



THE ANALYTICS

GARIMA MONTHLY INSIGHT

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Headwinds and Tailwinds
of Market Ahead



NEPSE SCANNER



MACROECONOMIC
FACTORS



MARKET SCANNER

Market Update:

Headwinds and Tailwinds Of Market Ahead



SYNOPSIS:

Continuing the last month sluggish market momentum, Political events brought some roller coaster ride for the NEPSE in the month of Falgun. Much to surprise, PM Pushpa Kamal Dahal broke the coalition with the Nepali Congress and formed the new government with the new alliance: CPM-UML, Rastriya Swatantra Party, Janata Samajbadi Party. On the very day of this political twist, 4th March, market reacted with 6% positive circuit with in few minutes of the opening of trading floor, owing to the speculation of potential return of Bishnu Paudel as the new Finance Minister. This speculation didn't last long as market corrected with -3.38% on next trading day. The admission of Barshaman Pun as new Finance Minister, however, is found welcomed by the Market so far.

The slowness in the economic activities of nation can be perceived by the dryness in the aggregate demands of goods and services. However, government has speed up the capital expenditure by making payments to the contractors which creates some optimism. In past two months, government has increased its capital expenditure by Rs. 31 billion. The increase in capital expenditure has also positively impacted government revenue, which saw total collection of Rs. 639 billion till end Falgun month. Similarly, except NICA, all the BFIs has cut the interest rate further for the month of Chaitra. Although the interest rate is near to the inflation rate, no any exceptional growth seen in lending side.

Tailwinds:

1. The interest rate on FD is still on declining trend and most of the banks have FD rates of around 7% p.a. This is expected to translates into lower lending rate to the prospective as well as existing loan seekers.
2. The 7 months Current Macroeconomic Reports of NRB reports the inflation at 5.01 %, the gross foreign exchange reserves at USD 13.89 billion. The total import has decreased by 2.3 percent, while exports decreased by 7.1 percent and the trade deficit decreased by 1.8 percent.
3. Even though the overall demand on loan has not shot up as expected, there is notable increase of 16% on margin lending above 50 lakhs during the last seven months period. It shows the interest of large investors on current market to inject further new cash.

4. Significant growth in number of tourist arrival in the country (176,000+ tourists in two month of 2024) has contributed to tourism sector and the forex reserves of the nation. Hotel sector is likely to post good financials on upcoming 3rd quarter.
5. Hydropower sector whose balance sheets are highly leveraged in nature are expected to be benefited with decline in interest rates.
6. The new incumbent Finance Minister Barshaman Pun has directed the concerned regulatory bodies namely NEPSE, SEBON and CDSC to formulate and deliver the action plan with seven days to resolve the issues faced in the capital market after consultation with the stakeholders.
7. Government is prioritizing the upcoming Nepal Investment Summit 2024. This is likely to make the investment climate favorable in period to come.

Headwinds:

1. Government instability has created uncertainty to the economic activities. The revenue collection and capital expenditure seem to be lagging as a consequence.
2. Given that the FD rate approaching the inflation rate and NRB responsibility to stabilize the interest rate above the inflation rate, the protection of capital flight is major challenges for NRB.
3. Over the last seven-month, loan growth and deposit growth are around 4% and 10% respectively. Excess liquidity for the BFIs with no lending has increased the cost of fund on higher level. Likewise, most of the commercial banks has focused on recovery rather than loan growth in current fiscal year.
4. Addressing and solving the problems in cooperatives and micro finance is the major challenges for the government. Middle level economic demand is directly impacted by these financial institutes.

Concluding Remark:

Apparently, most of the BFI's have decreased the interest rate on FD for the 6th time, which means that this has increased the possibility of making additional lending. Our external indicators are getting stronger by the day and the continuous decline in oil price is also making the condition conducive. For instance: the remittance has increased by leaps and bounds right around the festival season as Nepal has received remittance amounting to Rs. 838 arba in the first seven months. With the new government formation, there are reasons to be optimistic with the supportive policy changes by NRB and other concerned regulatory. Likewise, the growing number of tourists will directly contribute national economy to increase the demand factor. To conclude, the market might witness breakout of 2200 in few months.

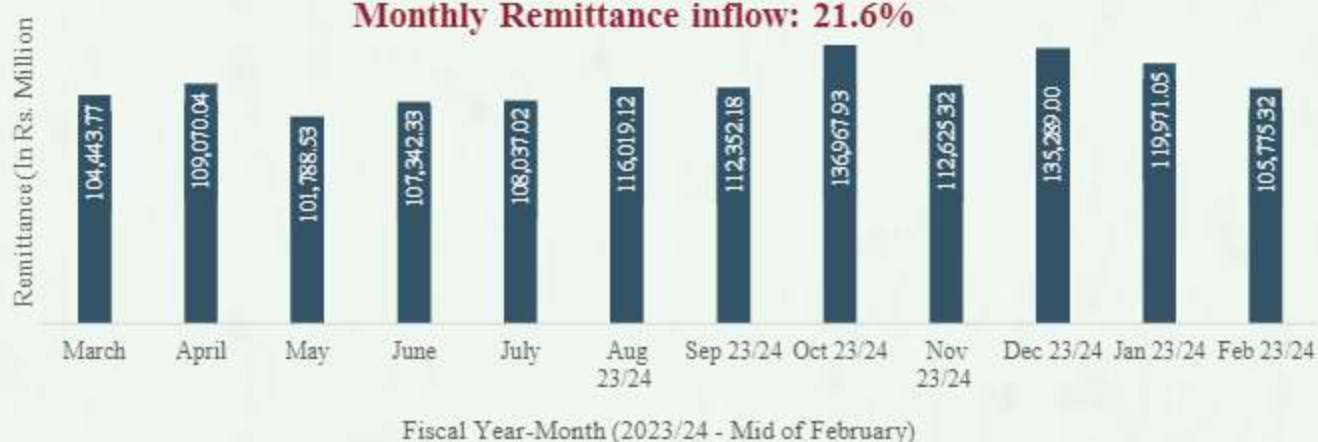
WHERE DO THE FACTORS STAND?



Inflation Rate (CPI): 5.01%



Monthly Remittance inflow: 21.6%



Liquidity Indicators (As on 11th March 2024):

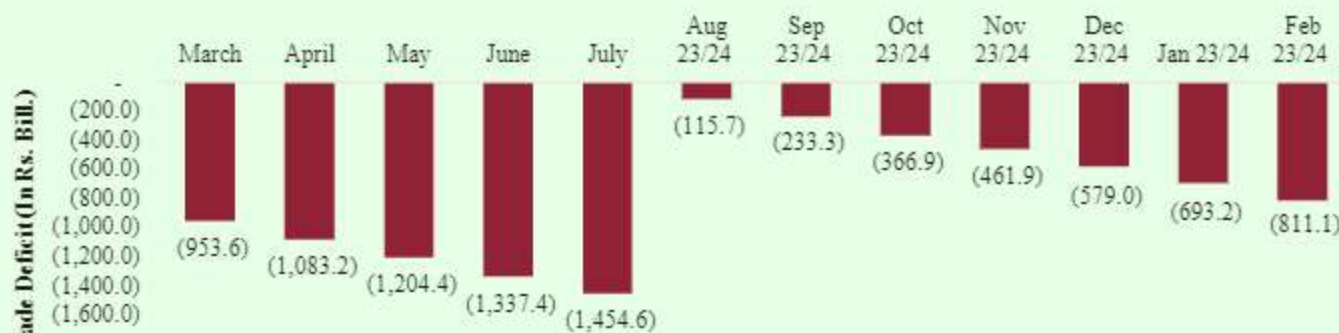
- ❖ BFI's Deposits: NPR. 6,181 billion
- ❖ BFI's Lending: NPR. 5,088 billion
- ❖ CD Ratio: 79.91%
- ❖ Inter-bank Interest Rate: 2.95%

Total Import (-2.3% Y-o-Y)

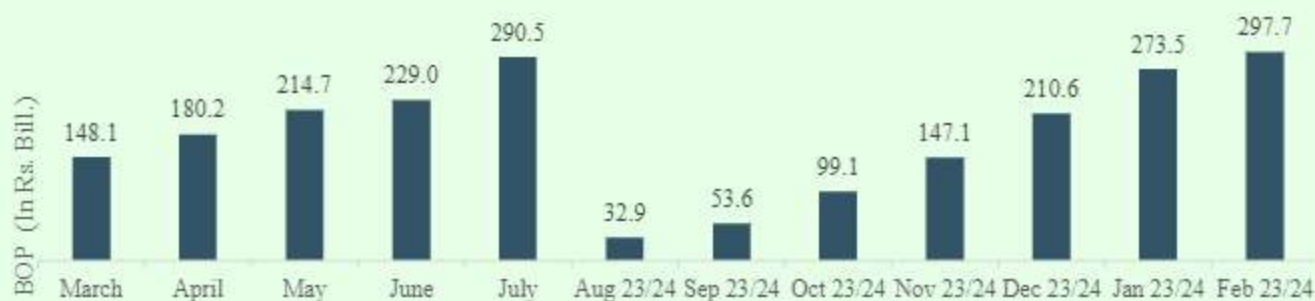
Fiscal Year-Month (2023/24 - Mid of February)

Total Export (-7.1% Y-o-Y)

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

Trade Deficit

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

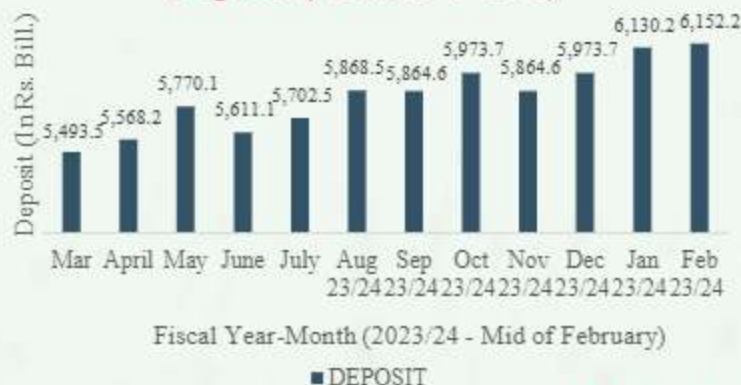
Balance of Payments (Surplus)

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

Gross Forex Reserve (+32%)

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

■ Gross Foreign Exchange Reserves — Growth Rate

Govt. Revenue**Govt. Expenditure****Fiscal Surplus/Deficit****Deposit (+14.4% Y-O-Y)****Credit /Lending(+4.7% Y-O-Y)****Market Interest Rates****Short-term Interest Rates (As on 12th March 2024):**

❖ 28 days: 2.69%

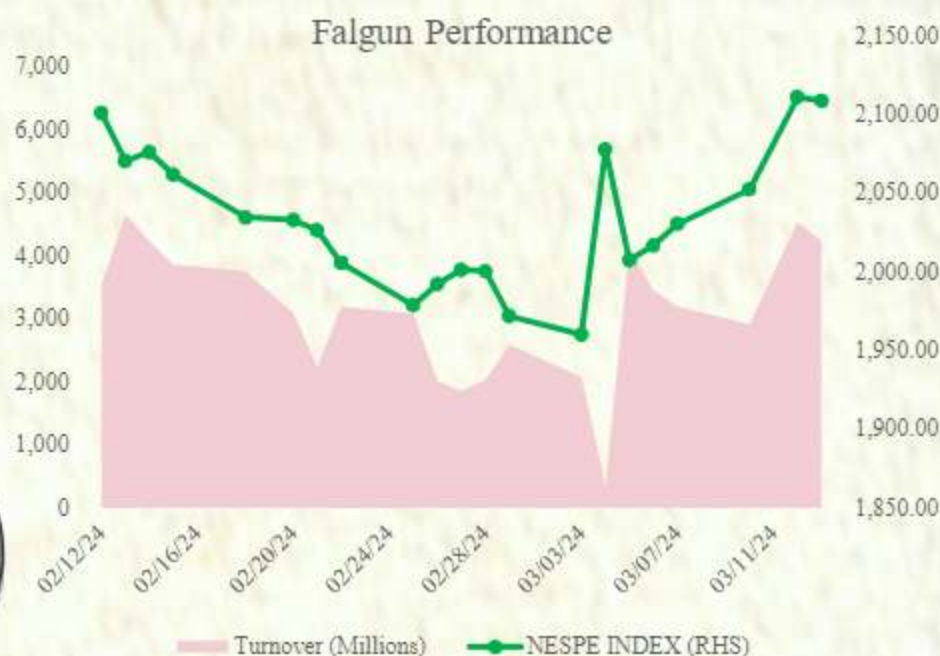
❖ 91 days: 2.98%

❖ 364 days: 3.45%

Market Update: NEPSE SCANNER



- NEPSE rose to 2,108.72 level from 2,101.16 (previous month end), gaining 7.56 points (0.36%); it peaked the high of 2,124.08 and bottomed the low of 1946.42 in the review month.
- Sensitive and sensitive float index dropped by 0.36% and 0.11% respectively but float index rose by a slight 0.03% only .
- By the Month end, the turnover and volumes all witnessed a rise of 19.31% and 7.73% respectively. The transactions fell by 1.06% as compared to the previous month end. Monthly average of these metrics computes to Rs. 3.08 billion (-35.83%), Rs. 8.44 million (-39.69%), and Rs. 61.98 thousand (-44.39%) respectively.
- Market cap decreased by 3.41% to Rs. 3.19 trillion, out of which approx. 35% are only floated. Sensitive market cap which covers A class stocks saw a 4.89% decline and the size of Float market cap and Sensitive float market cap fell by 4.02% & 5.28% respectively.



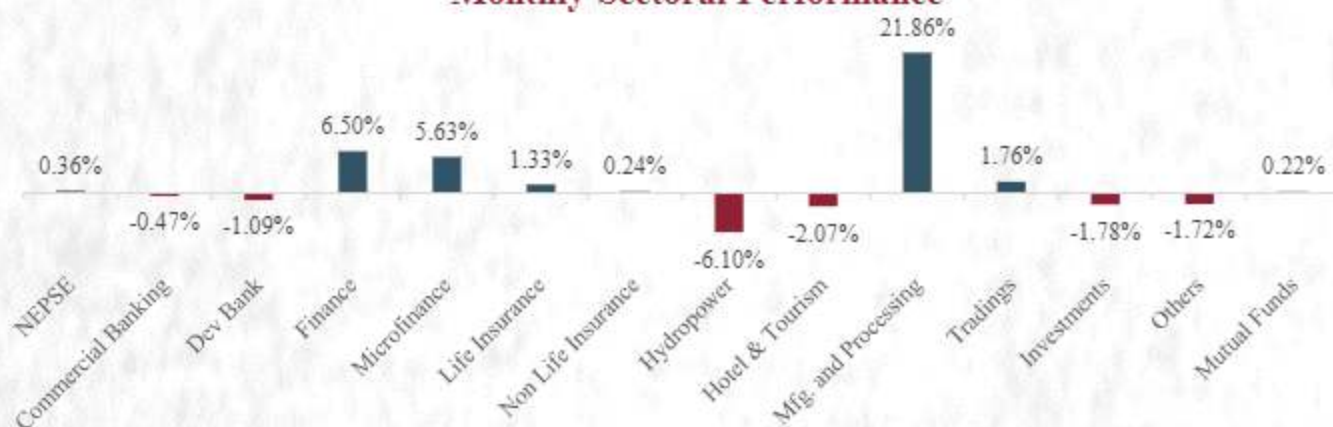
Metrics	13.3.24	12.2.24	Monthly Change
NEPSE	2,108.72	2101.16	0.36%
Sensitive	374.65	375.99	-0.36%
Float	143.38	143.34	0.03%
Sensitive Float	123.05	123.19	-0.11%
Turnover (Million)	4,248.52	3560.85	19.31%
Shares Volumes	10,889,634	10,108,122	7.73%
Total Transactions	73,506	74,290	-1.06%
Total Scripts Traded	310	314	-1.27%
Market Cap (Rs. Million)	3,314,629.68	3,302,841.81	0.36%
Sensitive Mrkt. Cap (Rs. Mn)	1,144,995.18	1,149,092.09	-0.36%
Float Market Cap (Rs. Mn)	1,128,277.08	1,133,095.05	-0.43%
Sens. Float Mrkt. Cap (Rs.Mn)	393,620.28	394,118.51	-0.13%
Average Return	14.11%	14.33%	-0.22%
Std. Deviation	23.91%	23.83%	0.08%
10 Day 10% VAR	-6.26%	-6.24%	-0.02%
Market Cap / GDP Ratio	61.60%	61.38%	0.22%

- Avg. market return decreased to 14.11% from 14.33%, Standard Deviation saw slight rise to 23.91% (8 basis point fall) and 10-day 10% VAR stood at 6.26%.
- Market is still under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 61.60%.
- In the review period, market traded for 20 days. Last month, number of trading days was also 20.

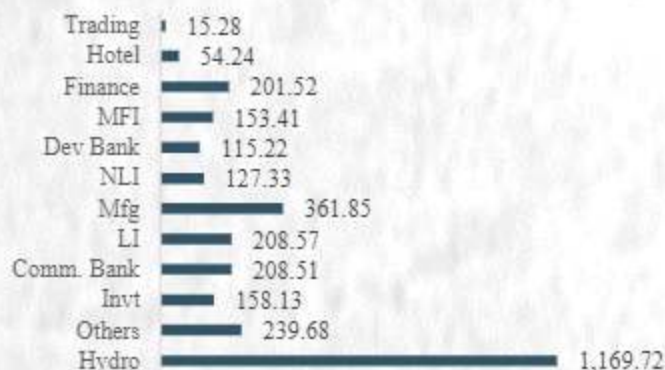


SECTOR SCANNER

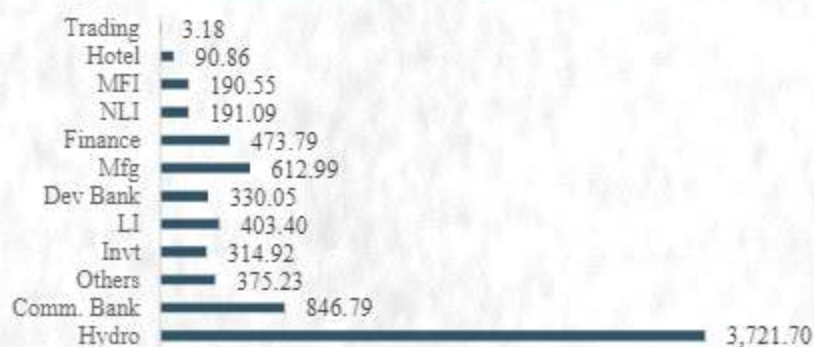
Monthly Sectoral Performance



Magh Avg. Turnover (Millions)

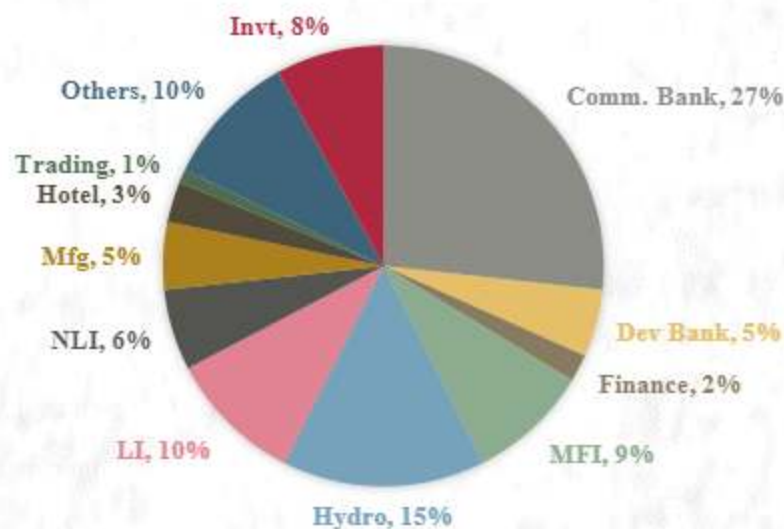


Magh Avg. Volume ('000)



- Mfg and Processing, Finance and Microfinance saw a highest surge of 21.86%, 6.50% and 5.63% respectively in the review period. Sectors that witnessed highest decline are Hydropower (-6.10%), Hotel & Tourism (-2.07%), Investments (-1.78%) and Others (-1.72%). Development Banking and Commercial Banking sectors also had a loss of 1.09% and 0.47% respectively.
- Hydropower sector recorded the highest Turnover and Transactions size in all trading days of the month making an average of 37.54% and 39.65% respectively. In case of Turnover (volumes) Hydropower sector, traded the highest with an average of 43.65%. Both Mfg. and Processing and Others sector made the notable Turnover of average 12.44% and 7.80% respectively while their average Transaction size was 9.52% and 10.72% respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Falgun i.e. Wednesday 30th Falgun, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 45%, Commercial Bank alone 27%. 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.16.72 billion.

SECTORAL MARKET CAPITALIZATION

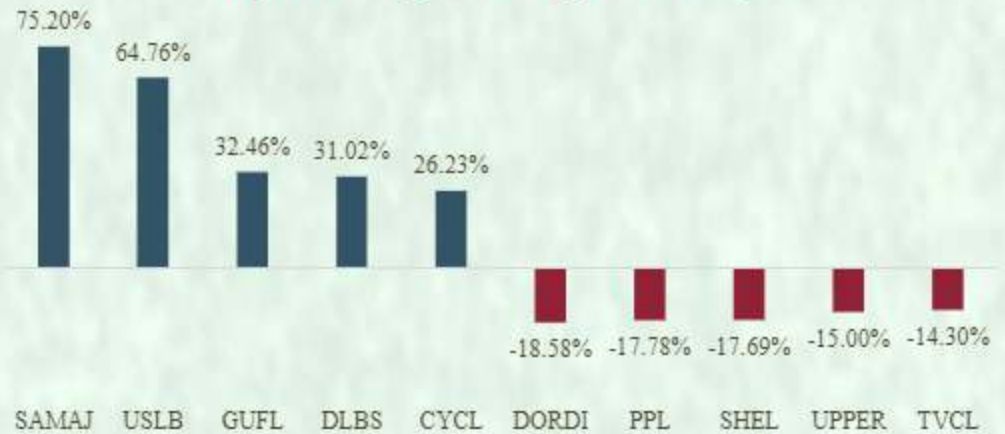


Monthly Terminology:

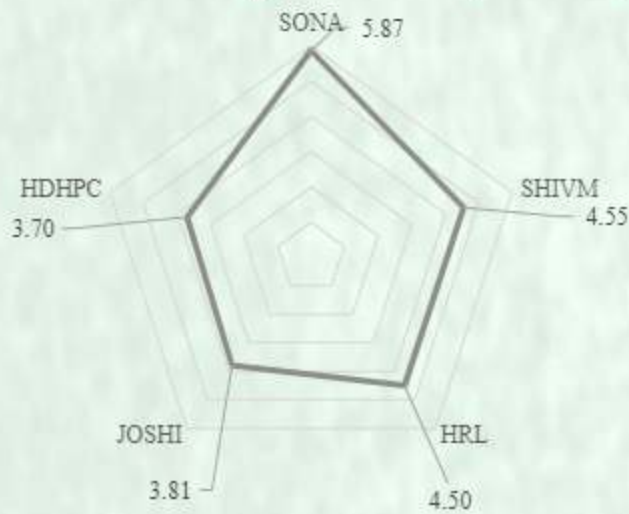
“Value-conscious spending is a consumer behavior characterized by a strategic and thoughtful approach to purchasing decisions. Instead of being swayed solely by price tags or brand names, value-conscious consumers prioritize obtaining the most benefit and utility from their spending. This approach involves evaluating products and services based on various factors such as quality, durability, functionality, and overall value proposition. Value-conscious individuals may conduct research, compare options, read reviews, and seek recommendations to ensure that their purchases align with their needs, preferences, and budget constraints.”

STOCK SCANNER

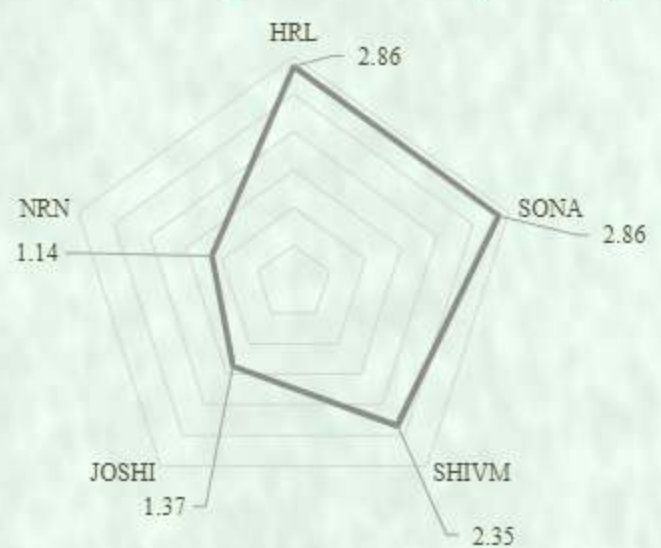
Top 5 Gaining and Losing Stocks/Scripts



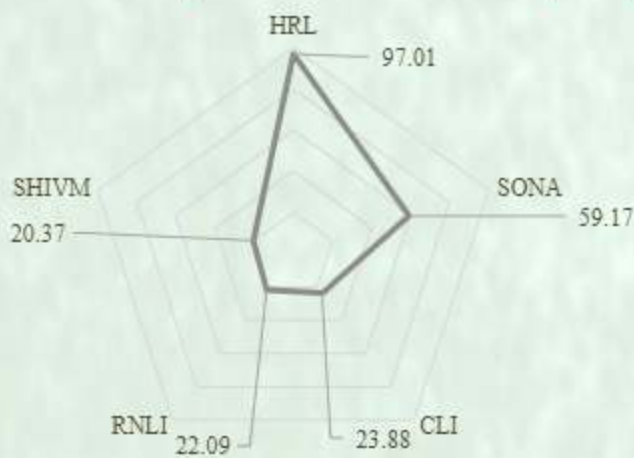
Stocks with Highest Volume (Millions)



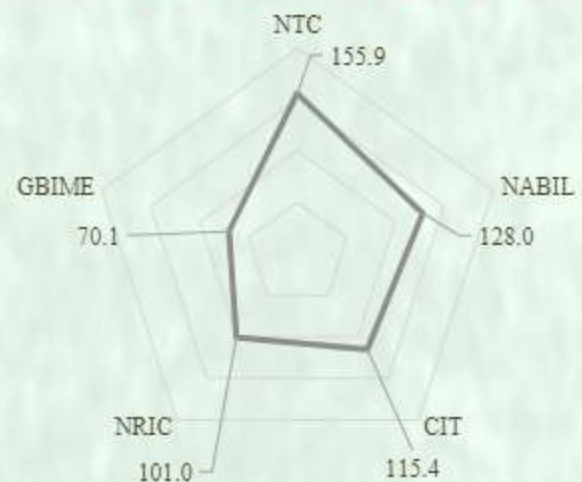
Stocks with Highest Turnover (Billions)



Stocks with Highest Transaction Size ('000)



Stocks with Highest Market Cap. (Billions)



TECHNICAL OUTLOOK...



Technical Indicator (13 th March)	Value
RSI	59.83
MACD line	2.52
Signal line	-10.16
Bollinger Upper Band	2115.46
Bollinger Middle Band	2031.07
Bollinger Lower Band	1946.68
ADX	22.74
Exp. Moving Avg. (9 Days)	2054.96
Exp. Moving Avg. (26 Days)	2046.12
Exp. Moving Avg. (50 Days)	2042.21
Exp. Moving Avg. (200 Days)	2018.36

Technical Overview:

For over two years, market is trading in the sideways zone between 1800 and 2200 index. Market has tested 2200 zone for the sixth time in a row but still is not able to break the strong resistance zone. Meanwhile, in the log chart, market has broken the primary downtrend line by signaling its trend change. Likewise, from Dow theory perspective, market is still unclear with its primary trend. Higher high formation is must for the upswing.

NEPSE has seen some roller coaster move in the month of Falgun. In the beginning, NEPSE plunged for 6% from its opening and took support at 1980 zone. Coming to the ending period of the month, market surged for 5% from its bottom point. With the change in key political events, NEPSE even surprised with 6% positive circuit on 4th March. Furthermore,

two continuous weekly bullish candles indicates that the market is ready for next upward momentum. The immediate resistance and support for the market is 2200 index and 1980 index respectively. At the moment, middle bollinger band is acting as strong support for the market. If market breaks this support, market may heads towards 1800 zone. Moreover, 2000 index is acting as key psychological level for the market. If market sustain over it, there is higher chance for generating positive tone for the market and test 2200 level once again.

From a volume standpoint, market is trading in-between the 20 weeks' moving avg volume. Still investors' confidence seems lagging in the market, as volume above average is must necessity for the sustainable bullish rally. Current RSI show market is trading at neutral zone. Higher high and upward facing RSI line has signalled the upward rally. There is no any divergence formation in the market. From MACD perspective, both the signal line and MACD line is close with each other and trading at positive zone. Small crossover between MACD line and signal line is seen which indicates for short correction in the market.

Key Bulletins of the Month

- 1) PM Pushpa Kamal Dahal has successfully secured a vote of confidence in the House of Representatives for the third time, garnering 157 votes in his favor.
- 2) Barshaman Pun of UML Maoist party has been appointed as the Finance Minister on Falgun 23.
- 3) Mutual funds which are in operation have withdrawn Rs. 767.4 million worth of investments from banks.
- 4) The Government of Nepal probes 2,000 firms for fake invoices, aiming to recover Rs.10 billion. The Inland Revenue Department (IRD) investigates Rs.9.93 billion in fake invoices, identifies Rs. 1 billion in taxes.
- 5) NRB has instructed microfinance institutions not to provide loans of more than 5 lakhs without collateral.
- 6) NEA has imported 500 MW of electricity from India at an average rate of Rs.11.50 per unit in the dry season. Despite exporting at Rs 8.96 per unit, Nepal is in trade deficit with India in electricity.
- 7) Cement exports have surged five-fold this year, reaching about Rs.2.6 billion in the first seven months of FY 2023/24, compared to just Rs.779.3 million previous year, offering hope amid a significant trade deficit and an overall decline in exports.
- 8) The Federal Civil Service Bill imposes strict regulations on government employees, by limiting civil servants from political activities, criticizing the government, and engaging in strikes. However, it allows them to purchase shares from the open market and acquire less than 1% of founder shares without becoming a basic shareholder.
- 9) For the month of Chaitra, 17 banks lowered deposit rates; Everest Bank and NMB Bank reduced the most i.e., by 1.5%, Prabhu Bank and Global IME Bank kept rates unchanged while Agriculture Development Bank has the lowest individual fixed deposits rate at 5.67% and institutional at 4.01%.
- 10) The government has collected revenue worth Rs. 639 billion, comprising 44.92% of the targeted Rs. 1.422 trillion in the eight months period of the F.Y. 2080/81.

Dividend Announced during the Month

Company	Ticker	FY	Bonus (%)	Cash (%)
1. Prabhu Insurance Company Limited	PRIN	2079/80	4.75	0.25
2. Sagarmatha Lumbini Insurance Limited	SALICO	2079/80	-	5
3. Sun Nepal Life Insurance Company Limited	SNLI	2079/80	23.8	1.2526
4. Deprosc Laghubitta Bittiya Sanstha Limited	DDBL	2079/80	10	0.5263

“Financial success is not about chasing the wind, but harnessing its power to set sail towards your dreams.”

- Debashish Mridha

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The sole purpose of this report is to provide analytical insight of the market performance and the state of affairs to whoever interested market participants along with our valued clients and customers.

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गरीमा क्यापिटल लिमिटेड
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(A Subsidiary of GARIMA BIKAS BANK LIMITED)

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