गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED
(A Subsidiary of GARIMA BIKAS BANK LIMITED)
समृद्धिको सारथी

# THE ANALYTICS

## MONTHLY GARIMA INSIGHT

SHRAWAN 2080
(17 JULY 2023 - 17 AUGUST 2023)
VOL : 2, ISSUE 1

Headwinds and Tailwinds of Market Ahead

Basel Capital Accords: How Basel Norms Check on the Banking Risks?

NEPSE SCANNER

MACROECONOMIC FACTORS

MARKET SCANNER

+977-014529149/50, 01-5970175 Kamalpokhari, Kathmandu, Nepal www.garimacapital.com

## Market Update:

# Headwinds and Tailwinds Of Market Ahead

## SYNOPSIS:

In the aftermath of recent monetary policy, the market took a steep fall to close around 2000 index level by the end of Shrawan month. With the end of gentlemen's agreement on interest rate, it was expected that banks offering higher return on FD would snatch away the deposit of banks whose FD rates were on the lower side. The same phenomenon played out in the market. The monetary policy has failed to address the woes of investors as the policy did not scrapped the Rs. 12 crores margin lending limits nor it decrease the risk weight on margin loan higher than Rs. 50 lakh and the lending on real estate was kept intact without any loosening as such. Notwithstanding the above factors, the future course of market depends on the how considerate NRB is in terms of giving banks the leeway to calculate CD ratio.

The Q4 report of BFI's and other entities have been divulged to the public. At a first glance, the report of BFI's appears to be positive. However, many BFI's have booked huge amount of interest suspense which looks ominous for the upcoming quarters in terms of loan recovery. In addition, the loan loss provision on Non-Banking Assets has also increased. This has seriously undermined the distributable capacity of BFI's with Kumari Bank and Himalayan Bank reporting negative distributable profit. The same story is playing out in context of Development Banks and Hydropower sector. Hydropower companies, in particular, have not posted encouraging results in the Q4 because many projects in the eastern region have sustained massive flood related damage.

## Tailwinds:

1. *As per the recent macroeconomic data published by Nepal Rastra Bank, remittance figure reached 12 Kharba and Balance of Payment (BOP) stood at Rs. 228.97 billion. Notwithstanding the endogenous factors, we are in a sound position in terms of external macroeconomic situation.*

2. *The policy rate has been brought down to 6.5% which is an indication of lending rate declining further in the days to come.*

3. *Considering the number of tourist arrival last year in the month of July i.e. 46,957, the number of tourists arrival this year is 72,250 which signifies a massive YoY growth of around 53.86%.*

4. *SEBON has been generous in terms of granting license to new applicants. The SEBON has granted new license to 7 brokers in the first tranche and additional 11 brokers in the next tranche. The advent of new brokers will mean that the spirit of competition will be fostered, which will eventually be beneficial for the market participants.*

5. *The possibility of rights issuance accompanied by bonus announcement by life insurance companies to meet the regulatory capital requirement is likely to ramp up the interest of market players in Life-Insurance companies.*

## Headwinds:

1. *Ongoing protests against the government by contractors is a worrying sign because even the contractors who have won the cases against government in the tribunal have been deprived of the rightful payment. This pitiful situation has affected many other parties such as sub-contractors, banking institution that have provided bank guarantee and workers who have not been able to receive their rightful stipend.*
2. *Many BFI's have reported huge amount as interest receivable. In addition, the loan loss provision on Non-Banking Assets has also increased. This has seriously undermined the distributable capacity of BFI.*
3. *Some of the good performing Hydropower companies have posted weak financials this time around, mostly, because of the onset of monsoon which has caused massive collateral damage to the Hydropower companies.*
4. *Although we have sufficient liquidity in the system, the credit demand has remained sluggish due to the onset of recession. Merely increasing the interest rate on deposit would add surplus liquidity in the system but the credit demand will not be stimulated. As a matter of fact, the increasing interest rate war by BFI's will make matters worse and put a lid on credit expansion, which is the need of the hour*

*Key Highlights of Monetary Policy 2080/81:*

- *Target Economic Growth: 6% (Fiscal Policy)*
- *Target Inflation: 6.5%*
- *Deposit Collection Rate: 4.5% (↓)*
- *Money Supply: 12.5% (↑)*
- *Policy Rate: 6.5% (↓)*
- *Bank Rate: 7.5% (↔)*
- *Encouragement to Microfinance Institution's M&A*
- *CRR: 4% ; SLR: 12% (A Class BFI) / 10% (B & C Class BFIs)*
- *Permanent Deposit Collection Facility to be set up at the lower limit of the Interest Rate Corridor*
- *Standing Liquidity Facility: 7.5%*
- *Overnight Liquidity Facility: 6.5%*
- *First Home Loan Limit: Rs.2 Crores (↑)*
- *Real Estate Mortgage: 30% LTV for Kathmandu Valley and 40% LTV for Outside*

## Concluding Remark:

The subsequent circular by NRB, post the unveiling of monetary policy, did not do much to alley the negative sentiment of public and this has already been reflected in the market. By and large, the banks have increased the interest rate on FD and this has decreased the possibility of further decline in the lending rate by BFI's. However, the lending rate is already on the lower side with banks trying to dole out margin lending at discounted rate. Judging by the ongoing market scenario, the dilemma over local level government deposit and its implication on CD ratio computation is likely to be laid to rest with the arrival of circular by NRB. It would be great for the market if the government would give banks the leeway to incorporate local level deposit as denominator component in CD ratio calculation.

The Q4 report so far has not been encouraging at all but the poor financials have already been reflected in the market. There are reasons to be optimistic in the subsequent in the quarters as Hydro companies are likely to post good financials due to increased flow of water in the monsoon season. Insurance companies have room to grow further and are being fueled by the news of rights issuance. Even the BFI's have exercised a great deal of caution in giving out loans given the present level of NPL, their focus will be on recovery as well as loan expansion. Most of banks have downsized their human capital in an attempt to streamline their operation. The market is likely to stay around 2250 index points and we might even witness rally up to 2500 index points by the end of first six months.

# Basel Capital Accords:
# How Do Basel Norms Check on the Banking Risks?

## Risks in Banking Sector

The zillion risks that Banks face on daily basis are generally reviewed under Credit, Operational, Market, and Liquidity Risks. Credit risks, the most inherent one, encompasses risks of the counterparty, collateral, settlements, downgrade, etc. Operational risks steam from poor internal processes and systems (poor risk culture), people (fraud), or external factors (earthquake). Interest rate volatility, foreign currency, and securities dealing of banks attract Market and Treasury risks. At times when Banks are unable to liquid their assets or honor duly their liabilities, Liquidity risks persist with the potentiality to result in bank run in entire sector. Mismatch in asset-liability management endangers banks with one or more above risks in concert. These risks are however not exhaustive and include reputational, strategic, business risks, etc.

## Formation of Basel Committee

The failure of German-based Herstatt Bank in 1974 triggered the formation of the Basel Committee on Banking Supervision (BCBS) in same year. The Committee, formed by the Central Governors of the Group of Ten (G10) nations, aimed at promoting financial stability through strengthening the regulation and supervision of banking practices globally. This step was indispensable to unify the globally dissimilar banking risk practices and thereby avoid the possibility of a banking fiasco rooting contagious effects. The sterling outcome of the Committee is the various Basel Capital Accords which are binding on Global-Systematically Important Banks (GSIBs) and internationally active institutions, though voluntarily put to follow by Non-Member jurisdictions as well.

## Basel Capital Accord: Basel I

Introduced in 1988, "Basel I: International Convergence of Capital Measurement and Capital Standards" intended to ensure that the banks have adequate capital to uphold the losses under a stress scenario, addressing the Credit Risks. Accordingly, the accord brought in a risk-based capital ratio i.e. the ratio of Total Capital to Risk-Weighted Assets (RWA) of at least 8%.

Basel I also defined Tier 1 Capital and Tier 2 Capital (i.e. Total Capital) where Tier 1 (Core) and Tier 2 (Supplementary) act as subordinate to depositors' money at times of defaults. Therefore, the accord required the banks to have at least 50% of Tier 1 Capital i.e. 4% of RWA.

RWA includes credit risk exposure of both on- and off-balance sheet (e.g. securitized products) assets where Basel I assigns different risk weights and credit conversion factors ranging from 0% to 100% respectively to both asset categories.

An amendment to Basel I was made in 1996 to measure the market risks related to trading activities of banks under two methods: (1) Standardized Measurement Approach, and (2) Internal Model-Based Approach. Under the second method, market risks amounted to the summation of Value at Risk (VaR) and Specific risk charge i.e. company-specific risks.

Therefore, under Basel I:

Total Capital = 8% X (Credit risk RWA + Market Risk RWA)

## Basel Capital Accord: Basel II

Basel I was inadequate and asymmetric at capturing varied risks exposure of banks, particularly larger ones. Hence, the Committee published "Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework" in 2004. The accord required banks to maintain capital factoring Operational risks under any of three approaches: (1) Basic Indicator Approach (BIA) (2) Standardized Approach (3) Advanced Measurement Approach. Further, the accord provided three approaches to measure the Credit risks: (1) Standardized Approach (2) Foundation Internal Rating Based (IRB) Approach (3) Advanced IRB Approach. Another significant work of Basel II was defining the three pillars: (1) Minimum Capital Requirement (2) Supervisory Review (3) Market Discipline. The first pillar is the revision to Basel I with the inclusion of operational risk capital i.e.

Total Capital = 8% X (Credit Risk RWA + Market Risk RWA + Operational Risk RWA)

Pillar 2 requires the Supervisor i.e. the national regulatory body, to actively check on the risks profile of their banks, and Pillar 3 demands more risk transparency and disclosure from banks.

## Basel Capital Accord: Basel II.5 and Basel III

Global Financial Crisis (GFC) 2007-09 spilled the major flaws with the implementation of Basel I and II. First - the market risks for trading books were inadequately charged, second - the Advanced IRB approach under-reported banks' credit risks, and third - the need for liquidity risks measurement. Basel II.5 introduced three elements to address the first flaw: (1) addition of stressed VaR (to capture high volatilities) (2) Incremental Risk Charge (to capture credit migration and default risks) (3) Comprehensive Risk Measure (to capture default correlation risks in instruments like securitization).

BCBS published "Basel III: A Global Regulatory Framework for more Resilient Banks and Banking System" in 2010 countering the second and third flaws stated above. The accord increased the Tier 1 Equity Capital to 4.5% (from 2%) of RWA and Total Tier 1 Capital (Equity + Additional Tier 1 Capital) to 6% (from 4%) of RWA. The definition of Tier 1 and Tier 2 Capital were tightened, while Tier 3 Capital was eliminated. Further, Basel III required the banks to maintain buffers (Capital Conservation Buffers (CCB) and Countercyclical Buffers (CCyB)) along with Tier 1 Equity Capital to ease systemic risks. CCB which is 2.5% of RWA acts as a cushion during stress periods and CCyB which is 0-2.5% (at Supervisor discretion) of RWA aims to control the credit supply. In addition to the above buffers, Basel III requires G-SIBs to maintain (1) G-SIBs buffers i.e. incremental capital requirements of 1% to 3.5% of RWA depending on G-SIBs category (2) Total Loss-Absorbing Capacity (TLAC) of 16% to 20% of RWA. Dividend restrictions are put on under non-compliance of Buffers requirements.

Basel III required banks to maintain (1) Liquidity Coverage Ratio (LCR) and (2) Net Stable Funding Ratio (NSFR) as steps to allay liquidity risks. LCR requires banks to hold high-quality liquid assets sufficient to withstand a month of liquidity crisis and NSFR requires holding of stable funding sufficient to withstand a year of crisis. Further, banks are required to maintain the leverage ratio (Core T1 Capital to Total On and Off- B/s Exposure) of base 3% to check on the over-leveraging mess caused by risk-based capital measure i.e. RWA.

## Basel Capital Accord: Basel III Reforms

With the purpose of bringing uniformity in RWA calculation and strengthening the regulatory framework, BCBS published "Basel III: Finalising Post Crisis Reforms" in December 2017. The Reforms, sporadically termed as Basel IV, deal especially with credit risk (operational risk to some extent), and includes the following major revisions:

***1.*** ***"The intelligent investor should recognize that market panics can create great prices for good companies and good prices for great companies."* – *Benjamin Graham***

*1. Standardized Approach for Credit Risk*, increasing the granularity and risk sensitivity, defining the risk weights for rated and unrated exposures.

*2. Internal Rating-Based (IRB) Approach for Credit Risk*, replacing Advanced-IRB Approach with Foundation-IRB Approach for asset classes difficult to model and requiring minimum input floor for PD (Probability of default), LGD (Loss given default), and EAD (Exposure at default) to estimate credit risk more conservatively.

*3. Minimum Capital Requirement for CVA Risk*, replacing IRB Approach for CVA Risk modelling with Standardized Approach and Basic Approach, enhancing the robustness and consistency of CVA framework. CVA (Credit Value Adjustment) is the price of counterparty credit risk and is a type of market risk.

*4. Minimum Capital Requirement for Operational Risk*, replacing Advanced Measurement Approach (AMA) and Standardized Approach with Standardized Measurement Approach (SMA) for calculation of operational risks.

*5. Leverage ratio*, imposing leverage ratio buffer for G-SIBs which will be 50% of G-SIBs Higher Loss Absorbency (HLA) risk-weighted requirement i.e. a G-SIBs subject to 4% HLA risk-weighted requirement shall maintain 2% leverage buffer.

*6. Output floor*, replacing the Basel II floor and requiring the minimum RWA of 72.5% of RWA under Standardized Approach (SA) and thereby curbing the gaming in Internal Approaches.

Basel III Reforms, intended to go implementation from January 2022, was put-off until January 2023, owing to the Pandemic, the Reforms are expected to be fully adopted on a five-year phase-wise basis i.e. by 2027.

## Important Guidelines and Principles for Effective Risk Management and Supervision

The above highlighted Basel Capital Accords provide quantitative measures to provision different banking risk factors so that the industry will be resilient when another Lehman Brothers sink. However, maintenance of regulatory capital does not necessarily mean accurate pricing of risks, and sometimes, even the robust stress testing lags ripple effects of the crisis.

Besides, the banking risks have always evolved along with the new and involved nature of financial instruments and transactions, leaving some risks still unchecked. The technological revolution followed by AI, Blockchain, Fintech, DeFi has augmented globalization while climate change and pandemics warrant elite risk management culture beyond mere provisions. BCBS has issued various principles and guidelines for effective risks management, some being noted here:

- ***Principles for the sound management of operational risk:*** 11 principles requiring strong risk management culture, operational risk framework, governance, risk management environment, etc.

- ***Principles for effective risk data aggregation and risk reporting:*** 14 principles relating to comprehensive governance and IT infrastructures, risk data aggregation capabilities, risk reporting practices, and supervisory reviews.

- ***Principles for sound liquidity risk management and supervision:*** 17 principles requiring robust liquidity risk management framework, governance, measurement, management, and disclosures of risks, plus supervisor roles.

- ***Principles for operational resilience:*** 7 principles relating to business continuity planning and testing, information and communication technologies including cyber security, mapping interconnections, and interdependencies, etc.

- ***Principles for the effective management and supervision of climate-related financial risks:*** 18 principles incorporating guidance on effective management and prudential supervision of climate-related financial risks.

- ***Sound management of risks related to money laundering and financing of terrorism:*** Includes guidelines regarding customer acceptance policies, monitoring, reporting of suspicious transactions, cross- border transactions, supervisor roles, etc.

## Application of Basel Capital Accords in Nepal – Brief Outlook

Although Nepal rest under Non-Member Jurisdiction and neither there are any G-SIBs nor yet any parameters for defining the D-SIBs (Domestic Systematically Important Banks), Nepal has been, on a voluntary basis, adopting Basel Capital Norms. The Supervisor, Nepal Rastra Bank's "Capital Adequacy Framework - 2015" guidelines governs the capital adequacy requirements (CAR) of BFIs. Class 'A' Commercial Banks have moved on to Basel III implementation while Class 'B' Development Banks and Class 'C' Finance Institutions are practicing Basel II. Minimum CAR is 11% (including 2.5% CCB) (Basel: 10.5% CAR) while 0% - 2.5% CCyB which although brought in effect again (from Shrawan 2080) by recent amendment to Unified Directives 2079, will not trigger implementation until the requirement of Credit to GDP Gap exceed 5 points. Banks follow a Simplified Standardized Approach for measuring credit risk exposure where standard risk weights are assigned to banks' on-and-off balance sheet claims. Market risk exposure is captured with the Net Open Position Approach under which banks trading books exposure of foreign currencies, equity/bond securities, commodities, derivatives, etc. are mark-to-market. Similarly, banks follow BIA for operational risks which takes 15 percent of the bank's three years average annual gross income. These approaches are elementary given the no-advance risk management function in the jurisdiction. Besides the above, additional charges (as per Supervisory discretion: Pillar II) are applied for the total RWA. LCR and NSFR are not disclosed, given the inadequate mechanisms to measure the components. Despite the little relevancy to Basel adoption (negligible to nil exposure with G-SIBs/global markets/derivatives/securitization/re-securitization/crypto-assets, mainly collateral-based lending, etc.), the commitment by NRB to Basel compliance is commendable.

## Closing Chapter

Basel capital accords and supervisory norms do not guarantee the absence of a banking crisis and instead, the jeopardy in risk policies may be exposed. Barings' bankruptcy in 1995 owing to rough trader Nick Leeson unveiled operational jeopardy in the bank, compelling BCBS to add operational risk capital in Basel II. GFC 2007-09 unveiled the importance of leverage and liquidity risk management, subsequently addressed by Basel III. The crisis also manifested the necessity of protecting Systematically Important Financial Institutions (SIFI) which are too-big-to-fail. Post the GFC, the Covid-19 pandemic is the real stress, however, thanks to Basel III, Basel III Reforms, Governments, and Banking authorities initiatives, the global banking system has so far maintained resiliency and stability, avoiding any system-wide calamity. Although the implementation of Basel Norms has drawdown effects on national and global economic growth and banks have little incentive, prompting the search for regulatory gaps, the magnitude of Basel capital and supervisory norms are weighty.

2.

***"The markets will most brutally surprise the very people who are most certain that their views about the future are right."***

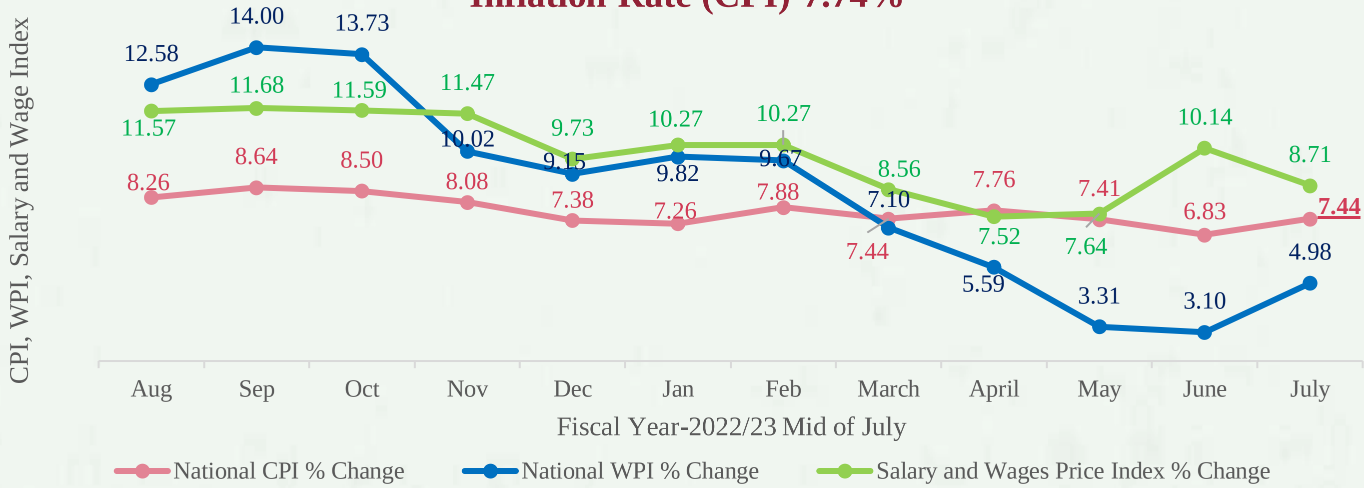
***– Benjamin Graham***

3. ***"To be a successful business owner and investor, you have to be emotionally neutral to winning and losing. It is all part of the game."***

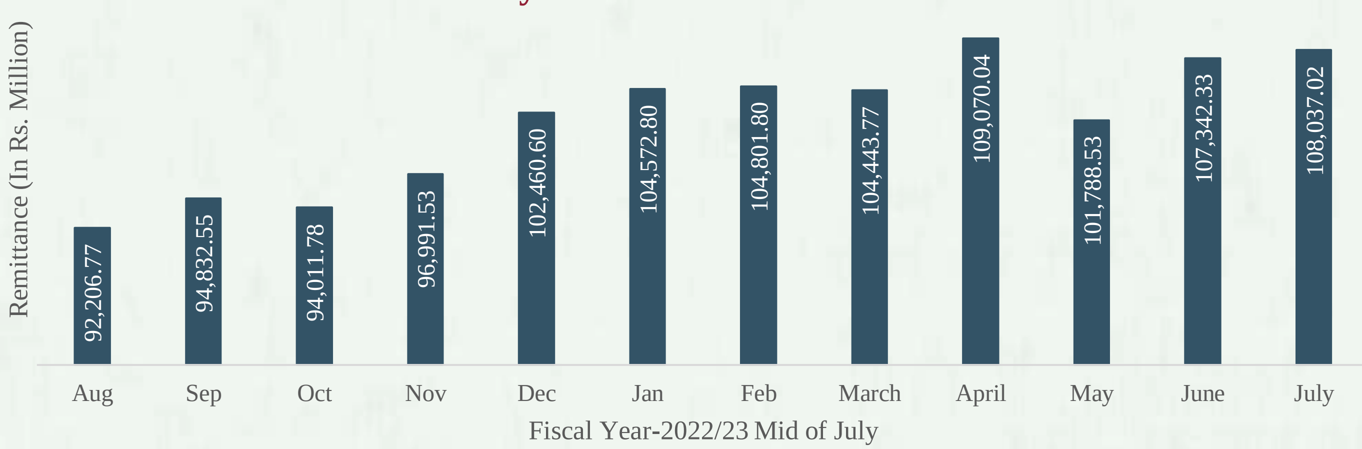
***–Robert Kiyosaki***

# WHERE DO THE FACTORS STAND?

## Inflation Rate (CPI)-7.74%



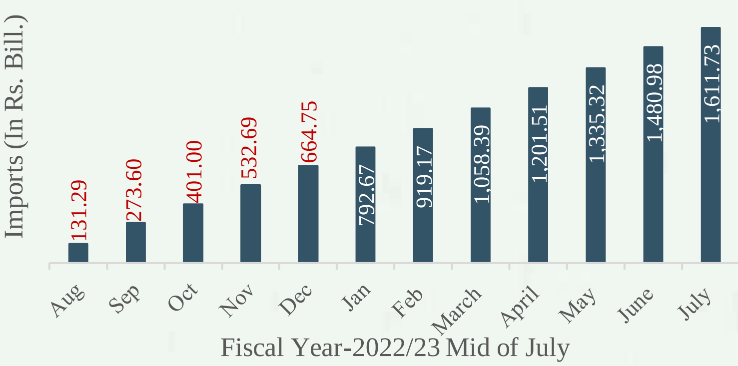

## Monthly Remittance inflow- 21.2%




## Liquidity Indicator (As on 17th August 2023):

- BFI's Deposits: NPR. 5,596 billion
- BFI's Lending: NPR. 4,856 billion
- **CD Ratio: 83.72%**
- Inter-bank Intereset Rate: 6.24%

## Total Import (-16.1% Y-o-Y)

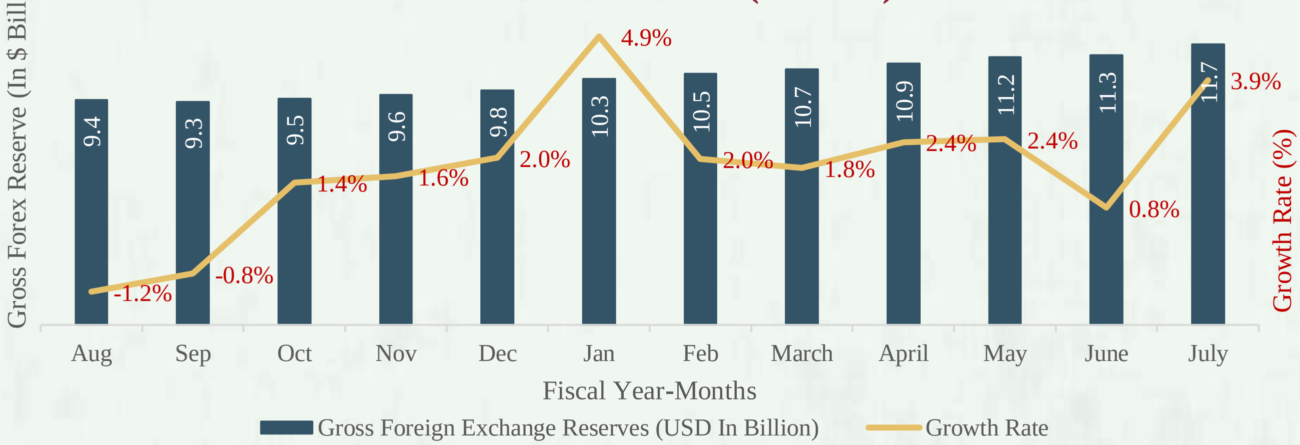


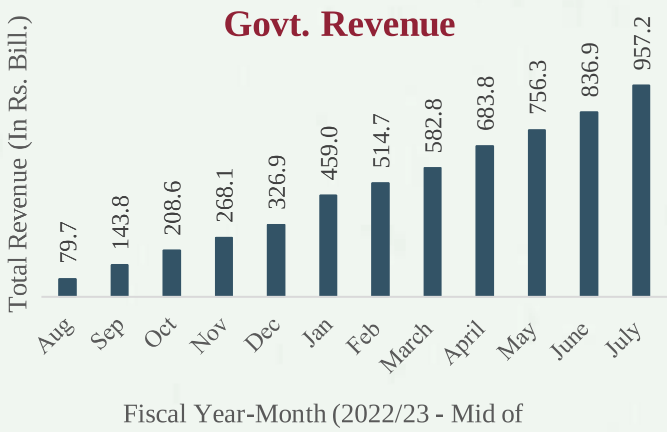

## Total Export (in Billions)

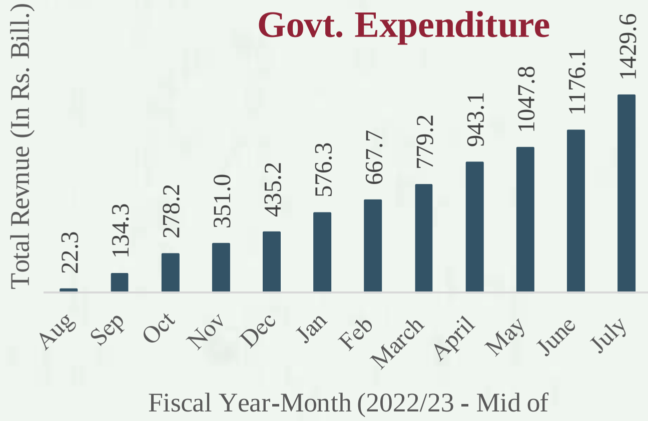

## Trade Deficit (-15.5% Y-o-Y

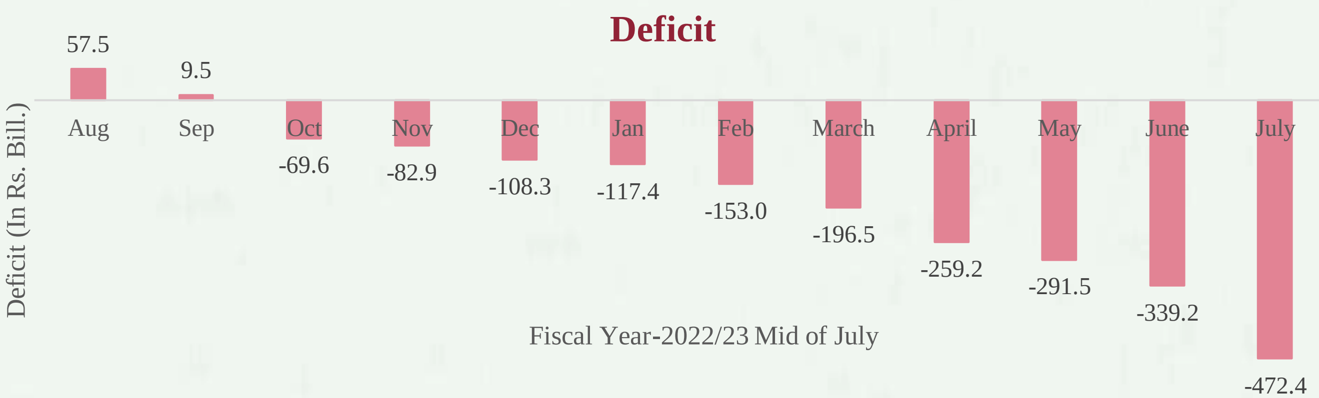

## Balance of Payments (Surplus)

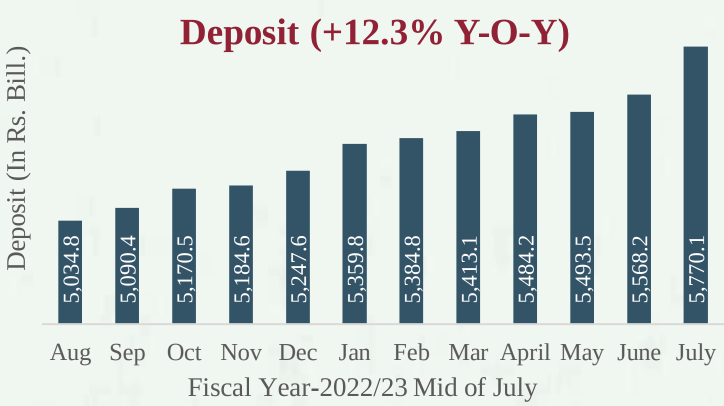

## Gross Forex Reserve (+23.1%)

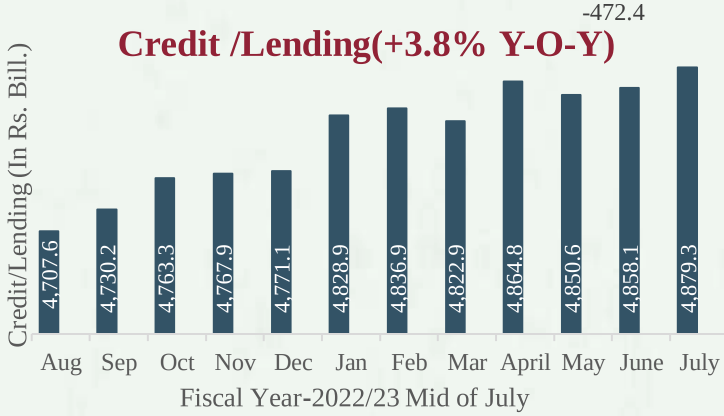


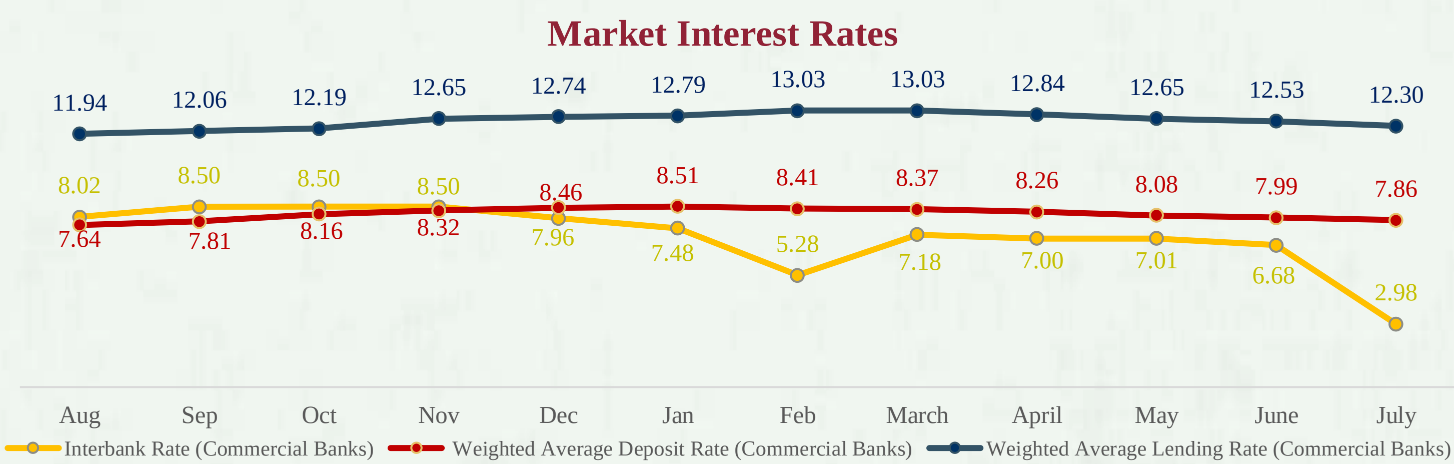


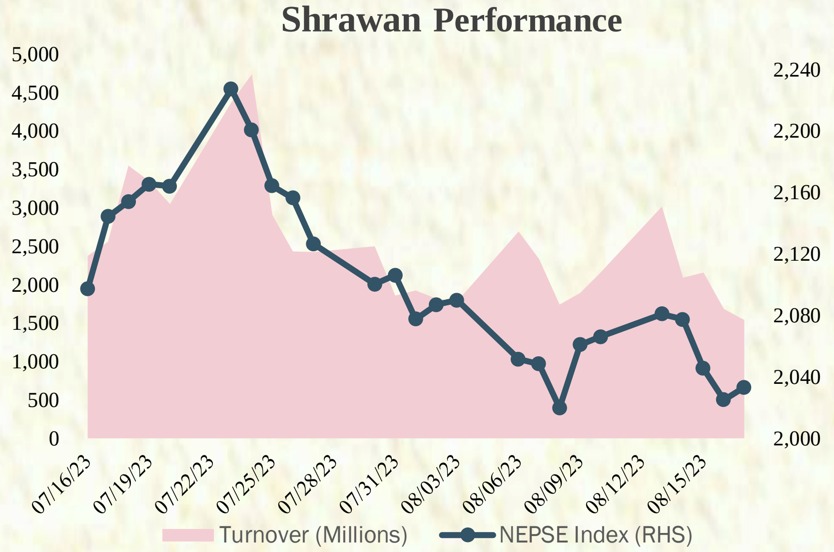




## Short-term Interest Rates:

- ❖ 28 days: 5.18%
- ❖ 91 days: 6.44%
- ❖ 364 days: 6.37%

## Market Update:

# NEPSE SCANNER




- NEPSE dropped to 2033.13 level from 2097.09 (previous month end) making a slight fall of 63.96 pts (3.05%); it peaked the high of 2244.13 and bottomed the low of 2000.23 in the review month.
- Sensitive, float, and sensitive float index simultaneously dripped by 1.72%, 2.88%, and 0.78% respectively.
- Month end comparison shows a decrement of 35.14% and 44.19% in turnover amount and volumes respectively while transaction size rose by 11.67%. Monthly average computes to Rs.2.52 billion (-37.25%), Rs.7.51 million (-26.08%), and Rs.58.13 thousand (-10.97%) respectively.
- Market cap increased 1.38% to Rs. 3.11 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 1.72% decline and the size of Float and Sensitive float market cap sinked by 2.88% & 0.78% respectively.

| **Metrics** | **17.08.2023** | **16.07.2023** | **Monthly Change** |
|---|---|---|---|
| *NEPSE* | 2,033.13 | 2097.09 | -3.05% |
| *Sensitive* | 387.38 | 394.15 | -1.72% |
| *Float* | 140.80 | 144.97 | -2.88% |
| *Sensitive Float* | 128.27 | 129.28 | -0.78% |
| *Turnover (Mill)* | 1,541.37 | 2,376.43 | -35.14% |
| *Shares Volumes* | 4,009,263 | 7,184,254 | -44.19% |
| *Total Transactions* | 43,591 | 39,037 | 11.67% |
| *Total Scrips Traded* | 271 | 286 | -5.24% |
| *Market Cap (Rs.Mill)* | 3,043,009.18 | 3,082,519.56 | -1.28% |
| *Sensitive Mrkt Cap (Rs.Mill)* | 1,198,959.01 | 1,229,573.30 | -2.49% |
| *Float Mrkt Cap (Rs.Mill)* | 1,073,585.96 | 1,088,651.22 | -1.38% |
| *Sen. Float Mrkt Cap (Rs.Mill)* | 416,869.52 | 423,360.93 | -1.53% |
| *Average Return (Annualized)* | 15.29% | 16.63% | -1.35% |
| *Std Deviation (Annualized)* | 24.46% | 24.61% | -0.15% |
| *10 Day 10% VAR* | -6.39% | -6.42% | 0.02% |
| *Market Cap / GDP Ratio* | 56.55% | 57.28% | -0.73% |

*Note: For avg. return, std. dev .and VaR computation, data is considered since 1.1.20. Assumed annual 225 trading days.*

- Avg. market return decreased to 15.29% from 16.63%, Standard Deviation reduced faintly to 24.46% (15 basis point drop) and 10-day 10% VAR stood at 6.39%.
- Market is still under-valued as per Market capitalization to GDP ratio (Buffett Indicator).

**Average Turnover**

*NPR 2.52 Bn*

*-37.25%*

**Average Volume**

*NPR. 7.51Mn*

*-26.08%*

**Average Transaction Size**

*NPR. 58.13K*

*-10.97%*

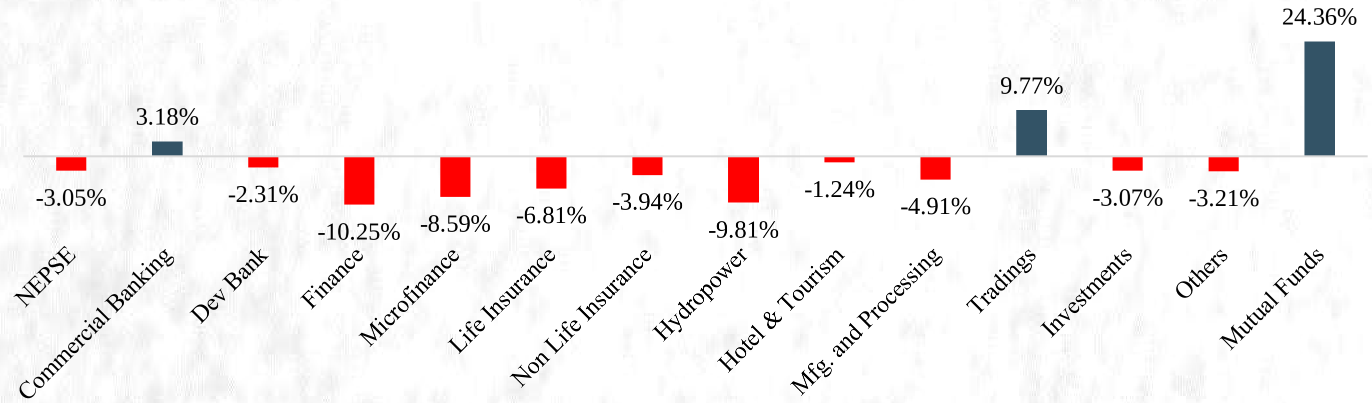
**Average Market cap**

*NPR. 3.11Tn*

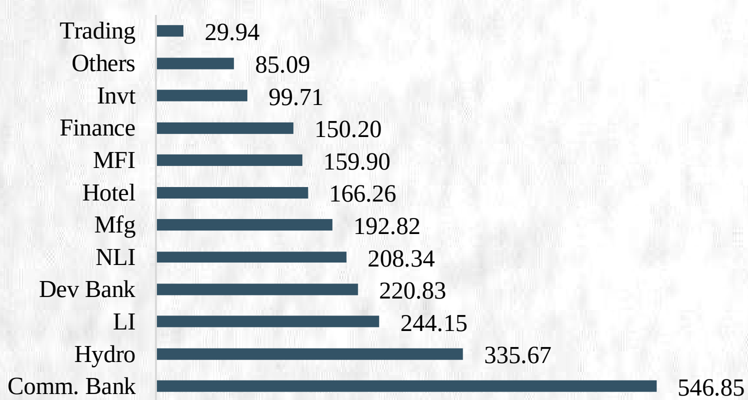
*+1.38%*

# SECTOR SCANNER

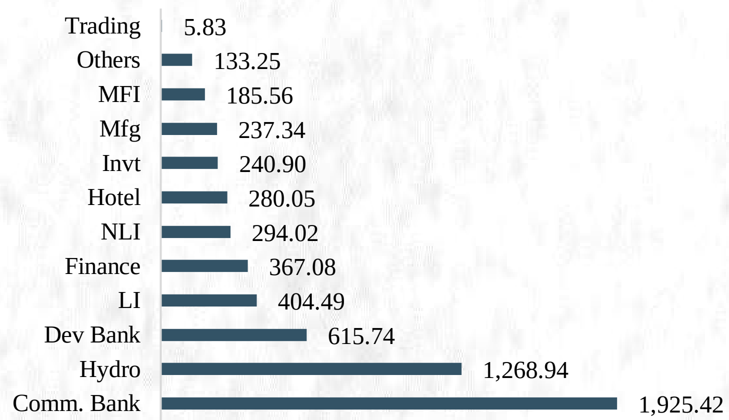
## Monthly Sectoral Performance




## Shrawan Avg Turnover (Millions)

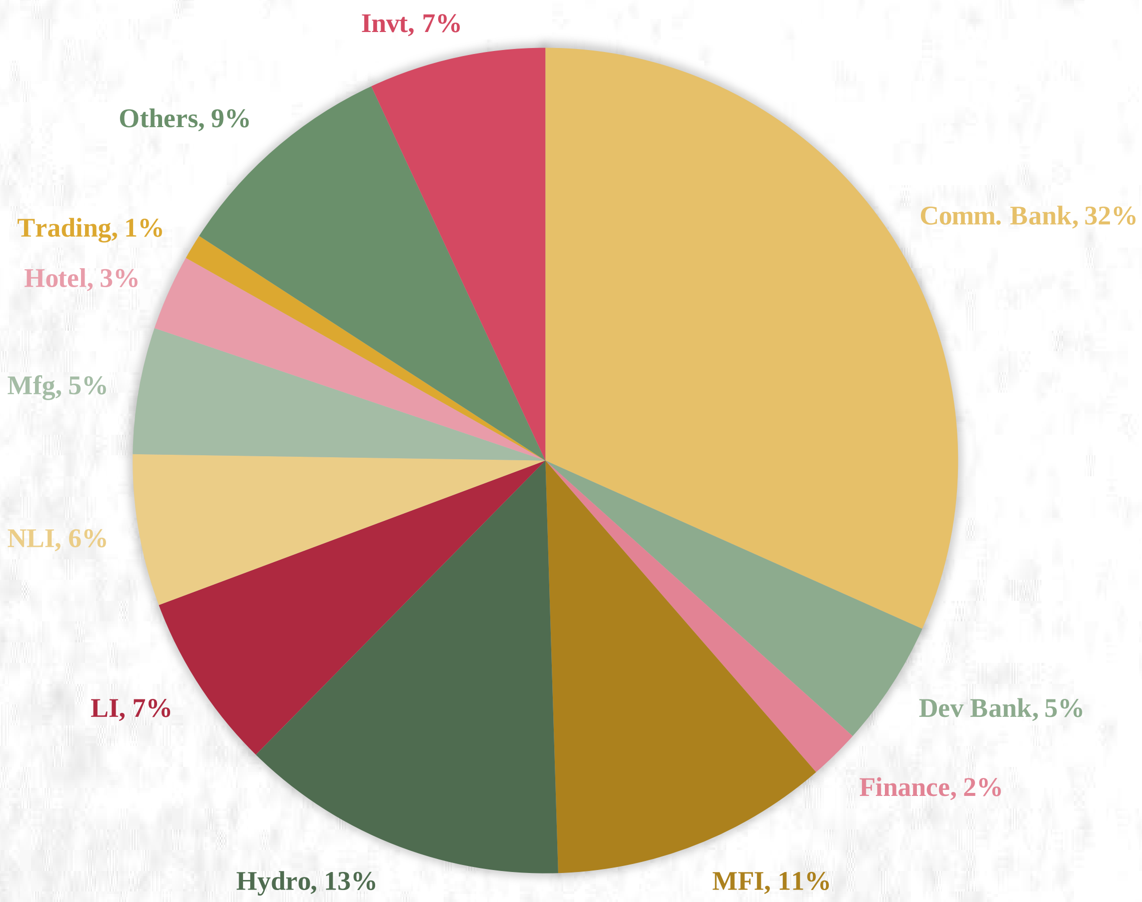



## Shrawan Avg. Volume ('000)



- Of 13 sectors, 3 sectors closed green in the review period i.e. Mutual Funds (24.36%), Tradings (9.77%) and Commercial Banking (3.18%); while Finance (10.25%), Hydropower (9.81%), Microfinance ( 8.59%) and Life Insurance (6.81%) lost the most.
- Sectors such as Commercial Banks, Hydropower, Life Insurance and Development Banks, etc. lead the market during the month of Shrawan in terms of Turnover: 20.91%, 13.79%, 10.10% and 8.30% respectively. Commercial Banks, Hydropower and Mutual Funds led in terms of Volumes (25.34%, 18.27% and 13.12% respectively) while Hydropower, Commercial Banks and Life Insurance led in Transaction size (29.65%, 16.38% and 13.34% respectively).
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Shrawan i.e. Thursday, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 50%, Commercial Bank alone 32%. Hydro and Microfinance has 13% and 11% coverage respectively. Insurance sector occupy 13% (Life – 7% and Non-Life – 6%). Trading sector has the least capitalization, *amounting approx. Rs.16.8 billion.*

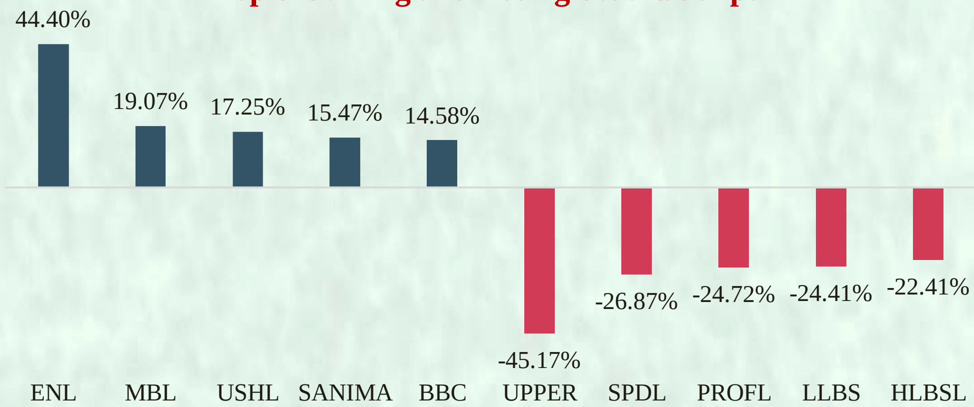
**SECTORAL MARKET CAPITALIZATION**



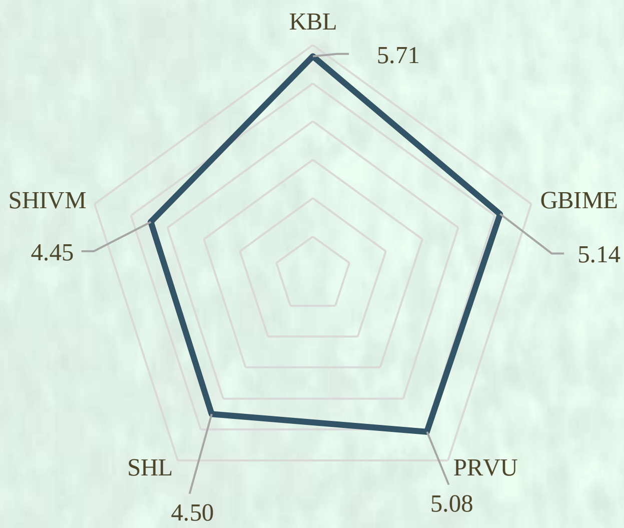

***4. "The individual investor should act consistently as an investor and not as a speculator." — Benjamin Graham***

# STOCK SCANNER

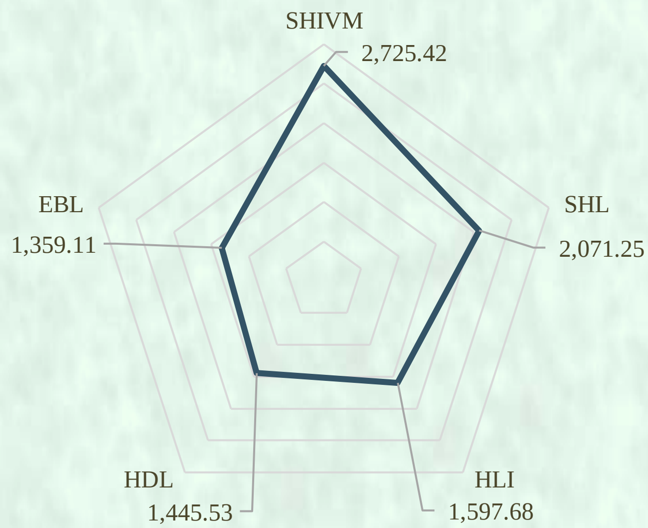
**Top 5 Gaining and Losing Stocks/Scrips**



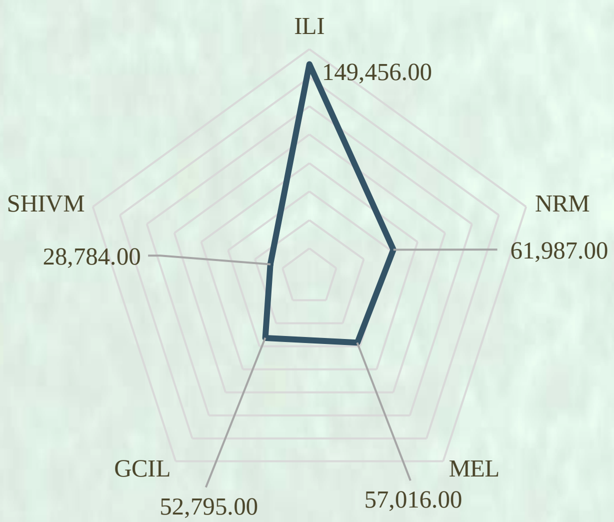

**Stocks with Highest Volume (Millions)**



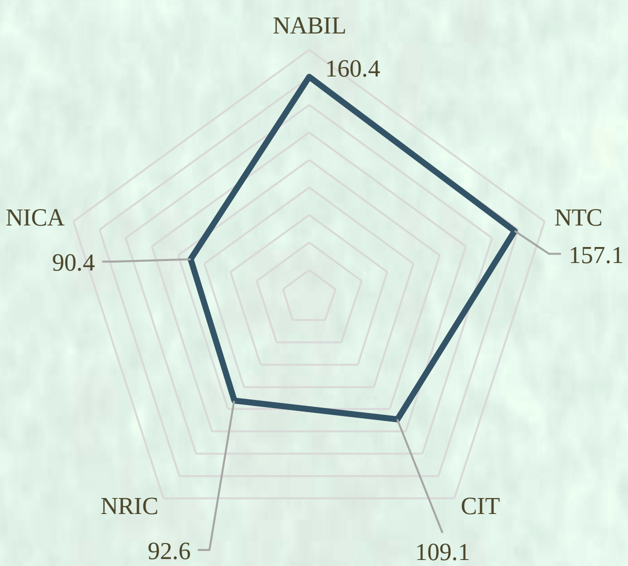

**Stocks with Highest Turnover (Millions)**




**Stocks with Highest Transaction Size**




**Stocks with Highest Market Cap.(Billions)**



# TECHNICAL OUTLOOK…


| Technical Indicator (17th Aug.) | Value |
|---|---|
| RSI | 41.66 |
| MACD line | -14.27 |
| Signal line | -6.00 |
| Bollinger Upper Band | 2203.49 |
| Bollinger Middle Band | 2092.19 |
| Bollinger Lower Band | 1980.89 |
| ADX | 21.80 |
| Exp. Moving Avg. (50 Day) | 2061.35 |
| Exp. Moving Avg. (200 Day) | 2035.82 |

**Technical Overview:**

The market needs to break the previous resistance level of 2200 index point with higher than average volume of the last six days in order to ensure that the market sustains above that level. From a price action perspective, the head and shoulder pattern is getting formed and the market is likely to take a steep move downwards if the market closes below 1980 with significant volume. Judging by the present level of volume and the prevailing market scenario, that looks unlikely. Instead, the market might rebound and touch 2200 index points yet again. This is supported by the fact that the RSI is in the oversold zone (close of 35 and the rebound possibility might right around the corner. Should the market break the head and shoulder neck line from above, the next possible downward target would be 1800 index point.

# Key Bulletins of the Month

1) Effective for the Month of Bhadra, 12 Commercial Banks raised the Deposit Rate, 4 Commerical Banks decreased the Deposit Rate while 4 Commerical Banks made no changes. Maximum Deposit Rate: Individual 10.896% ; Insitution: 8.896%. Minimum Deposit Rate (by SCB): Individual 8.92%; Institutional 6.92%.

2. NRB unveiled monetary policy for the F.Y. 2080/81; policy rate reduced to 6.5%, deposit collection rate reduced from 5.5% to 4.5% whereas bank rate remained at 7.5%.

3) NRB through the amendment to the Unified Directive, 2079 revised the risk weights on share mortage loans; now share mortgage loans above Rs. 50 lakhs will have 150% risk weight, and loans up to Rs. 50 lakhs will have 100% risk weight.

4) Commercial Banks and Development Banks (only National Level) are now required to maintain the Countercyclical Buffer (CCyB) as per Capital Adequacy Framework 2015. *[However, since the Credit to GDP Gap is below the requirement of 5 points, maintenance of 0 - 2.5% CCyB is not attracted as of now]*.

5) Insurance companies have to maintain the minimum risk-based capital as required by "Risk Based Capital and Solvency Directive 2022".

6) NRB raised Letter of Credit (LC) limit for third country imports to $60,000 per transaction (Previously $50000) and set a cap of 3 crore Indian Rupees for imports from India.

7) The Nepal government has granted approval to the NRB for the production of 150 million coins, each carrying a denomination of Rs 5.

8) Nepal continues to face trade imbalances with over 133 countries, with the largest deficits being with India (Rs 921.16 billion) and China (Rs 220.95 billion).

## Listing of IPO Shares in the Month of Review

| S.N. | Company Name | Ticker | Sector |
|---|---|---|---|
| 1. | National Laghubitta Bittiya Sanstha Limited | NMFBS | Microfinance |
| 2. | Dhaulagiri Laghubitta Bittiya Sanstha Limited | DLBS | Microfinance |
| 3. | Ghorahi Cement Industry Limited | GCIL | Mfg. and Processings |
| 4. | Three Star Hydropower Limited | TSHL | Hydropower |
| | Upper Syange Hydropower Limited | USHL | Hydropower |
| 5. | Suryodaya Womi Laghubitta Bittiya Sanstha Ltd. | SWMF | Microfinance |
| 6. | Citizens Super 30 Mutual Fund | C30MF | Mutual Funds |
| 7. | Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. | SKBBL | Microfinance |
| 8. | Vijaya Laghubitta Bittiya Sanstha Limited | VLBS | Microfinance |
| 9. | Asha Laghubitta Bittiya Sanstha Limited | ALBSL | Microfinance |
| 10. | Nepal Republic Media Limited | NRM | Others |
| 11. | I.M.E. Life Insurance Company Limited | ILI | Life Insurance |

## Existing / Upcoming Investment Events (IPO to General Public)

| S.N. | Company Name | Open Date | Close Date | Issue Units | Issue Price |
|---|---|---|---|---|---|
| 1. | Bhagawati Hydropower Development Company Ltd. | 2023-08-22 | 2023-08-25 | 712,220.00 | Rs.100 |
| 2. | Sun Nepal Life Insurance Company Ltd. | 2023-08-17 | 2023-08-21 | 7,680,000.00 | Rs.239 |

***Thank You!!!***



नेपाल धितोपत्र बोर्डबाट मर्चेन्ट बैंकरको रुपमा कार्य गर्न अनुमतिपत्र प्राप्त संस्था

गरिमा क्यापिटल लिमिटेड
GARIMA CAPITAL LIMITED
[A Subsidiary of GARIMA BIKAS BANK LIMITED]
समृद्धिको सारथी

**Contact Detail**

Kamalpokhari, Kathmandu - 01
(Opposite to City Center)
Kathmandu, Nepal
01-4529149, 01-4529150
info@garimacapital.com