



THE ANALYTICS

GARIMA MONTHLY INSIGHT

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Headwinds and Tailwinds
of Market Ahead



NEPSE SCANNER



MACROECONOMIC
FACTORS



MARKET SCANNER

Market Update:

Headwinds and Tailwinds Of Market Ahead



SYNOPSIS:

In the tumultuous month of Chaitra, Npse witnessed a 4% decline, marking a somber journey characterized by a continuous bearish trend spanning 21 days. This downturn followed a robust 8% uptick in the preceding month, prompting profit-booking pressure. Additionally, quarter-end settlements exerted further downward pressure on the market. Despite limited volatility, a glimmer of hope emerged as the market found support at the critical psychological level of 2000 index points. This level is now perceived as a new baseline, which build confidence among investors.

Meanwhile, the sluggish pace of loan growth persists, with a mere 4% expansion observed in the current fiscal year. Financial institutions have been steadily lowering interest rates on fixed deposits, with commercial banks offering an average rate of 7.07% for the month of Baishak. Despite the government pullback local deposit count, the average F.D rate has experienced a change of -2.52% compared to the previous month. During the Chaitra month, only small-cap stocks experienced bullish momentum, while fundamentally valued stocks have remained relatively stable, presenting an opportunity to gather undervalued stocks at their current prices.

Historically, bull markets have starts with improvements in the current account deficit. The last bull market starts when current account starts improving in April 2020 and lasted until December 2020. However, the market declined when the deficit resurfaced in August 2021, worsened until August 2022. At the present juncture, we have the zeroed in on current account deficit problem and we have sort of arrived on the similar situation for bull run. Macroeconomic indicators are showing signs of strength, with inflation dipping below 5%. Although interest rates are nearing inflation levels, lending growth remains sluggish. We anticipate that policy-level changes could trigger a sharp rally, potentially surpassing the 2200 index resistance.

Tailwinds:

1. The interest rate on fixed deposits (FD) is currently declining and is projected to continue on this downward trend. Consequently, this will lead to lower lending rates for both prospective and existing loan applicants where it would be ease for new entrepreneurs to get into market through financial lending.
2. NRB published promising eight months data with inflation at 4.82 percent, the gross foreign exchange reserves at USD 14.14 billion. Likewise, the total imports decreased by 2.7 percent, exports decreased by 4 percent and the trade deficit decreased by 2.5 percent.
3. Despite the lagging in lending growth, we can observe 12.15% increment on share loan till end of eight months. It shows the interest of investors on current market to inject further new cash.

4. With a significant rise in tourist arrivals compared to pre-COVID levels, the hotel sector is will report strong financial performance in Q3 and subsequent quarters.
5. Hydropower companies, that are highly levered, are also likely to enjoy the benefit of decline in interest cost and post good financials in the subsequent quarters.
6. With shortening days for Investment summit 2024, government has given commitment on acceleration to change dozens of laws to attract the foreign investors as well as local.
7. The prices of commercial bank stocks are nearing their net worth, with some even trading below it. According to the Graham theory, the optimal time for investment is when the stock price is less than 1.5 times the net worth and the PE ratio is below 15 times.

Headwinds:

1. Owing to the excess liquidity in the system, the government has discontinued to count local deposit. It has weep out around 90 billion funds from the total deposit. Further, debenture count on deposit to be end by this fiscal year.
2. The threat of NPLs has not disappeared. BFIs will struggle to recover despite the restructuring provision, and the level of non-performing loans (NPLs) is predicted to stay high until the end of the current fiscal year.
3. Political appointment and sluggish development on appointment of Sebon's chairman has deaccelerate the capital market development. Capital formation through IPO for the public companies has been halted, which further fuel on economic downturn.
4. Bureaucratic hassles have been creating hindrances for foreign investors. In the absence of basic service and ecosystem, it will be difficult for the investors to come and invest in Nepal.
5. World Bank has projected the economic growth rate of 3.3% in this fiscal year. Nepal's economy is projected to grow at a snail's pace amid eroding private sector confidence, following political uncertainty, corruption scams and market anomalies.
6. Except tourism, all indicators of the country's economy are dismal. Government needs to focus on policies that helps to increase internal demand on goods and services.

Concluding Remark:

Apparently, most of the BFI's have decreased the interest rate on FD for the 7th 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. 961 Arba in the first eight months. With the new government formation, there are reasons to be optimistic with the supportive policy changes by NRB and other concern regulatory. Likewise, with the growing number of tourists will directly contribute national economy to increase the demand factor. To conclude, the market might witness breakout of 2200 in few months.

WHERE DO THE FACTORS STAND?



Inflation Rate (CPI): 4.82%



Monthly Remittance inflow: 21.01%



Liquidity Indicators (As on 3rd April 2024):

- ❖ BFI's Deposits: NPR. 6,106 billion
- ❖ BFI's Lending: NPR. 5,088 billion
- ❖ CD Ratio: 80.88%
- ❖ Inter-bank Interest Rate: 4.49%

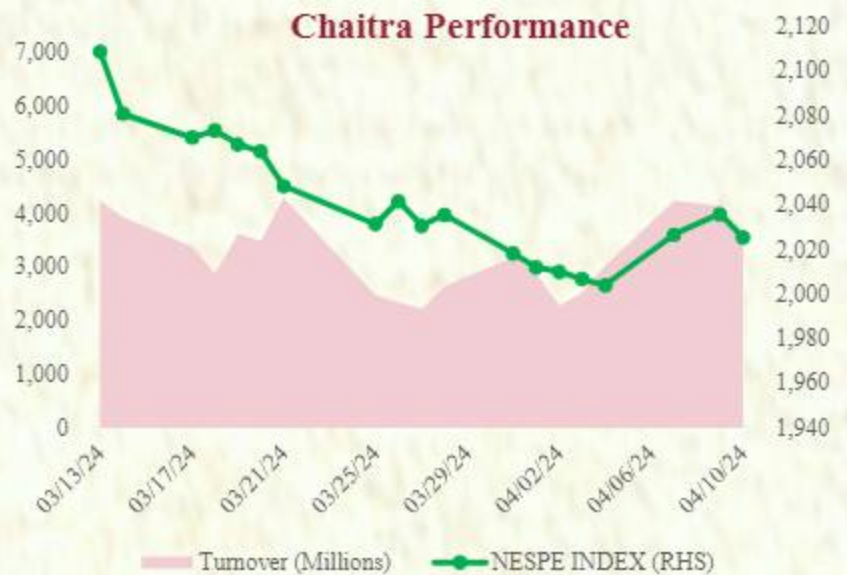




Short-term Interest Rates (As on 9th April 2024):

- ❖ 28 days: 2.98%
- ❖ 91 days: 3.12%
- ❖ 364 days: 3.27%

Market Update: NEPSE SCANNER



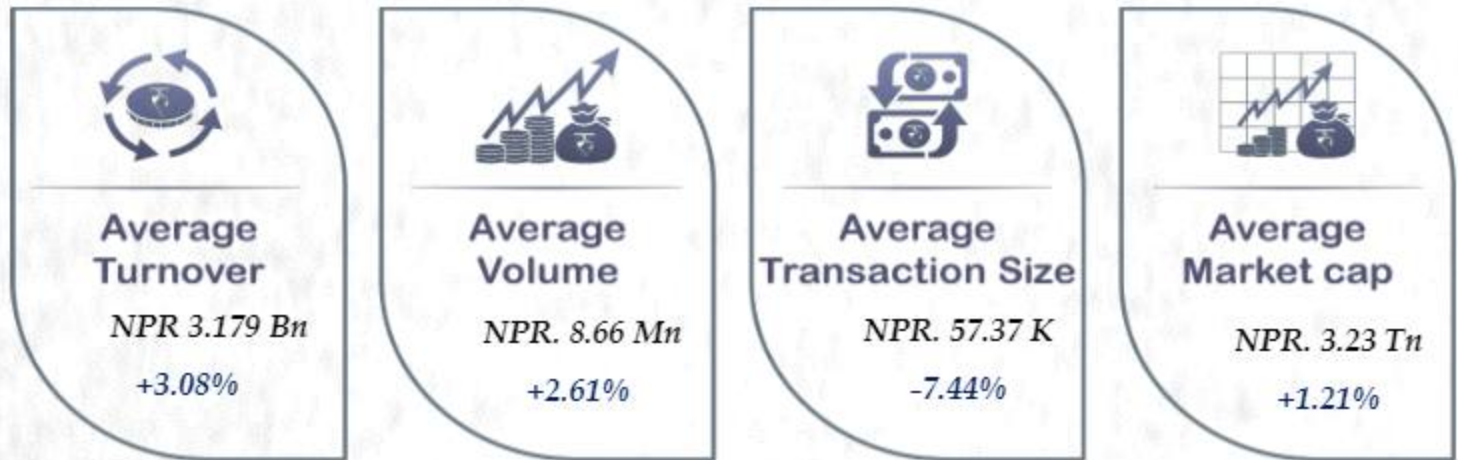
- NEPSE fell to 2,025.70 level from 2,108.72 (previous month end), losing 83 points (-3.94%); high and low index remained 2,110.55 and 1999.85 resp. in the review month.
- Sensitive, float and sensitive float index dropped by 4.39%, 4.44% and 4.86% respectively.
- By the Month end, the turnover and volumes all witnessed the fall of 17.96% and 20.14% respectively. The transactions fell by 16.44% as compared to the previous month end.

Metrics	13.3.24	12.2.24	Monthly Change
NEPSE	2,025.70	2,108.72	-3.94%
Sensitive	358.19	374.65	-4.39%
Float	137.02	143.38	-4.44%
Sensitive Float	117.07	123.05	-4.86%
Turnover (Million)	3,485.66	4,248.52	-17.96%
Shares Volumes	8,696,918	10,889,634.00	-20.14%
Total Transactions	61,420	73,506.00	-16.44%
Total Scrips Traded	308	310.00	-0.65%
Market Cap (Rs. Million)	3,212,008.09	3,314,629.68	-3.10%
Sensitive Mrkt. Cap (Rs. Mn)	1,094,697.43	1,144,995.18	-4.39%
Float Market Cap (Rs. Mn)	1,083,398.79	1,128,277.08	-3.98%
Sens. Float Mrkt. Cap (Rs. Mn)	374,644.01	393,620.28	-4.82%
Average Return	12.90%	14.11%	-1.21%
Std. Deviation	23.72%	23.91%	-0.19%
10 Day 10% VAR	-6.23%	-6.26%	0.03%
Market Cap / GDP Ratio	59.69%	61.60%	-1.91%

Monthly average of these metrics computes to Rs. 3.18 billion (3.08%), Rs. 8.66 million (2.61%), and Rs. 57.37 thousand (-7.44%) respectively.

- Market cap increased by 1.07% to Rs. 3.226 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a dismal 0.23% decline, Sensitive float market cap fell by 0.09% and the size of Float market cap fell 0.32%.

- Avg. market return decreased to 12.90% from 14.11%, Standard Deviation slightly dropped to 23.72% and 10-day 10% VAR stood at 6.23%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 59.69%.
- In the review period, market traded for 18 days. Last month, number of trading days was 20.

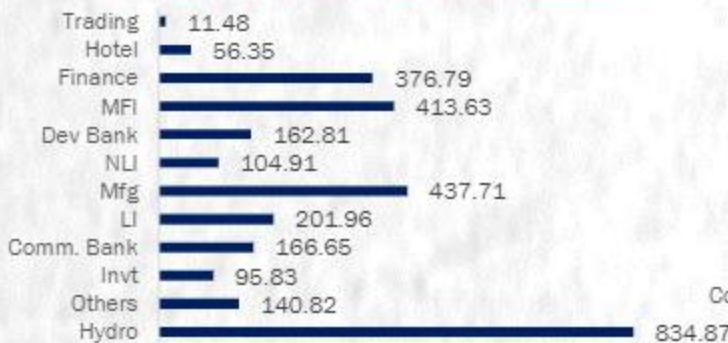


SECTOR SCANNER

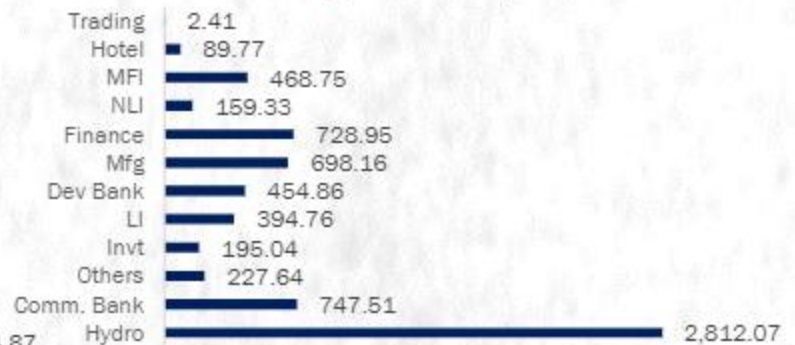
Monthly Sectoral Performance



Chaitra Avg. Turnover (Millions)

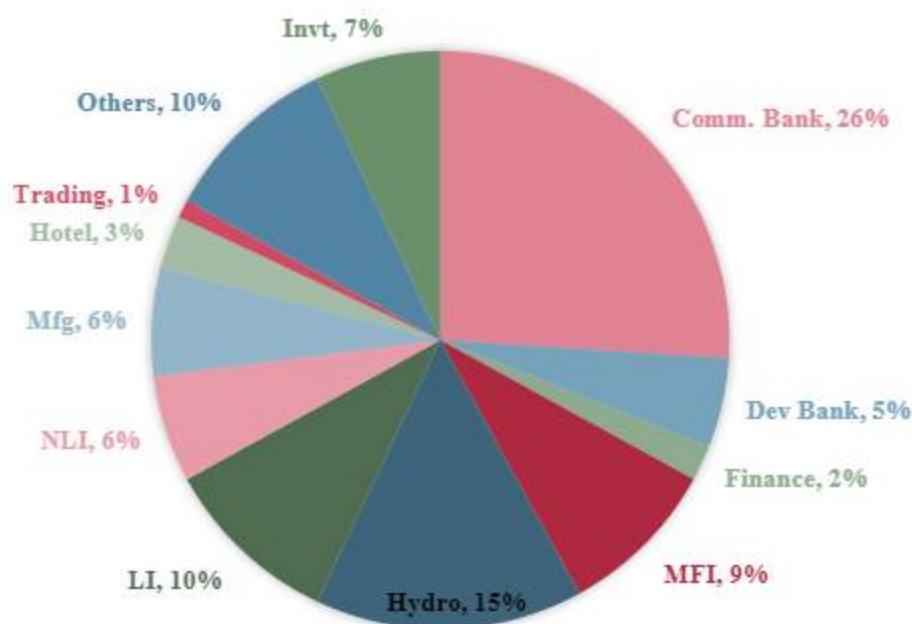


Chaitra Avg. Volume ('000)



- Only Finance and Microfinance sectors saw a surge of 4.35% and 1.52% respectively in the review period. Sectors that witnessed highest decline are Commercial Bank (-6.21%), Life Insurance (-5.51%), Investment (-4.50%), Non-Life Insurance (-4.49%) and Hotel (-4.43%). Development Banking and Hydropower sectors also had a loss of 2.84% and 3.23% respectively.
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 28.71% and 35.15% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 41.68%. Both Commercial Banking and Mfg & Processing sector made the notable Turnover of average 10.85% and 10.64% respectively while their average Transaction size was 7.35% and 12.43% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Chaitra i.e. Wednesday 28th Chaitra, 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.16.24 billion.

Sectoral Market Capitalization



Monthly Terminology: YieldCo

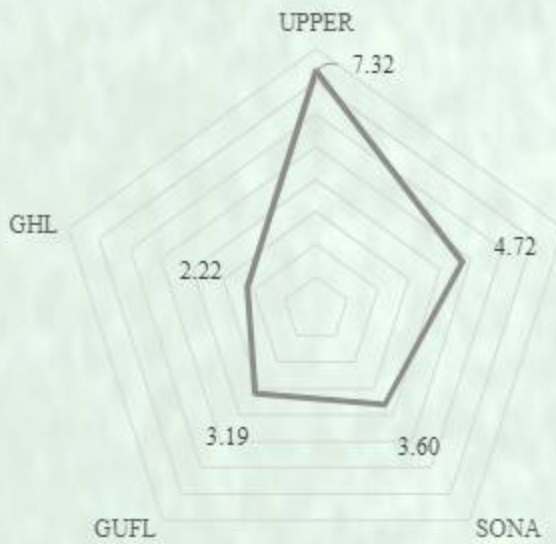
*“A **Yield Co.** aka. a yield company, is a publicly traded company formed to own and operate assets that produces a predictable cash flow, primarily from long-term contracts, such as power purchase agreement (PPA). These assets typically includes renewable energy projects such as solar farms, wind farms, other infrastructure assets.*”

STOCK SCANNER

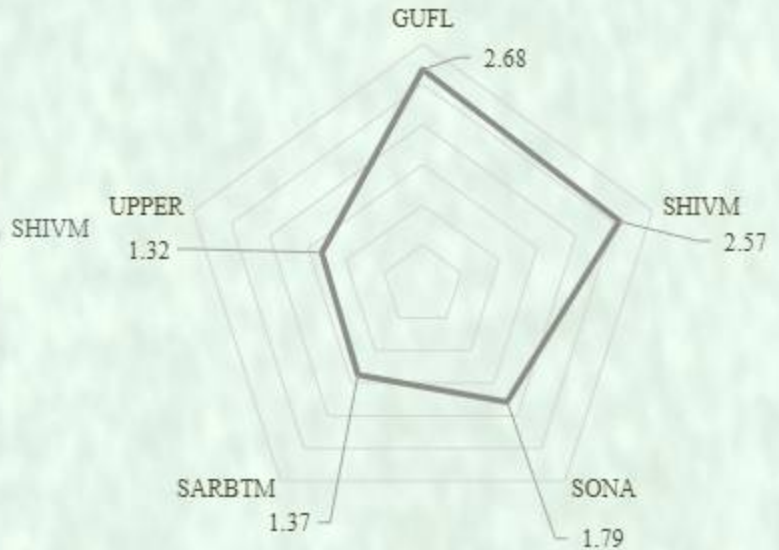
Top 5 Gaining and Losing Stocks/Scripts



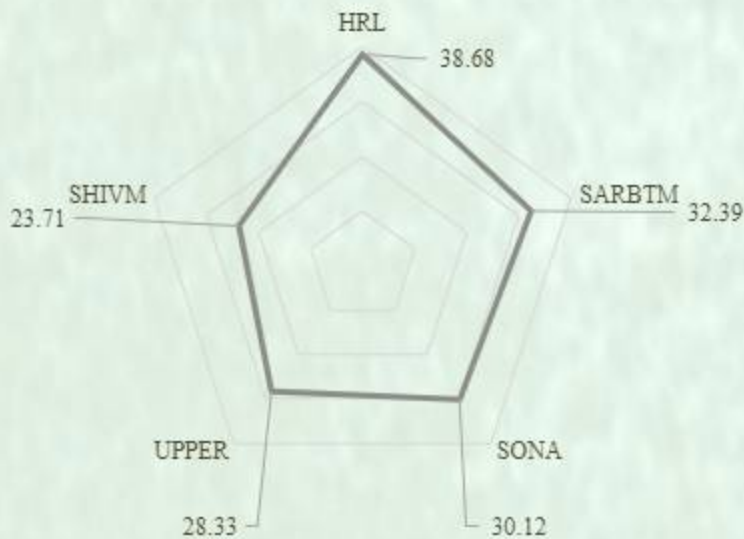
Stocks with Highest Volume (Millions)



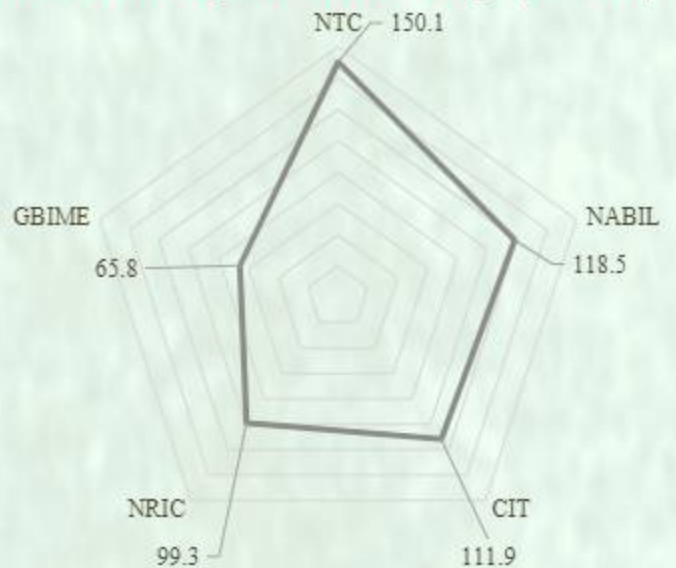
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (10 th April)	Value
RSI	47.23
MACD line	-7.70
Signal line	-6.71
Bollinger Upper Band	2107.59
Bollinger Middle Band	2045.19
Bollinger Lower Band	1982.78
ADX	12.70
Exp. Moving Avg. (9 Days)	2024.99
Exp. Moving Avg. (26 Days)	2034.79
Exp. Moving Avg. (50 Days)	2038.05
Exp. Moving Avg. (200 Days)	2021.51

Technical Overview:

The Nifty 50 chart reveals a prolonged decline, spanning over two and a half years since the market's peak at 3200 zone. The market has been trading within the 1800 to 2200 range for past two years now, which indeed makes market stronger and stabilize. This period of accumulation is must essential ride to prevent unsustainable bullish rallies. Despite multiple attempts, the market has not able to break the resistance of 2200 zone (for the sixth consecutive time), indicating significant barrier to upward movement. Conversely, the 2000 index level has emerged as a robust psychological support zone, mitigating the likelihood of downward breaches.

Currently, on a weekly chart, market is taking trendline support and has closed with bullish candle. If market manage to remain stable above the trendline, there is likely chance for higher high formation in upcoming month by breaking the resistance of 2080. Further, breakout in 2080 will generate positive tone in the market. Similarly, from Bollinger band perspective, market is hovering around middle band. If market stabilize above middle band i.e., 2035 then market will catch for upward momentum. 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 50.33 which signal for neutral zone. No any divergency is seen in the market.

Key Bulletins of the Month

- 1) Two-third Commercial banks decreased the FD rates for the month of Baisakh 2081; interest rates on Institutional FD and Individual FD dropped to as low as 5.81% and 7.07% respectively.
- 2) The World Bank has forecasted Nepal's inflation rate to remain below 6.7% and economic growth at 3.3% for the F.Y.8 2080/81 which is below the government's 6% target.
- 3) The Investments Board Nepal (IBN) has approved investment commitments of Rs. 99.20 billion for four energy projects and Rs. 6.63 billion for the Huaxin Cement Narayani Project.
- 4) Nepal renewed an agreement to import 554 MW of electricity from India for three months.
- 5) The appointment process of SEBON chairman is prolonged after Finance Minister Barshaman Pun dismissed the shortlisted five candidates, citing the political ties.
- 6) In the initial eight months of the F.Y. 2080/81, the Inland Revenue Department (IRD) collected Rs 310.94 billion in revenue, falling short of the targeted amount by approximately Rs 72 billion.
- 7) Nepal's high value export rose by 4.85% in the eight months of the F.Y. 2080/81 after a surge in exports of iron and steel products, ginger, readymade garments and medicinal herbs.
- 8) The Ministry of Finance has proposed an amendment in the Banks and Financial Act (BAFIA) to distinguish between businessmen and bankers; individuals with loans surpassing 1% of a bank's paid-up capital are not eligible to become directors of the concerned bank.
- 9) Nepal's public debt has risen to Rs 2.388 trillion as of mid-March in F.Y. 2023/24, with an additional loan of Rs 218.86 billion acquired over the last eight months.
- 10) NRB's new policy enables Nepali traders to receive QR Code payments from foreign Indian partners and facilitates Nepali workers in India to send remittances home, with INR 15,000 per day and INR 100,000 per month limits for Indian workers
- 11) During the first eight months of F.Y. 2080/81, non-life insurance companies have collected Rs. 26.16 billion in premiums from 1,916,666 active policies, with Shikhar Insurance (SICL) leading at Rs. 3.71 billion from 208,245 policies and Life Insurance Companies have collected over Rs. 98.5 billion in insurance fees.
- 12) Gold prices continued making new high; fine gold and tejabi gold rose to Rs.139,000 per tola and Rs.138,350 per tola respectively.

Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash (%)
1. SuryaJyoti Life Insurance Company Limited	SJLIC	2079/80	10.26	24.74
2. Sarbottam Cement Limited	SARBTM	2079/80	-	15.00
3. Mailung Khola Jal Vidhyut Company Limited	MKJC	2079/80	2.2211	0.1169

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हार्दिक मंगलमय शुभकामना

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गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED

(A Subsidiary of GARIMA BIKAS BANK LIMITED)

समृद्धिको साथै

Contact Detail

Kamalpokhari, Kathmandu - 01

(Opposite to City Center)

Kathmandu, Nepal

01-4529149, 01-4529150

info@garimacapital.com