



THE ANALYTICS

GARIMA MONTHLY INSIGHT

SHRAWAN 2081
(16 JULY 2024 - 15 AUGUST 2024)
VOL: 3, ISSUE: 1



Macroeconomic
Factors



Market Ahead



NEPSE Scanner



Market Scanner

Market Update:

The review month perhaps gave the market participants the cheeriest moments, they have been waiting for years. Not only market gained the astounding 46%, rising from its 1st July index of 2,053 to 3000 level, but it set some new benchmarks, not encountered in the previous bull. The daily turnover almost hit Rs.30 billion near the review month end. The turnover were approx. Rs. 7-8 billions in previous bull. Of course, there is multiple folds increment in the market participants in the two cycle. Fundamentals that basically support this exponential increments rest mainly with the appointment of Finance Minister Mr. Bishnu Prasad Paudel. The excitement and confidence in the market participants can be observed vividly. The market determinant factors like liquidity situation, interest rates were already favorable to the market. The provision in Monetary Policy like removal of margin lending ceiling for institutional investors also gave good oxygen to the market. Companies have published the 4th Quarter reports, many producing the favorable performances, which fueled the market even higher. Nevertheless, the political stability that market participants are hoping with the present coalition of Congress and CPN-UML can be counted the major catalyst for soaring market confidence.

Apart from the above fundamental, NRB has released the Twelve Months (till Ashadh 2081) CME Reports and Banking & Financial Statistics till Ashadh 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. Among the key changes brought in by the Monetary Policy 2081/82 is the removal of the margin lending ceiling of Rs. 20 crores that were applicable to the Institutional Investors. This changes can be regarded as the great fuel for the inflow of huge investment capital into the market. However, in regard to the Individual investors such single obligor limit of Rs. 15 crores is kept unchanged.
2. The Monetary Policy has also slashed the loan loss provision on good loan for BFI's from 1.20% to 1.10%, potentially boosting their profitability. Further, Non Performing Loan (NPL) can be categorized to Performing Loan after six months of close supervision.
3. Changes to the Interest Rate Corridor is also made where the Bank Rate (Upper Limit) is decreased from 7% to 6.5%, Policy Rate (Middle) is decreased from 5.50% to 5% and the Deposit Rate (Lower) is kept 3%. This move is expected to stimulate the demand side of the economy.
4. BFI's Regulatory Retail Portfolio Limit is increased from Rs. 2 crores to Rs. 2.5 crores; this can potentially lower the risk weighted exposure of the BFI's, and enhance the lending volumes.



5. BFI's are allowed to recognize the interest income accruing till Shrawan 2081 in the financial statement of 2080/81.
6. Quarter 4 reports of the listed companies are published; many reporting healthy profitability.
7. Interest rates, another key determinant of the market, has been getting low and low over the periods. Commercial banks has, on average, reduced the interest rates for the month of Bhadra; average FD rates for Individual and Institution now stands 6.49% and 5.25% respectively, lower than the previous month 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 13% while the private sector credit has increased by just 5.8%. Monetary Policy has targeted the Private Sector Credit growth of 12.5% in FY 2081/82.
8. On the external side of economy, remittance inflow increased 16.5% to Rs. 1445.32 billion in 2023/24; the inflow was approx. Rs. 117.8 billion in Ashadh alone. Given the festive season ahead, influx of remittance can be anticipated. Import, export's and trade deficits all fell 1.2%, 3%, and 1% respectively. BOP, current account balance, and gross forex reserves all increased to Rs. 502.49 billion, Rs. 221.34 billion, and \$15.27 billion respectively. Nepali workers taking first time approval for foreign employment stood 460,103 while approval for renew entry stood 262,705281,199.
9. NRB has revised the Integrated Directive 2079 in respect of Microfinance Institution; now two MFIs can lend credit to a single borrower provided the limit are not breached; Client Protection Fund to be maintained by MFI has been increased from existing 1% to 1.5% by Ashadh 2082, 2% by Ashadh 2083 and 3% by Ashadh 2084; MFI can delist the borrowers from its black lists if they believe that borrowers can repay the loan given some time.
10. The delay in appointment of the SEBON Chairman for over seven months is the key concerns for the capital market; specially at recent times where market needs effective supervision, regulations, introduction of new investment avenues, boosting sustainably the market participants confidence and morale. Finance Minister Bishnu Paudel appointed Mahesh Baral, Joint Secretary of Ministry of Finance, as the interim Chairman of SEBON.

11. Coming to 7 months of 2024, total tourists' arrival is 647,615 which is 21% higher than the records of corresponding periods of 2023. However, the seasonality effect can be seen with the lowering percentage of monthly arrival of tourists.

Coda: No matter the amount of mistakes you learnt in the previous bull and bear cycle, and the commitment you make to be the fundamental guy who just makes the rational investment decision, the bull has the power to dump all your principles. Sooner or later, you feel like missing the board where you lose your cognition. This goes with the quote: "As bull market continues, almost everything you buy goes up. It makes you feel that investing in stocks is very easy and safe and that you're a financial genius". So, as investors, its important to never enter the position without knowing at least one good factor supporting the bull in the subject stock.





Market Orders and Limit Orders: Grasping the Basics of Trade

Meanings:

Market orders are directives to execute transactions instantly at the prevailing market price, with the emphasis placed on completing the trade rather than selecting a specific price. Since the trade execution process entails some time element, the final price of the stock is confirmed only once the order is completed, potentially leading to a difference between the anticipated and actual cost. However, such orders have a high probability of being fulfilled and are particularly effective in highly liquid markets.

In a limit order, the transaction is set to occur at a specified price, with the focus on achieving the desired stock price rather than on immediate trade execution, unlike market order. The buyer or seller will wait out the price fluctuations, and the order will only be executed once the target price is reached. There's no guarantee of the trade happening, and if it isn't executed within the day, the order will be canceled. This leads to uncertainty in trade execution. Limit orders are particularly well-suited for markets with limited liquidity.

In similar manner, there is another type of order called stop-loss order. Once the stock is purchased, the investor can place a stop-loss order based on their risk preferences. Hereon, at an adverse scenario, if the stock price declines to the stop-loss level, the order will be initiated to sell the stock and minimize losses.

Risks:

Market order has no control over the market price and hence if the bid/ask spread is high, a market order could be executed at a price that is significantly different from the recently trade, potentially leading to an unfavorable trade outcomes.

In a limit order, there is a non-execution risk associated with limit order if the market price does not reach the specific price. This reliance on the specific price can result in opportunity costs, as the risk of losing potential profits increases if the market price approaches but not precisely meet the limit.

Example of Market orders and Limit Orders:

Market orders: Let say, an investor places an order to buy 100 shares of Company A. This means the investor is willing to pay whatever the current price is, ensuring the trade is executed quickly. If the shares are priced at Rs.400 each, the investor's order would be filled at a total cost of Rs.40,000. However, the investor often doesn't know the exact price at which the shares will be bought when placing the market order. For instance, the other party may have quoted the shares at Rs.380 each at the time the order was placed, as this could have been the market price while the order was being processed.

Limit orders: Suppose the current market price for Company B is Rs.250. The investor expects the stock to fluctuate between Rs.240 and Rs.260 during the trading period. To tap into this, the investor sets a limit order to buy 100 shares of company B at Rs.245 each. Since the market price is higher than the order price of Rs.245, the order won't be executed immediately. Later in the same day, when the company's share price drops to Rs.245, it triggers the limit order (given the orders are matched), and the investor successfully purchases 100 units of shares for a total of Rs.24,500. Even if the share price falls further to Rs.230, the transaction is complete since the order was filled at the specified price.

Impact on market:

Substantial market orders can drain liquidity by consuming significant amount of available cashflows that will widen the bid/ask spread making it more costly for traders to enter or exit positions. It is also important to note that market orders placed after the trading hours are stocked at opening market price of the next trading day. It can further trigger stop loss orders which contributes to market volatility.

Limit orders close to current market prices help to create narrow bid/ask spread. Significant volumes of such orders (both buy and sell) creates a resistance and support levels as stock prices will bounce off through these levels without breaking out. Limit orders absorbs price fluctuations preventing excessive volatility.

Additionally, both market orders and limit orders can influence the market sentiments. Large-scale buy orders can lead to bullish sentiment and encourage additional buying pressure. Conversely, extensive sell orders can lead to bearish sentiment. Traders' use market/limit orders to manipulate low-cap stocks temporarily. These fabricated move does not reflect the true value of the stocks.

Identification

By its characteristic, market orders get executed quickly at the current market price, therefore, if trade occurs almost instantly at the current bid/ask price and frequent price fluctuations are observed, then its probably market order. Additionally, a rapid cut-back in the size of the order book at current price level is also a signal of market order.

Limit orders at specific prices are visible on the order book as it remains there until gets executed or cancelled. Limit orders can be identified with ease by analyzing the order book as they provide price and volume data on both bid and ask sides.

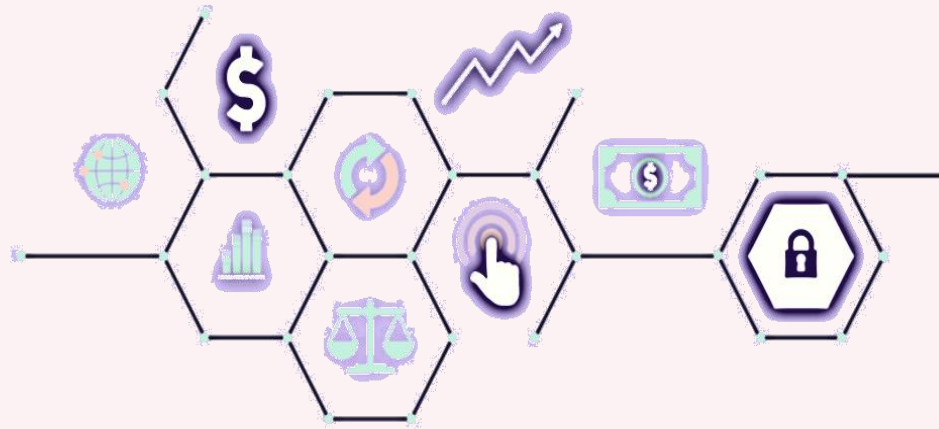
Suitability:

Market orders should generally be placed for stocks of well-established high-cap companies with low volatility that are highly liquid, i.e., stocks trading with high volume and tight bid-ask spread. Further, market orders should be placed during normal trading hours to reduce chances of price gaps or slippage that occurs during the opening and closing hours of the business. Market orders can be of high significance if used when trying to enter or exit a position quickly in a fast moving market. Moreover, for a long-term investment, placing a market order to acquire stocks at the current market price is usually the best approach. Over long periods, the specific price at which you buy the security becomes less important due to the effects of compounding growth.

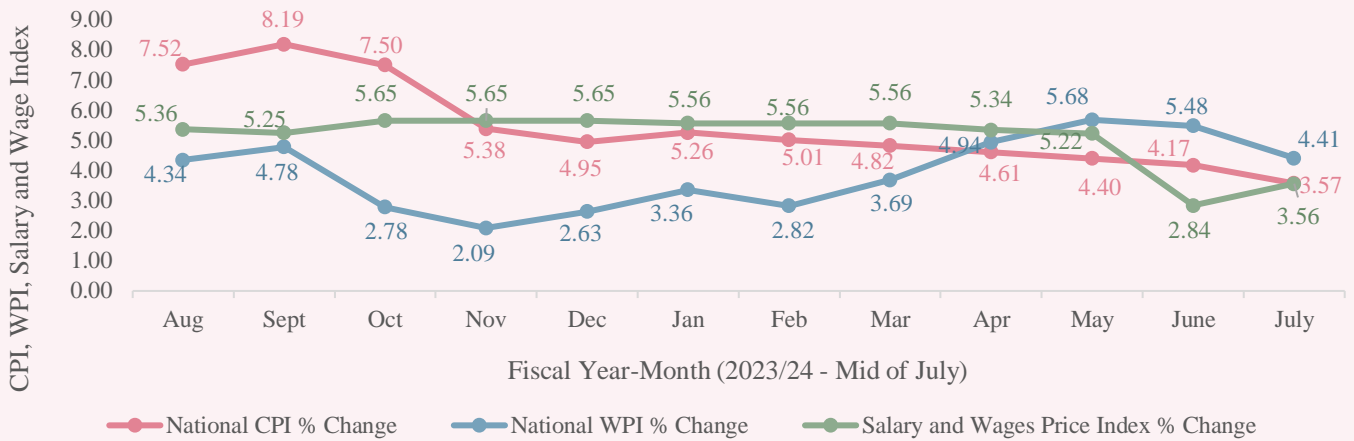
Limit orders are best suitable for less tradable low-cap stocks having a wide bid-ask spread which are highly volatile to market fluctuations. This way, by setting a limit order, you avoid overpaying or over selling stocks in volatile markets. For example: If you believe that the stock price will fall to a certain level before rebounding, you can place a limit order to buy at that lower price. In similar manner, during a rally, if you think that the stock price will hit certain peak before falling, you can place a limit order to buy at lower price. Using a limit order is a strategic way to control price at which you enter or exit a position.

In summary, use market orders for urgency and simplicity, particularly for long-term investments, while limit orders are beneficial for price control and when dealing with high volatility or large trade volumes.

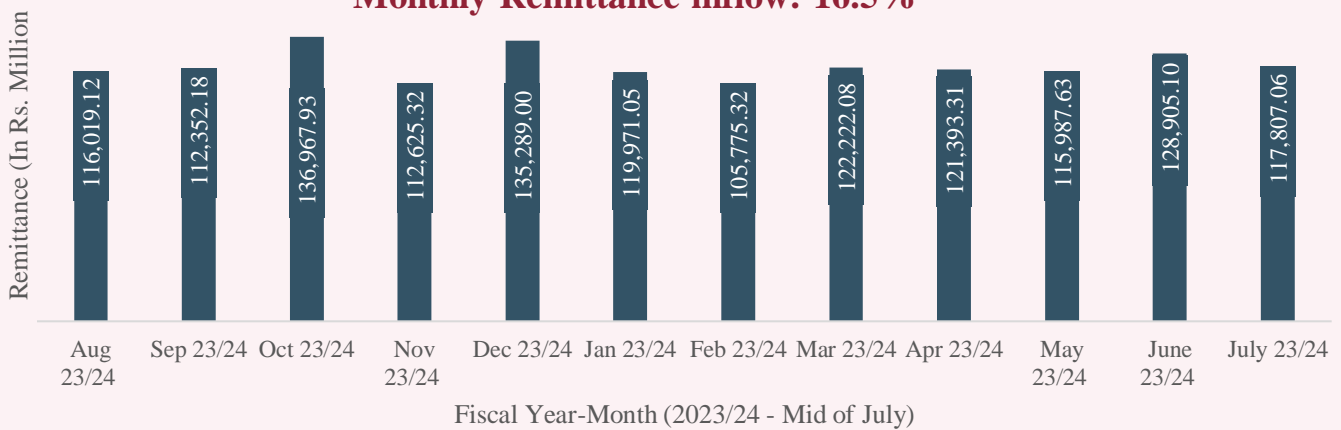
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI): 3.57%



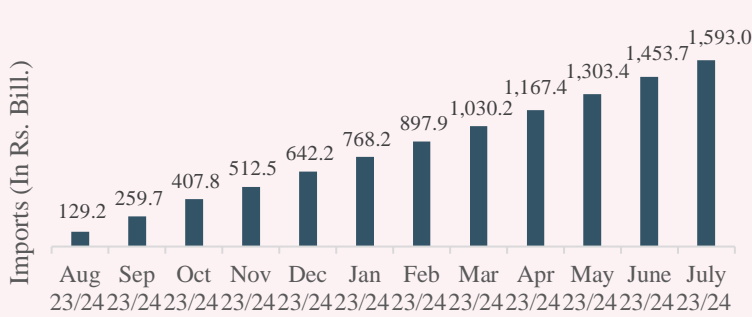
Monthly Remittance inflow: 16.5%



Liquidity Indicators (As on 13th August 2024):

- ❖ BFI's Deposits: NPR. 6,419 billion
- ❖ BFI's Lending: NPR. 5,162 billion
- ❖ CD Ratio: 78.98%
- ❖ Inter-bank Interest Rate: 3%

Total Import (-1.2% Y-o-Y)



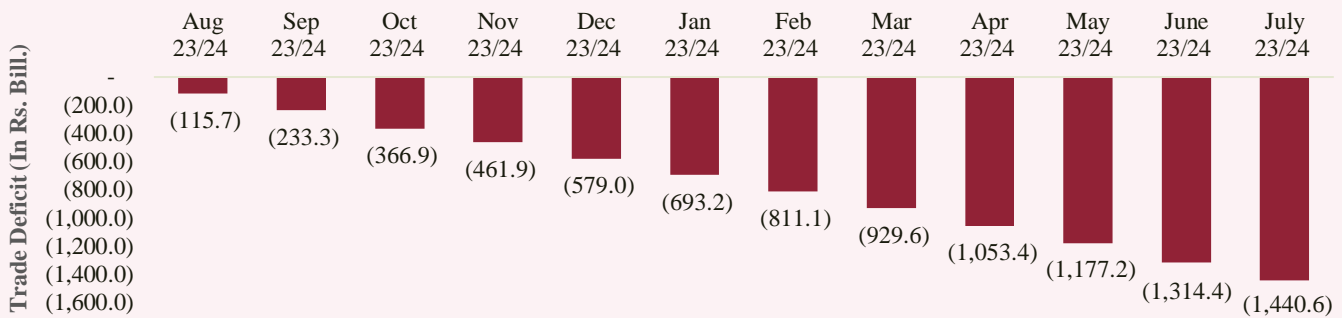
Fiscal Year-Month (2023/24 - Mid of July)

Total Export (-3% Y-o-Y)



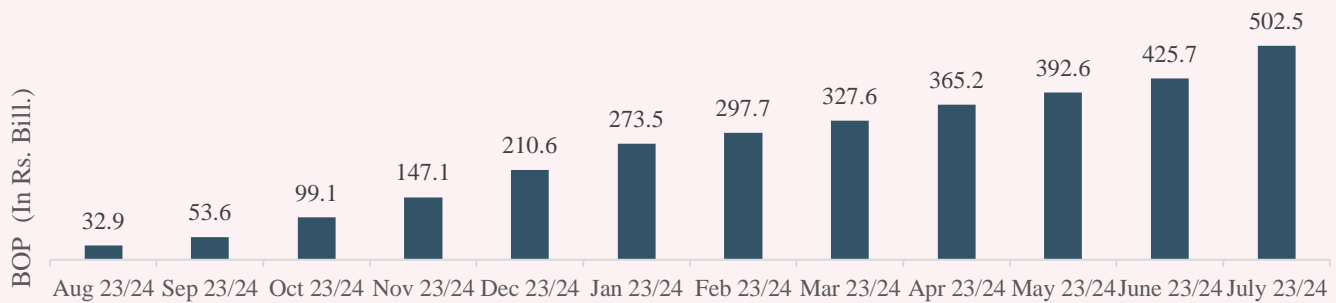
Fiscal Year-Month (2023/24 - Mid of July)

Trade Deficit



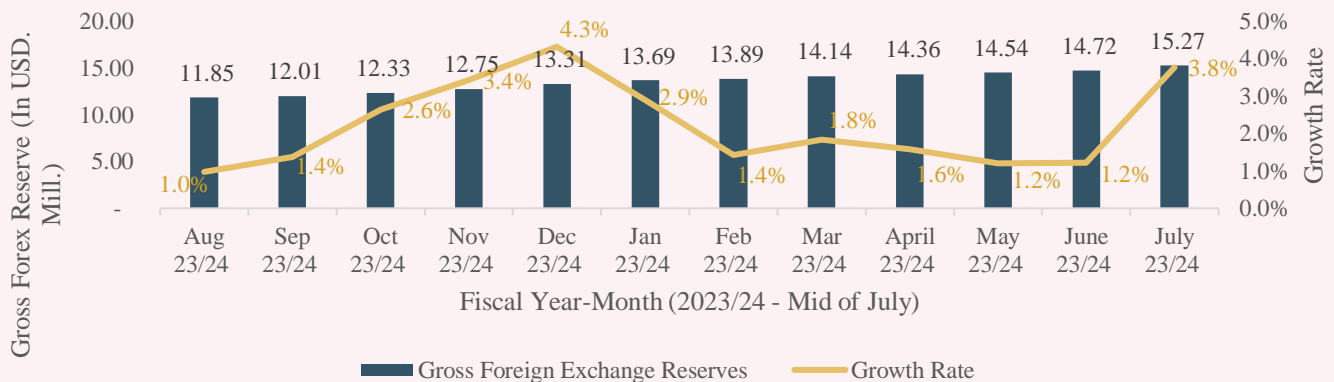
Fiscal Year-Month (2023/24 - Mid of July)

Balance of Payments (Surplus)

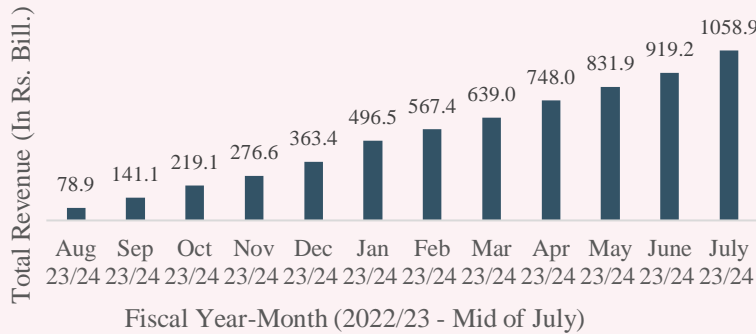


Fiscal Year-Month (2023/24 - Mid of July)

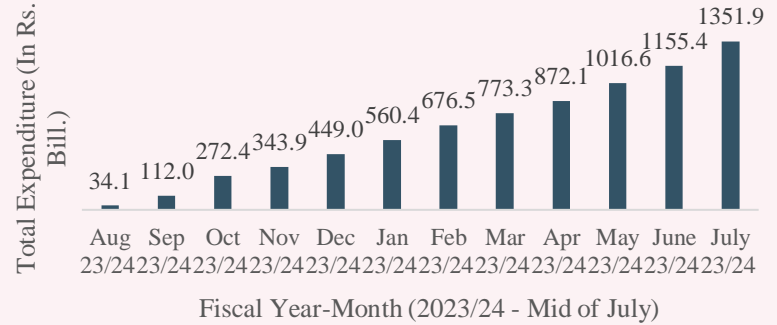
Gross Forex Reserve (+30.12%)



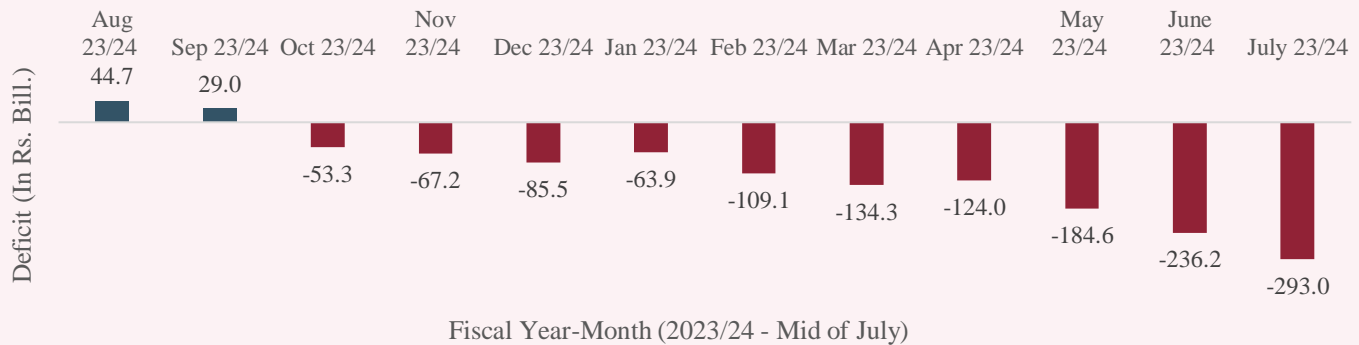
Govt. Revenue



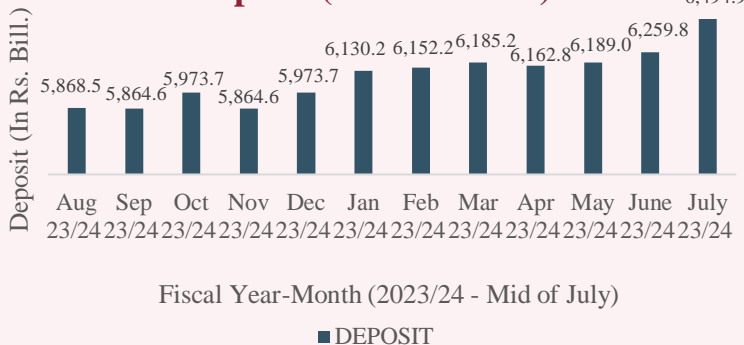
Govt. Expenditure



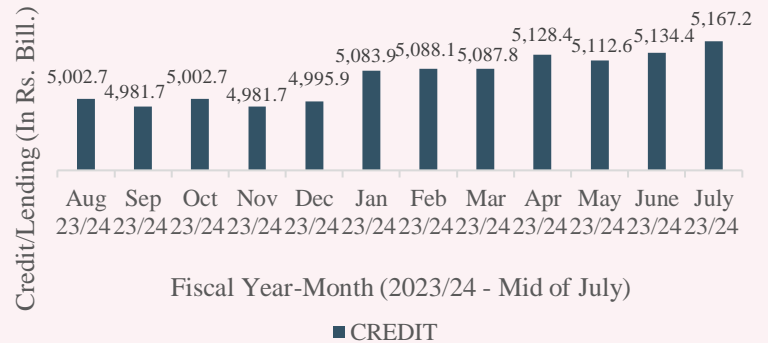
Fiscal Surplus/Deficit



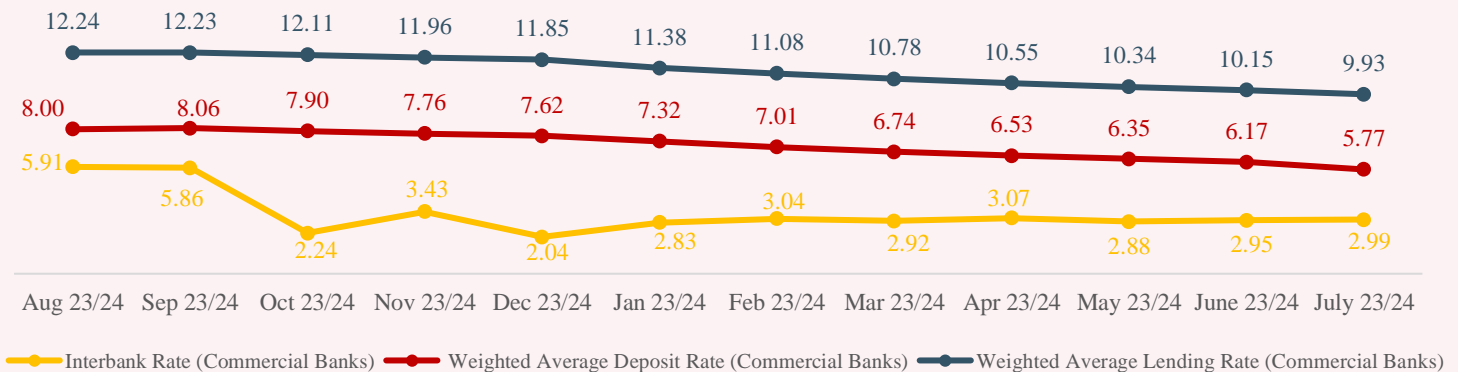
Deposit (+13% Y-O-Y)



Credit /Lending(+5.8% Y-O-Y)



Market Interest Rates



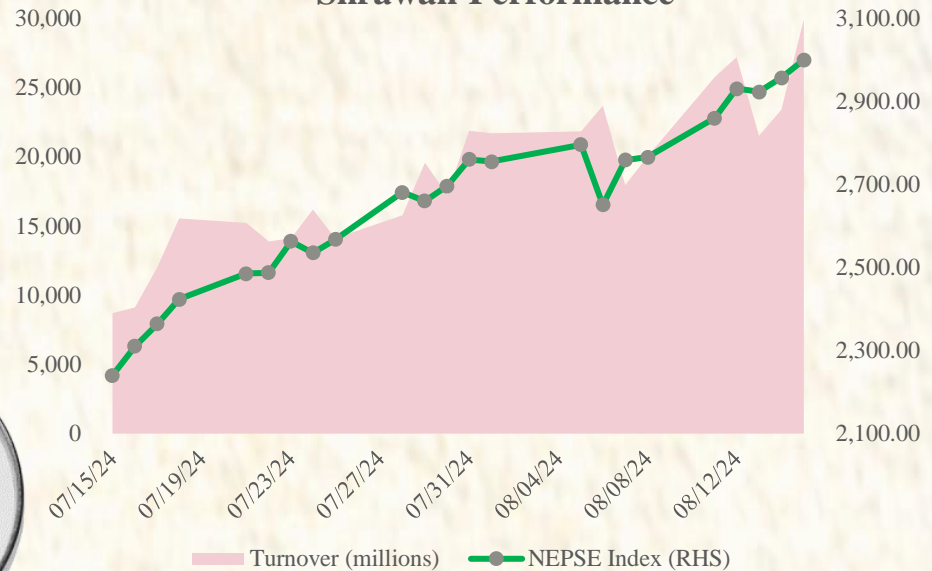
Short-term Interest Rates (As on 13th August 2024):

- ❖ 28 days: 2.98%
- ❖ 91 days: 2.94%
- ❖ 364 days: 3.04%

Market Update: NEPSE SCANNER



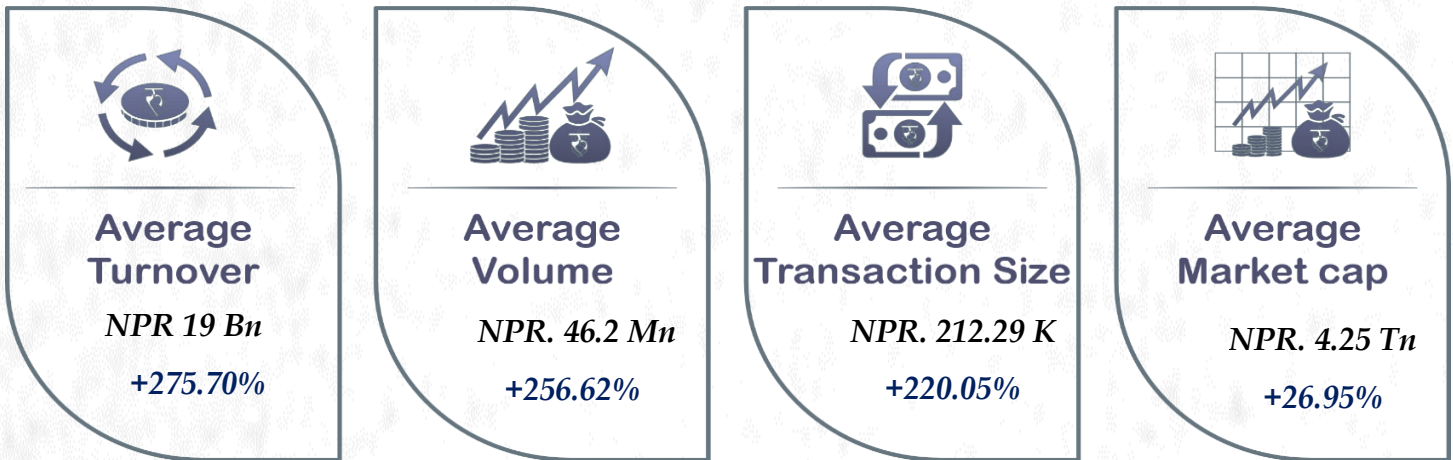
Shrawan Performance



Metrics	15.8.24	15.7.24	Monthly Change
NEPSE	3,000.81	2,240.41	33.94%
Sensitive	535.51	397.18	34.83%
Float	152.61	152.61	35.56%
Sensitive Float	131.34	131.34	34.56%
Turnover (Million)	29,958,519,216.95	8,731,436,037.15	243.11%
Shares Volumes	68,980,346	25,079,079	175.05%
Total Transactions	311,536	102,372.00	204.32%
Total Scrips Traded	334	322.00	3.73%
Market Cap (Rs. Million)	4,765,909.89	3,553,677.24	34.11%
Sensitive Mrkt. Cap (Rs. Mn)	1,641,407.15	1,214,029.86	35.203%
Float Market Cap (Rs. Mn)	1,680,161.97	1,215,431.42	38.24%
Sens. Float Mrkt. Cap (Rs.M)	586,777.00	429,716.76	36.55%
Average Return	20.37%	14.35%	6.01%
Std. Deviation	23.57%	23.22%	0.35%
10 Day 10% VAR	-6.08%	-6.07%	-0.01%
Market Cap / GDP Ratio	88.56%	66.04%	22.53%

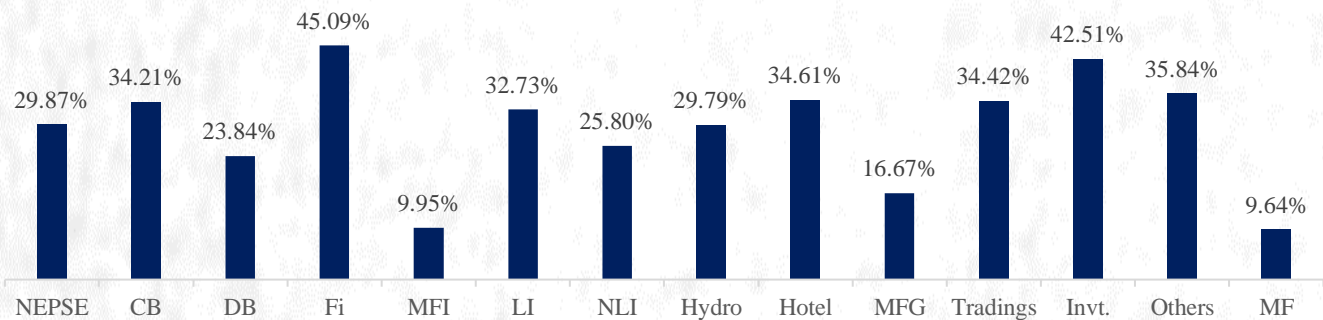
- NEPSE rose to 3000.81 level from 2,240.41 (previous month end), gaining 760.40 points (+33.94%); high and low index remained 3,036.64 and 2,231.69 resp. in the review month.
- Sensitive, float and sensitive float index surged by 34.83%, 35.56% and 34.56% respectively.
- By the Month end, the turnover witnessed the rise of 243.11% and volume by 175.05%. The transactions rose by 204.32% as compared to the previous month end.
- Monthly average of these metrics computes to Rs. 19 billion (275.70%), Rs. 46.2 million (256.62%), and Rs.212.29 thousand (220.05%) respectively.
- Market cap increased by 34.11% to Rs. 4.765 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 35.20% incline, Sensitive float market cap rose by 36.55% and the size of Float market cap rose 38.24%.

- Avg. market return increased to 20.37% from 14.35%, Standard Deviation slightly inclined to 23.57% and 10-day 10% VAR stood at 6.08%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 88.56%.
- In the review period, market traded for 22 days. Last month also, number of trading days was 22.

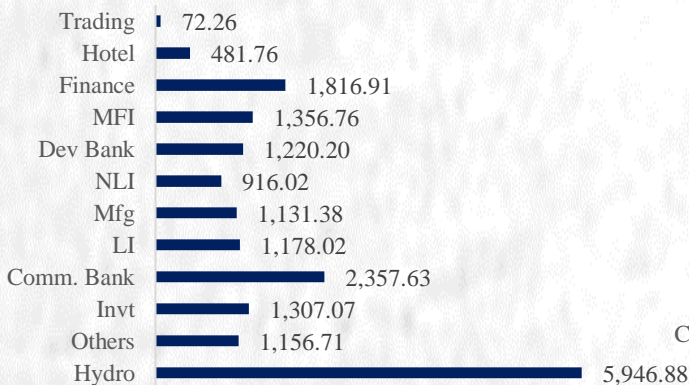


SECTOR SCANNER

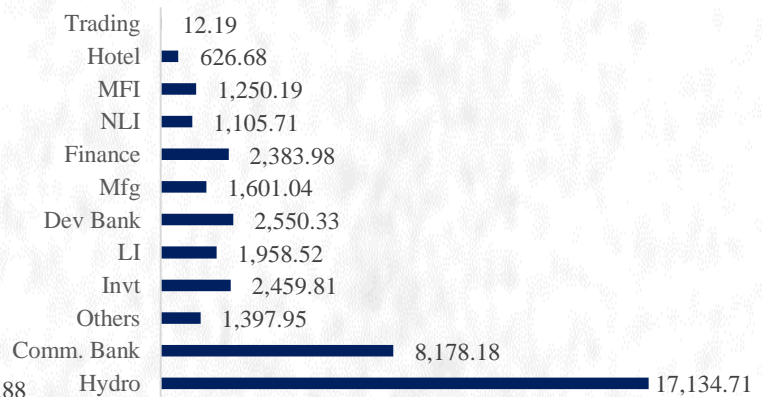
Monthly Sectoral Performance



Ashadh Avg. Turnover (Millions)

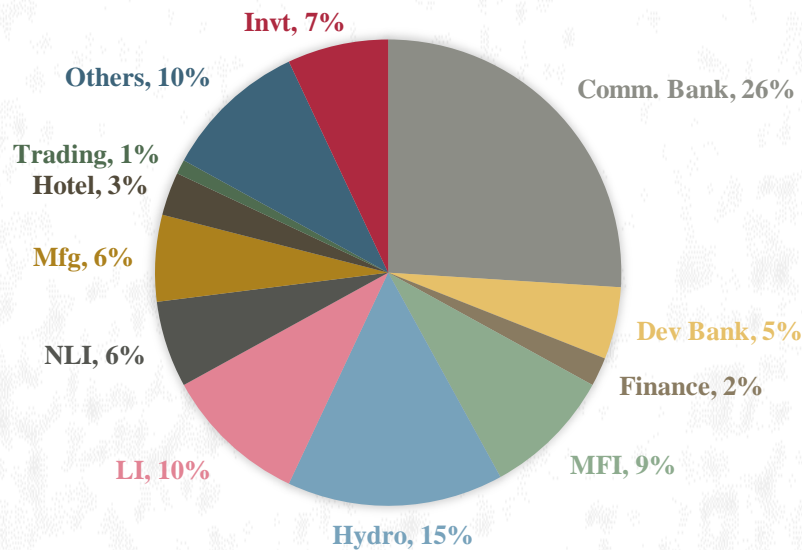


Ashadh Avg. Volume ('000)



- All the sectors saw a surge in this month. Finance, Investment and Others sectors saw a highest surge of 45.09%, 42.51% and 35.84% respectively followed by Hotels (34.61%) and Tradings (34.42%) in the review period. Sectors that witnessed lowest rise are Microfinance (9.95%), Mfg & Processing (16.67%) and Development Banks (23.84%).
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 31.47% and 37.16% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 37.14%. Both Commercial Banks and Finance sector made the notable Turnover of average 12.5% and 9.21% respectively while their average Transaction size was 13.09% and 6.89% 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.24.5 billion.*

SECTORAL MARKET CAPITALIZATION

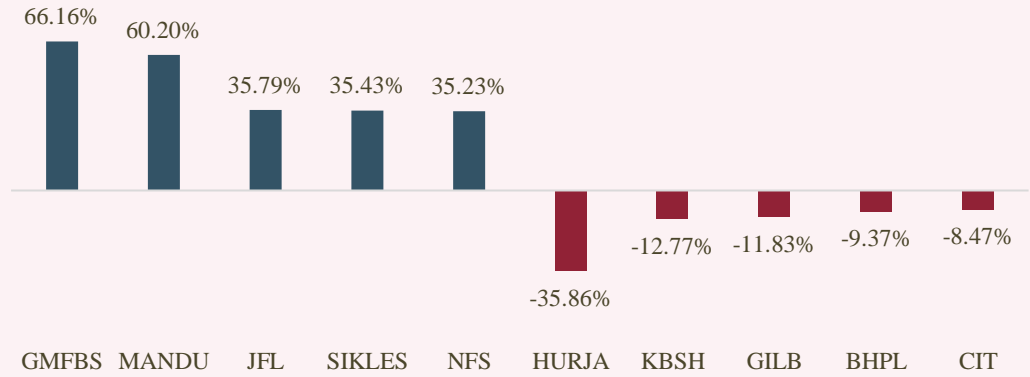


Monthly Terminology: Correspondent banking-

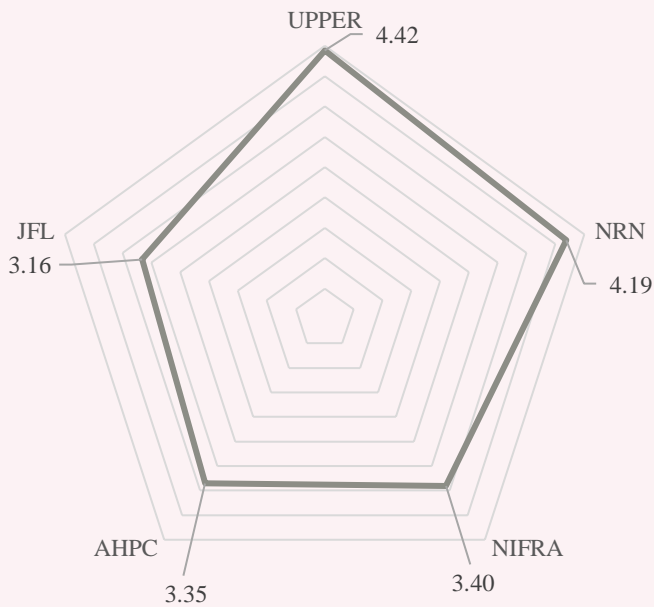
*“A **Correspondent banking** refers to the relationship between two banks where one bank (the correspondent bank) provides services on behalf of another bank (the respondent bank). The correspondent bank typically has a presence in a foreign country and provides a range of services to the respondent bank, such as processing transactions, handling foreign currency exchanges, and providing credit facilities. It allows banks to provide services to their customers in different countries and enables cross-border transactions to take place smoothly but at the same time they are subject to strict regulations to prevent any illicit activities.*”

STOCK SCANNER

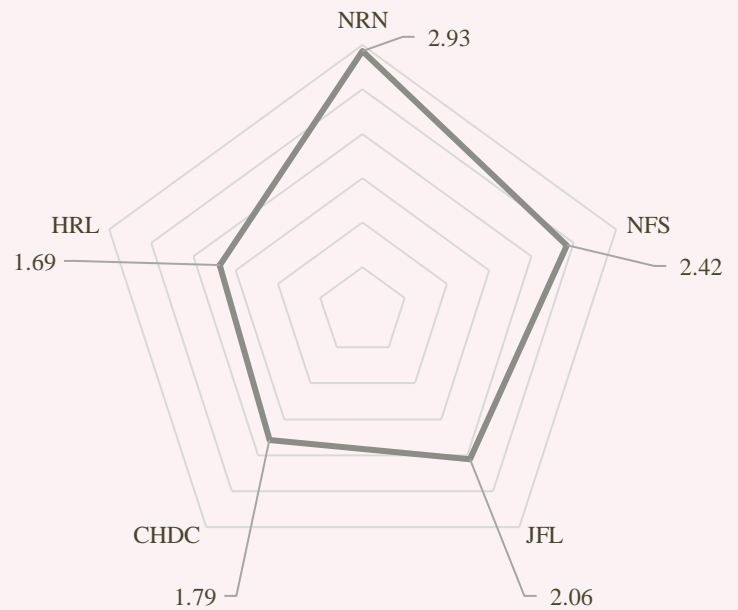
Top 5 Gaining and Losing Stocks/Scripts



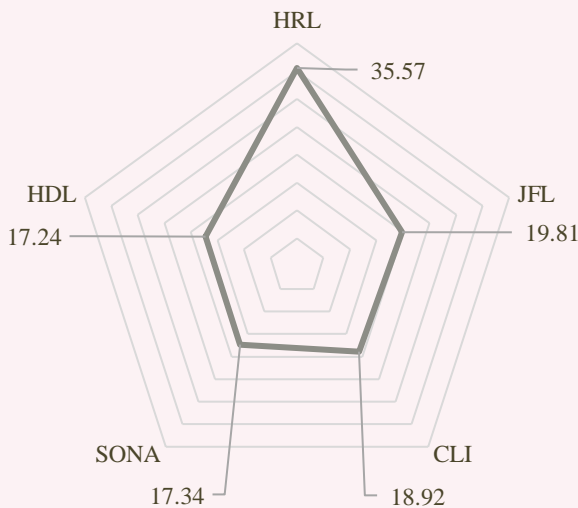
Stocks with Highest Volume (Millions)



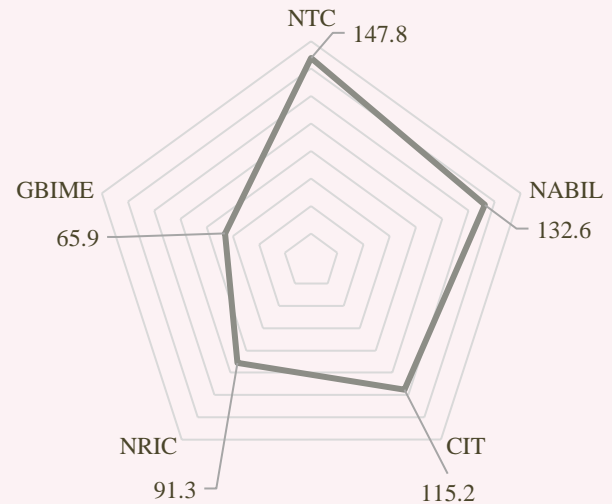
Stocks with Highest Turnover (Billions)



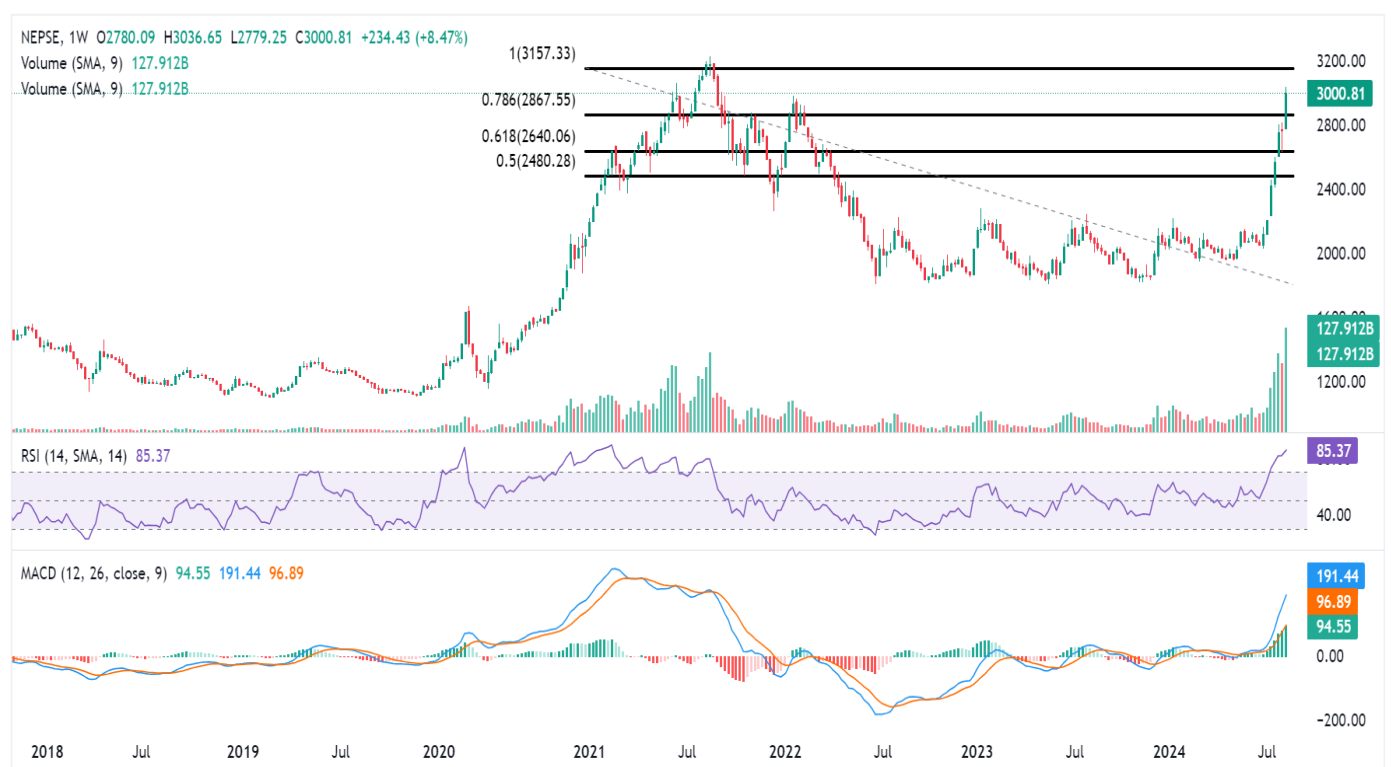
Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



TradingView

Technical Indicator (15 th August)	Value	Technical Overview:
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RSI	80.48
MACD line	175.78
Signal line	161.69
Bollinger Upper Band	3042.34
Bollinger Middle Band	2713.50
Bollinger Lower Band	2384.67
ADX	61.63
Exp. Moving Avg. (9 Days)	2866.65
Exp. Moving Avg. (26 Days)	2646.79
Exp. Moving Avg. (50 Days)	2463.37
Exp. Moving Avg. (200 Days)	2168.85

Technically market is at the strong bullish momentum, where the index NEPSE is steadily breaking the resistance levels. NEPSE swiftly reached the target of 2500, 2700, and 2900. There is no any major correction in the process, despite some good correction expected after 2900 level. Now, the target is 3200, which is more likely to transpire in a week period. Market participants has to be really careful for any long position above 3200 level, as it can be the exit time for investors holding position since previous bull high and also profit booking for many. If this happens, then correction can be major one, by approx. 200-300 points, which is actually healthy for the long term bullish trend, allowing opportunity for new entrants.

Short-term indicators like RSI show overbought situation, potentially resulting seller pressures. MACD line is very bullish, and market for whole month has been on the upper Bollinger band.

Key Bulletins of the Month

- 1) In FY 2080-81, only 63.47% of the Rs. 302.07 billion capital budget was spent; total budget expenditure reached 80.44% of Rs. 1,751.31 billion, and 74.44% of Rs. 1,422.54 billion revenue target was collected, with foreign grants at 22.48% of the Rs. 49.94 billion target.
- 2) The Investment Board Nepal approved nine major projects worth Rs 271.26 billion in FY 2023/24, including the Rs 162.49 billion Upper Karnali Hydroelectric Project (900 MW) and Rs 34.59 billion Super Tamor Hydropower Project (166 MW).
- 3) Tension mounted between NEA and the ruling Government after PM K.P. Oli direction to NEA Executive Director Kulman Ghising to restore the electricity line of industrialist that were cut down following the non-payment of disputed dedicated and feeder line bills. *NEA is in process to issue the IPO shares equivalent to 10% of its paid up capital.*
- 4) In the F.Y. 2023/24, Nepal earned NPR 16.93 billion by exporting 1.94 billion units of electricity to India and imported NPR 16.81 billion worth of 1.83 billion units, becoming a net exporter.
- 5) Following the removal of Nepal Clearing House Limited (NCHL) from the VAT Exemption List, NCHL has started levying a 13% VAT to all services.
- 6) Nepal's public debt increased by Rs 135 billion to Rs 2.434 trillion (42.65% of GDP) in FY 2023/24, with internal debt at Rs 1.18 trillion and external debt at Rs 1.253 trillion; Government plans to raise an additional Rs 21.1 billion through Treasury bills in FY 2024/25.
- 7) Insurance companies collected significant premiums in F.Y. 2080/81; Life Insurance collected Rs. 156 billion and Non-Life Insurance collected Rs. 41.17 billion. Life Insurance policy surrender rate surged 8.67% with Rs. 113,976 policies worth Rs 14.50 billion surrendered.
- 8) In the F.Y. 2080/081, Nepal's life insurance sector grew by 9.80% to NPR 156.31 billion in premiums, with Nepal Life Insurance (NLIC) leading at NPR 40.85 billion.
- 9) Nepal imported 11,701 electric vehicles (EVs) worth Rs. 29.482 billion in the F.Y. 2023/24; imported 4,050 EVs in the previous year; Government collected Rs. 13.29 billion revenue.
- 10) Nepal's import bill for petroleum products declined by Rs. 11.07 billion (4%) in FY 2023/24 to Rs. 267.68 billion, with diesel imports decreasing by Rs. 10 billion to Rs. 143.97 billion, cooking gas imports falling to Rs. 55.61 billion, and petrol imports increasing to Rs. 68.10 billion.
- 11) India unveiled its FY 2024-2025 budget; budget size is INR. 48.20 lakhs crores and nominal GDP growth projection 10.5% (real growth plus inflation). Budget committed to provide grant of INR. 7 billion to Nepal.
- 12) BlackRock's asset management reached a historic \$10.6 trillion in Q2 2024, boosted by rising client investments and a rise in the S&P 500 by nearly 4%.
- 13) Students led protest over the quota system for government job overthrew the regime of Sheikh Hasina who fled to India after resigning as Bangladesh's PM. Interim Government is formed in Bangladesh under the leadership of Nobel Peace-Price-winning economist Muhammad Yunus.

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.

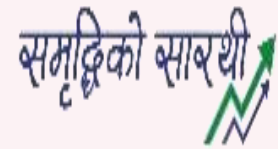
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नेपाल धितोपत्र बोर्डबाट मर्चेन्ट बैङ्कको रुपमा कार्य गर्न अनुमतिपत्र प्राप्त संस्था



गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED

(A Subsidiary of GARIMA BIKAS BANK LIMITED)

**Contact Detail**

Kamalpokhari, Kathmandu - 01

(Opposite to City Center)

Kathmandu, Nepal

01-4529149, 01-4529150

info@garimacapital.com