नेपाल धितोपत्र बोर्डबाट मर्चेन्ट बैंकरको रूपमा कार्य गर्न अनुमतिपत्र प्राप्त संस्था
गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED
(A Subsidiary of GARIMA BIKAS BANK LIMITED)
समृद्धिको सारथी

THE ANALYTICS

GARIMA MONTHLY INSIGHT

CHAITRA 2081
(14 MARCH 2025 -13 APRIL 2025)
VOL: 3, ISSUE: 9

Market Ahead

Macroeconomic Factors

NEPSE Scanner

Market Scanner

Article of the Month

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Market Update:

The market declined by 74.40 points in the month of Chaitra 2081 falling from 2,736.48 to 2,662.08. Turnover and share volumes tumbled by 23.74% and 42.51% respectively and also market capitalization witnessed a drop of 2.61%. Year 2081 B.S. can be regarded fertile to the stock market of Nepal as NEPSE Index got uplifted to 3000 level from its starting low of 1950 level, before forming its sideways movement in between 2780 to 2580 range. Starting the first week of Baisakh 2082 (as on writing this report), NEPSE has signaled its potential up trend (potentially in its sideway range), driven by rising turnover and an increase in trading volumes.

The protests/movements from different groups/political parties in the Capital in support of Monarchists, particularly, the 15th Chaitra incidents was in major watchlist of investors. On early 4th week of Chaitra, 2081, the tenure of Mr. Maha Prasad Adhikari as NRB Governor ended. However, the failure in appointment of Governor has sparked the speculation in market as the MoF appointed NRB Senior Deputy Governor Nilam Dhungana Timilsina as the Acting Governor (on 25th Chaitra). The delay in Governor appoitnments is only adding volatility to market.

Investor attention is centered on the third-quarter earnings of listed companies , with commercial banks already publishing their Q3 reports, showing an overall incline in net profits.

NRB has released the eight-months CME and Financial Situation Report of Nepal up to Falgun 2081. Additionally, it has published the financial performance of BFIs for the same period. Commercial banks have published Q3 financial report and have announced the revised interest rates for Baisakh 2082. The key highlights of these significant developments are summarized below:

1. The overall net profit of commercial banks amounts to Rs. 43.49 billion with Nabil Bank leading with a net profit of Rs. 4.79 billion, while Agriculture Development Bank posted the lowest profit at Rs. 783.03 million.

2. The development banking sector posted a total net profit of Rs. 4.33 billion, led by Garima Bikas Bank with a net profit of Rs. 834.83 million, while five out of 17 banks reported losses.

3. Nepal's public debt increased by Rs. 241.93 billion in the current FY by mid- March and reached Rs 2.68 trillion, making 46.91% of GDP, with foreign debt comprising 50.83% and domestic debt 49.16%.

4. In the first nine months of the current FY 2024/25, the government has collected 57.89% of its revenue target of Rs. 1.42 trillion, and spent Rs. 998.5 billion i.e., 53.67% of total budget.

5. By the end of Falgun 2081, life insurers amassed Rs. 1.08 Kharba from over 13.4 million policies and non-life insurers gathered Rs. 28.02 Arba from 1.84 million policies.

6. For the month of Baisakh 2082, 3 banks (KBL, SANIMA, NBL) have reduced the individual fixed deposit rate. In the case of institutional fixed deposits, 8 banks have lowered their rates compared to Chaitra. EBL has increased both institutional and individual rates by 0.61% to 5.61% and 6.61% making it highest in the industry. On average, individual and institutional fixed deposit rate for Baisakh is 4.37% and 5.98% respectively.

7. Per the Banking & Financial Statistics, the average CD Ratio of Banking sector (A, B, and C Class) is 79.47 which is lower than 79.54 of earlier month. NPL has remain unchanged at 4.92% and CAR has declined to 12.33% from 12.37%. Weighted average interest rate has come down to 4.54% (saving 3.36%, fixed 6.27%) and weighted average rate on credit has fallen to 8.40%.

8. SEBON has introduced a Broker Merger Directive to help undercapitalized brokerage firms meet the increased Rs. 20 crore capital requirement by allowing mergers.

9. On the external front of the economy, remittance inflows rose by 9.4% to Rs. 1,051.77 billion as of mid-March 2024/25, with approximately Rs. 151.19 billion coming in between mid-February and mid-March alone. Exports inclined by 57.2%, while imports rose by 11.2% and the trade deficit increased by 6.2%. The balance of payments (BOP), current account balance, and gross foreign exchange reserves all grew to Rs. 310.4 billion, Rs. 180.08 billion, and $17.27 billion, respectively. Additionally, 317,068 Nepali workers received their first-time approval for foreign employment, while 217,403 received renewal entry approvals.

10. As per the CME Report, Y-o-Y deposits at BFIs has increased by 9.4% while the private sector credit has increased by just 7.4%. Monetary Policy has targeted the Private Sector Credit growth of 12.5% in FY 2081/82.

11. According to Nepal Tourism Board (NTB), Nepal witnessed 1,21,687 foreign tourists in March 2025, 5.1% decline YoY attributed to the the increase in road accidents, surged airfares and 10-hour closure of TIA.

Coda: Market is subject to several forms of risks, especially the fundamentals, and investors have tendencies to be behaviourally biased, leading to making the sub-par investment decisions. It’s always important to screen the facts vs opinions. Facts are going to last the market long while opinion can likely make market volatile.

Tokenization: Benefits and Risks

Author- Alla Gill (Co-founder & CEO- Straterix)

Tokenization has the potential to revolutionize markets, primarily through the application of blockchain technology. It allows assets – particularly high-value ones like real estate, art, and company shares – to be divided into smaller, more affordable units. This fractional ownership makes it possible for a larger pool of investors to participate, increasing liquidity and accessibility.

However, there is also a downside to the rise of tokenization. Regulatory and cyber risks, for example, are higher than with traditional assets. Perhaps even more importantly, tokenized assets are expected to attract a wave of retail investors, who are more prone to market panic than their institutional counterparts.

Let's now take a closer look at the pros and cons of tokenization, starting with the positive.

A Multitude of Benefits

Tokenization can streamline transactions by reducing the need for intermediaries, such as brokers or custodians. This efficiency can lower transaction costs, reduce the time required for settlements and eliminate many traditional barriers to entry.

Blockchain technology, which underpins tokenization, offers a transparent and secure ledger for recording transactions and provides an immutable record of ownership. This transparency helps to reduce fraud and enhance trust among parties.

Tokens can be programmed with smart contracts that automatically execute terms of agreements when predefined conditions are met. This programmability can facilitate more complex transactions and innovative financial products.

This new technology is likely to have a dramatic impact on liquidity by transforming traditionally illiquid assets into more easily tradeable digital tokens. As these tokens can be bought and sold individually, a broader pool of investors can participate, creating more frequent transactions and enhancing liquidity.

Moreover, tokenized assets can be traded on blockchain-based platforms that operate continuously (24 hours a day), unlike traditional markets with limited trading hours. This reduces delays and creates a more dynamic market with a wider range of potential investors, increased demand, automated trading, faster transactions and transparent record keeping.

Ultimately, this could lead to the creation of secondary markets for assets that previously had limited or no trading options – such as private equity, luxury goods, and real estate. Investors, in turn, would be able to sell their tokens without waiting for the asset to mature or be liquidated.

While tokenization could reduce fees in the investment management sector, it compensates by driving higher transaction volumes and individual consumer benefits.

Furthermore, as regulatory frameworks evolve to accommodate tokenized assets, the legal certainty and acceptance of these assets are improving. This regulatory clarity is encouraging more institutional investors to enter this space, adding to the hype.

Given all these potential benefits, it should come as no surprise that analysts predict significant growth in tokenized assets under management.

The Volatility Conundrum

Tokenized assets, however, are also likely to attract more retail investors and will therefore be subject to greater volatility. Unlike institutional investors, who are more likely to hold on to the assets when there is no fundamental reason to liquidate them, retail investors are prone to panic selling – a tendency that has in the past led to market crashes.

Will this increased volatility outweigh the expected gains of tokenization, at least in the medium term? History offers some guidance.

Indeed, we have quite a few examples of extreme volatility in new, fashionable asset classes. Figure 1 illustrates the recent behavioral patterns of Bitcoin and non-fungible tokens (NFT). Both markets crashed in 2022 (see the time periods circled in blue in Figure 1), representing the final shoe to drop before the 2023 demise of Silicon Valley Bank.

High inflation and overheated markets contributed to the downturns of Bitcoin and NFT, as well as to the decline in the broader cryptocurrency market. Cumulatively, these events made risky investments less appealing.

As always with speculative bubbles, the initial hype led to unsustainable price increase. When a bubble bursts, the assets that were supposed to provide diversification,

Figure 1: Bitcoin and NFT Volatility

as observed in stable markets, all crash together. The Bitcoin and NFT downturns were no different.

Similar behavior happened during dotcom crash in the early 2000s, as well as during subprime mortgages meltdown that preceded 2008 global financial crisis (GFC), when all fund-of-funds became highly correlated and went down together.

The exchange-traded fund (ETF) market, which has been around for a while, can serve as a proxy for how tokenization could lead to such bubbles. ETFs are a regulated, diversified financial product based on traditional securities, traded on established markets.

The top panel in Figure 2 (below) shows U.S. house price index for the past three decades. This graph represents real asset transactions for regular (and thus illiquid) real estate values. The bottom panel of Figure 2 shows the performance of iShares U.S. Real Estate ETF (which represents exchange-traded instruments) across the past 20 years. The former have a much smoother performance than the latter, which is highly volatile.

The annualized volatility of house price index on the left is 2.83%, with an annualized expected growth rate of 4.22%. The annualized volatility of real estate ETF (bottom panel), on the other hand, is 20.8%, with an expected growth rate of 5.11%.

Figure 2: U.S. Real Estate Index vs. Real Estate ETF

In highly stressful periods, everything declines – but liquid ETFs show much bigger drops during such times. Consumers investing in ETFs, in short, are much more prone to panic during market stresses. Tokenization would substantially expand the range of assets that would follow the same pattern.

Though there are no historical precedents for tokenization-driven downturns, we can use ETFs to illustrate how firms can anticipate an 80% drop in investment value of tokenized assets over a short time horizon.

Until November 2007, the annual ETF growth rate was more than 13%, with the volatility of less than 16%. But in 2008, amid the GFC, the growth rate quickly bottomed out and volatility spiraled out of control. A standard Monte Carlo (MC) simulation for ETFs would have missed the sharp decline in the ETF assets between November 2007 and March 2009 – by a lot.

How can we better account for such volatility for tokenized assets? The answer lies in introducing various historical and hypothetical shocks that might happen with a certain probability and severity. This interrupts the diffusion process of the standard simulation.

For example, for real estate tokens, applying a shock with 70-80% decline and with the probability of 5% can be justified, because it would capture the real estate ETF worst-case decline as the 99th percentile worst-case outcome.

Parting Thoughts

The hype around tokenization is driven by its potential to fundamentally change how assets are owned, traded and managed. By leveraging the benefits of blockchain technology, tokenization promises greater efficiency, transparency and inclusivity in the financial markets and beyond.

As this technology matures and regulatory environments adapt, the practical applications and advantages of tokenization are likely to become even more pronounced. It can significantly boost liquidity by transforming illiquid assets into highly-liquid instruments – but could also lead to sudden drops in values.

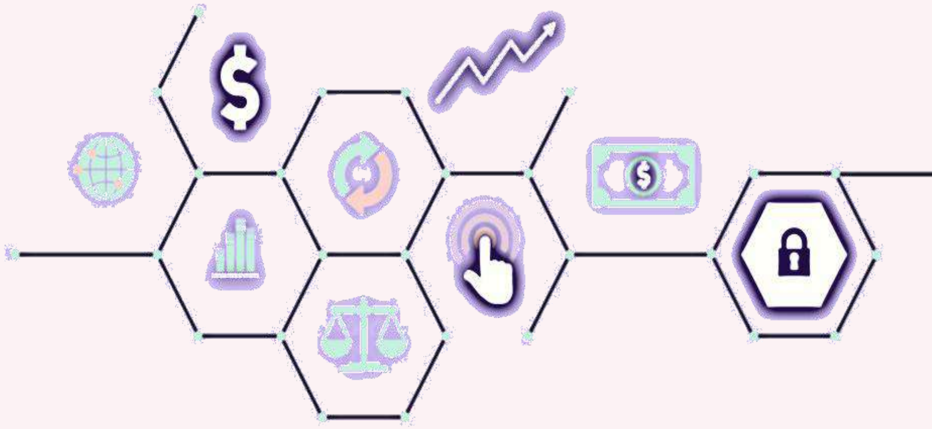
Fully automated, AI-driven trading, which would help smooth market volatility, might take a long time to realize. It's like self-driving cars – it'll be a while before they help eliminate accidents on the roads.

But the potential for sudden drops in value of tokenized assets, at times when investors might need liquidity, must be incorporated into strategic asset allocation decision. Full-range scenario analysis incorporates such shocks and respective changes in correlations, while simultaneously assessing capital and liquidity needs and both mark-to-market and cashflow outcomes. It will, moreover, take into consideration risk tolerance, accounting/regulatory constraints and a firm's specific preferences.

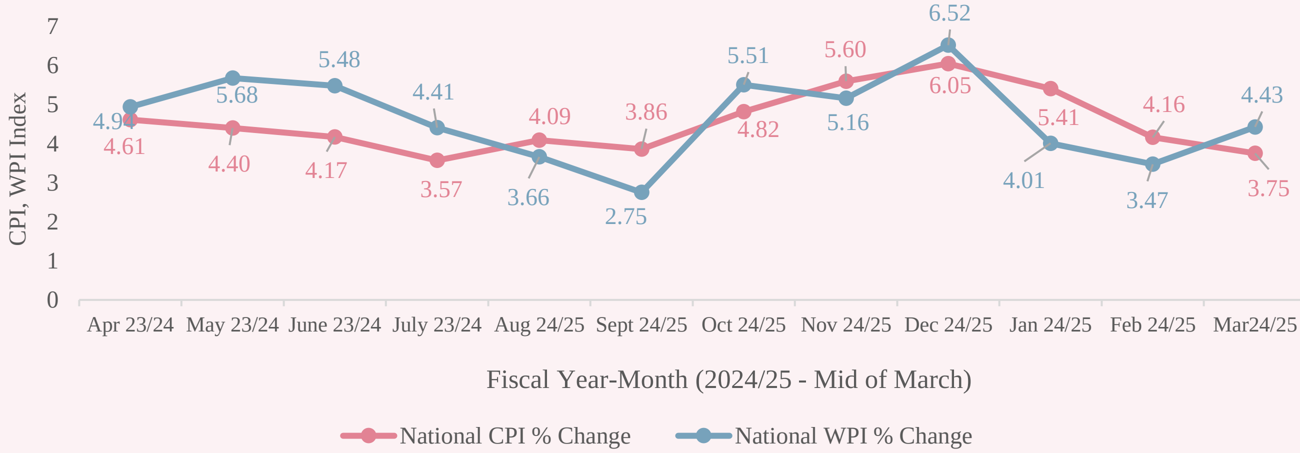
The only way to reap the benefits of tokenization while also being prepared for its potential downsides is to consider the full range of scenarios – including regulatory, cyber and idiosyncratic shocks and their snowball effects.

Alla Gil is co-founder and CEO of Straterix, which provides unique scenario tools for strategic planning and risk management. Prior to forming Straterix, Gil was the global head of Strategic Advisory at Goldman Sachs, Citigroup, and Nomura, where she advised financial institutions and corporations on stress testing, economic capital, ALM, long-term risk projections and optimal capital allocation.

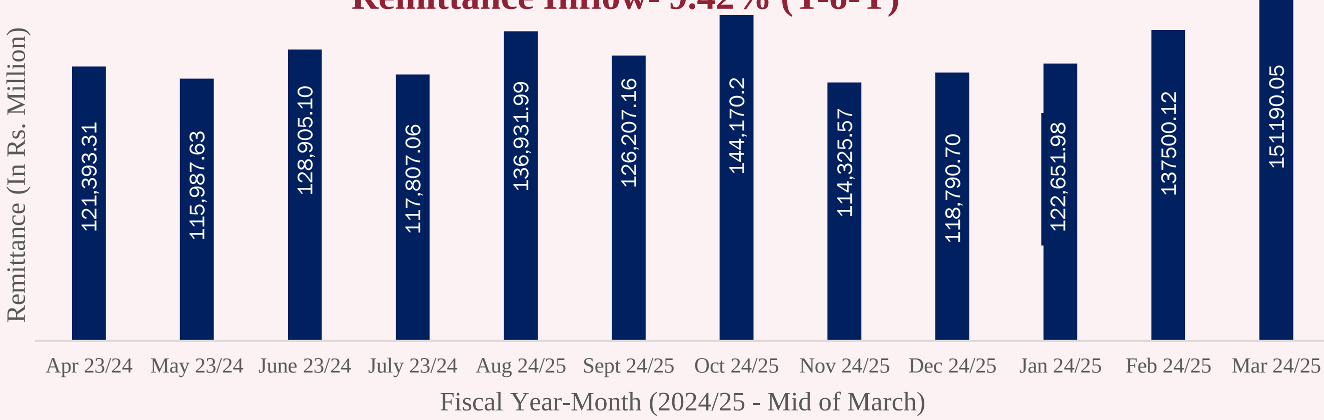
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI)- 3.75%



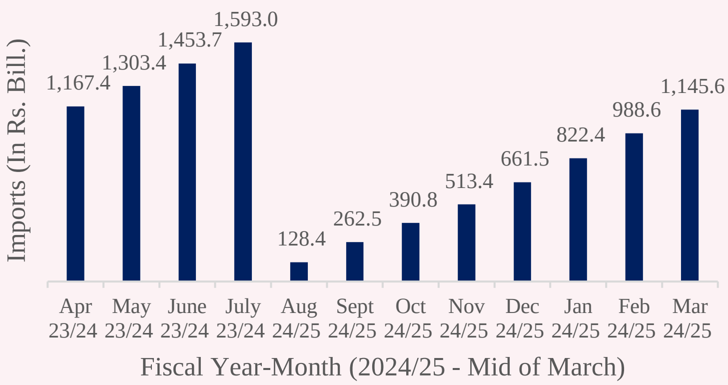
Remittance Inflow- 9.42% (Y-o-Y)



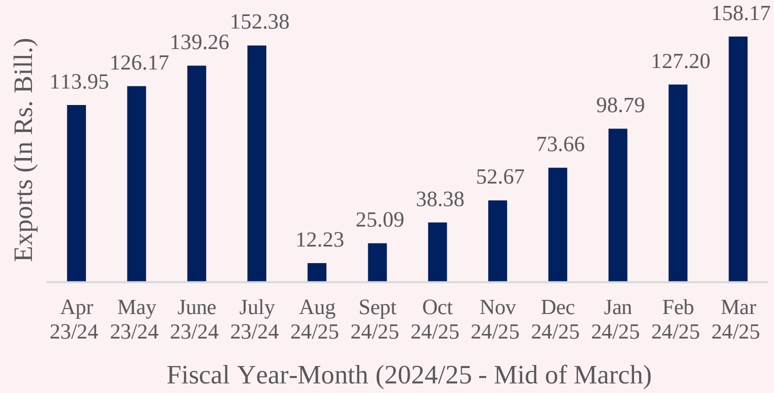
Liquidity Indicators (As on 13th April 2025):

- BFI's Deposits: NPR. 6,857 billion
- BFI's Lending: NPR. 5,535 billion
- CD Ratio: 79.45%
- Inter-bank Intereset Rate: 3.00%

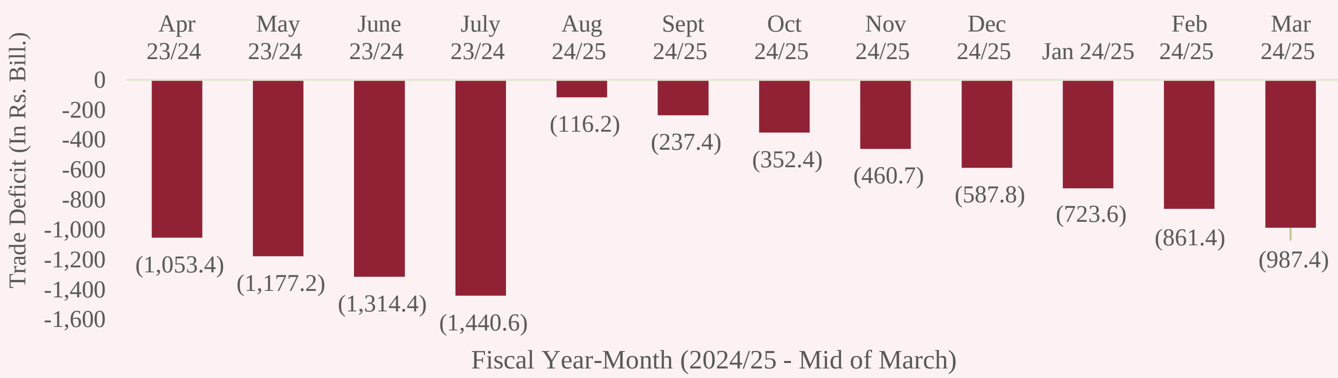
Total Import (11.2% Y-o-Y)



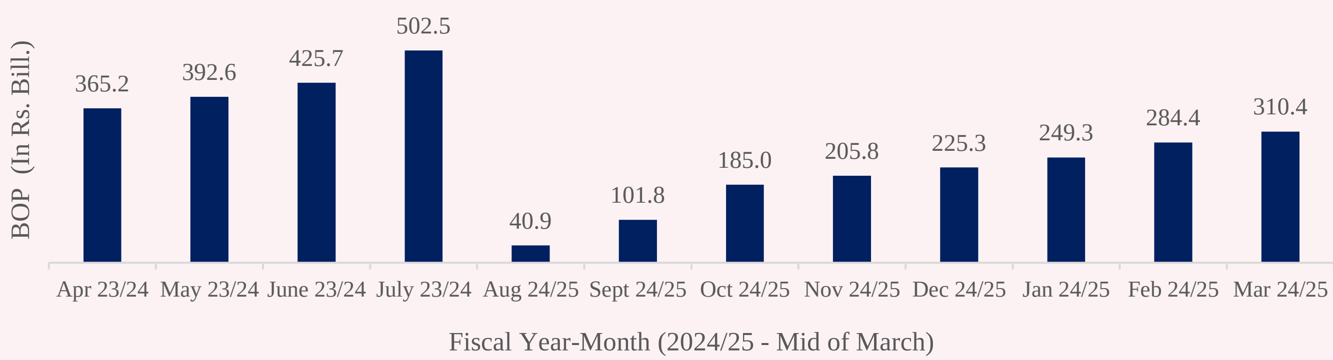
Total Export (57.2% Y-o-Y)



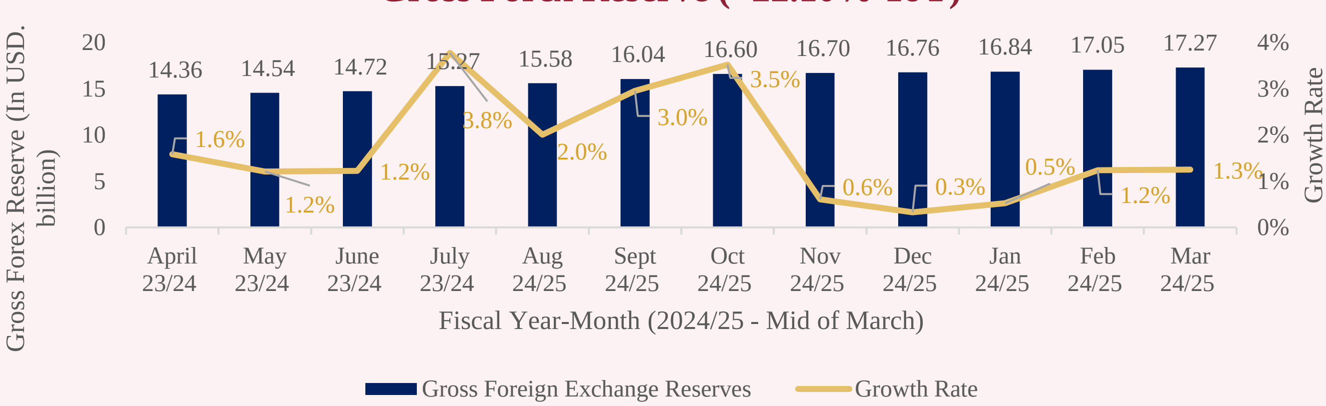
Trade Deficit

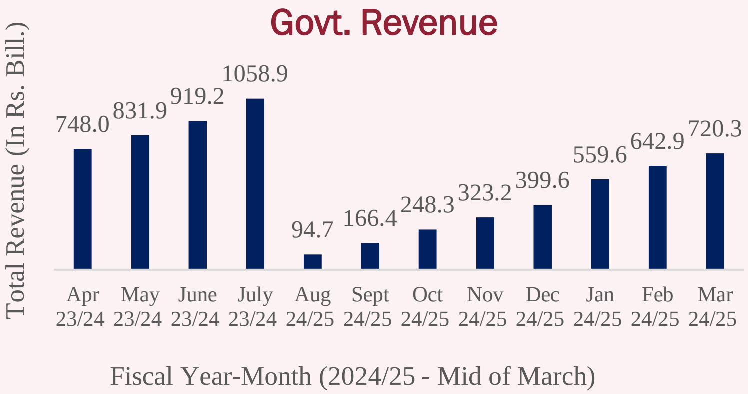


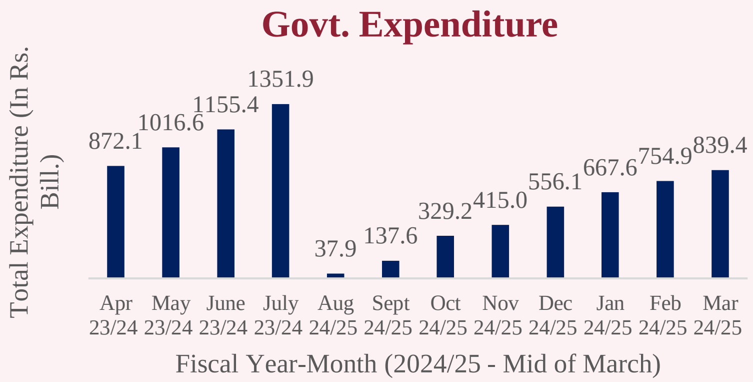
Balance of Payments (Surplus)

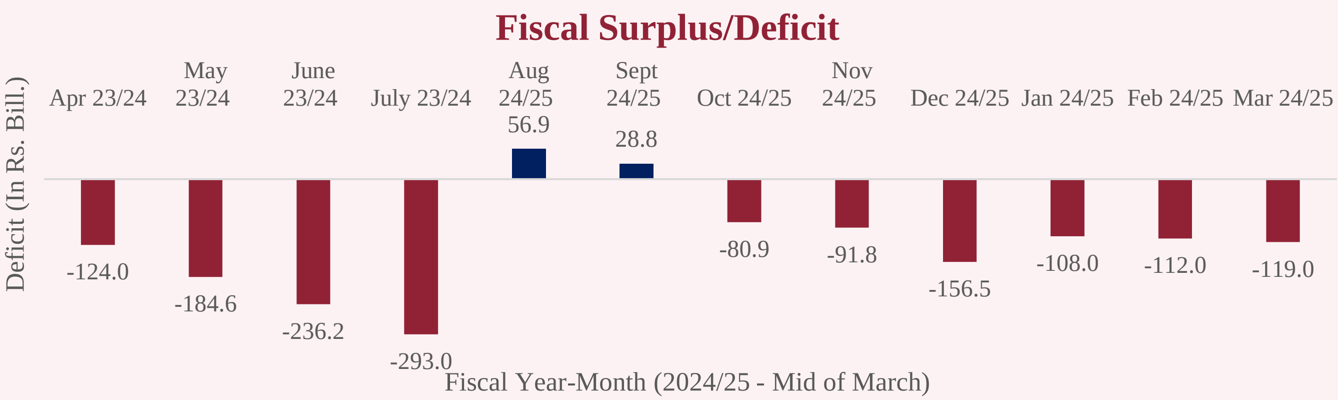


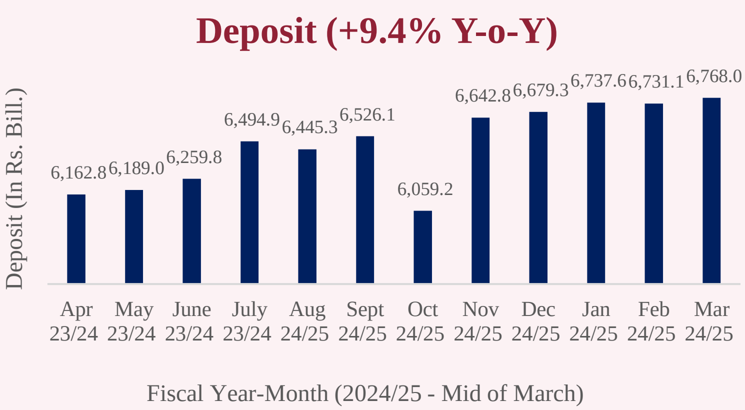
Gross Forex Reserve (+22.10% YoY)

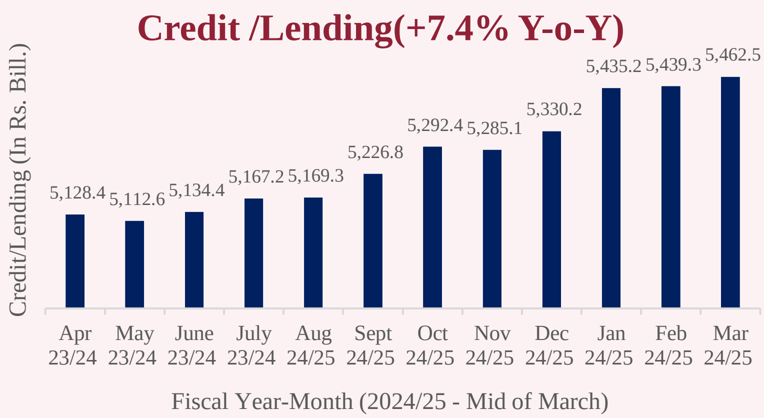


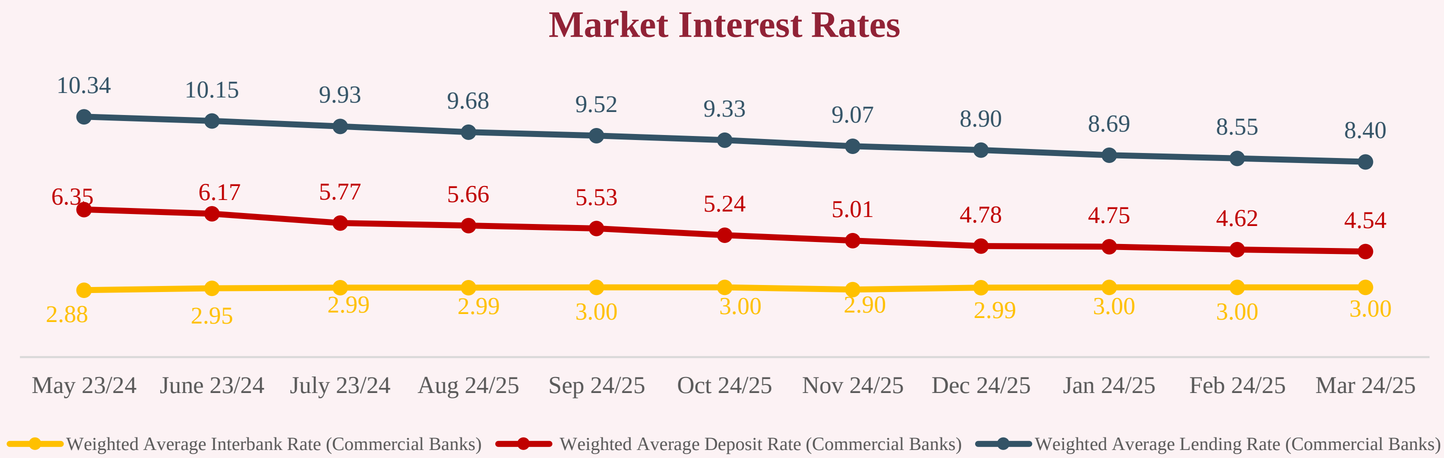










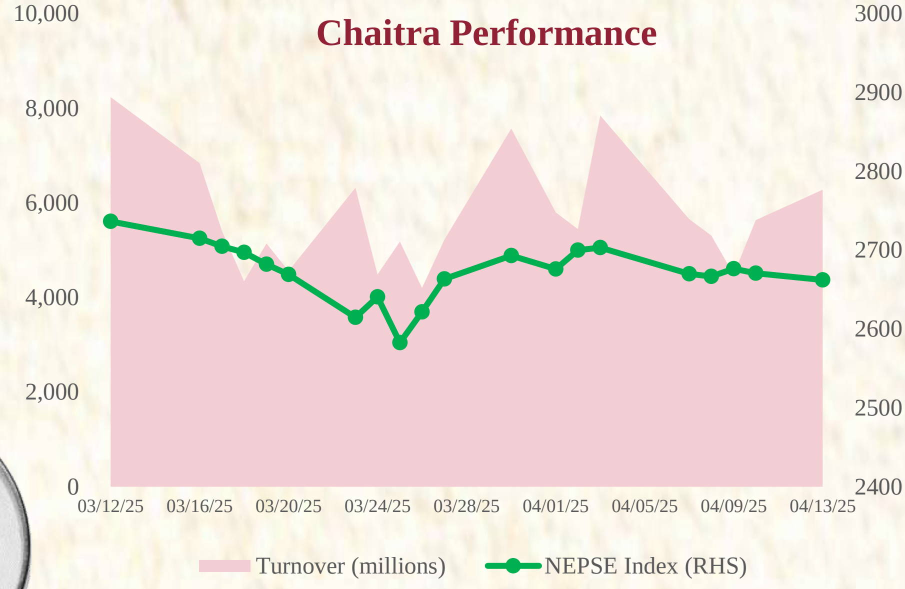


Short-term Interest Rates (As on 15th April 2025):

- 28 days: 2.97%
- 91 days: 2.97%
- 364 days: 3.05%

Market Update:

NEPSE SCANNER



Metrics	13.04.25	12.03.25	Monthly Change
NEPSE	2,662.08	2,736.48	-2.72%
Sensitive	446.44	459.03	-2.74%
Float	179.16	185.36	-3.34%
Sensitive Float	150.09	153.91	-2.48%
Turnover (Million)	6,280.30	8,235.27	-23.74%
Shares Volumes	13,189,328	22,941,365	-42.51%
Total Transactions	54,361	79,236	-31.39%
Total Scrips Traded	322	323	-0.31%
Market Cap (Rs. Million)	4,425,401.02	4,543,811.89	-2.61%
Sensitive Mrkt. Cap (Rs. Mn)	1,994,347.02	2,050,571.08	-2.74%
Float Market Cap (Rs. Mn)	1,469,949.62	1,518,698.67	-3.21%
Sens. Float Mrkt. Cap (Rs.M	784,993.98	804,980.76	-2.48%
Average Return	15.59%	16.38%	-0.79%
Std. Deviation	23.12%	23.22%	-0.10%
10 Day 10% VAR	-6.03%	-6.04%	0.01%
Market Cap / GDP Ratio	77.57%	79.65%	-2.08%

- NEPSE fell to 2,662.08 level from 2,736.48 (previous month end), losing 74.40 points (2.72%); high and low index remained 2,739.55 and 2,579.45 resp. in the review month.
- Sensitive, float and sensitive float index also declined by 2.74%, 3.34% and 2.48% respectively.
- By the month end, the turnover witnessed the fall of 23.74% and volume 42.51%. The transactions also dropped by 31.39% as compared to the previous month end.
- Monthly average of these metrics computes to Rs. 5.57 billion (-46.74%), Rs. 11.11 million (-47.49%), and Rs. 58.34 thousand (-43.34%) respectively.
- Market cap decreased by 2.61% to Rs. 4.43 trillion, out of which approx. 33% are only floated. Sensitive market cap which covers A class stocks saw a 2.74% decline, Sensitive float market cap decreased by 2.48% and the size of Float market cap reduced by 3.21%.

- Avg. market return decreased to 15.59% from 16.38%, Standard Deviation slightly declined to 23.12% and 10-day 10% VAR stood at 6.03%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 77.57%.
- In the review period, market traded for 19 days. Last month, number of trading days was 18.

Average Turnover
NPR 5.57 Bn
-46.74%

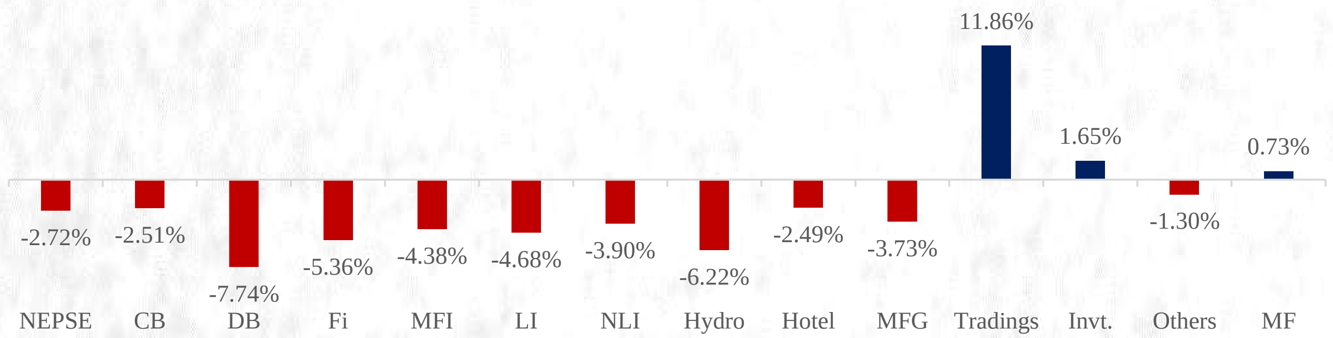
Average Volume
NPR. 11.11 Mn
-47.49%

Average Transaction Size
NPR. 58.34 K
-43.34%

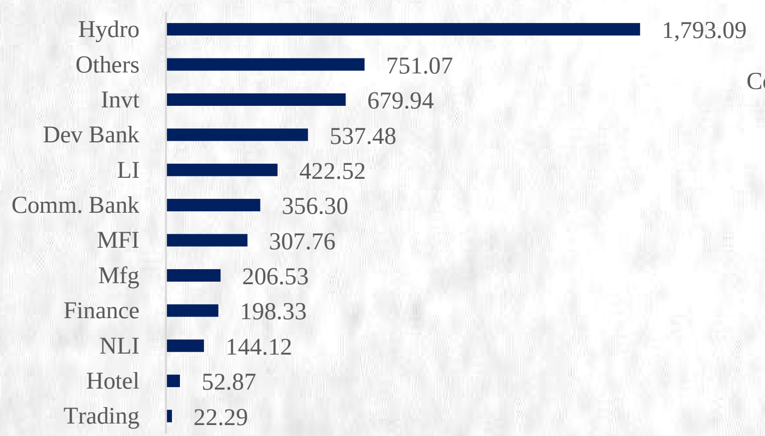
Average Market cap
NPR. 4.43 Tn
-3.73%

SECTOR SCANNER

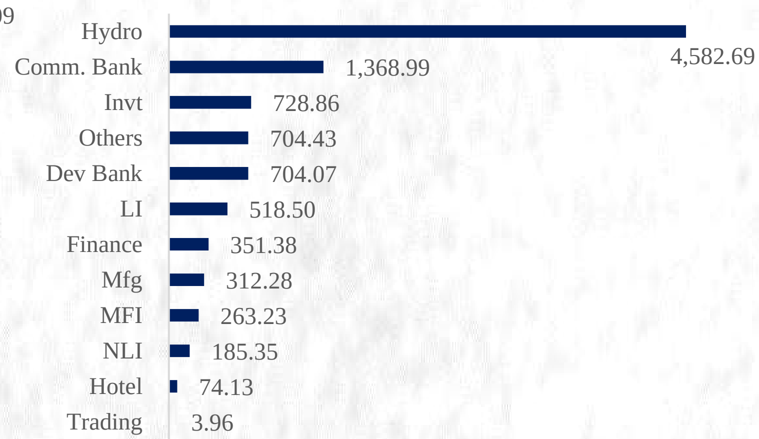
Monthly Sectoral Performance



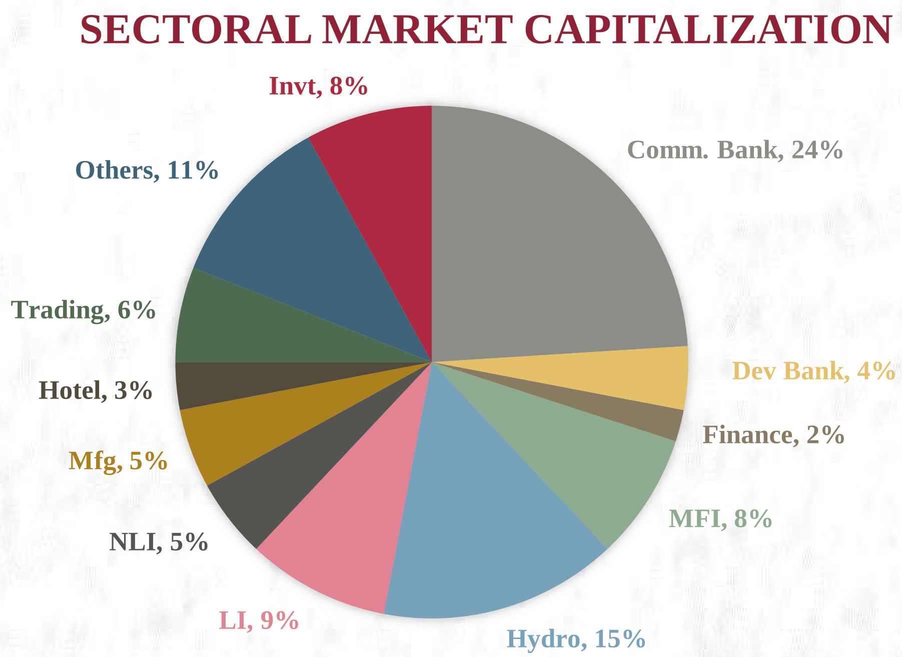
Chaitra Avg. Turnover (Millions)



Chaitra Avg. Volume ('000)



- Except three sectors i.e., Tradings (+11.86%), Investments (+1.65%) and Mutual Funds (+0.73%), all the other sectors witnessed decline in this month. Development Bank and Hydropower saw the major fall of 7.74% and 6.22% respectively followed by Finance (5.36%), Life Insurance (4.68%), Microfinance (4.38%) etc. in the review period.
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 32.13% and 36.71% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 41.28%. Both Others and Investment sector made the notable Turnover of average 13.34% and 12.12% respectively while their average Transaction size was 8.33% and 7.13% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Chaitr i.e. Sunday 31st Chaira, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 38%, Commercial Bank alone 24%. Hydro and Hotel has 15% and 3% coverage respectively. Insurance sector occupy 14% (Life – 9% and Non-Life – 5%) while Trading sector covers 6%. Finance has the least capitalization, *amounting approx. Rs. 79.52 billion.*

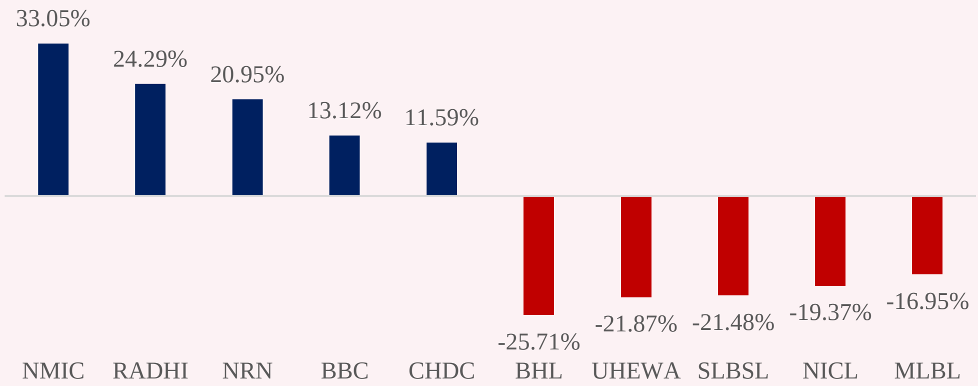


Monthly Terminology: Dead Cat Bounce

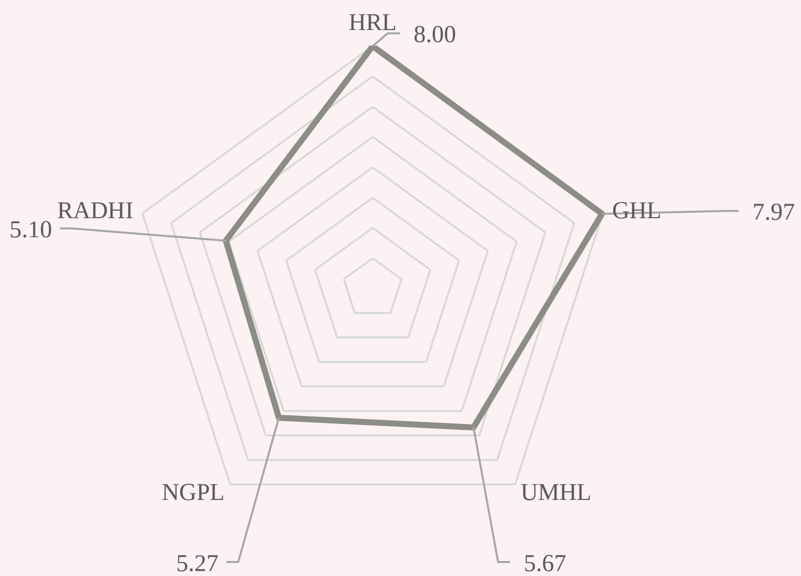
A Dead Cat Bounce refers to a temporary and short-lived recovery in the price of a declining stock or market before it resumes its downward trend. This phenomenon often occurs during bear markets when a brief rally gives the illusion of a trend reversal, leading some investors to mistakenly believe that the asset is recovering. However, the underlying fundamentals remain weak, and the price eventually continues to decline. The term is derived from the idea that even a dead cat will appear to bounce if it falls from a great height, emphasizing the deceptive nature of such rebounds in financial markets.

STOCK SCANNER

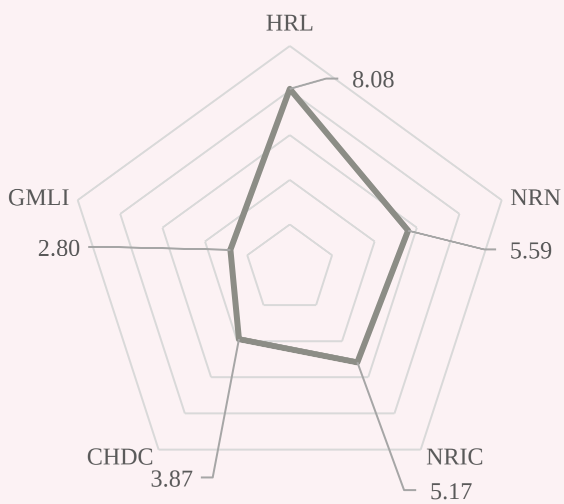
Top 5 Gaining and Losing Stocks/Scrips



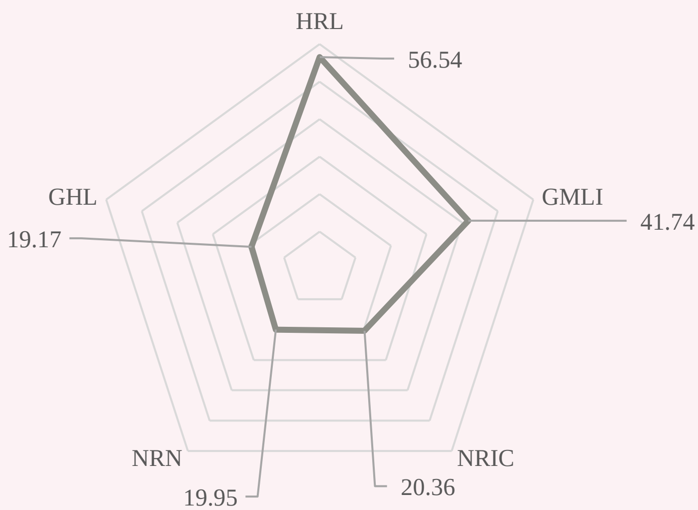
Stocks with Highest Volume (Millions)



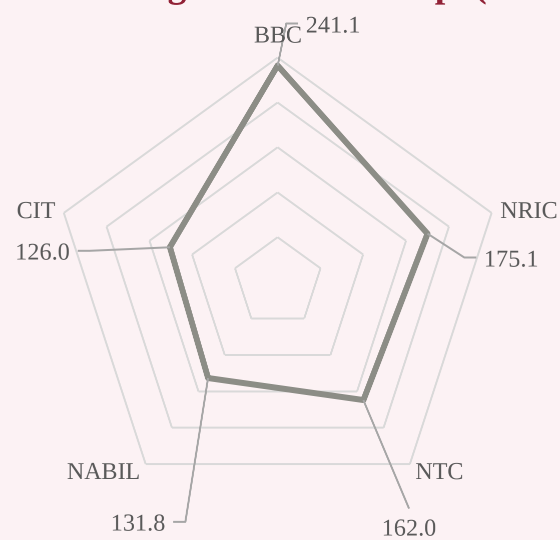
Stocks with Highest Turnover (Billions)



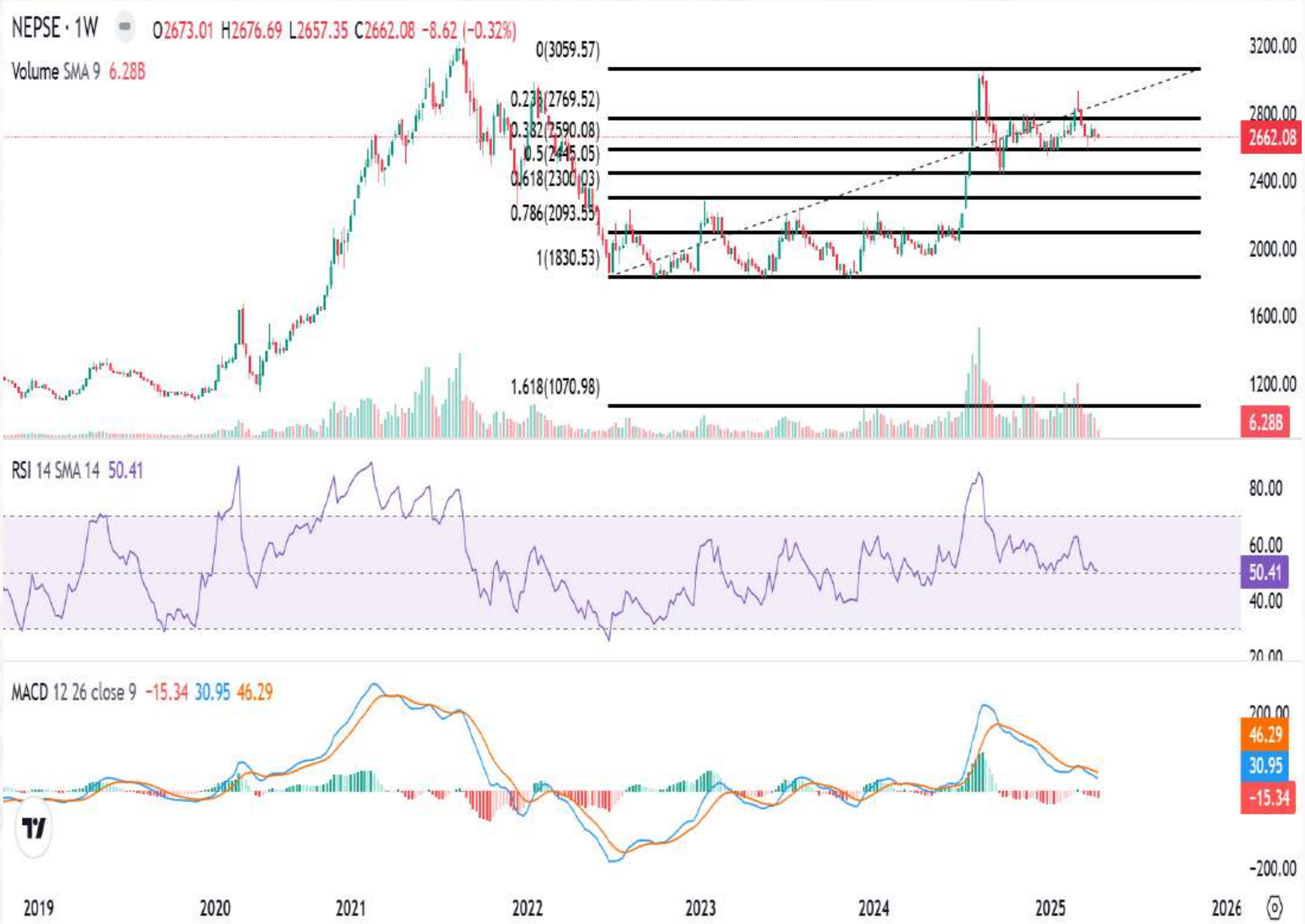
Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK…



Technical Indicator (13th April)	Value
RSI	45.00
MACD line	-13.46
Signal line	-14.65
Bollinger Upper Band	2743.03
Bollinger Middle Band	2672.31
Bollinger Lower Band	2601.58
ADX	16.79
Exp. Moving Avg. (9 Days)	2672.02
Exp. Moving Avg. (26 Days)	2687.82
Exp. Moving Avg. (50 Days)	2692.47
Exp. Moving Avg. (200 Days)	2567.18

Technical Overview:

After making the low of 2580 level, Index has elevated upto 2730, before closing at 2660 level, respecting its sideways range as endorsed by Fib. Retrenchment indicator. Short-term indicators like RSI, MACD and Bollinger Bands are giving the potential upward momentum of the Index. As per the daily 50 days EMA (2692) and 200 days EMA (2567) chart, the current index level pictures bearish trend (short to intermediate periods) and bullish outlook (long term) respectively. Weekly chart analysis however, paints the bullish outlook of the market (as per 50D and 200D EMA).

Key Bulletins of the Month

1) In Baisakh 2082, most commercial banks kept their fixed deposit rates unchanged, with a few adjusting them—3 banks lowered and 1 increased rates for individual deposits, while 8 reduced and only Everest Bank raised rates for institutional deposits.
2) NRB's eight-month report for FY 2081/82 shows Nabil Bank leading in commercial banks with a Rs. 4.78 Arba net profit, while Garima Bikas Bank topped in development banks with Rs. 83.48 Crores in net profit.
3) NRB has released the CME report (Eight Months till Mid- March); Remittance inflows increased by 9.4%, inflation stood at 3.75%, and imports and exports increased by 11.2% and 57.2% respectively.
4) As per NRB's eighth-month report for FY 2024/25, average base rates fell to 6.34% for commercial banks, 8.42% for development banks, and 9.32% for finance companies, down from 8.77%, 10.71%, and 12.33% last year.
5) Nepal's public debt increased by Rs. 241.93 billion in the current FY by mid- March and reached Rs 2.68 trillion, making 46.91% of GDP, with foreign debt comprising 50.83% and domestic debt 49.16%.
6) By March end, the government had achieved only 52.62% of the estimated revenue collection and 48.1% of the planned expenditure.
7) SEBON has amended the Merchant Banker Regulations to allow merchant banks owned by banks and insurance companies to underwrite securities up to the net worth of their parent institutions, replacing the previous limit of three times their own net worth.
8) Neelam Dhungana has been appointed as Acting Governor of Nepal Rastra Bank.
9) SEBON has introduced a Broker Merger Directive to help undercapitalized brokerage firms meet the increased Rs. 20 crore capital requirement by allowing mergers.
10) The World Bank has projected Nepal's economy to grow by 4.5% in FY25, driven by trade, hydropower, and agriculture, with an average 5.4% growth over the next two years and ADB has projected Nepal's economic growth rate to be 4.4% in 2025.
11) Chudamani Chapagain has been appointed as the CEO of the Nepal Stock Exchange (NEPSE).
12) By the end of Falgun 2081, life insurers amassed Rs. 1.08 Kharba from over 13.4 million policies and non-life insurers gathered Rs. 28.02 Arba from 1.84 million policies.
13) According to World Bank Report, the floods and landslides that hit Nepal in late September 2024 and upgrade in Nepal's International Airport has hit country's GDP by 1%.
14) Nepal Rastra Bank has set guidelines for savings and credit cooperatives, allowing them to collect savings up to 15 times their primary capital but restricting borrowing to 100% of their primary fund for transparency and efficiency.

Dividend Announced for FY 2080/81 during Q3 2081/82				
Company	**Ticker**	**FY**	**Bonus (%)**	**Cash (%)**
1. Sagarmatha Lumibini Insurance Company Limited	SALICO	2080/81	-	15
2. Swabhimaan Laghubitta Bittiya Sanstha Limited	SMFBS	2080/81	5	0.26
3. Swarojgar Laghubitta Bittiya Sanstha Limited	SLBBL	2080/81	13.5	0.71
4. Nepal Insurance Company Limited	NICL	2080/81	15	0.79
5. Sanima Reliance Life Insurance Limited	SRLI	2080/81	1.25	8
6. Citizen Life Insurance Company Limited	CLI	2080/81	26.98	1.42
7. IME Life Insurance Company Limited	ILI	2080/81	-	21.05
8. Himalayan Everest Insurance Limited	HEI	2080/81	-	8.75
9. Butwal Power Company Limited	BPCL	2080/81	-	5
10. Bishal Bazar Company Limited	BBC	2080/81	-	14
11. Sanima GIC Insurance Limited	SGIC	2080/81	7.5	0.39
12. IGI Prudential Insurance Limited	IGI	2080/81	-	9.74
13. Siddhartha Premier Insurance Limited	SPIL	2080/81	-	30
14. Shikhar Insurance Company Limited	SICL	2080/81	10	0.53

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