

MONTHLY NEWSLETTER

Vol. 2 || ISSUE VI Poush 2080/81



Machhapuchpuchhre Capital
Research and Trading Team





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NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	2,120.62	6.32%	97,032.67
Sensitive Index	388.17	3.14%	19,482.66
Float Index	145.64	5.90%	94,428.90
Sensitive Float Index	128.25	4.69%	19,145.97

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	2,120.62	6.32%	1.00	97,032.67
Banking Sub Index	1,186.97	-0.85%	0.81	6,806.98
Development Bank Index	4,152.28	5.34%	1.13	4,545.22
Finance Index	1,844.53	3.66%	1.18	2,976.93
Hotels And Tourism	5,634.22	3.83%	1.52	4,717.19
Hydropower Index	2,656.77	19.64%	0.80	32,748.76
Investment	82.36	15.45%	1.50	7,947.69
Life Insurance	10,932.32	-1.47%	1.27	10,783.94
Manufacturing And Processing	6,043.88	17.45%	1.21	10,476.64
Microfinance Index	3,836.31	8.92%	1.06	4,081.94
Mutual Fund	18.89	2.50%	0.38	649.26
Non-Life Insurance	11,095.21	1.51%	0.64	7,095.84
Others Index	1,636.52	8.48%	1.01	3,106.10
Trading Index	2,898.95	2.08%	0.79	481.40

As of the end of Poush 2080, the NEPSE Index stands at 2,120.62 with a gain of 6.32% from the previous month with the total turnover amounting to Rs.97.03 billion.

Among the sub-indices, the Hydropower Index experienced the most substantial gain of 19.64% followed by the Manufacturing and Investment Index with a gain of 17.45% and 15.45% respectively. Conversely, the Life Insurance Index witnessed a loss of 1.47% while Banking Index recorded a modest loss of 0.85%.

Regarding beta, the Hotels and Tourism, Investment, and Life Insurance Index exhibit the highest beta of 1.52, 1.50, and 1.27 respectively in the month of Poush.

Analyzing the turnover data, the Hydropower Sector recorded the most substantial turnover of Rs. 32.74 billion, comprising approximately 33% of the total turnover for the month signifying an increase from the previous month's 23%. Following closely are the life insurance and manufacturing sectors, each contributing turnovers of Rs. 10.78 billion and Rs. 10.47 billion, respectively. Despite having the highest market capitalization, the Banking Sector accounted for only 7.02% 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



Despite the anticipated selling pressure attributed to quarter-end tax collection and installment payments in the Poush month, Nepse demonstrated resilience, posting a 6.32% increase continuing the rise of 7.69% of the previous month.

The market which had closed at 1994.60 on the last day of Mangsir 2080, opened with a gain of 1.39% at the start of the month. The positive sentiment was brought upon by commercial banks publishing decreased interest rates for the month of Poush 2080. The average FD rate for individuals in Poush is 8.991%, down from the previous month's 9.633% in the commercial bank industry.

On the same date, the Large Taxpayer Office revealed the collection of Rs. 12.5 Arba in profit tax from mergers, gains from acquisitions (bargain purchases), and profits derived from Follow-On Public Offerings (FPOs) after the Supreme Court decided on the requirement to pay the taxes. While this news did not reflect on the market instantly, it may affect the second-quarter reports of the BFIs.

The market rallied upward till Poush 4, 2080, after making a monthly high of 2154.51, the market faced a slight

correction for a week till 17th Poush (6 Trading Days).

There was some selling pressure observed mid-month possibly due to the 40% tax installment along with the quarterly loan installment payment at the end of the month making the monthly low of 2019.77 on 22nd Poush 2080. However, this selling pressure is countered by the prevailing bullish sentiment, ultimately resulting in a substantial gain by month-end.

In this month, Nepal Insurance Authority (NIA) decided to restrict the bonus distribution through the premium collected from the IPOs of the life insurance companies. Such premium has been directed to be kept in the reserves of the company instead. This decision resulted in selling pressure within the life insurance sector, as evident from the 1.47% decline in the life insurance index.

Moreover, NIA has also revised the investment guidelines for insurance companies, allowing them to purchase up to 15 percent shares of a public company. Previously, insurance companies could buy up to 5 percent of the shares of a public company.





The market soon rebounded once again on 23rd Poush 2080 and continued in the upward direction for the rest of the trading days of the month.

The 5 Months Macro Economic Indicators of FY 2023/24 was published on 26th Poush 2080 presenting a positive economic outlook. The inflation rate has come down to 4.95% as of Mangsir 2080, and the BOP surplus has increased to 210.59 Billion with the growing remittance, decreasing import, and significant prospects in the electricity export.

On the last trading day of the month, the commercial banks also published their

interest rates for the month of Magh 2080. The average FD rate for individuals in Magh is 8.167%, down from the previous month's 8.991% in the commercial bank industry. The interest rate reduction had a positive impact on the Index resulting in a gain of 1.51% on the last trading day of Poush 2080 closing at 2120.62.

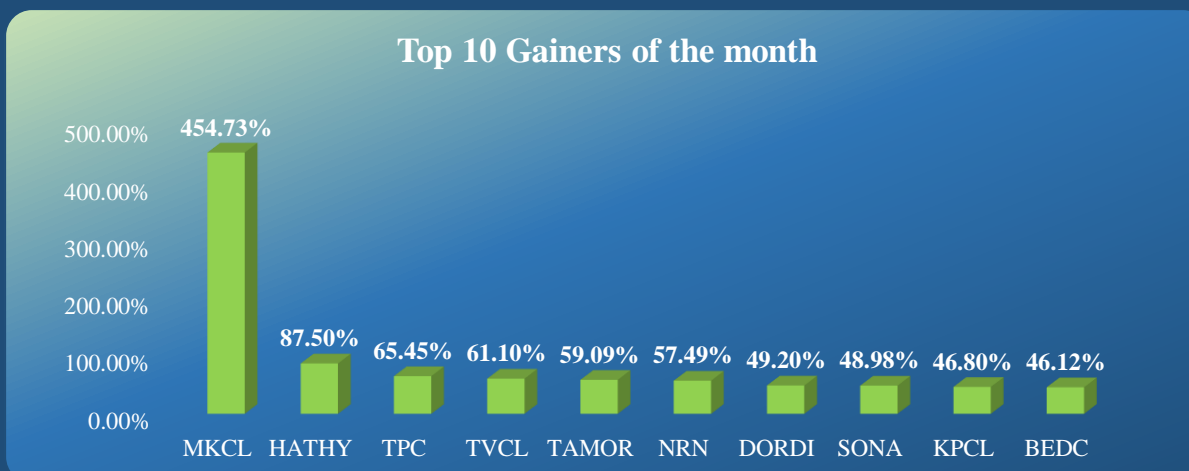
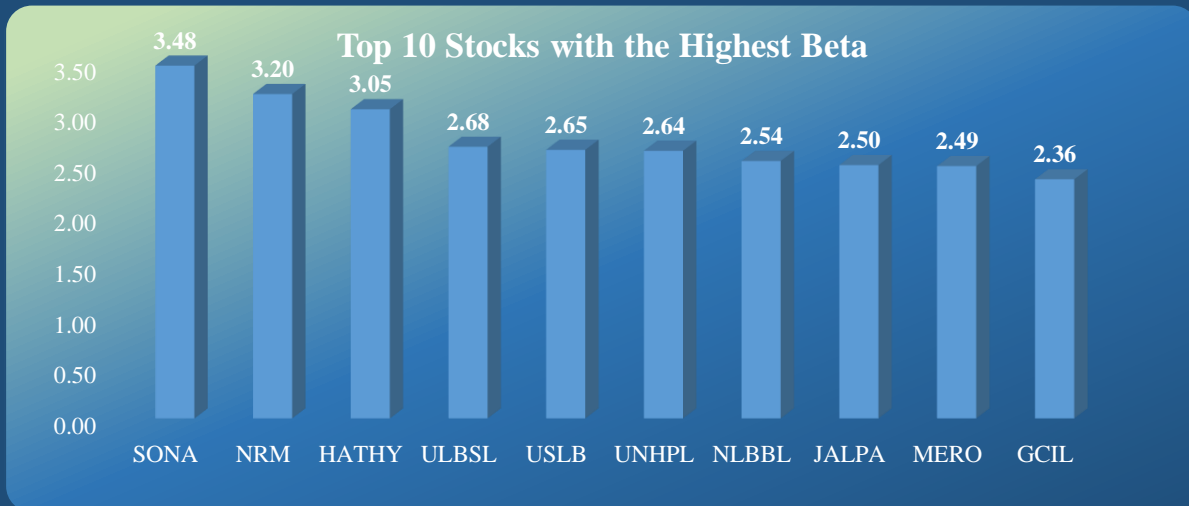
The improving macroeconomic outlook and declining trend of interest rate are the supportive factors for the market while the reduced earnings (if not improved in the coming quarters) of the majority of the companies owing to economic slowdown might be the headwind factor for the market.

Top 10 Companies with the Highest Market Capitalization

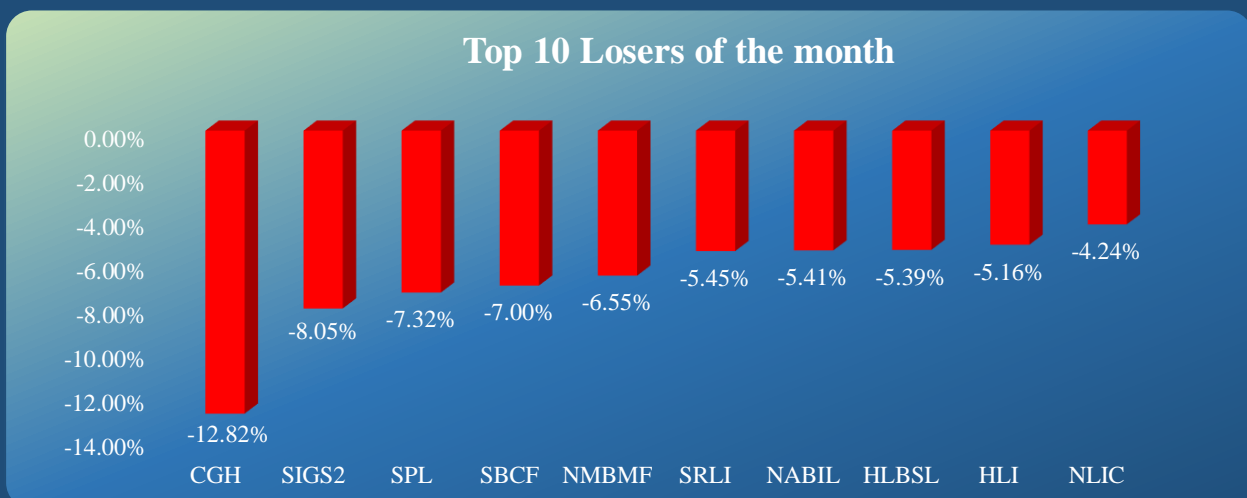
Company	Market Capitalization (in billions)	Weightage in Total Market
NTC	162.16	5.16%
NABIL	133.80	4.25%
CIT	117.70	3.74%
NRIC	86.11	2.74%
NICA	76.26	2.43%
GBIME	74.06	2.36%
EBL	61.66	1.96%
NIMB	59.96	1.91%
NLIC	53.76	1.71%
SCB	49.60	1.58%

For the month of Poush 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 27.83% (29.37% in the previous month) of the total market capitalization of NEPSE. The decrease in the market capitalization of the high-cap stocks suggests the shift in investor preference from high-cap stocks to low-cap stocks.





*Note: NWCL had a gain of 316.98% and HRL had a gain of 77.07% in the month of Poush 2080. The above chart does not reflect these gainers as they were listed on the mid-days of the month. (NWCL listed on 5th Poush, 2080; HRL listed on 23rd Poush, 2080).



*Note: The stock price fall of CGH was influenced by the news that CGH's lock-in period was expiring on Magh 8, 2080.





FUNDAMENTAL ANALYSIS

• Sector-wise PE Ratio

Sector	Mangsir End 2080	Poush End 2080	Change
Commercial Bank	18.32	18.17	(0.15)
Development Bank	39.77	42.00	2.23
Finance	(203.48)	(211.15)	(7.67)
Microfinance	121.81	132.64	10.83
Life Insurance	50.86	50.22	(0.64)
Non-life Insurance	53.25	54.04	0.79
Investment	47.14	57.47	10.33
Hydropower	37.23	43.44	6.21
Manufacturing	38.97	41.88	2.91
Others	28.17	26.99	(1.18)
Hotel	133.4	137.10	3.70
Trading	190.7	194.88	4.18
NEPSE PE	31.89	33.37	1.48

The P/E ratio is the most widely used ratio by investors to ascertain whether the stock is undervalued or overvalued. As a general principle, the lower the PE ratio, the better the company is to invest in. However, the PE ratio can also be misleading if the growth factor is not taken into consideration. A higher PE ratio if supported by growth can also be beneficial for the investment.

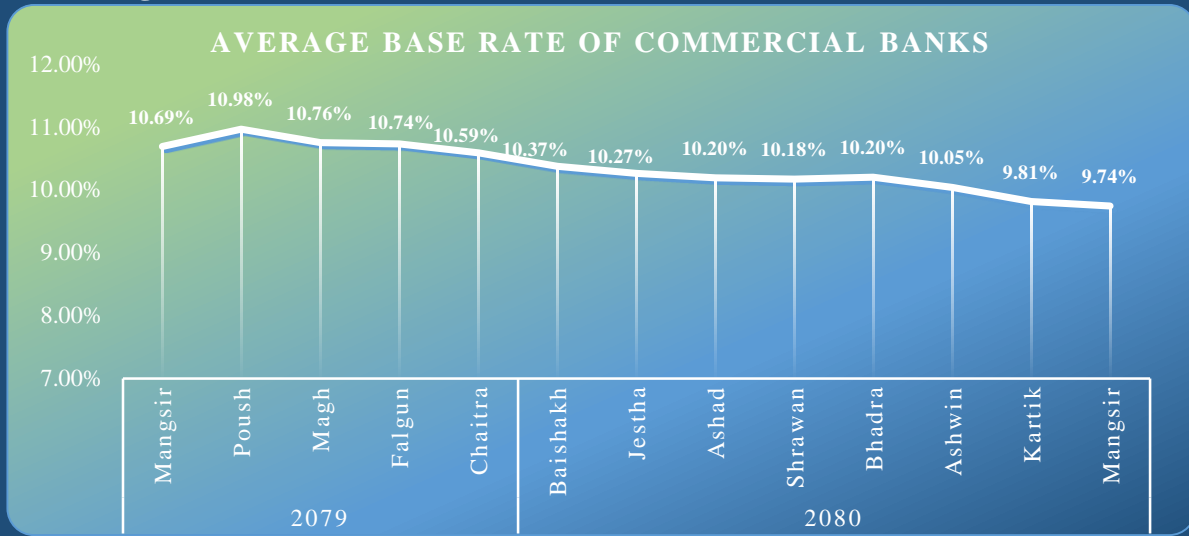
As of Poush's end, among the BFIs, the microfinance sector's PE has increased on a monthly basis. The P/E Ratio for the microfinance industry is currently above 100 which is significantly high. This is because the economic slowdown has caused a significant increase in non-performing loans (NPL) in the first quarter reports of microfinance companies, which has had an impact on the companies' revenues. The finance index's PE is still negative, reflecting their below-substandard performance as of the first quarter reports.

Most sectors are trading at a relatively higher P/E multiple in NEPSE reflecting the economic downturn's impact on companies' earnings. Overall NEPSE is trading at a P/E ratio of 33.37 times which has increased compared to the previous month resulting from the rise of NEPSE. The outcome of the second quarterly reports of the companies and their subsequent influence on stock prices is currently awaited to assess the altered status of NEPSE's PE ratio, which will help make investment decisions.



- Average Base Rate of Commercial Banks**

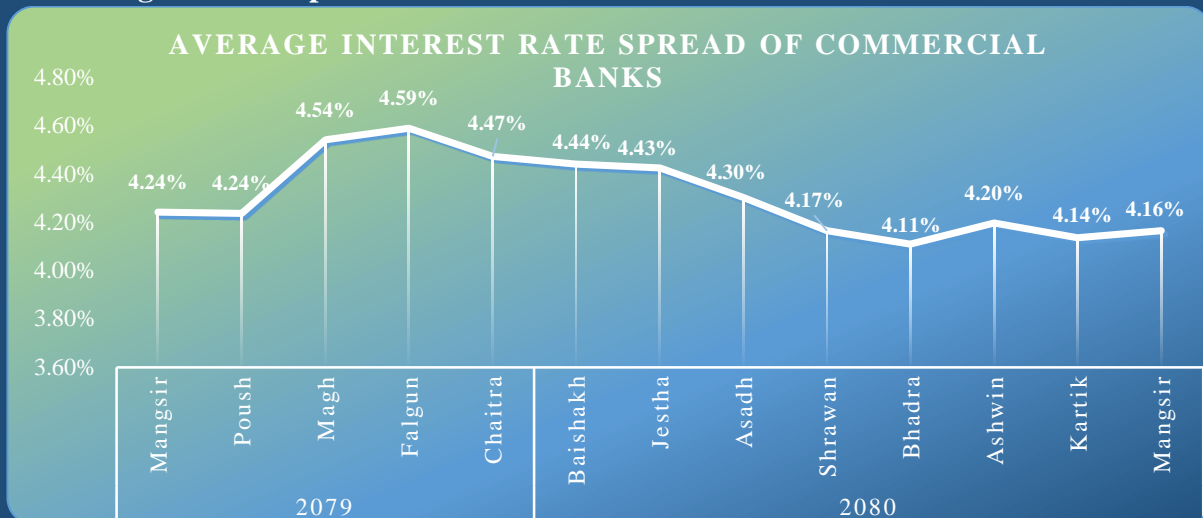
Source: Commercial Banks' Websites



The average base rate has decreased to 9.74% in Mangsir 2080 as compared to the previous month. As per the interest rates published by commercial banks for the month of Magh 2080, no commercial bank has increased their deposit interest rates, 18 banks have decreased their interest rates and 2 of them have kept it constant following the previous month's interest rate. The average FD rate for individuals in Magh 2080 is 8.167%, down from the previous month's 8.991% 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**

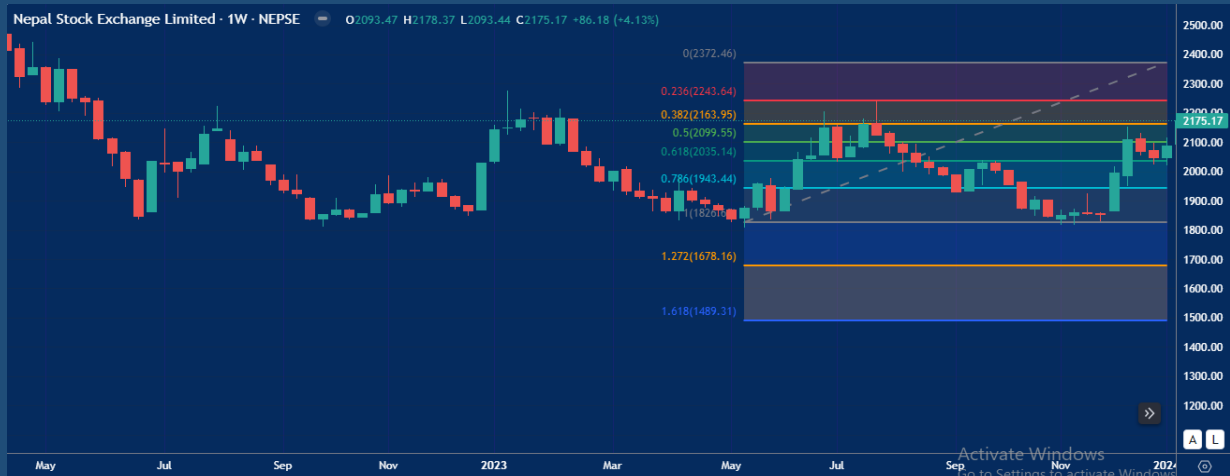
Source: Commercial Banks' Websites



The average interest spread rate as of Mangsir 2080 has slightly increased to 4.16%. The requirement to maintain a spread rate of 4.00 has been maintained by most banks except the merged banks as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate. The recent amendment in Unified Directives 2079 has also stated that the maximum interest rate differential between the same type of loans should be 2% which may potentially lower the lending rate and interest spread rate in the upcoming months.



TECHNICAL ANALYSIS



Weekly chart

Closing Index (1-14-2024): 2120.62

As per Fibonacci Retracement

Support 1: 2035 (-4.04%)

Support 2: 1943 (-8.37%)

Resistance 1: 2164(2.04%)

Resistance 2:2244(5.82%)



Weekly Chart

Candlesticks:

Taking a Technical perspective, the market has shown an upsurge from the consolidated zone (Demand zone) due to the positive effect of the 1st quarterly review of Monetary policy (2080-81) and the continuously decreasing rate of Interest rate of banks and other positive signs on macro factors, the market has gained Bullish sentiment with the rise in confidence level among the market participants as



depicted by the positive formation of candlesticks by making Higher High and Higher Low supported volume which is more than the average volume. In the month of Poush -2080, the current structure of the market is indeed strong, in the coming days if the Index breaks and sustains the level of 2130-2230 on the upper side with Immediate support of 2120 of the Index, we may anticipate a new bull run in the market in coming days.

Moving Average (9) and Moving Average (50):



Weekly Chart

MA(9) and (50):

Analyzing both Moving Averages 9 & 50 the formation of the candlestick above both lines suggests the likelihood of strong sentiment shortly.

* Provide Confirmation of a strong Bullish rally, a Golden cross-over is needed between MA (9) & MA (50). Here, MA (9) is about to cross MA (50) and may develop positive sentiment in the market in the coming days.

MACD and RSI



Weekly Chart



**RSI:**

With the rise in the NEPSE index, the RSI indicator has also gained the same momentum from its support level i.e. 40 points to 58 points. If the RSI closes and sustains above 62 points we may expect Bullish sentiment in the market.

MACD:

In the Month of Poush 2080, The Moving Average Convergence Divergence(MACD) is bullish in the Index as the MACD line is above the signal line which is also supported by an increasing histogram above the zero level.

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