stood at 6.07%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 66.04%.
- In the review period, market traded for 22 days. Last month, number of trading days was 21.

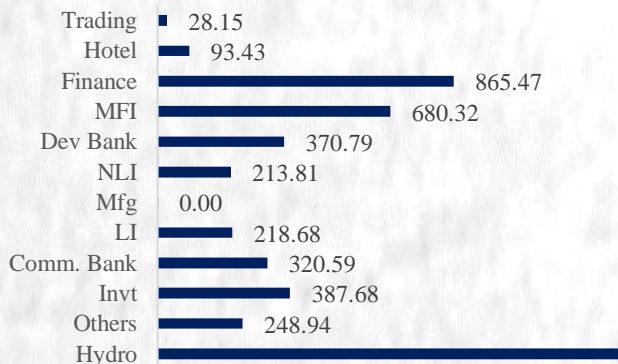


SECTOR SCANNER

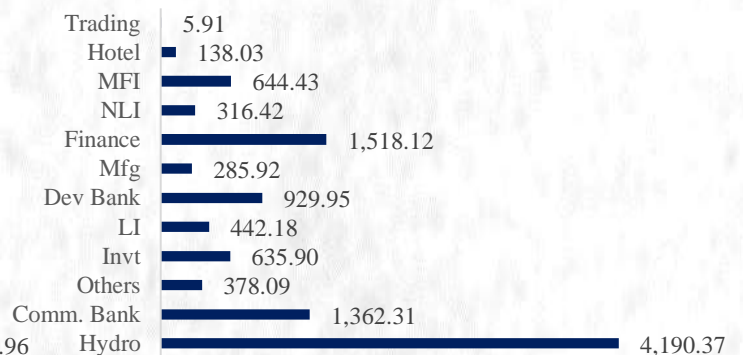
Monthly Sectoral Performance



Ashadh Avg. Turnover (Millions)

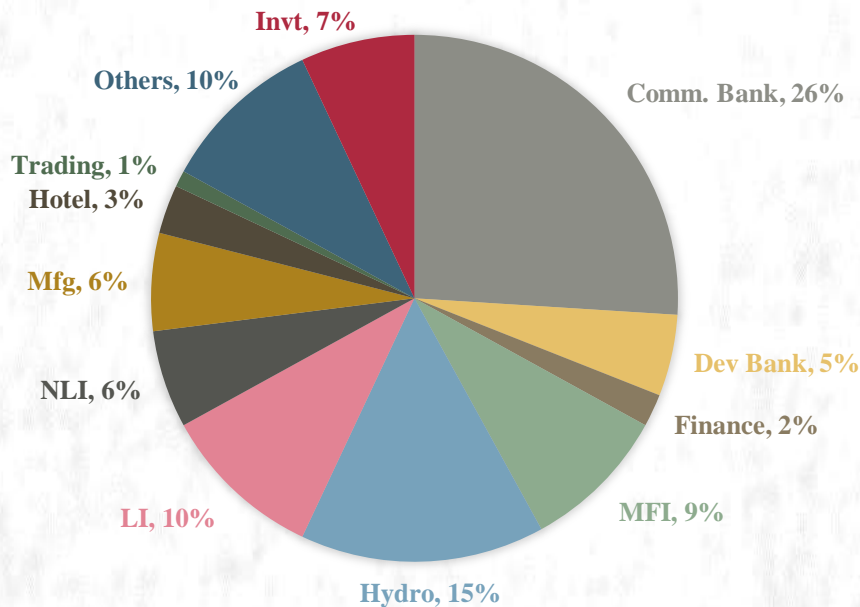


Ashadh Avg. Volume ('000)



- All the sectors saw a surge in this month. Finance, Commercial Banks and Investment sectors saw a highest surge of 14.19%, 8.90% and 7.82% respectively followed by Microfinance (7.70%) and Development Banks (7.01%) in the review period. Sectors that witnessed lowest rise are Manufacturing & Processing (2.03%), Microfinance (2.40%) and Hotels (2.58%).
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 27.03% and 33.48% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 33.53%. Both Finance and MicroFinance sector made the notable Turnover of average 17.93% and 13.88% respectively while their average Transaction size was 13.39% and 10.86% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Ashadh i.e. Monday 31st Ashadh, 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.17.73 billion.*

SECTORAL MARKET CAPITALIZATION

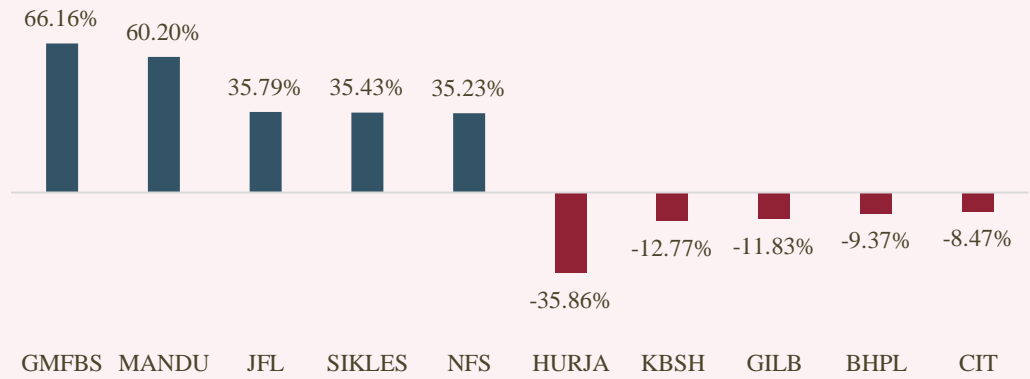


Monthly Terminology: Mark-to-Market Accounting-

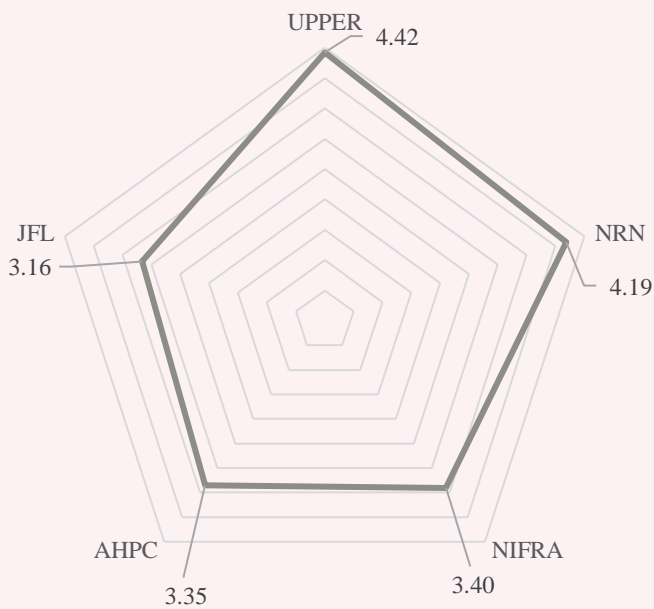
*“A **Mark-to-Market Accounting** a system of valuing assets and liabilities at their current market prices, rather than their original cost or book value. This means that the value of assets and liabilities is updated regularly to reflect changes in market conditions, such as fluctuations in interest rates, stock prices, and foreign exchange rates. Under this method, assets are recorded at their fair market value, and any gains or losses resulting from changes in their value are reflected in the financial statements.*”

STOCK SCANNER

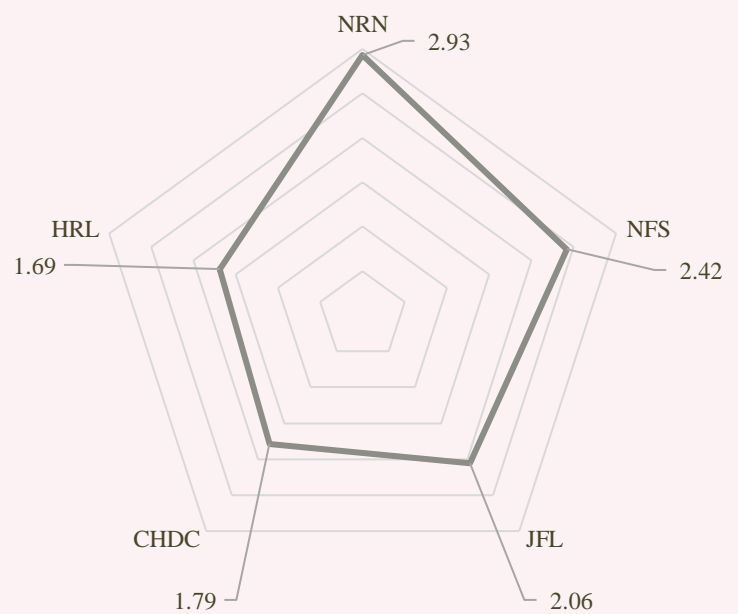
Top 5 Gaining and Losing Stocks/Scripts



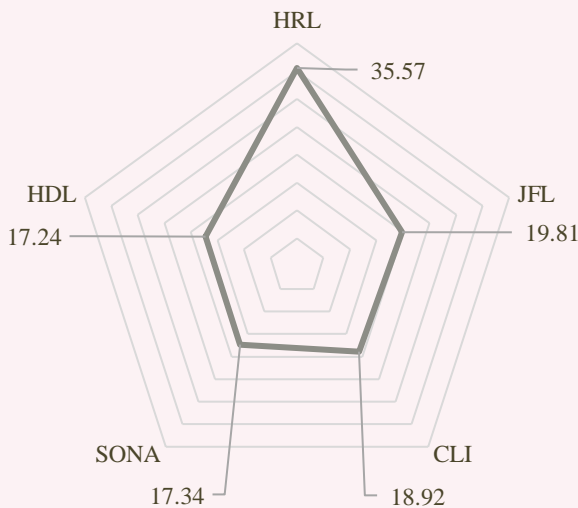
Stocks with Highest Volume (Millions)



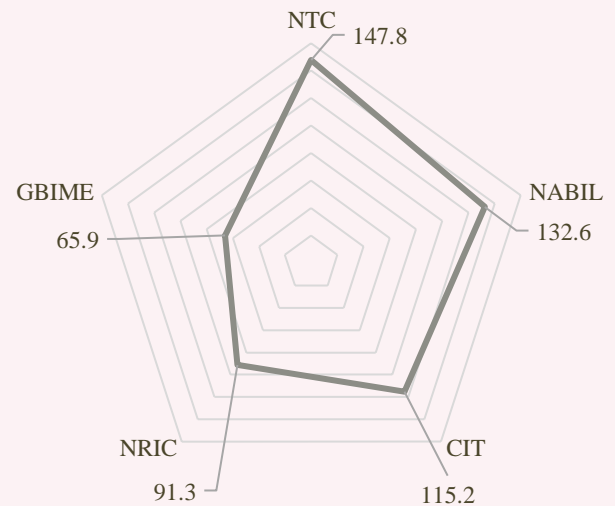
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (15 th July)	Value
RSI	75.31
MACD line	39.80
Signal line	23.34
Bollinger Upper Band	2238.88
Bollinger Middle Band	2112.94
Bollinger Lower Band	1987.00
ADX	38.53
Exp. Moving Avg. (9 Days)	2179.99
Exp. Moving Avg. (26 Days)	2124.17
Exp. Moving Avg. (50 Days)	2093.72
Exp. Moving Avg. (200 Days)	2043.83

Technical Overview:

For a year, 2200 index had been playing as key psychological resistance level for the investors. Breakout in 2200 index was contemplated to be the key point for triggering the bullish journey. Coming to the month end and end of FY 2080/81, market is able to close above the 2200 zone which most likely has increased the confident level of the investors.

However, the month end candle show the selling pressure. The profit booking of institutional investors made the market to form bearish candle at the end of the day. Weekly candle still shows the bullish indication in the market. The current 2200 index is totally different and bullish in compare to the past 2200 index. We might see the breakout in 2200 zone in upcoming month with good volume. The immediate resistance would be 2350 zone before the dip correction.

There is upward facing in all the bands of the Bollinger Band which indicates for the bullish momentum in the market. In similar vein, volume has been increase significantly in compare to recent months. It shows the investors confident level in the market. Likewise, Daily RSI is trading at 81 zone. Still the bullish crossover is valid as per MACD indicator.

Key Bulletins of the Month

- 1) Former Prime Minister Pushpa Kamal Dahal failed to secure a vote of confidence, receiving only 63 votes in favor and 194 against. President Ram Chandra Paudel has officially appointed CPN-UML Chairman KP Sharma Oli as the new Prime Minister of Nepal, forming a government under the coalition of Nepali Congress and CPN-UML.
- 2) Finance Minister Bishnu Paudel has approved the working procedure related to Alternative Finance
- 3) In the 11 months of F.Y. 2080/81, Nepal's government has spent only 48.13% (Rs 175 billion) of its Rs 302.07 billion capital expenditure budget. Nepal Government has spent nearly Rs. 175 billion only in the first 25 days of the month of Ashadh, with the total expenditure reaching Rs. 1.356 trillion.
- 4) The Bangladesh Power Development Board (BPDB) has accepted NEA's bid to supply 40 MW of electricity from Trishuli and Chilime hydropower projects during the monsoon at 6.40 US cents per unit under a five-year tripartite agreement with Bangladesh, India, and Nepal.
- 5) Nepal received Rs 250 billion in investment commitments for 383 newly registered industries in 11 months of FY 2023/24, including Rs 32.20 billion from 59 industries registered between mid-May and mid-June. 2080/81.
- 6) The government's reserve fund is at a negative Rs. 204 billion as of mid-June 2024, an increase of Rs. 23.70 billion from last year, due to a revenue shortfall against rising government spending, as reported by FCGO.
- 7) Non-Life insurance companies in Nepal collected premiums totaling Rs. 36.56 billion in the 11 months of the F.Y. 2080/81, with Shikhar Insurance leading with over Rs. 4.89 billion in premium income, and a total of 2,713,071 active policies issued.
- 8) Despite recent mergers increasing the capital and financial size of insurance companies, there has been no significant business improvement, with a modest 5.96% rise in total insurance premium income to Rs. 170.32 billion and a decline in the insured population from 44.20% to 43.95%.
- 9) Government mandates use of National ID for all the real estate transactions, effective from January 2025.
- 10) Life Insurance policies worth Rs. 11.91 billion were surrendered in the 11 months of the F.Y. 2080/81.
- 11) NRB's report for the first eleven months of FY 2080/81 shows commercial banks' collective net profit at Rs. 56.45 Arba, with Nabil Bank leading at Rs. 6.33 Arba, while Nepal Bank posted the lowest profit at Rs. 1.07 Arba.
- 12) PM Modi's government plans over 500 billion rupees (\$6 billion) in consumption-boosting measures in India's next budget, including tax cuts for lower income brackets, marking the first such cuts in seven years.
- 13) Former US President Donald Trump was shot in the ear during a campaign rally on Saturday, an incident likely to reshape the U.S. presidential race and raise security concerns for the Republican candidate.
- 14) Nvidia has become the world's most valuable company, surpassing Microsoft, with its stock closing at nearly \$136 and a market valuation of \$3.34 trillion, driven by strong demand for its AI chips.

Important Disclaimer:

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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.

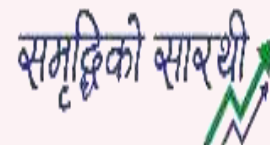
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नेपाल धितोपत्र बोर्डबाट मर्चेन्ट बैङ्कको रुपमा कार्य गर्न अनुमतिपत्र प्राप्त संस्था



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