

# MONTHLY NEWSLETTER

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**Machhapuchpuchhre Capital**  
**Research and Trading Team**





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## NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	2,025.30	-3.96%	57,224.09
Sensitive Index	358.19	-3.14%	10,383.94
Float Index	137.02	-3.15%	52,893.91
Sensitive Float Index	117.07	-3.44%	10,032.02

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	2,025.30	-3.96%	1.00	57,014.93
Banking Sub Index	1,059.23	-6.21%	0.71	2,999.66
Development Bank Index	3,960.51	-2.84%	1.65	2,930.50
Finance Index	2,015.01	4.35%	2.39	6,782.14
Hotels And Tourism	5,117.97	-4.43%	0.50	1,014.24
Hydropower Index	2,481.82	-3.23%	0.99	15,027.60
Investment	75.79	-4.50%	0.86	1,724.93
Life Insurance	10,228.92	-5.51%	1.32	3,635.27
Manufacturing And Processing	6,751.61	-4.29%	0.91	7,877.22
Microfinance Index	4,004.77	1.52%	1.17	7,445.36
Mutual Fund	18.27	-0.60%	0.45	105.94
Non-Life Insurance	10,518.48	-4.49%	0.85	1,888.36
Others Index	1,701.43	-3.55%	1.15	2,534.75
Trading Index	2,791.37	-2.66%	0.29	206.65

As of Chaitra end 2080, the NEPSE Index stands at 2025.30 with a loss of -3.96% from the previous month with the total turnover amounting to Rs.57.22 billion.

Among the sub-indices, all the sub-indices except for the Microfinance Index witnessed a loss this month. Here, the “Microfinance Index” The “Banking Index witnessed the highest loss of around 6.21% followed by “Investment Index” and “Non-Life Insurance” Index with a loss of -4.5% and 4.49% respectively.

Regarding beta, the Finance Index, Development Index, and Life Insurance exhibit the highest beta of 2.39, 1.65, and 1.32 respectively in the month of Chaitra 2080.

Analyzing the turnover data, the Hydropower Sector recorded the most substantial turnover of Rs. 15.02 billion, comprising approximately 27.74% of the total turnover for the month signifying a major decrease from the previous months of 40.72% turnover. Following closely are the manufacturing and processing sectors and microfinance sectors, each contributing a turnover of Rs. 7.87 billion and Rs.7.44 billion, respectively. Despite having the highest market capitalization, the Banking Sector accounted for only 5.5% of the total turnover in the month, indicating a relatively lower level of interest among investors or traders in this particular sector.



## MONTHLY NEPSE OVERVIEW



The month of Chaitra 2080 marked the end of the third quarter of FY 2080/81. There were ongoing discussions related to the preparation of the Budget for the upcoming fiscal year, however, the market followed a downtrend for the majority of the month presumably due to the the Chaitra end quarterly loan repayment effect and tax collection effect. NEPSE which had a decrease of 0.92% further decreased by 3.96% in the month of Chaitra 2080.

The budget discussion involved the Finance Minister, Mr. Barshaman Pun promising on transparent tax rate with justification to minimize disputes for the upcoming fiscal year.

The 8-month Macro Economic Indicators of FY 2023/24 were published presenting a positive economic outlook. The inflation rate has come down to 4.82% as of Falgun 2080, and the BOP surplus has increased to 327.55 Billion with the growing remittance, decreasing import, and significant prospects in electricity export.

SEBON's election of chairman has also up to the present time not been finalized in the ending month of the current fiscal year. SEBON had disclosed 5 candidates for the position however, the finance minister had suspended the election that was supposed to

take place in the current month because of dissatisfaction regarding the shortlisted candidates all having affiliations with political ties.

At the start of the tenure of Finance Minister, Barshaman Pun showed commitment for the improvement of share market by calling for comprehensive plans from stock market regulators within 7 days. The minister showcasing such a commitment led to positive sentiment in the market. However, the finance minister's silence on the implementation of such plans has turned affected the investor sentiment negatively.

In the month of Chaitra 2080, the facility of inclusion of 60% of local funds in deposits was also removed as there was sufficient liquidity in the market. Priorly, such a facility was introduced due to the liquidity crunch in the economy.

The market index remained positive for the last two trading days of Chaitra 2080 seemingly due to quarterly loan repayment effect and tax collection effect coming to an end.

Towards the end of the month, commercial banks also published their interest rates for the month of Baishak 2081. The average FD rate for individuals in Chaitra is



7.071%, down from the previous month's 7.254% in the commercial bank industry.

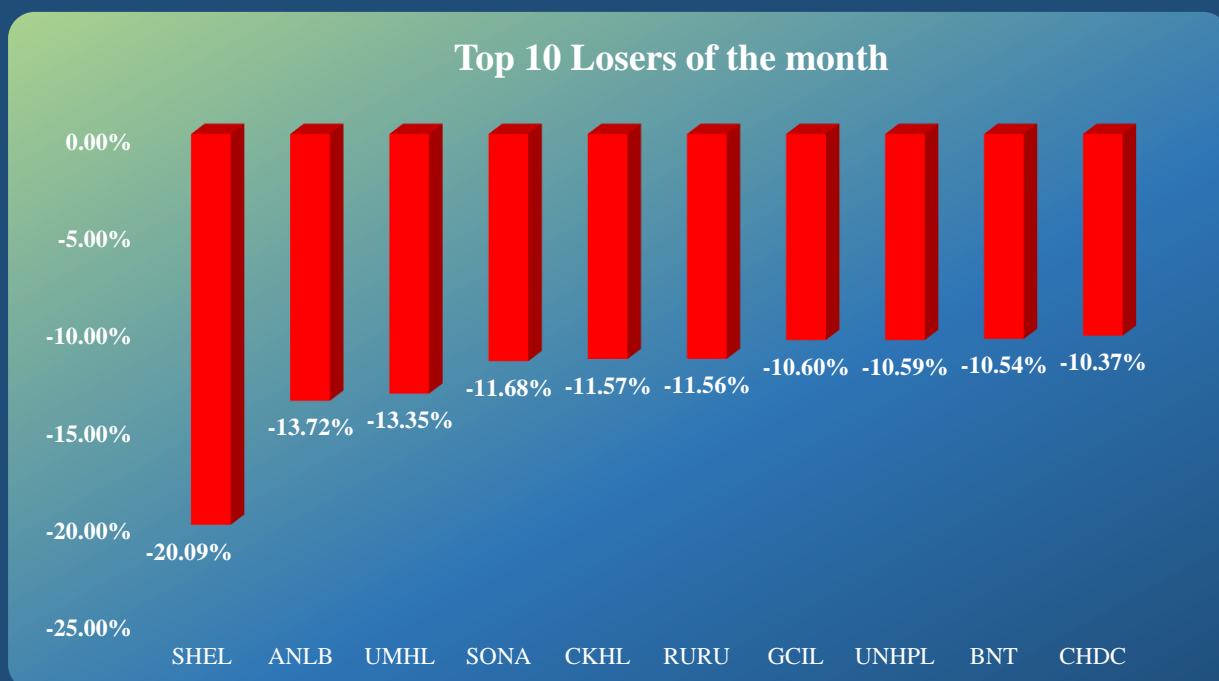
### Top 10 Companies with the Highest Market Capitalization

Company	Market Capitalization (in billions)	Weightage in Total Market
NTC	150.12	4.87%
NABIL	118.51	3.84%
CIT	111.85	3.63%
NRIC	99.32	3.22%
GBIME	65.75	2.13%
HRL	63.46	2.06%
EBL	59.43	1.93%
NICA	58.92	1.91%
NIMB	53.31	1.73%
SCB	49.50	1.61%

For the month of Chaitra 2080, NTC tops the list of the largest companies listed in NEPSE based on market capitalization followed by NABIL, CIT, and NRIC. The top 10 largest companies based on market capitalization constitute around 26.93% (27.23% in the previous month) of the total market capitalization of NEPSE. The slight decrease in the weightage of market capitalization of the high-cap stocks suggests the shift in investor preference from high-cap stocks to low-cap stocks.

### Top 10 Gainers of the month





In the month of Chaitra 2080, Gurans Laghubitta Bittiya Sanstha Limited (GLBSL) witnessed the highest gain of 110.15% while Singati Hydro Energy Limited (SHEL) witnessed the highest loss of 20.09%.

## FUNDAMENTAL ANALYSIS

- Sector-wise PE Ratio**

Sector	Falgun 2080	Chaitra 2080	Change
Commercial Bank	16.3	15.83	(0.47)
Development Bank	34.95	34.08	(0.87)
Finance	346.12	330.18	(15.94)
Microfinance	86.76	82.21	(4.55)
Life Insurance	55.68	52.70	(2.98)
Non-life Insurance	37.57	36.62	(0.95)
Investment	59.47	58.39	(1.08)
Hydropower	189.83	189.99	0.16
Manufacturing	114.67	96.17	(18.50)
Others	67.96	66.56	(1.40)
Hotel	82.28	80.39	(1.89)
Trading	206.34	202.45	(3.89)
<b>NEPSE PE</b>	<b>37.05</b>	<b>35.81</b>	<b>(1.24)</b>

The P/E ratio is widely used by investors to determine if a stock is undervalued or overvalued. In general, a lower P/E ratio indicates a better investment opportunity. However, it's essential





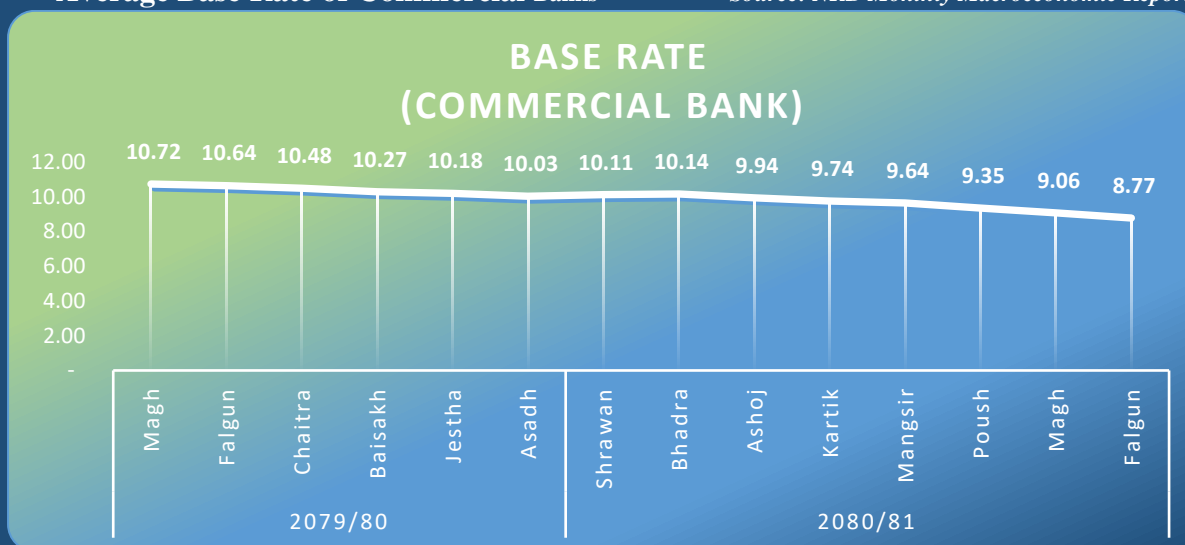
to consider growth factors, as a higher P/E ratio supported by growth can also be advantageous for investment.

Almost all the sectors' P/E decreased as a result of the decrease in the overall index. The Hydropower Sector had a negligible increase in P/E. Manufacturing and Finance Index had the most decrease in the month.

NEPSE's overall P/E ratio stands at 35.81, showing a decrease compared to the previous month due to the consequent decrease in NEPSE.

- Average Base Rate of Commercial Banks**

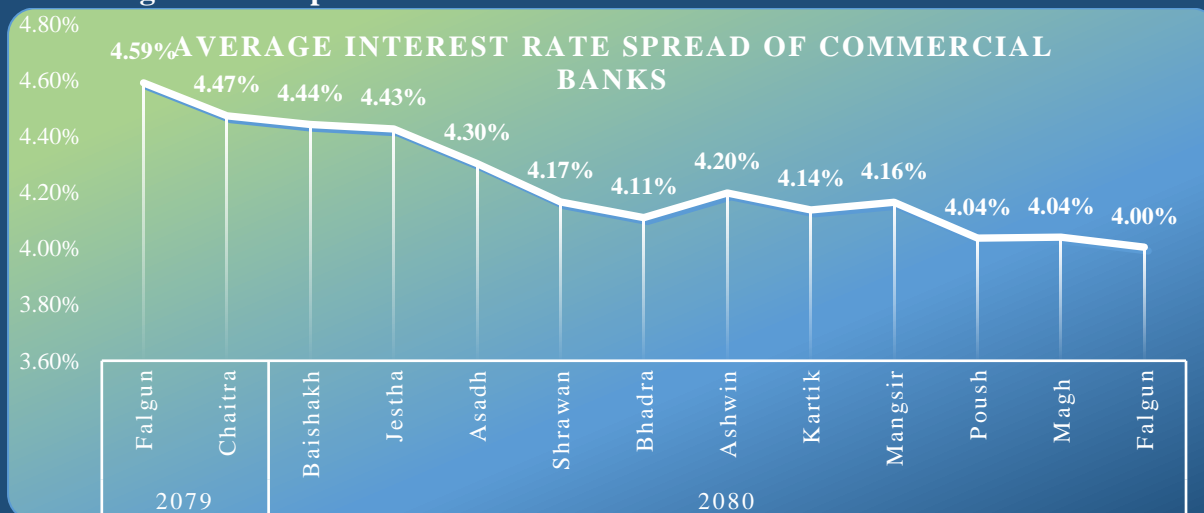
Source: NRB Monthly Macroeconomic Report



The average base rate has decreased to 8.77% in Falgun 2080 as compared to the previous month. As per the interest rates published by commercial banks for the month of Baishak 2080/81 commercial bank have increased their deposit interest rates, 13 banks have decreased their interest rates, 5 of them have kept it constant following the previous month's interest rate, and 2 of them has increased their interest rates. The average FD rate for individuals in Baishak 2080 is 7.071%, down from the previous month's 7.254% in the commercial bank industry. This will further reduce the base rates in the coming month as well.

- Average Interest Spread Rate of Commercial Banks**

Source: Commercial Banks' Websites







The average interest spread rate as of Falgun 2080 has remained constant at 4%. The requirement to maintain a spread rate of 4.00 has been maintained by almost all banks except the merged bank (LSL) as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate.

- **Capital Adequacy Ratio (CAR) of Commercial Banks**

Company Name	Quarter	Capital Fund to RWA%	Core Capital to RWA%
ADBL	3	13.03%	11.36%
CZBIL	2	13.00%	9.06%
EBL	3	12.37%	10.46%
GBIME	3	12.01%	9.93%
HBL	3	11.86%	8.86%
KBL	3	11.72%	8.03%
LSL	2	12.67%	9.66%
MBL	3	13.28%	8.80%
NABIL	2	11.54%	8.93%
NBL	2	13.13%	10.43%
NIMB	3	13.27%	10.35%
SBI	3	13.22%	10.00%
NICA	3	11.29%	8.25%
NMB	3	12.83%	9.68%
PRVU	3	12.54%	8.85%
PCBL	2	11.98%	10.59%
SANIMA	2	13.64%	9.96%
SBL	3	11.73%	9.23%
SCB	2	16.07%	13.26%

The capital-to-risk-weighted asset ratio of a bank is known as the capital adequacy ratio. Tier 1 and Tier 2 Capital make up the bank's total capital. Tier 1 capital is comprised of equity capital, ordinary share capital, intangible assets, and audited revenue reserves. While general loan loss provisions, exchange equalization reserves, investment adjustment reserve, investment adjustment reserves, asset revaluation reserves and other reserves make up Tier 2 capital. Bank capital requirements are linked to the risk profile of the bank's lending activities and other assets through the use of risk-weighted assets, or RWA.

According to the Capital Adequacy Framework (2015), banks shall maintain a minimum total core capital to RWA (CCAR) of 8.5% of total risk-weighted assets (RWAs).







## TECHNICAL ANALYSIS



Weekly chart

Closing Index (4-10-2024): 2025

As per Fibonacci Retracement

**Support 1: 1903 (-6.02%)**

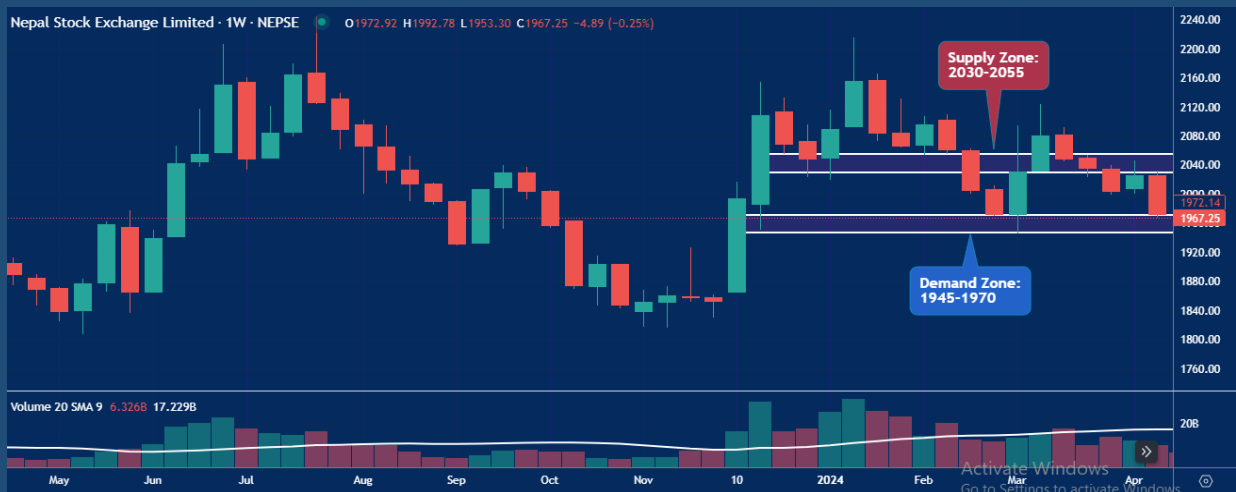
**Support 2: 1818 (-10.22%)**

**Immediate Support:1970**

**Immediate Resistance:2017**

**Resistance 1: 2064(1.93%)**

**Resistance 2:2122(4.79%)**



Weekly Chart





### Candlesticks:

<b>Resistance Level</b>	<b>2030-2055</b>
<b>Support Level</b>	<b>1945-1970</b>

Taking a Technical perspective on the current structure in the month of Chaitra 2080, the Index has shown negative sentiment in the market by making Lower lows and Lower highs weekly by forming bearish Marubozo candlesticks pattern indicating further downside or continuation of the bearish trend in the market provided the mentioned above Support and Resistance level. Coming days if the candlestick closes below the Support level 1945-1970 of the NEPSE Index, the market may drive further in the negative sentiment or if not, may re-bounce in the upcoming as supported by the volume trend which is below average level and Provided macroeconomic aspects of the economy are in an improvising stage i.e. continuity on decreasing of Interest rate of banks, comfortable CD ratio, Political elements, and other factors like upcoming Fiscal budget, Investment Summit, and 3<sup>rd</sup> Quarter 2080 Monetary Policy review which may help to revive the economy as well as stock market to regain its positive rally in the coming times

### MACD and RSI



Weekly Chart

### MACD:

In the Month of Chaitra2080, The Moving Average Convergence Divergence(MACD) is showing bearish in the Index as the MACD line has cut the signal line from above with increasing histogram below Zero level.

### RSI:

With the negative structure in NEPSE, the RSI has also shown the same momentum with 46 points on a closing basis.



**Reference:**

[https://www.nrb.org.np/contents/uploads/2019/12/2072\\_73\\_For\\_A\\_B\\_C\\_Class-Circular\\_11-Attachment-New-Capital-Adequacy-Framework-2015.pdf](https://www.nrb.org.np/contents/uploads/2019/12/2072_73_For_A_B_C_Class-Circular_11-Attachment-New-Capital-Adequacy-Framework-2015.pdf)

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