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Climate Risks :
Time to Factor on the Fatal
Risk in the Portfolio

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Climate Risks:

Time to Factor the Most Fatal Risk in Your Portfolio

This Article is featured in ShareSansar

Part I: Understanding the Climate Change Risks

Introduction:

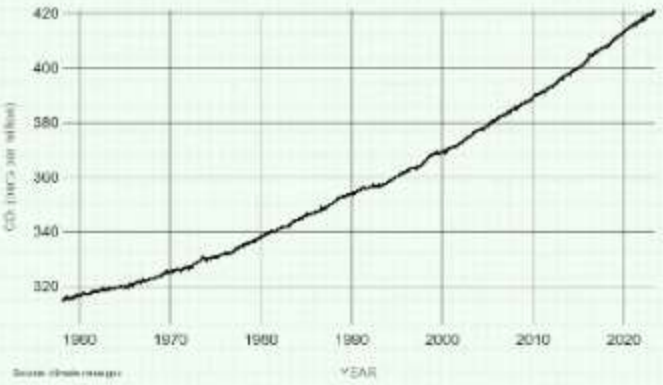
The IPCC (Intergovernmental Panel on Climate Change) predicts the average near-surface global temperature to exceed 1.5°C over pre-industrial levels (period 1850-1900 is *used as pre-industrial baseline)* by year 2030 while other studies forecast it to climb above 3°C by 2100. *(Note: The current average is approx. 1.15°C above pre-industrial level)*. The global greenhouse gas *(GHG)* emission in 2022 reported 37.5 Gt *(Giga tonne)* CO_2e (equivalent) out of which CO_2 *(Carbon dioxide)* alone contributed approx. 75%, followed by Methane (approx. 17%), and Nitrous oxide (approx. 6%). The atmospheric concentration of CO_2 level has already reached 421 PPM *(Parts per million)*. In the past three decades, the sea levels have risen above 100 mm while sea surface temperature has increased by nearly 0.4°C. The year 2022 recorded the sixth warmest year and hottest ocean temperature ever; the ocean heat content as on December 2022 records 345 (±2) ZJ *(Zetta Joules)* since 1955 [one reason: El Niño effect]. Nonetheless, 2023 is projected to surpass the previous records. The list of such stats goes on with no definite ending, all indicating the most fatal risk ever – Climate change risks.

Climate Change Risks:

Climate change is never a new phenomenon. Earth has been experiencing it even before human existence. But with humans and their activities (e.g. burning fossil fuels), the earth is scientifically termed to enter into the Anthropocene era. In fact, human have warmed the globe about 1°C above the pre-industrial level. UN defines climate change as the long-term shifts in temperatures and weather patterns. We have already witnessed the trailer of such shifts, while the consequences posed by it can be divided into two – physical risks and transition risks. Physical risk is further branched into acute and chronic. Acute physical risks are extreme weather-related events like floods (including coastal), droughts, heatwaves, wildfires, storms, etc. Chronic physical risks are climate shifts such as rising temperature, rising sea level, ocean warming/acidification, melting glaciers, etc. Transition risks occur from moving towards the low carbon or net-zero emission economy. Every nation, industry, and individual have to bear the societal, political, technological, economical, and financial changes and burdens when trying to control climate change and escort the world to a decarbonized state.warming/acidification, melting glaciers, etc. Transition risks occur from moving towards the low carbon or net-zero emission economy. Every nation, industry, and individual have to bear the societal, political, technological, economical, and financial changes and burdens when trying to control climate change and escort the world to a decarbonized state.

Impacts and Severity of Climate Change Risks:

June 2023 recorded the hottest June ever while July 4, 2023 marked the hottest day when global average temperature peaked 17.18°C. Aljazeera states at least 22 countries have reported temperatures of 50°C or more. Studies find that continuous exposure to wet-bulb temperatures of 35°C or more breaks down human body chemistry. At 1400 PPM of CO_2 level, human cognitive ability is expected to drop by 50%. The frequency, duration, and intensity of heat waves have increased around the world, and IPCC projects more than 1.5 billion people to be exposed to extreme heat waves at least once every five years when the average surface temperature march towards 2°C. The frequency and cycle of rainfall have altered and have intensified drought, potentially killing 40% of bio-crusts by 2070 and pushing the world's desert areas north the 33%. Annually more than 70,000 wildfires are recorded around the world and we already witnessed devastating wildfires in Australia, US West, and the Arctic. UN predicts the world to witness the global wildfire crisis in the coming decades, with up to a 60% increase in wildfires by 2100. More than 99% of coral reefs would be destroyed at 2°C average surface global temperature. Increased ocean warming/acidification is likely to severely affect the fishes and fishing business which provides 15% protein to more than half of the world population. With the continuing melting of glaciers, ice sheets (especially in Greenland and the Antarctic region), and thermal expansion, global sea level are expected to rise by a foot by 2050, potentially magnifying the hurricanes, cyclones, typhoons, coastal floods, etc. by ten times the current frequency. This will heavily impact nearly a billion population of low-lying coastal communities and thousands of marine species. Nearly 600 coastal cities are expected to experience extreme inundation, while big cities like Jakarta (Indonesia), Houston (Texas – US), Dhaka (Bangladesh), Venice (Italy), Bangkok (Thailand), and many more are already sinking and risk of disappearance by end of the century. All of these climatic events could potentially end up the 'hothouse scenario', making the earth unfit to live and resulting the mass migration, food scarcity, hyper-inflation, break supply chain, extreme poverty, infrastructure damage, disputes and fights, loss of terrestrial and aquatic biodiversity and species, and irreversible impacts on the ecosystem.



Global Response to the Climate Change

Of all convention and summit held around the world to combat climate change, the Paris Agreement in 2015 (which replaced the Kyoto Protocol) is the most significant one which brought the joint global commitment (195 countries) to limit the average surface global temperature rise to well below 2°C, with best efforts to limit it to 1.5°C above pre-industrial level by the year 2100 A.D. The Agreement set the target of "net-zero emission" by 2050, which is basically removing the amount of anthropogenic (human activities) green-house gas emission in the atmosphere. The Agreement requires every signatory's nation to report their collective progress towards the target through Nationally Determined Contributions (NDC) Report every five years to United Nations Framework Convention on Climate Change (UNFCCC). As such, the largest GHG emission countries through their legislation have formally committed to reduce the emissions significantly – China, US, EU, and India cutting the emission by 65%, 50%, 55%, and 35% respectively by 2030 and more than 110 nations committed to carbon neutrality by 2050. In August 2022 US passed Inflation Reduction Act which included $370 billion investment towards renewable energies and reducing carbon emission over a next decade. Developed nations have pledged yearly a $100 billion toward 'climate finance', which aims to abet mitigation (lowering GHG emission) and adaptation (proactiveness towards the impacts) strategies to combat climate change risks.

CLIMATE CLOCK

There is a "Climate Clock" in New York which counts down the time left to limit the Global Warming to 1.5°C until we reach climate disaster. The countdown is based on the carbon budget. As on writing this article, we have 6 Years 3 Days 10 Hours 54 Minutes 20 Seconds left to act in.

Part II: Call for the Investment Professionals

Why the Call?

The Climate Clock is ticking fast and in the face of the dearth of data and disclosures, the challenges to come across the new and fluid expectations of clients are multiplying. The physical and transition risks are certain to materially alter and affect the portfolio management process. New and involved nature of risks and their level of integration may pose a systemic-risks to the overall markets (particularly oil & gas, utilities, automotive, etc.) jeopardizing the risk-return profile. The invested asset classes may perform sub-par, yielding sub-optimal returns; example - the intensified flood and dry spell (physical risks) on hydropower projects. The flaw in accounting, financial modelling and valuations, risks investment decision, bugging off the investors. Therefore, it is the pressing moment for all investment professionals to contemplate the climatic variables for the creation of green portfolios that produces the sustainable returns. Approx. one-third of the global investors have formally committed for net-zero portfolio i.e. (net zero emission of GHG) by 2050. Regulatory impositions (Transition risks) for higher fuel standard, clean energy, etc. could be daunting for financial institutions, while Physical risks may be more severe following 2050. Fund Manager have the challenge to meet the risk-return objectives of investors at such climate constraints. Not only the risks, but the return opportunities brought in by climate change in the field of renewable energies, green finance, clean tech, etc. should also be factored.

Insight to the Fundamental Theories of Climate Change:

1. Carbon Budget: The climate modelling determines the Carbon budget which is the total amount of remaining carbon emission (CO_2) that human can emit which will not result the global average surface temperature to exceed above 1.5°C or 2°C. The 2021 IPCC Report states with 67% probability that the remaining carbon budget for curbing the global temperature at 1.5°C is 400 $GtCO_2$ i.e. 400 billion tonnes CO_2 and 1,150 $GtCO_2$ for curbing the temperature at 2°C. Report anticipate the remaining carbon budget for 1.5°C would be finish by 2030, suggesting the quick action on reduction of GHGs.

2. Carbon Price / Tax: Carbon price is the price charged for emission of GHG/CO_2 and an incentive provided to control such emission. It aims to lower the emission of GHG/CO_2. Carbon price can be implemented either through a Carbon Tax (cost per ton of emission) or through the Cap-and-Trade System which allows carbon credit trade. Approx. 30% of global emission are priced under these approaches at an average of $6 per ton of CO_2. Stern and Stiglitz 2017 Report forecast the carbon price to range $50–$100/tCO_2 by 2030.

3. Carbon Border Tax: In 2019, European Commission, in its efforts to control the carbon leakage and achieve the carbon-neutrality, proposed the Carbon Border Adjustment Mechanism (CBAM), i.e. the Carbon border tax. Any carbon-intensive products imported from the country having no carbon pricing mechanism or green economy policies will be levied the carbon border tax

4. Carbon as an asset class / Commodity: Under the Carbon credit concept, nations/companies/individuals (receiver) are given the limit to emit the CO_2/CO_2e GHG. For instance, one credit allow emission of one ton of CO_2/CO_2e GHG. Receiver with excess carbon (i.e. unused) can sell the carbon to other (for carbon offset) like an asset/commodities/options in a carbon market/exchange. The objective is to lower the GHG/CO_2e emission by incentivizing the lower user of carbon and penalizing the higher carbon user, thus allotment of carbon credit is reduced over the time. Study (2012 - 2019) finds that the annualized return and sharpe ratio of carbon composite are higher than traditional asset class (equity, bonds, etc.) despite higher volatilities. Inclusion of carbon asset in the portfolio are likely provide diversification benefits due to its lower correlation with other asset classes.

Note: In 2021, Nepal committed to Forest Carbon Partnership Facility (FCPF) to implement the activities under 'Reducing Emissions through Deforestation and Degradation' (REDD) mechanism, enabling Nepal to sell the carbon stock at $5 per ton of CO_2 emission.

5. Green Finance: The objective is to finance the projects that promotes the green economy i.e. more sustainable economic development with lower carbon. The market of

green finance, which rose tremendously, has exceeded $3.5 trillion already. More than half of this size is comprised by Green bond alone, Sustainability bond, Social bond have each approx. 20 % size, while Sustainability-linked bond (SLB) and Transition bond are least issued.

6. Green Swan: Probability do remains in climate modelling not to factor the climate events, consequences, severity exhaustively, thus potentially producing the black swan events; rare, unpredictable events with systemic impacts. The concept of Green Swan emerged to find the systemic solutions or solutions that tap into the positive exponentials to climate related Black swan events. The Bank for International Settlement (BIS) in coordination with various other governments and organization conducted the third edition of the Green Swan Conference "Getting real with tech and the transition" on May 31 - June 1 2023.

7. Rework to the Accounting and Auditing Standards: The assumption, judgement, estimation in various parts of accounting like recognizing revenues and expenses, determining the provisions amount, depreciation, asset fair value, etc. could require frequent revision. The assumption of going concern, audit planning, sampling, etc. may change along with the responsibilities of auditors and managements. Clients, investors, regulators may seek more financial disclosures.

8. Soundness of Business Valuation: Valuation is influenced more by the subjective and judgemental factors; valuator comprehension and assumptions of the integration between the business cash flows and the climatic variables greatly affect the present value of the company/stock. Valuation models (including the Real Options) may not appropriately factor the climate scenarios, risk premiums, cash flows, etc.

9. Increased Climate and Other VaR: Climate VaR helps the Investment professional to assess the financial losses on their portfolios due to exposure to the climatic events. This forward-looking metrics models the various unfavourable scenarios (including the favourable), perform stress testing and value the portfolio. Not only Climate VaR, but all kinds of VaR like market, credit, operational, liquidity, etc. will shoot up as the consequence of physical and transition risks. These VaR figure helps the company in taking the optimum climate risk exposure.

10. Construction of Climate Hedged Portfolios: Not a perfect hedge but climate risks could be managed with systematically constructed decarbonized and/or aligned portfolios. Portfolio should try include the asset with negative carbon beta that weight more to those assets whose performance correlate more to the climate change. The investment in different hemispheres of the earth could help trim the investment risks because losses in one region could be redeemed by another. Such portfolio has negative/low risk premium and higher return expectation. They value more when climatic risks resurface more.

Closing Note:

The main challenge is the lack of data and disclosure about the climatic events in the company's report itself. Despite these constraints, evidence do persist on pricing of the physical and transition risks in equity, bonds, credit, real estate, etc. market. The Climate Disclosure Project (CPD) reports that over 515 institutional investors with combined asset worth US$ 106 trillion have requested for company's disclosure on climate change and over 8,400 companies representing over 50% of global market capitalization has reported accordingly. Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosure (TCFD) provides the standard disclosure contents. The practice of ESG, socially responsible investing etc. are not new. Investors have started discounting the carbon-intensive companies, stranded assets while premiums are paid for green bonds, climate hedged portfolios, etc. These kinds of practices are though less evidential in developing countries. The Economist Intelligence Unit (EIU) in 2015 estimated the net present value costs of climate change to be at least $4.2 trillion. United Nations Environment Programme (UNEP) estimates the costs of adaptation to climate change in developing nation, upper side, to exceed US$ 500 billion annually by 2050 while IPCC estimated the amount to be above US$ 1 trillion annually. UNEP report also states the needs of International Adaptation Finance to the extent of US$ 340 billion per year to the developing countries by the year 2030. However, only US$ 28.6 billion Adaptation Finance flowed in 2020; near ten times Adaptation Finance Gap.

"Know what you own, and know why you own it"

- Peter Lynch

Market Update:

Headwinds and Tailwinds Of Market Ahead

SYNOPSIS:

Unsurprisingly, the future course of market will be decided by the upcoming Monetary Policy. The market participants are hoping that the upcoming monetary policy will address the core issues such as 12 crore limits on margin lending, the possibility of reduction in policy rate and so on. With the end of banking cartel with regard to fixing interest rate, banks have parted ways. This means that banks having tight CD ratio have increased the interest rate on FD whereas banking institutions with low CD ratio have gone for the opposite strategy. The banking system is flush with liquidity; unless the monetary policy tries to reign in margin lending and impedes the flow of credit to the secondary market, the likelihood of market breaking the strong resistance zone of 2200 index points is very likely. Not to mention, the subsequent direction of the market will also be determined by the Q4 report of Banks and Financial Institutions.

Considering the events leading up to the announcement of Monetary Policy, we can expect NRB to introduce the following measures:

1. Reduction in the Policy rate relative to last year's rate
2. Introduction of Countercyclical Buffer (possible introduction with implementation in the subsequent Fiscal Year)
3. Slight Laxation in terms of lending in order to make sure that the policy is conducive to growth
4. Debenture Inclusion while computing either CD ratio or Capital Adequacy ratio (CAR) will be limited to a single factor (i.e. either CD ratio only or CAR only).

Tailwinds:

- As per the 11 months' macroeconomic data published by Nepal Rastra Bank, remittance figures stood at Rs 11.12 kharba, Gross Foreign Exchange Reserve at $11.30 billion and Balance of Payment (BOP) in surplus at Rs 228.98 billion. These external macroeconomic indicators imply that we have plenty of reserve in the system to fund imports and we are not as vulnerable as other South Asian countries like Sri Lanka and Pakistan.
- With the inflation rate coming down at 6.86%, the possibility of NRB going for expansionary policy with reduction in policy rate has also increased
- As the fiscal year end was approaching, the government increased its expenditure in a ritualistic manner. The government expenditure increased to Rs 11.67 Kharba, result of which has increased liquidity in the banking system.
- Nepal Bankers' Association ends cartelization of interest rates. With this decision, banks can fix interest rates on their own. The banks that have increased the interest rate were under pressure due to tightening CD ratio whereas the banks that have decreased the interest rate had low CD ratio.

- The Securities Board of Nepal (SEBON) has published the six criteria along with the calculation guidelines for various companies under different sectors to be enlisted into the NEPSE 30 index. With the inception of a more scientific benchmark index, investors will be better able to evaluate their portfolio and make sensible decisions.
- SEBON has assigned broker numbers to seven new brokers in the first phase and granted trading permission to them. The new brokers have successfully undergone mock trading and begun trading on July 13, 2023. On that note, the entry of new brokers will lead to the injection of fresh funds amounting to at least Rs 8 Arba over the next six months.
- The successful merger/acquisition of life and non-life insurance means greater amount of capital and increased capacity of insurance companies to take on risky businesses.

Headwinds:

- Many hydropower projects, particularly in the Eastern region have been affected due to the seasonal floods. As a result, the overall sentiment among investors in the Hydro sector has remained negative for hydropower sector for some time. This problem is further compounded by the slew of rights issue by Hydro companies as of late mainly to pay-off their outstanding debt.
- Increase in government expenditure and remittances have contributed to excess liquidity in the banking system such that the excess liquidity has remained intact despite NRB issuing reverse repo worth Rs 50 billion in three tranches during Asadh 2080. Hence, early fix on this issue is needed, which would otherwise add cost burden to banks and exacerbate inflation.
- Although we have abundance of liquidity in the system, the series of measures that are anticipated to come into effect after the upcoming Monetary policy like exclusion of Debenture when computing CD ratio, the restrictive requirements on Working Capital loan, the reduction in the weight assigned to the deposits done by the local level government etc, would flush out the excess liquidity from the system.

Strategic Response and Concluding Remark:

From a fiscal standpoint, the government has tried to smother the public by putting extra tax burden on them. The excessive reliance on borrowing to fund the recurring expenses, which has increased drastically in the current fiscal year as well, is not a financially sustainable strategy. Judging by the present scenario, NRB needs to introduce expansionary policy to attain the lending growth required to attain the real GDP growth target of over 6% proposed by the recent budget. In addition, the government is also under pressure to collect tax revenue which is only likely if certain degree of laxation is brought about in the real estate lending, import loan and margin lending loan category.

Assuming that the monetary policy is expansionary and growth conducive, it might be sensible to increase the overall equity exposure until the end of Q1. While the trading strategy might have worked wonders over the last several months, the same strategy might not bear fruits if we are looking at favorable monetary policy. We might have to increase our holding period and stick with the stocks that we have in our portfolio for a longer duration.

"The only investors that don't need to diversify are those that are right 100% of the time"

-Sir John Templeton

WHERE DO THE FACTORS STAND?

Inflation Rate (CPI): 6.83%

Monthly Remittance inflow- 22.7%

Liquidity Indicator (As on 16th July 2023):

- BFI's Deposits: NPR. 5,730 billion
- BFI's Lending: NPR. 4,853 billion
- **CD Ratio: 81.75%**
- Inter-bank Intereset Rate: 0.60%

Total Import (-16% Y-o-Y)

Total Export (-22.7% Y-o-Y)

Trade Deficit (-15.2% Y-o-Y)

Balance of Payments (Surplus)

Gross Forex Reserve (+21.8%)

Govt. Revenue

Govt. Expenditure

Deficit

Deposit (+12.2% Y-O-Y)

Credit /Lending(+3% Y-O-Y)

Market Interest Rates

Short-term Interest Rates:

- 28 days: 3.02%
- 91 days: 5.26%
- 364 days: 6.35%

Market Update:

NEPSE SCANNER

Ashad Performance

- NEPSE rose to 2097.09 level from 2042.07 (previous month end) making a slight gain of 55.02 pts (2.69%); it peaked the high of 2205.97 and bottomed the low of 2017.70 in the review month.
- Sensitive, float, and sensitive float index simultaneously rose by 2.81%, 2.08%, and 1.89% respectively.
- Month end comparison shows a decrement of 24.86%, 9.02%, and 26.09% in turnover amount, volumes, and transaction size while monthly average computes to Rs.4.02 billion (+82.29%), Rs.10.16 million (64.26%), and Rs.65.29 thousand (+61.54%) respectively.
- Market cap increased 3.23% to Rs. 3.08 trillion, out of which approx. 36% are only floated. Sensitive market cap which covers A class stocks saw a 2.05% gain and the size of Float and Sensitive float market cap has risen by 2.36% & 2.05% respectively.

Metrics	16.07.2023	15.06.2023	Monthly Change
NEPSE	2097.09	2042.07	2.69%
Sensitive	394.15	383.39	2.81%
Float	144.97	142.02	2.08%
Sensitive Float	129.28	126.88	1.89%
Turnover (Mill)	2,376.43	3,162.81	-24.86%
Shares Volumes	7,184,254	7,896,478	-9.02%
Total Transactions	39,037	52,814	-26.09%
Total Scrips Traded	286	270	5.93%
Market Cap (Rs.Mill)	3,082,519.56	2,986,195.89	3.23%
Sensitive Mrkt Cap (Rs.Mill)	1,229,573.30	1,194,345.01	2.95%
Float Mrkt Cap (Rs.Mill)	1,088,651.22	1,063,536.74	2.36%
Sen. Float Mrkt Cap (Rs.Mill)	423,360.93	414,864.05	2.05%
Average Return (Annualized)	16.63%	16.29%	0.34%
Std Deviation (Annualized)	24.61%	24.68%	-0.07%
10 Day 10% VAR	-6.42%	-6.44%	0.02%
Market Cap / GDP Ratio	57.28%	55.49%	1.79%

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

- Avg. market return has increased faintly to 16.63% from 16.29%, Standard Deviation has decreased to 24.61% (7 basis point drop) and 10-day 10% VAR stood at 6.42%.
- Market is still under-valued as per Market capitalization to GDP ratio (Buffett Indicator).

Average Turnover
NPR 4.02 Bn
+82.29%

Average Volume
NPR. 10.16Mn
+64.26%

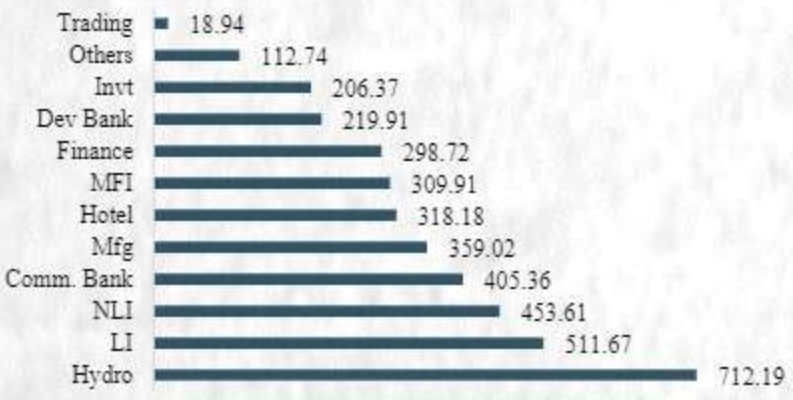
Average Transaction Size
NPR. 65.29K
+61.54%

Average Market cap
NPR. 3.07Tn
+9.26%

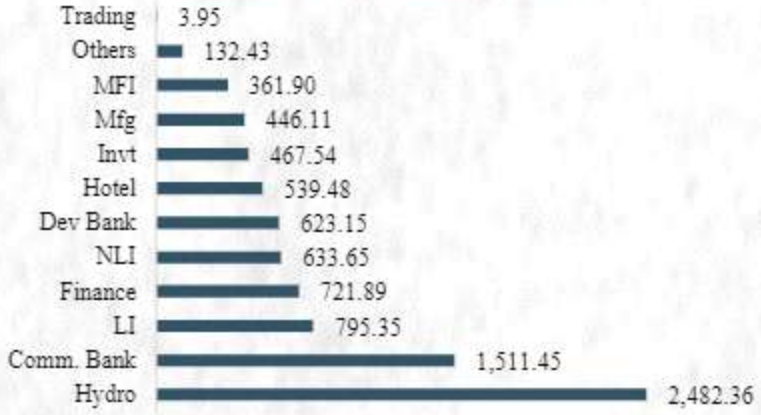
SECTOR SCANNER

Monthly Sectoral Performance

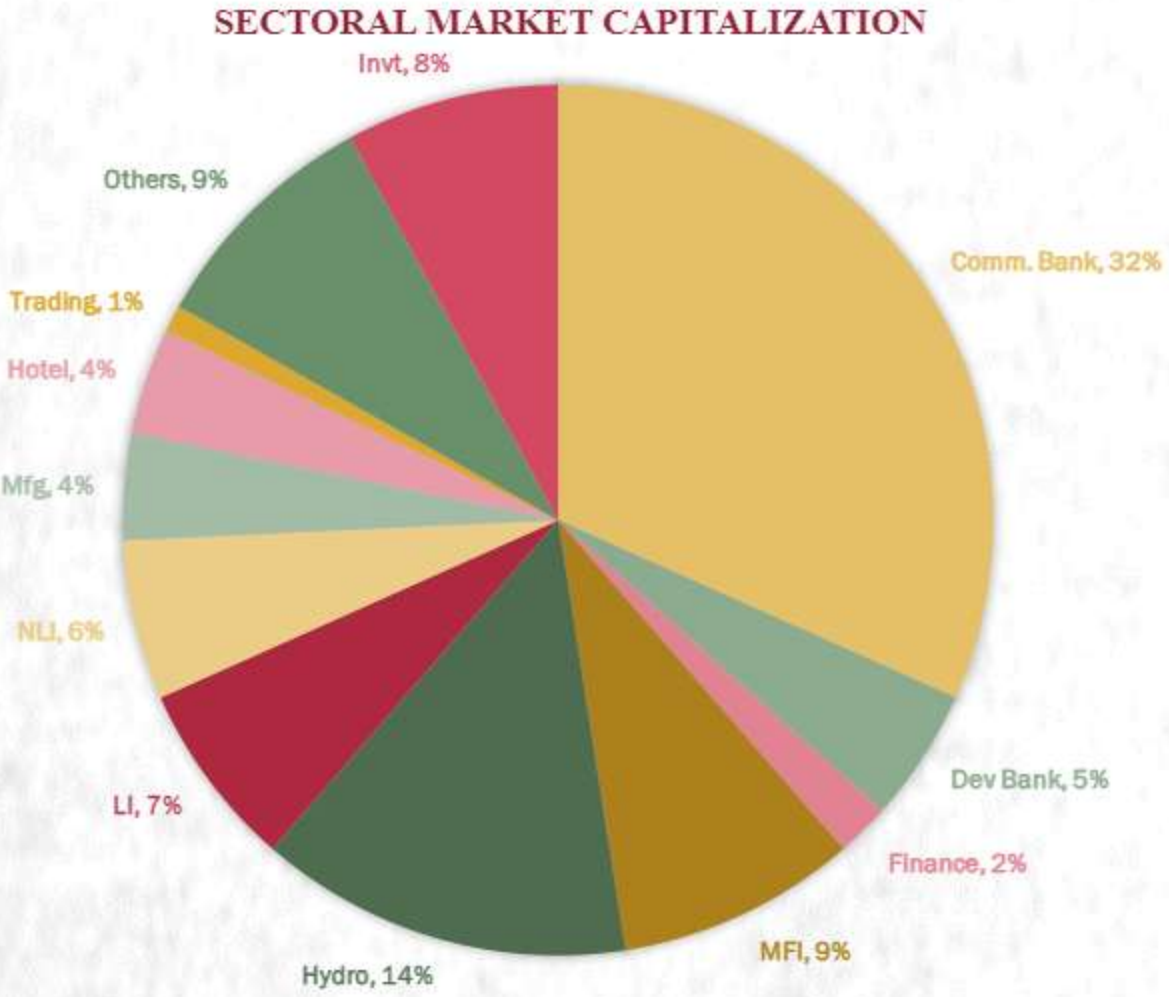
Ashad Avg Turnover (Millions)



Ashad Avg. Volume ('000)



- Of 13 sectors, only 2 sectors i.e. Hydropower (7.96%) and Commercial Banking (0.14%) closed red in the review period ; Hotel and Tourism (21.18%), Finance (14.13%), Non-life Insurance (10.20%), Others (7.72%) and Mutual Funds (7.60%) were the major winners.
- Sectors such as Hydropower, Life Insurance, Non-life Insurance, Commercial Banks, etc. lead the market during the month of Ashad in terms of Turnover: 17.95%, 12.40%, 11.06% and 10.30% respectively. Hydropower and Commercial Banks led in terms of Volumes (24.48% and 15.06% respectively) and Transaction size (35.04% and 10.43% respectively).
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Ashad i.e. Sunday, 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 14% and 9% coverage respectively. Insurance sector occupy 13% (Life – 7% and Non-Life – 6%). Trading sector has the least capitalization, *amounting approx. Rs.15.3 billion.*

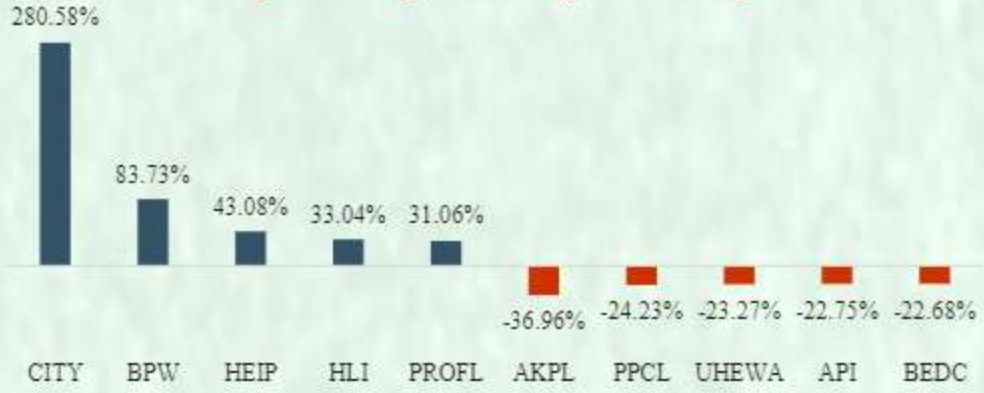


"If you don't follow stock market you are missing some amazing drama."

- Mark Cuban

STOCK SCANNER

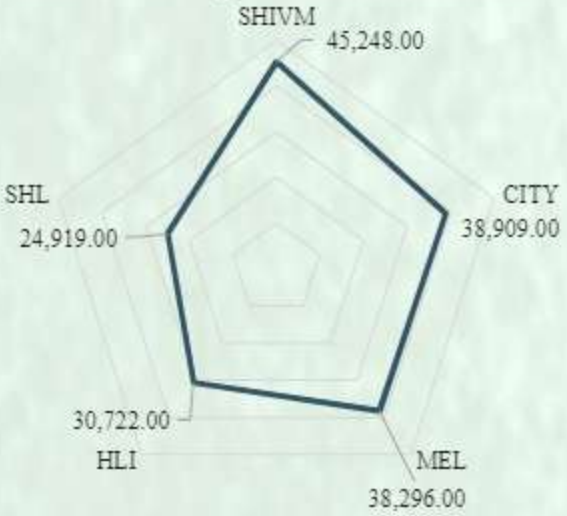
Top 5 Gaining and Losing Stocks/Scrips



Stocks with Highest Volume (Millions)

Stocks with Highest Turnover (Millions)

Stocks with Highest Transaction Size



Stocks with Highest Market Cap. (Billions)

- **Key Sectoral Allocation of Mutual Funds** — *Commercial Banks, Non-Life Insurance, Microfinance, Life Insurance, Hydropower*
- **Holdings of Mutual Funds** — *NLICL, CBBL, SPIL, NIL, NICA*

TECHNICAL OUTLOOK…

Technical Indicator (16th July)	Value
RSI	58.08
MACD line	27.12
Signal line	34.33
Bollinger Upper Band	2158.29
Bollinger Middle Band	2090.43
Bollinger Lower Band	2022.58
ADX	30.26
Exp. Moving Average (50 Day)	2015.39
Exp. Moving Average (200 Day)	2018.36

Technical Overview:

Market bounched back again after touching the 2200 level, making it a fourth failed attempt to cross it. Market is again showing an up trend but cautiously. RSI is relatively on upper zone, and MACD is signalling still a bearish run. If bull continues, market will likely trend upward from the current middle Bollinger band. EMA 200D and 50D index lies below the current index (2097) picturing the bullish market. Market is still finding a strong volumes, averaging approx. 4 billion Our take on market has gradually shifted to Bullish with our resistance and support level of 2250 to 1970 level for the coming month.

Key Bulletins of the Month

1. The private sector provided following suggestions for the upcoming monetary policy 2080/81; reduce the net liquid assets from 20% to 15%, restructuring loans for the production industries, re-evaluate the 90-day limit in the NTA, establish an International Online gateway Payment System and implementing a Borderless Banking Policy.
2. NBA discontinues the practice of interest rate carterlization effective from Shrawan 1; Banks can now set their own interest rates within the limit set by NRB; accordingly, FD rate for Individual account range 8.95% to 10.98% and for Institutional account 6.95% to 8.93% for the Shrawan month.
3. Improvement in liquidity; CD ratio and Inter-Bank rate has come below 82% and 2% respectively.
4. Government of Nepal has collected capital gains tax worth Rs. 250.9 million from the share market in the month of Jestha.
5. Seven newly licensed stock broker companies have started share transactions from 28th Ashad.
6. NEA has started exporting more than 300 MW electricity to India on a daily basis.
7. NRB provisions to curb increment in premiums throughout loan tenure by BFIs.
8. A total of 30 hydropower plants with the capacity of 463 MW in Eastern Nepal has suffered damages worth Rs.8.5 billion.
9. Asian Development Bank (ADB) has decided to lend USD 50 million to Nepal to facilitate internal and external trade.s

Listing of IPO Shares in the Month of Review

S.N.	Company Name	Ticker	Sector
1.	Ingwa HydroPower Limited	IHL	Hydropower
2.	Modi Energy Limited	MEL	Hydropower
3.	Rawa Energy Development Limited	RAWA	Hydropower
4.	Menchhiyam Hydropower Limited	MCHL	Hydropower

Monetary Policy 2080/81 B.S. :

Central Bank, Nepal Rastra Bank, is likely to unveil the Monetray Policy for FY 2080/81 in the second week of Shrawan. At times of higher inflation, lower credit growth, the Monetary Policy has the challenge to satisfy the Budget targeted 6.5% inflation rate along with creating the favorable environment for the government to achieve its targeted 6% economic growth. As the budget objective of FY 2079/80 with respect to economic growth target of 8% is slashed to below 3% by the Buget of FY 2080/81, investors need to be to be skeptical over the macro economic factors and progress in FY 2080/81.

Upcoming Investment Events (IPO to General Public)

S.N.	Company Name	Open Date	Close Date	Issue Units	Issue Price
-		-	-	-	-

Upcoming Investment Events (IPO – Local/Migrant Workers)

S.N.	Company Name	Issued To	Issued To	Open Date	Close Date
1.	Sun Nepal Life Insurance Company Ltd	-	Migrant	2023-07-17	2023-07-31
2.	Hathway Investment Nepal Limited		Migrant	2023-07-20	2023-08-03
3.	Mathillo Mailun Khola Jalvidhyut	Local	Migrant	2023-07-20	2023-08-03

Welcome to the New Fiscal Year 2080/81

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.

This report should not be construed as investment advice or recommendation and ultimate investment decision stays on investors own wisdom. Garima Capital Ltd. including the Research and Product Team shall not be liable for any loss or damages that investors incur from investment actions based on this report.

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

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