



THE ANALYTICS

GARIMA MONTHLY INSIGHT

JESTHA 2081
(14 MAY 2024 - 14 JUNE 2024)
VOL: 2, ISSUE: 11



**Macroeconomic
Factors**



Market Ahead



NEPSE Scanner



Market Scanner

Market Update:

The month of Jestha remained propitious to the market participants as the market/NEPSE ascended 113 points (5.67%), mounting from Baisakh end 1998 level to 2112 level. The month saw a daily market volume of average Rs.4.75 billion and perhaps found the new long term support level of 1960 from the earlier 1850 level. This is very important to boost the investor's confidence and recall the dormant as well as new investors back to the market in order to triumph the 2160 target.

The fiscal budget for FY 2081/82 was presented on Jestha 15 by the Finance Minister Barsaman Pun. Prior to the budget, the 3rd Quarter Monetary Policy 2080/81 Review was released. These two events can be cited as major catalysts for the market up-and-down swing during the month. NRB also released the Ten Months (till Baisakh 2081) CME Reports and Banking & Financial Statistics till Baisakh 2081. The other event is the decision on interest rates for the month of Ashadh by the Nepal Banker's Association (NBA). The important outcomes of these fundamental events are outlined in the headwinds and tailwinds section below:



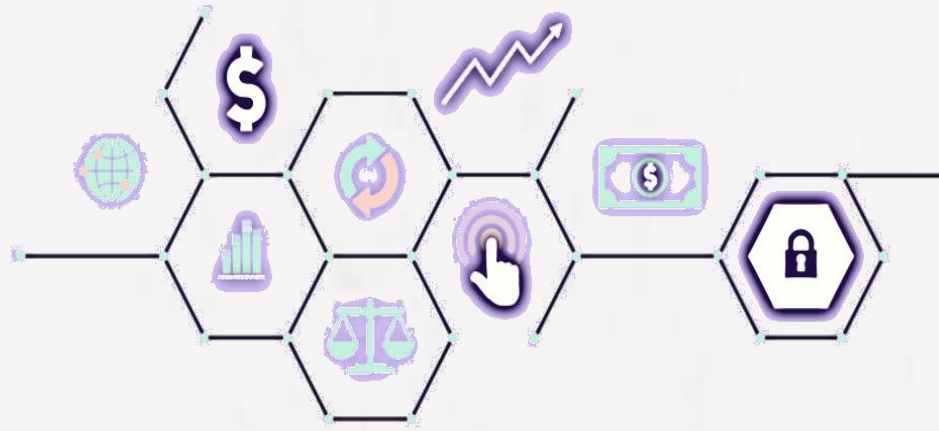
1. Fiscal Budget 2081/82 size to Rs. 1.86 trillion which is an Y-o-Y increment of 6.22%. The budget target the 6% economic growth, maintaining the inflation at 5.5%. Despite the inability in attaining the growth and revenue targets over the years, the inflation rate is found well under control which is 4.4% at present. It's important to see how NRB produce the Monetary Policy in coming month to sync the budget target.
2. The budget aims to raise at least Rs. 330 billion (18%) from internal source. Further, the idealistic revenue targets could result the higher debt collection from BFIs, potentially pressurizing the liquidity scenarios.
3. Budget targets inflow of 1.6 million tourists in 2081/82. Coming to 5 months of 2024, total tourists' arrival is 506,280 which is 25% higher than the records of corresponding periods of 2023. This shows the Hotel and Tourism sectors to thrive further.
4. Interest rates continued its down trend as the majority of commercial banks cut the rate on fixed deposits for the month of Ashadh as well; average FD rates for Individual and Institution now stands 6.87% and 5.67% respectively. This signals the situation of excess liquidity in the banking channel but the sluggish credit demands. As per the CME Report, Y-o-Y deposits at BFIs has increased by 12.8% while the private sector credit has increased by just 5.2%.
5. 3rd Qtr Monetary Policy Review will allow BFIs to sell upto 20% of primary capital in a single financial year from investments whose holding periods is least a year. This would likely increase the participations of BFIs in stock markets, where BFIs would be more pursued to average their costs of investments or book any profit to cure their financials.

6. Q3 Monetary Policy Review lowered the risks weights provision on hire purchase vehicles loan disbursed by the BFIs from 125% to 100%. This would likely fuel up the auto industry and increase the auto loans by the BFIs.
7. Likewise the Debt Service to Gross Income Ratio for the grant of Real Estate loan has been increased from 50% to 70%. The increment would likely revitalize the real estate industry and BFIs financing. Further, loan loss provision on good loan is reduced to 1.20% from 1.25% enabling BFIs to reflect a good assets (NPL) quality and enhanced liquidity.
8. On the external side of economy, remittance inflow increased 19.2% to Rs. 1198.6 billion till 10 months of current FY, the inflow was Rs. 116 billion in Baisakh alone; import, export's and trade deficits all fell 2.4%, 3.6%, and 2.3% respectively. BOP, current account balance, and gross forex reserves all increased to Rs. 392.6 billion, Rs. 193.3 billion, and \$14.54 billion respectively. Nepali workers taking first time approval for foreign employment stood 374,887 while approval for renew entry stood 237,893.
9. Monthly statistics of BFIs as on Baisakh as published by NRB show the slight fall in CD ratio of Commercial Banks – from 80.75% to 79.82% while NPL static at 3.89%; CAR stands 12.53%; weighted average interest rate on deposit is 6.35% (saving:3.78%, fixed:8.59%, call: 1.66%), and weighted average interest rate on credit is 10.34%.
10. The vacant SEBON's Chairman post is likely to be filled soon as the interviews of selected candidates are scheduled on 2nd Ashadh. The appointment of Chairman is supposed to reinforce the capital market, specially expedite the pending applications of primary shares – IPO, NFO, Right Shares, Debentures, etc. There are approx. 34 listed companies waiting for the approval of the Board to float their primary shares.
11. The commodity - gold/silver (metals) are trading at records high in both Nepalese and international market. Prices of gold hallmark peaked Rs.145,000 per tola while gold tejabi traded at Rs.144,300 per tola in Jestha. Such commodities are considered a safe heaven and tends to have a negative correlation with the stock markets.
12. Lastly, the upcoming Monetary Policy for FY 2081/82 can be crucial to direct the market. Given the liquidity surplus in economy, and needs to revitalize the businesses, increase the currency circulation, in order to meet the revenue targets, we hope the Monetary Policy to be modestly flexible, in process, addressing some major demands of investors like margin lending, risk weights provisions, etc. at least to some extent. Market may find volatility with the speculations surrounding the budget, so investors should be cautious to act prudently.

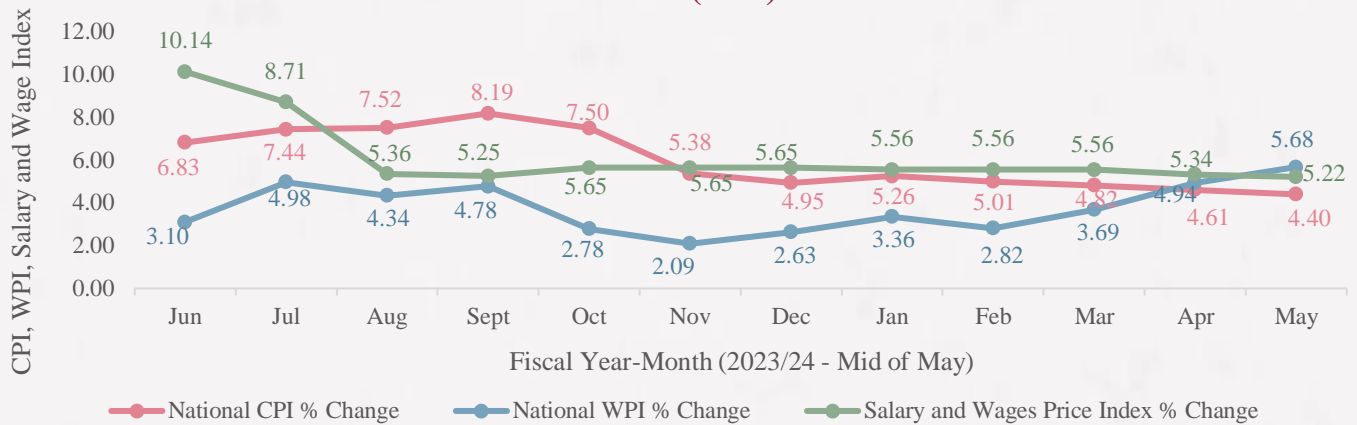


Coda: The fact that the interest rate and liquidity, two most determinant factors of our market, are at best support of the market, but still the market not reacting bullishly and instead being indecisive for over a year, hints the market participants are yet not convinced with the economic highlights as picturized, requiring to dissect the economic reality/substance. The low credit demand even at the lower interest rate environment suggest the urgency to assure about the economic growth prospects among the consumers/investors/business houses by the government.

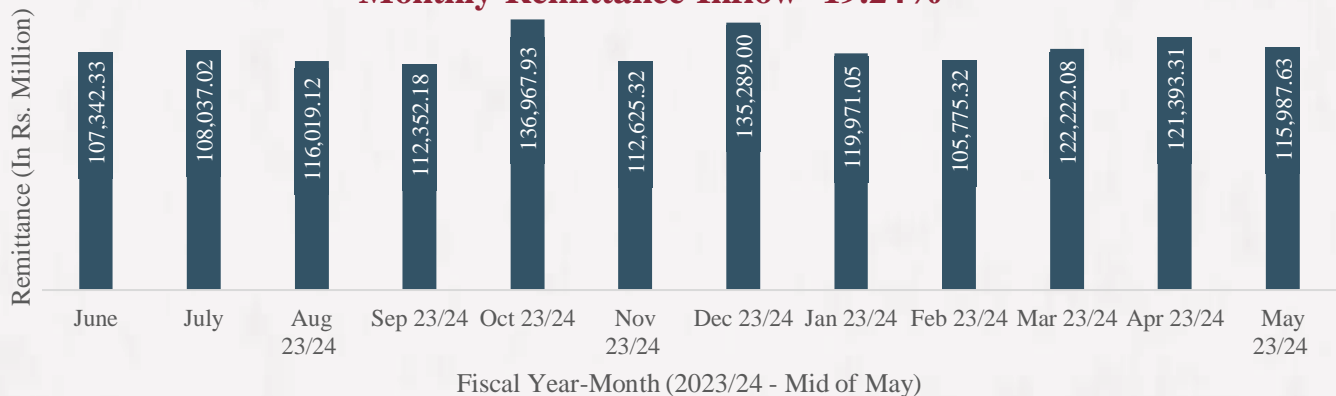
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI)- 4.61%

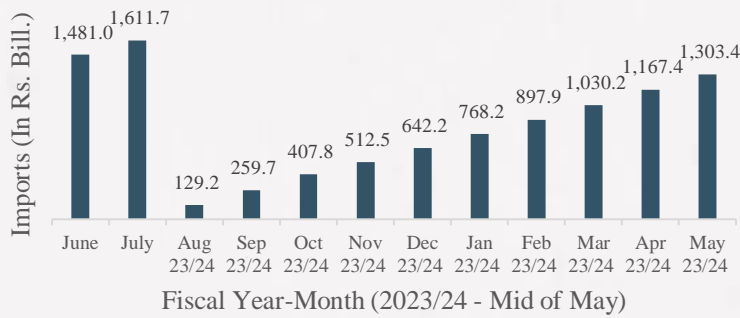
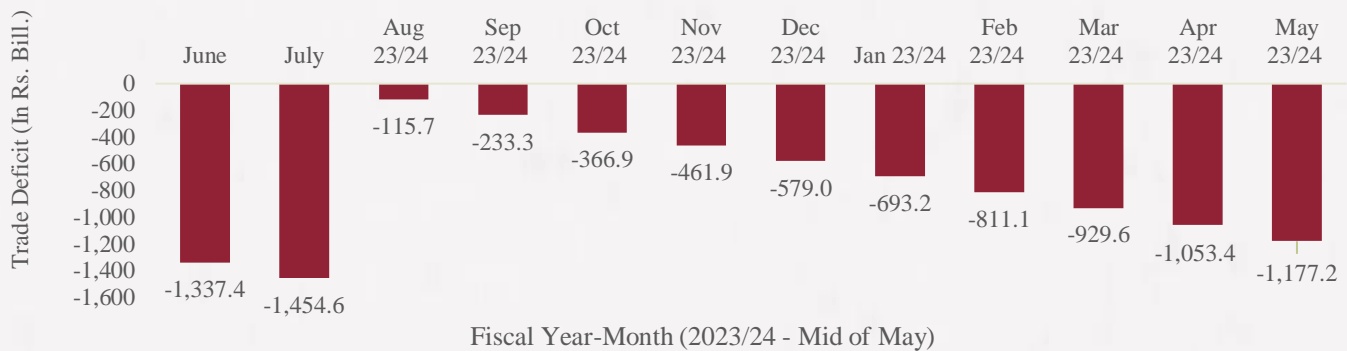
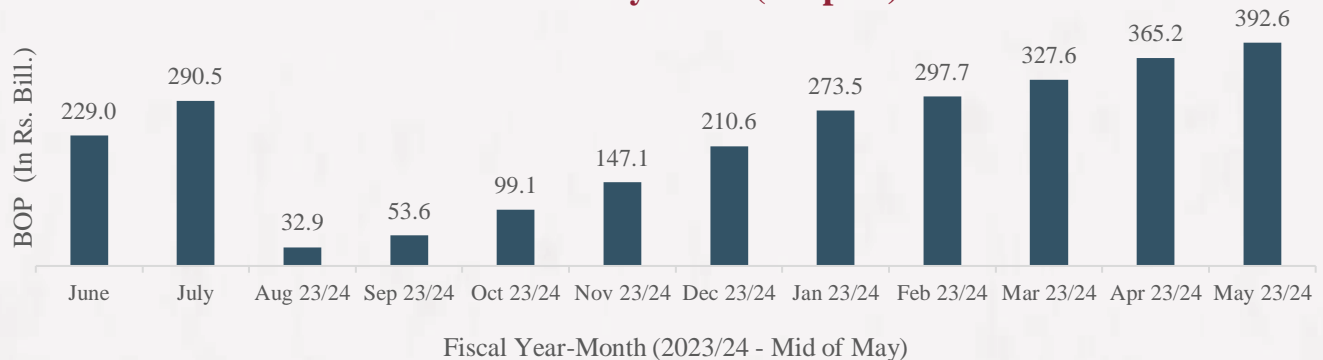


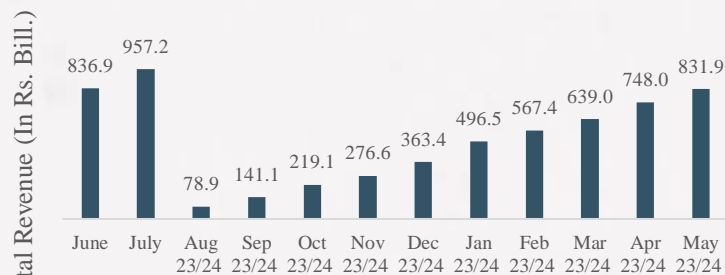
Monthly Remittance Inflow- 19.24%



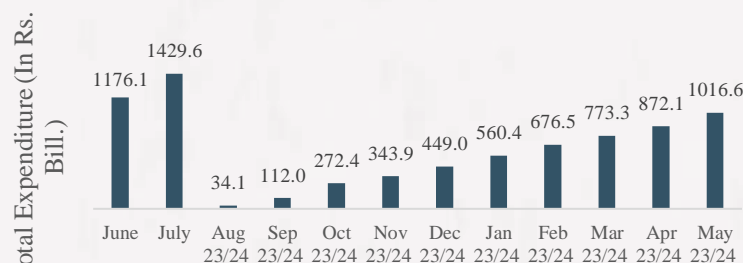
Liquidity Indicators (As on 10th June 2024):

- ❖ BFI's Deposits: NPR. 6,231 billion
- ❖ BFI's Lending: NPR. 5,133 billion
- ❖ CD Ratio: 80.20%
- ❖ Inter-bank Interest Rate: 2.95%

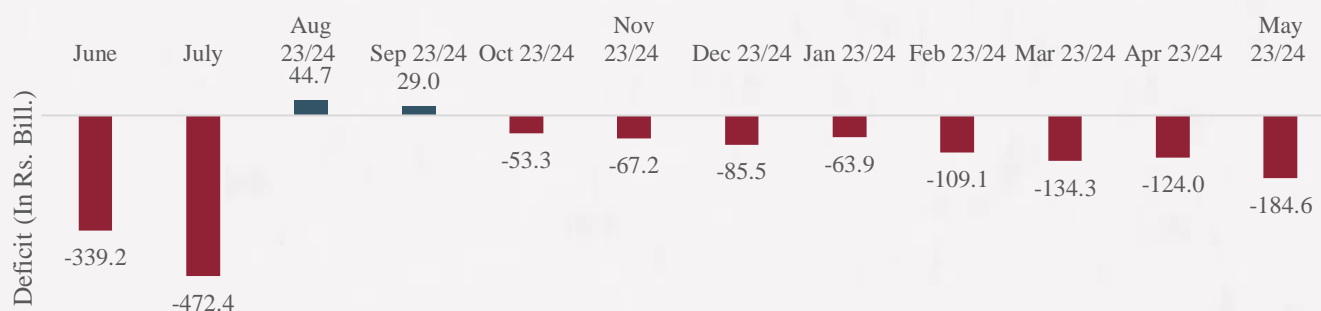
Total Import (-2.4% Y-o-Y)**Total Export (-3.6% Y-o-Y)****Trade Deficit****Balance of Payments (Surplus)****Gross Forex Reserve (+30%)**

Govt. Revenue

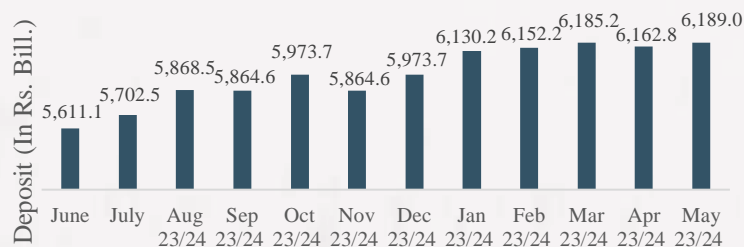
Fiscal Year-Month (2022/23 - Mid of May)

Govt. Expenditure

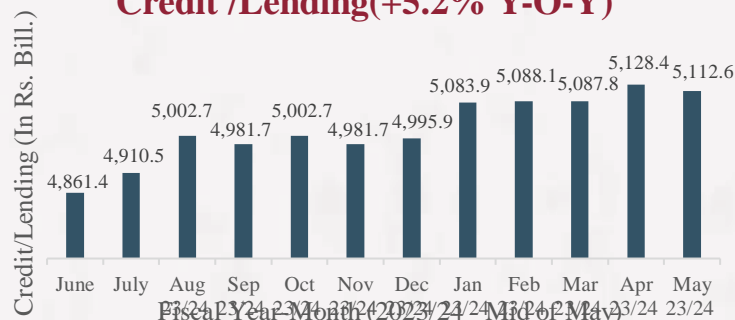
Fiscal Year-Month (2023/24 - Mid of May)

Fiscal Surplus/Deficit

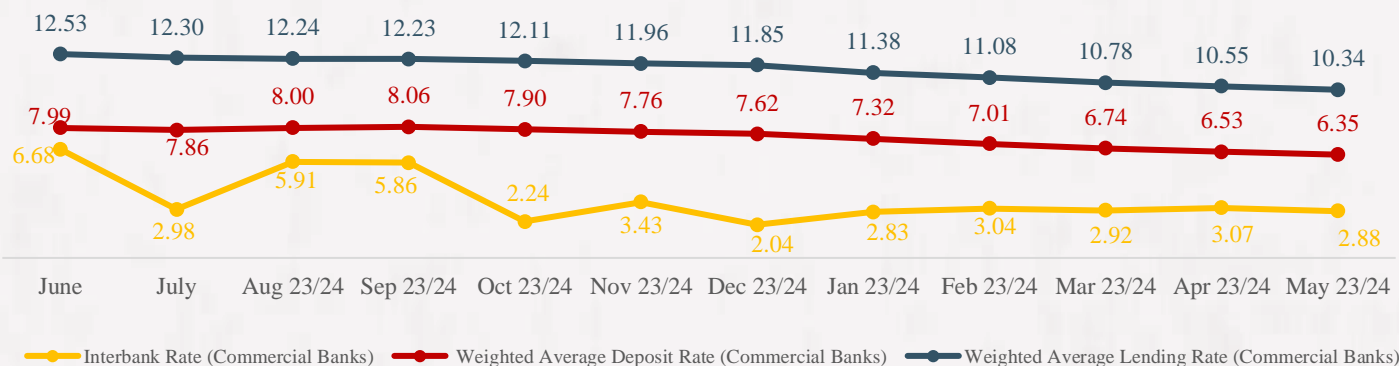
Fiscal Year-Month (2023/24 - Mid of May)

Deposit (+12.8% Y-O-Y)

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

Credit /Lending(+5.2% Y-O-Y)

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

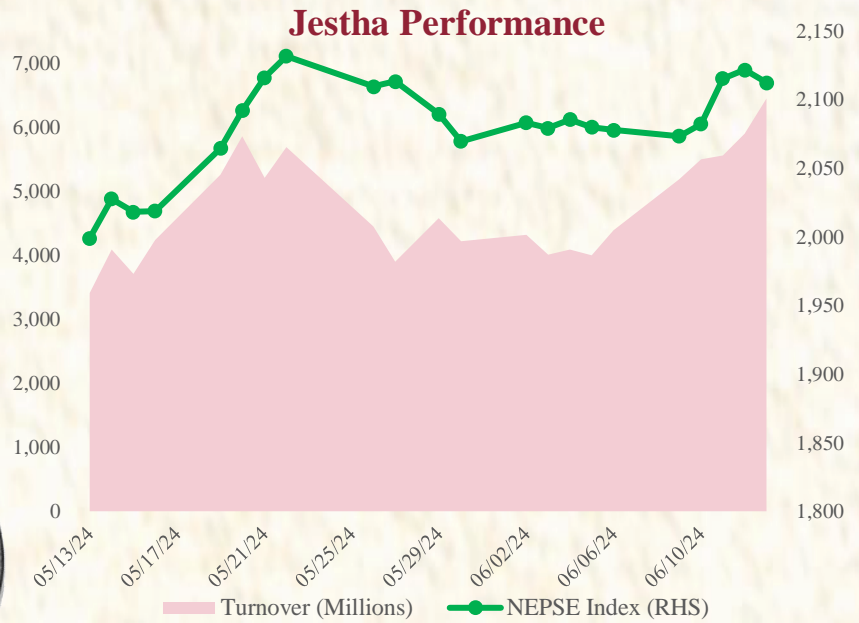
Market Interest Rates**Short-term Interest Rates (As on 11th June 2024):**

❖ 28 days: 2.84%

❖ 91 days: 3.00%

❖ 364 days: 3.21%

Market Update: NEPSE SCANNER



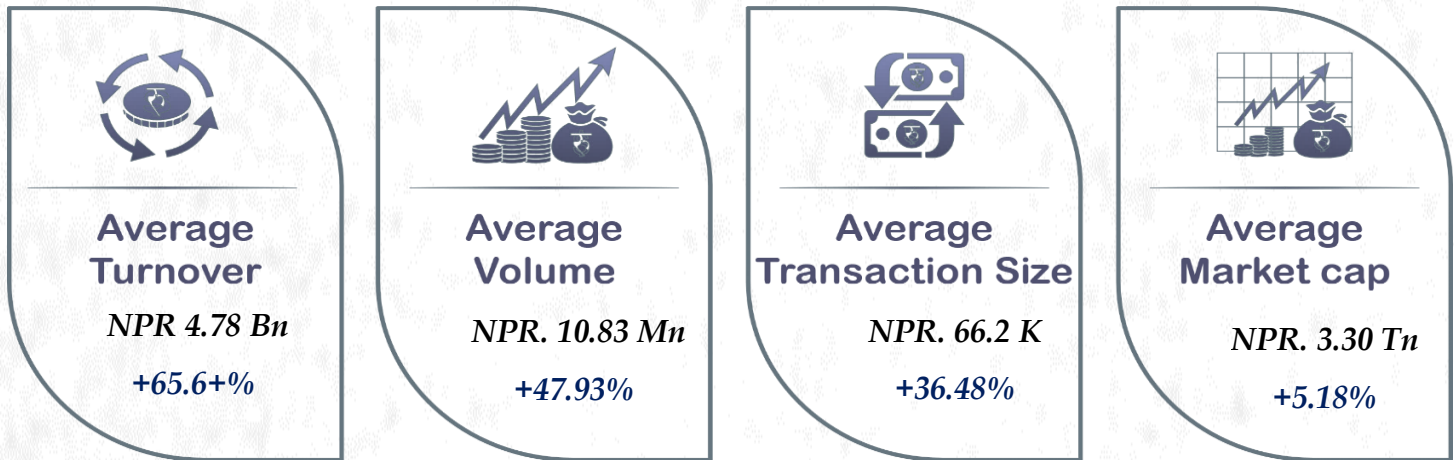
- NEPSE rose to 2112.29 level from 1998.89 (previous month end), gaining 113.40 points (+5.67%); high and low index remained 2153.39 and 1999.14 resp. in the review month.
- Sensitive, float and sensitive float index surged by 4.92%, 5.63% and 5.32% respectively.
- By the Month end, the turnover witnessed the rise of 89.02% and volume by 49.82%. The transactions rose by 68.89% as compared to the previous month end.

Metrics	13.6.24	13.5.24	Monthly Change
NEPSE	2,112.29	1998.89	5.67%
Sensitive	374.18	356.65	4.92%
Float	143.33	135.69	5.63%
Sensitive Float	122.8	116.6	5.32%
Turnover (Million)	6,443,029,208.11	3,408.61	89.02%
Shares Volumes	14,294,712	9,541,017	49.82%
Total Transactions	77,400	45,828	68.89%
Total Scripts Traded	313	320	-2.19%
Market Cap (Rs. Million)	3,349,475.46	3,208,270.10	4.68%
Sensitive Mrkt. Cap (Rs. Mn)	1,143,732.61	1,094,743.32	4.51%
Float Market Cap (Rs. Mn)	1,137,825.43	1,081,707.31	4.99%
Sens. Float Mrkt. Cap (Rs.Mn)	397,972.81	374,360.44	5.63%
Average Return	13.33%	12.34%	0.98%
Std. Deviation	23.37%	23.54%	-0.17%
10 Day 10% VAR	-6.13%	-6.19%	0.06%
Market Cap / GDP Ratio	62.24%	59.62%	2.78%

Monthly average of these metrics computes to Rs. 4.78 billion (65.60%), Rs. 10.83 million (47.93%), and Rs.66.2 thousand (36.48%) respectively.

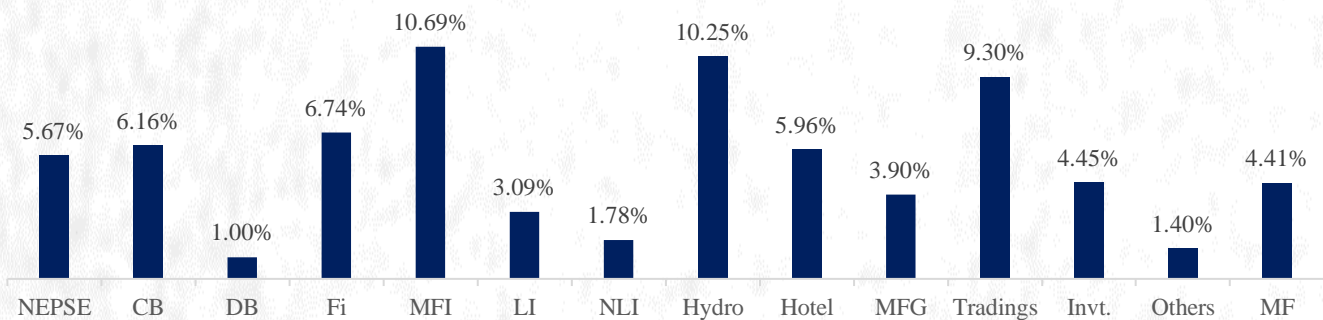
- Market cap increased by 5.68% to Rs. 3.349 trillion, out of which approx. 34% are only floated. Sensitive market cap which covers A class stocks saw a 4.93% incline, Sensitive float market cap rose by 6.03% and the size of Float market cap rose 5.88%.

- Avg. market return increased to 13.33% from 12.34%, Standard Deviation slightly dropped to 23.37% and 10-day 10% VAR stood at 6.13%.
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 62.24%.
- In the review period, market traded for 21 days. Last month, number of trading days was 19.

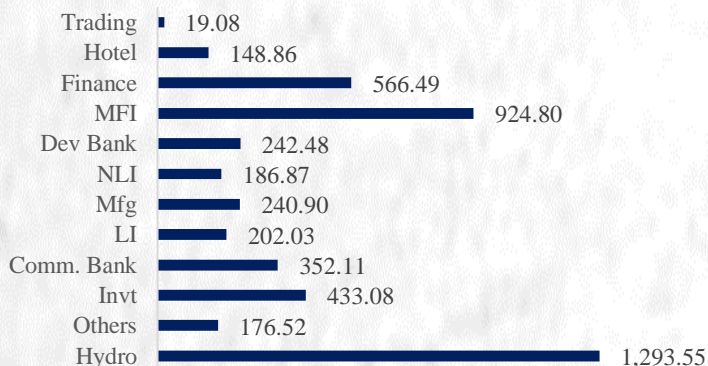


SECTOR SCANNER

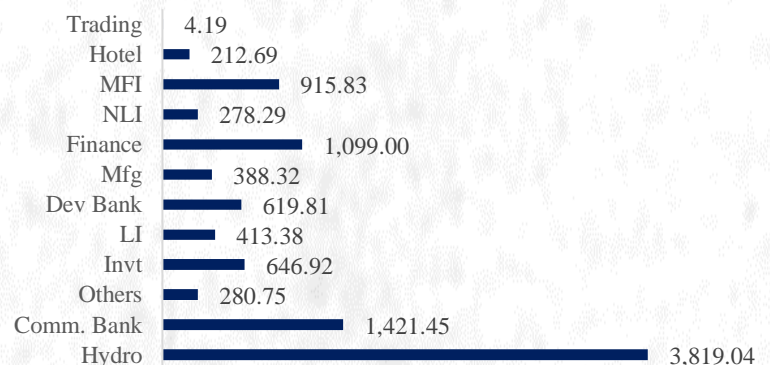
Monthly Sectoral Performance



Jestha Avg. Turnover (Millions)

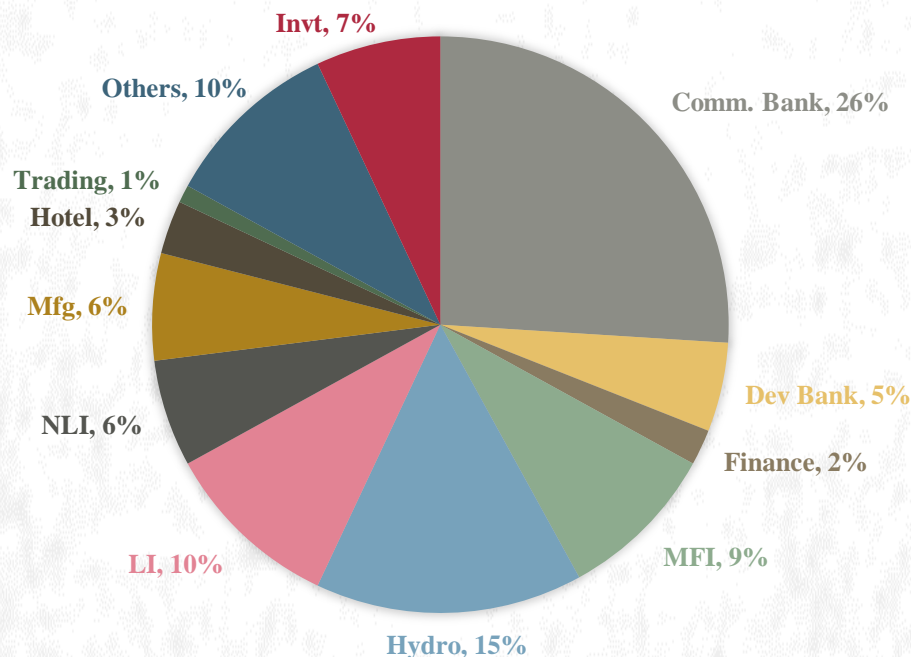


Jestha Avg. Volume ('000)



- All the sectors saw a surge in this month. Hydropower, Microfinance and Tradings sectors saw a highest surge of 10.25%, 10.69% and 9.30% respectively followed by Finance (6.74%) and Commercial Banks (6.16%) in the review period. Sectors that witnessed lowest rise are Development Banks (1.00%), Others (1.4%) and Non-Life Insurance (1.78%).
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 26.43% and 33.99% respectively. In case of Turnover (volumes), Hydropower sector traded the highest with an average of 34.89%. Both Microfinance and Finance sector made the notable Turnover of average 19.89% and 11.54% respectively while their average Transaction size was 15.13% and 8.01% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Baisakh i.e. Thursday 31st Jestha, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 42%, Commercial Bank alone 26%. Hydro and Hotel has 15% and 3% coverage respectively. Insurance sector occupy 16% (Life – 10% and Non-Life – 6%). Trading sector has the least capitalization, amounting approx. Rs.17.14 billion.

SECTORAL MARKET CAPITALIZATION

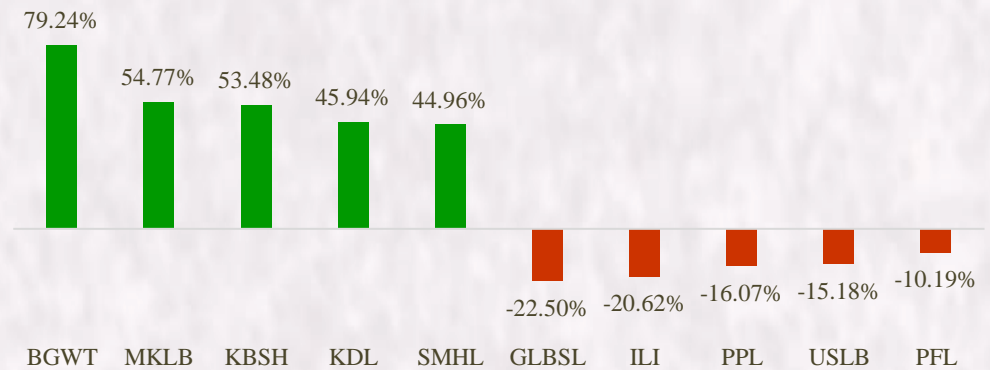


Monthly Terminology: Tax-exempt bond issuer-

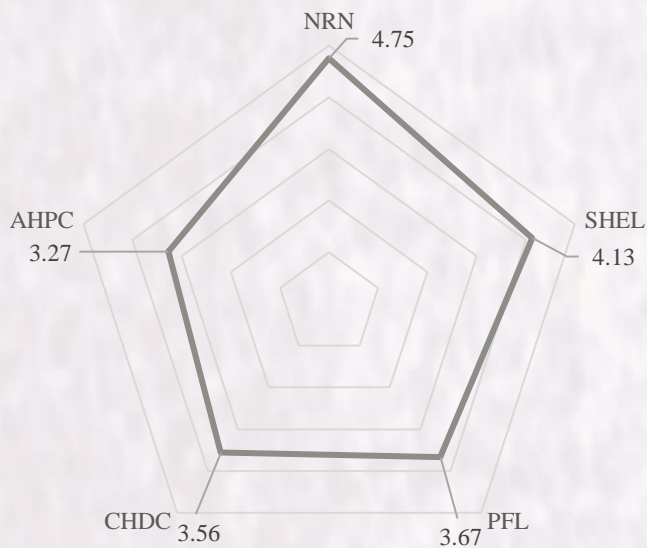
*“A **tax-exempt bond issuer** is typically a governmental entity or a qualified non-profit organization that issues bonds to finance public projects or other activities that benefit the public. The interest income earned by investors from these bonds is exempt from federal income tax, and in some cases, state and local taxes as well. This tax-exempt status makes these bonds particularly attractive to investors.*”

STOCK SCANNER

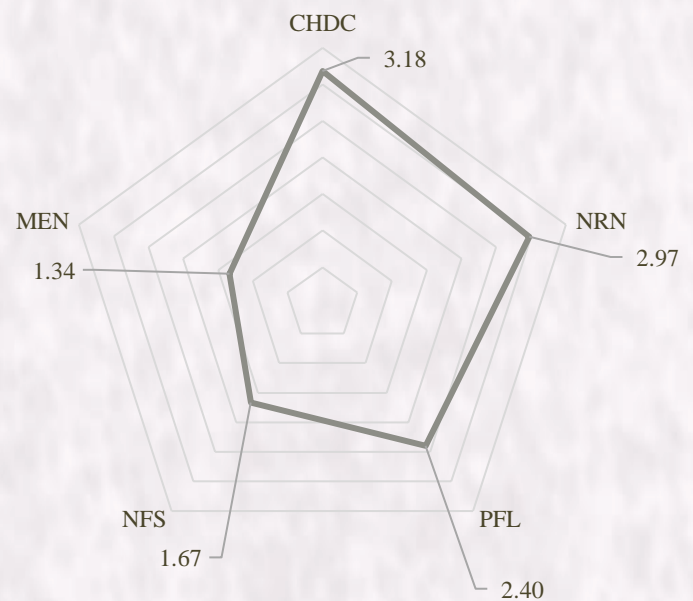
Top 5 Gaining and Losing Stocks/Scripts



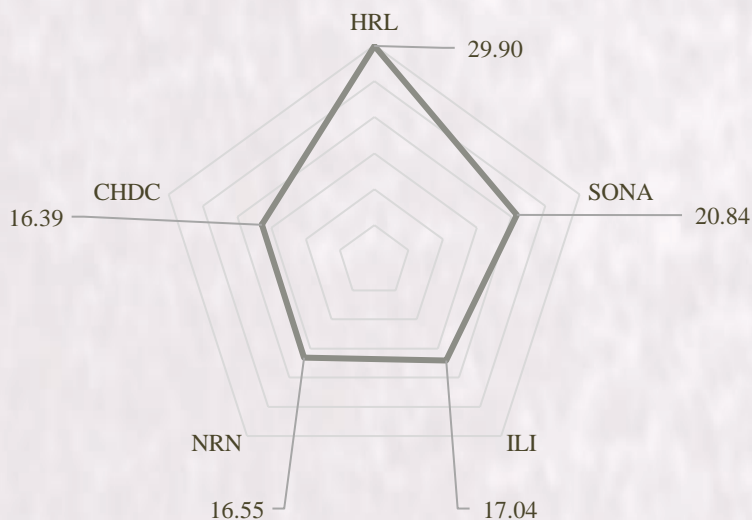
Stocks with Highest Volume (Millions)



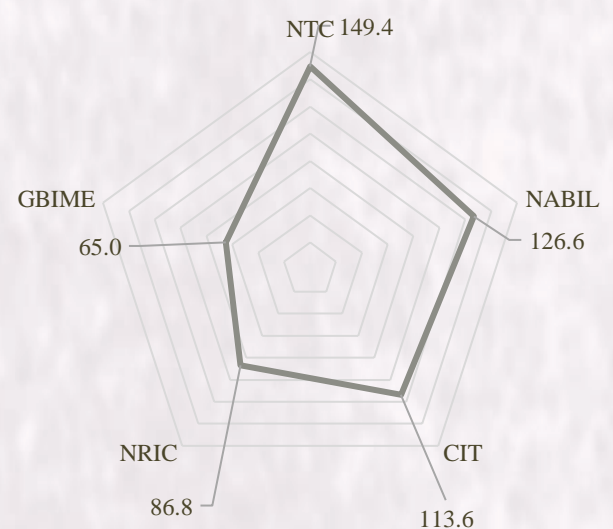
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (13th June)

Value

RSI	62.74
MACD line	21.61
Signal line	20.58
Bollinger Upper Band	2145.46
Bollinger Middle Band	2086.58
Bollinger Lower Band	2027.69
ADX	39.51
Exp. Moving Avg. (9 Days)	2097.36
Exp. Moving Avg. (26 Days)	2070.64
Exp. Moving Avg. (50 Days)	2052.66
Exp. Moving Avg. (200 Days)	2028.04

Technical Overview:

Market has been hovering around 2000 -2100 zone since last 4 weeks. Good accumulation can be seen around this area, which builds the potential for upward momentum. Few Doji candles that has been formed provides no clear signals in the market. The sideways movement after the sharp raise is must to make the market stronger. From the Bollinger band perspective, all three bands have started to squeeze. It is indicating the that market might have some sharp rallies in upcoming days. Likewise, the market has managed to stabilize above the middle Bollinger band which is a must requirement for the bullish rally. Upper band resistance falls around 2200 zone which has been acting as strongest resistance for the market. Volume is rising and has started to trade above 20 weeks moving average volume which indicates the increment of investors confidence.

Both the MACD line and signal line is close with each other, and trading above the histogram which shows the bullish nature in the market. And currently RSI is at 56.61 which signal for neutral zone. No any divergency is seen in the market. The current index level is above the 50D, 200D moving averages which also show the potential bull scenario.

Key Bulletins of the Month

- 1) PM Pushpa Kamal Dahal successfully secured a vote of confidence in HoR for the fourth time.
- 2) Budget 2081/82 allocated Rs. 1.14 trillion for recurrent expenditures, Rs. 352 billion for capital expenditures, and Rs. 367 billion for financing, Rs. 50.74 billion for energy sector to complete key transmission lines and initiate new projects followed by Rs 5.46 billion in the tourism sector to promote tourism, targeting 1.6 million international tourists in the FY 2024/25.
- 3) In the ten months of the current F.Y. 2023/24, Nepal received foreign investment commitments amounting to Rs. 53 billion.
- 4) Nepal's outstanding public debt has surged to nearly Rs 2,400 billion, reflecting an increase of Rs 98 billion in the last 10 months of the current F.Y. 2080/81.
- 5) In the ten months of the F.Y. 2080/81, the government earned Rs 4.15 billion as CGT from stock market, Y-o-Y increment of 101.42% from Rs 2.62 billion last year, while investors earned Rs 60.39 billion.
- 6) In ten months of F.Y. 2080/81, Life insurance companies collected a total of Rs. 121 billion in premiums, with the highest premium collected by NLIC of Rs 32.38 billion. Moreover, Rs 10.70 billion in life insurance policies were surrendered, averaging 8,500 cancellations of Rs 1 billion monthly, with NLIC having highest withdrawal of 24,330 policies worth Rs 3.80 billion, over 35% of the total.
- 7) Ministry of Finance formulated the 5 years 'National Strategy and Work Plan on Prevention of Financial Investment in Money Laundering and Terrorist Activities', a proactive steps to avoid potential Grey Listing by the Financial Action Task Force (FATF).
- 8) As per CDSC records, the number of demat accounts reached 62,95,094 (growth of 7.96% compared to previous year), registered mero share account is 53,46,310, while the active meroshare users is 35,68,446.
- 9) The 111 MW Rasuwagadhi Hydropower Project incurred a loss exceeding Rs 1 billion in four months due to delays in completing the Chilime Hub substation and transmission line, preventing electricity from reaching the national grid.
- 10) In the ten months of the current F.Y. 2080/81, Nepal imported goods worth NPR 1,303.35 billion, a 2.39% decrease from the NPR 1,335.32 billion imported during the same period last year.
- 11) Narendra Modi sworn in as India's Prime Minister for a third consecutive term. The slim victory of BJP led alliance NDA against the gross victory anticipated by exit poll shattered the Sensex and Nifty Index on June 4, erasing approx. INR. 40 lakh crore in single day. However, the markets are able to recover the losses marching towards the all time high now; Sensex: 76,993, Nifty: 23,465.
- 12) Nvidia (software company) has overtaken Apple to become the world's second-most valuable company, with its shares soaring to \$1,224.40 and its market capitalization surpassing \$3.012 trillion amid high demand.

Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash (%)
1. Nepal Life Insurance Company Limited	NLIC	2079/80	-	21.05
2. Citizen Investment Trust	CIT	2079/80	14%	-

Important Disclaimer:

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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.

नेपाल प्रिमाण बोर्डबाट मर्केट वैक्यूको गरिमा कायं गत अनुमतिपत्र प्राप्त संस्था



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