

# MONTHLY NEWSLETTER

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**Research and Trading Team**





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## NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	1852.08	-0.67%	10,217.34
Sensitive Index	357.04	-0.50%	2,585.05
Float Index	128.07	-1.05%	9,302.43
Sensitive Float Index	116.48	-1.14%	2,580.31

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	1,852.08	-0.67%	1.00	10,217.34
Banking Sub Index	1,172.91	-1.20%	0.95	1,750.82
Development Bank Index	3,547.23	-0.75%	1.11	450.16
Finance Index	1,604.64	-2.31%	0.89	336.53
Hotels And Tourism	5,016.32	4.86%	0.99	489.79
Hydropower Index	1,936.13	-1.70%	1.10	1,808.27
Investment	65.00	0.84%	1.03	566.00
Life Insurance	9,700.18	-0.94%	1.09	1,148.43
Manufacturing And Processing	4,980.86	-0.24%	0.80	1,029.71
Microfinance Index	3,404.09	-2.01%	0.85	669.26
Mutual Fund	17.28	-6.90%	0.55	48.92
Non-Life Insurance	9,529.30	-0.34%	1.24	706.50
Others Index	1,394.75	1.48%	0.95	233.17
Trading Index	2,632.83	-2.61%	1.37	113.77

As of the end of Kartik 2080, the NEPSE Index stands at 1852.08 with a loss of 0.67% from the previous month with the total turnover amounting to Rs.10.22 billion.

Among the sub-indexes, the Mutual Fund Index and Trading Index witnessed the highest loss of 6.90% and 2.61% respectively. The Hotel and Tourism Index and Others Index were the only two indices with positive growth of 4.86% and 1.48% respectively. Regarding beta, Trading, Non-Life Insurance, and Development Bank Indices exhibit the highest beta of 1.37, 1.24, and 1.11 respectively in the month of Kartik.



## MONTHLY NEPSE OVERVIEW



NEPSE index which had declined by -5.10% in the previous month of Ashoj 2080 declined by -0.67% in the month of Kartik 2080 indicating the continuation of bearish trend of the previous month.

The market which had closed with a 0.71% increase on the last day of Ashoj 2080, continued to venture into the positive direction with the increase of 2.32% on the first day of Kartik 2080. Such a positive reaction on the first day of the month can be attributed to the decision of the Securities Board of Nepal (SEBON) to reduce broker commissions. The board has decided to reduce 10% each of both the broker and SEBON from the current commission structure. It is to be noted that the decision however is subject to approval from the Ministry of Finance to date.

On the second day of the month (2<sup>nd</sup> Kartik, 2080) which was also the last trading day before the Dashain festivities began, the index made a monthly high of 1915.98, however, it was not able to sustain the positive reaction from the previous day and closed red forming a spinning top candlestick reflecting indecision of the investors in the market.

The market opened on 12<sup>th</sup> Kartik, 2080 after the Dashain Holidays with a negative sentiment from the investors reflected by a decline of -1.48%. During this week, the companies listed on the index including commercial banks, development banks, and finance companies published their first quarterly report. The quarterly reports of overall commercial banks suggested a rise in Non-Performing Loans (NPL) and a decrease in earnings compared to the previous year. The reports of development banks also suggested a rise in NPL. This may have been a catalyst to the Index further continuing the bearish trend in the month.

The falling index made a monthly low of 1817.76 on 19<sup>th</sup> Kartik, 2080, after which the index slightly progressed in a positive direction for a few days before it closed at 1852.08 on 23<sup>rd</sup> Kartik, 2080 which was the last trading day before the Tihar holidays and hence the last trading day of the month.

On 21<sup>st</sup> Kartik, 2080, SEBON issued a new directive which affects mutual funds prohibiting the sale of IPOs until six months post their allotment on the minimum of 5% of shares offered by public institutions reserved for mutual funds.





On 24<sup>th</sup> Kartik, 2080, the current macroeconomic report was also published reflecting a positive economic outlook with BOP Surplus, a decrease in inflation, and an increase in remittances. On the last day of the month, commercial banks and development banks also published interest rates for the month of Mangsir 2080. In the case of commercial banks, 13 commercial banks decreased their interest rates, 6 banks have kept their interest rates the same as last month and only 1 bank increased their interest rates. The average interest rate of commercial banks for the month of Mangsir 2080 has decreased to 9.663% from 9.964% in the previous month. The last month's

highest interest rate was 11.003%, and in this month the highest interest rate has decreased to 10.603%. Similarly, in the case of national development banks, 6 of them have decreased their interest rate while 2 have increased their interest rate. The average interest rate of the National Development Bank has come down to 9.74% from 10.25% in the previous month. Hence, the decrease in the interest rate and the positive economic outlook are expected to drive the NEPSE index in a positive direction in the upcoming month.

## Top 10 Companies with the Highest Market Capitalization

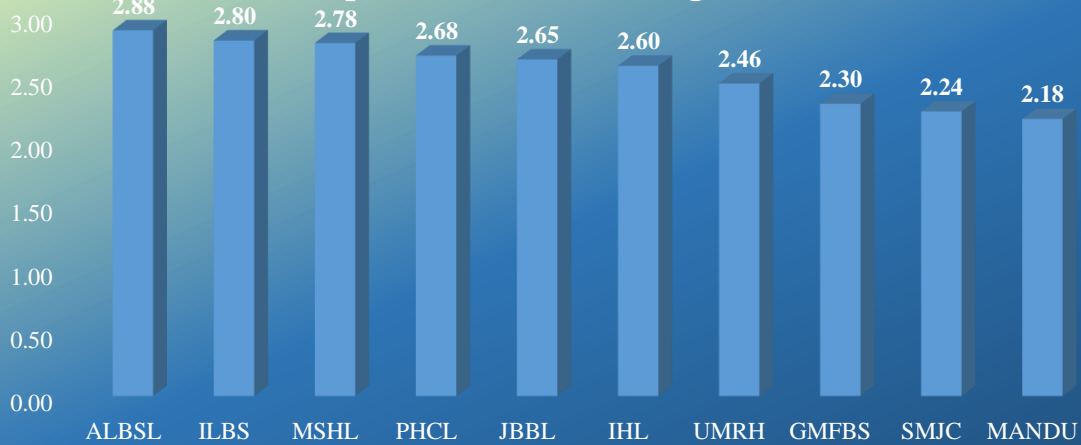
Company	Market Capitalization (in billions)	Weightage in Total Market
NABIL	154.01	5.57%
NTC	152.71	5.52%
CIT	101.54	3.67%
NICA	74.48	2.69%
GBIME	74.40	2.69%
NRIC	72.70	2.63%
NIMB	59.42	2.15%
EBL	54.36	1.96%
NLIC	52.93	1.91%
SCB	49.34	1.78%

For the month of Kartik 2080, NABIL tops the list of the largest companies listed in NEPSE based on market capitalization followed by NTC, CIT, and NICA. The top 10 largest companies based on market capitalization constitute around 30.57% of the total market capitalization of NEPSE.

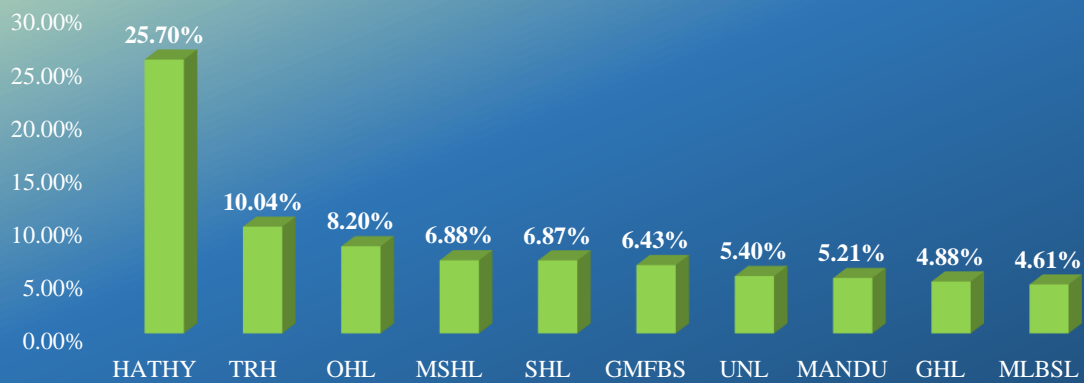




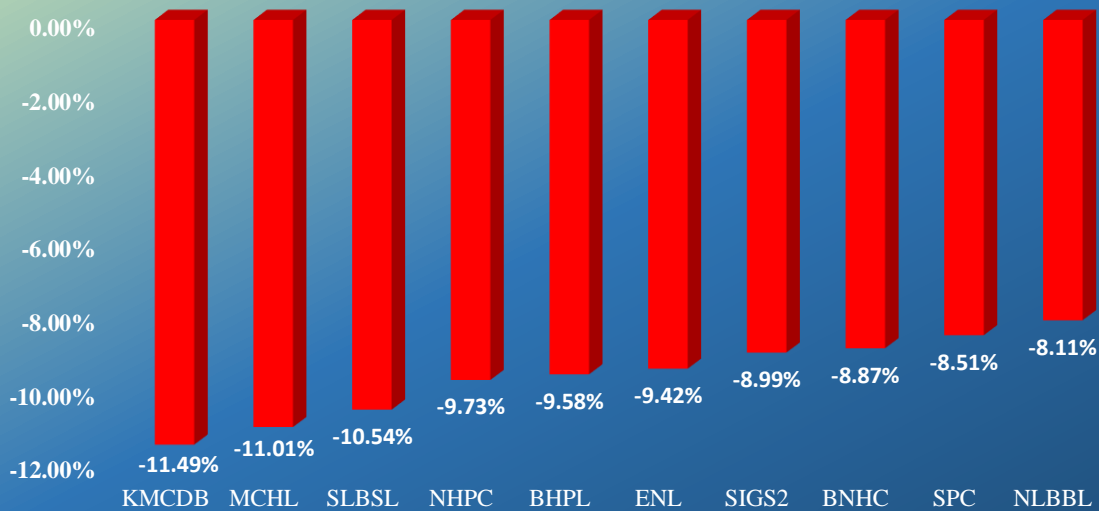
### Top 10 Stocks with the Highest Beta



### Top 10 Gainers of the month



### Top 10 Losers of the month





## FUNDAMENTAL ANALYSIS

### • Sector-wise PE Ratio

Sector	Ashoj End 2080	Kartik End 2080	Change
Commercial Bank	13.96	17.95	3.99
Development Bank	22.19	37.10	14.92
Finance	94.81	-183.90	-278.70
Microfinance	50.37	62.06	11.69
Life Insurance	67.67	67.04	-0.63
Non-life Insurance	39.35	39.22	-0.13
Investment	49.71	45.38	-4.33
Hydropower	-81.57	404.23	485.80
Manufacturing	34.48	37.58	3.10
Others	26.45	26.87	0.42
Hotel	67.85	71.28	3.43
Trading	177.76	176.17	-1.59
<b>NEPSE PE</b>	<b>28.05</b>	<b>32.65</b>	<b>4.61</b>

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.

The average PE Ratio of all the sectors increased in the month of Kartik 2080. Here, the P/E ratio of the Finance sector has been reported to be -183.90.

As of Kartik end, most of the BFIs published their first quarterly report for the fiscal year 2080/81. Most of the BFIs have performed poorly comparatively which has led to an increase in their PE ratio. Hence, the PE of commercial banks, development banks, and microfinance sectors has notably increased. The finance sector even has a negative PE ratio.

The hydropower sector PE also shows a drastic increase. Such a change is contributed by increase in profit of UPPER which has a significant contribution to the hydropower sector due to its market capitalization. The 1<sup>st</sup> quarterly report of UPPER showed impressive growth in profit.

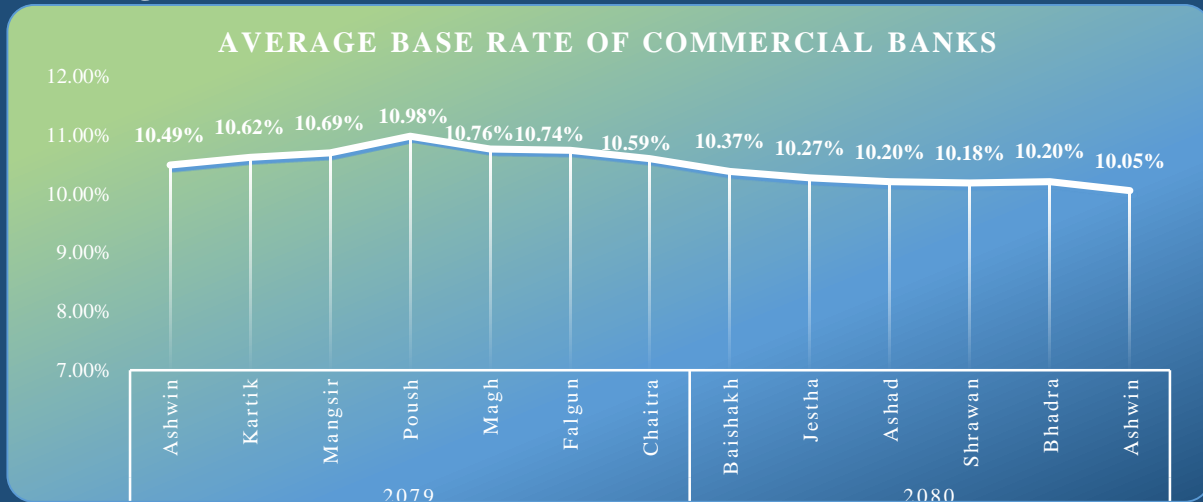
The majority of the sectors are trading at a relatively higher P/E multiple in NEPSE reflecting the economic downturn's impact on companies' earnings. However, the PE ratio can also be misleading if the growth factor is not taken into consideration. A higher PE ratio if supported by growth factors can also be beneficial for the investment. Overall NEPSE is trading at a P/E ratio of 32.65. The overall NEPSE PE has increased while the NEPSE index has declined in the month, which reflects that the NEPSE PE increase is due to the decrease in earnings of companies listed rather than the increase in prices.





- **Average Base Rate of Commercial Banks**

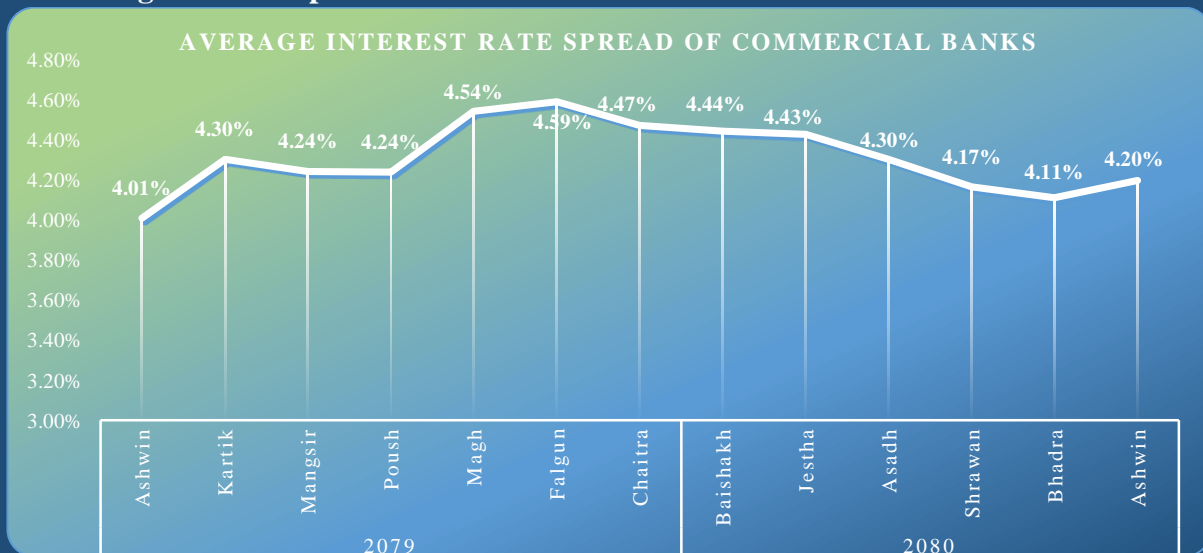
Source: Commercial Banks' Websites



The average base rate has slightly decreased to 10.05% in Ashwin 2080 as compared to the previous months. As per the interest rates published by commercial banks for the month of Mangsir 2080, only one commercial bank has increased their deposit interest rates, 13 banks have decreased their interest rates and 6 of them have kept it constant following the previous month's interest rate. The average interest rate has slightly decreased to 9.633% for Mangsir from 9.964% in Kartik 2080 which is expected to slightly decrease the average base rate in the upcoming months.

- **Average Interest Spread Rate of Commercial Banks**

Source: Commercial Banks' Websites

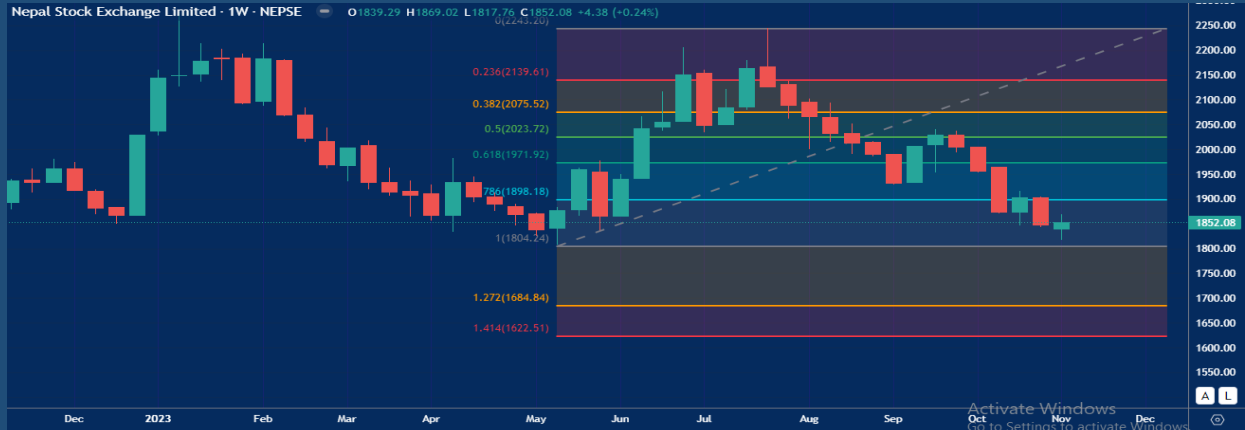


The average interest spread rate as of Ashwin 2080 has slightly increased to 4.20%. The requirement to maintain a spread rate of 4.00 has been maintained by most banks except the merged banks as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate. 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 base rate and interest spread rate in the upcoming months.





## TECHNICAL ANALYSIS



Weekly chart

Closing Index (11-09-2023): 1852.08

As per Fibonacci Retracement

**Support 1: 1804.24 (-2.58%)**

**Support 2: 1684.84 (-9.03%)**

**Resistance 1: 1898.18(2.49%)**

**Resistance 2:1971.92(6.47%)**



Daily Chart

### Technical Market Analysis:

The market is in a range bound or consolidated phase on an average of 2245-1800 index level on a broader aspect with an immediate Support level of 1850. But in the previous few months, the market has changed its character i.e. downsizing the Index range of both the support zone as well as resistance zone. In the month of Kartik, the candlestick formation is on the restraint



area on the level of 1905-1920 acted as a resistance zone on the upper side level while 1809-1824 acted as a support level on the lower side. Provided the volume is below the average volume shows a dry-out situation in the market (seems both Buyers & sellers are less active). If the Index sustains and closes above the Resistance level, we may expect a Positive sentiment in the market or vis-versa i.e. Bearish market.



Weekly Chart

### MA (50) & MA (200):

Analyzing the EMA 50 and EMA 200 on a weekly basis, the formation of the candlestick is below both lines suggesting a downside trend in the market.

### RSI

With the continuous fall in the NEPSE index, the RSI indicator has also declined with the same momentum from its Resistance level i.e. 60 point to 39 point indicating continuation of bearish trend in the market.

### MACD

The bearish sentiment was suggested by the MACD indicator this month as the MACD line cut the Signal line from above forming a Dead cross-over.

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