

MONTHLY NEWSLETTER

Vol. 2 || ISSUE VIII Falgun 2080/81



Machhapuchpuchhre Capital
Research and Trading Team





TABLE OF CONTENTS

NEPSE HIGHLIGHTS	1
MONTHLY NEPSE OVERVIEW	2
Top 10 Companies with the Highest Market Capitalization	3
Top 10 Gainers & Losers.....	4
FUNDAMENTAL ANALYSIS.....	5
<input type="checkbox"/> Sector-wise PE Ratio.....	5
<input type="checkbox"/> Average Base Rate of Commercial Banks	6
<input type="checkbox"/> Average Interest Spread Rate of Commercial Banks.....	6
TECHNICAL ANALYSIS	7
Candlesticks:.....	7
MACD and RSI	8
MACD:	8
RSI:.....	9





NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	2,108.72	0.36%	57,014.93
Sensitive Index	374.65	-0.36%	11,175.98
Float Index	143.38	0.03%	58,300.54
Sensitive Float Index	123.05	-0.11%	10,964.08

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	2,108.72	0.36%	1.00	57,014.93
Banking Sub Index	1,129.38	-0.47%	0.95	3,892.56
Development Bank Index	4,076.23	-1.09%	1.04	2,135.48
Finance Index	1,931.00	6.50%	0.97	3,911.60
Hotels And Tourism	5,354.99	-2.07%	1.05	975.76
Hydropower Index	2,564.79	-6.10%	1.23	20,962.13
Investment	79.36	-1.78%	1.02	2,947.25
Life Insurance	10,824.87	1.33%	1.13	3,947.55
Manufacturing And Processing	7,054.51	21.86%	0.79	6,938.41
Microfinance Index	3,944.93	5.63%	0.74	2,940.39
Mutual Fund	18.38	0.22%	0.06	94.18
Non-Life Insurance	11,012.61	0.24%	0.82	2,337.25
Others Index	1,764.07	-1.72%	1.08	4,324.90
Trading Index	2,867.67	1.54%	0.70	300.48

As of Falgun end 2080, the NEPSE Index stands at 2108.72 with a gain of 0.36% from the previous month with the total turnover amounting to Rs.97.36 billion.

Among the sub-indices, seven sub-indices witnessed a gain this month while the other six indices faced a negative change in the month of Falgun. The “Manufacturing and Processing Index” witnessed the highest gain of around 21.86% followed by “Finance Index” and “Microfinance Index” with a gain of 6.5% and 5.63% respectively.

Conversely, the “Hydropower Index” witnessed the most loss of 6.10% followed by the “Hotels and Tourism Index” with a loss of 2.07%.

Regarding beta, the Hydropower Index, Life Insurance, and Others Index exhibit the highest beta of 1.23, 1.13, and 1.08 respectively in the month of Falgun.

Analyzing the turnover data, the Hydropower Sector recorded the most substantial turnover of Rs. 20.96 billion, comprising approximately 40.72% of the total turnover for the month signifying a slight decrease from the previous months of 41% turnover. Following closely are the manufacturing and processing sectors and other sectors, each contributing a turnover of Rs. 6.93 billion and Rs.4.32 billion, respectively. Despite having the highest market capitalization, the Banking Sector accounted for only 7.56% 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 Falgun 2080 was eventful for the NEPSE Index. The 2nd Quarterly Monetary Policy Review brought upon negative sentiment among the investors with no favorable reform in review, however the dissolvance of the alliance between Maoists and Congress instigating the formation of new government, along with the new finance minister, led to 6% surge in NEPSE Index. With a newly appointed Finance Minister, Barshaman Pun promising development and encouragement of the capital market, the market ventured upwards in the ending week of the month. NEPSE demonstrated a increase of 0.36% against a decrease of 0.92% in the previous month.

Despite expectations for potential reductions in loan risk weightage in the stock market and real estate sectors in the 2nd quarterly review of monetary policy, there were no changes made regarding this. As the expectations were not being met, the market was overcome with negative sentiment and the market was continuously falling toward the downward direction.

The unexpected and surprising news of the alliance between CPN Maoists and Nepal Congress falling apart, and the newly

formed alliance between CPN-UML and CPN-Maoists, brought hope among the investors that Bishnu Poudel who is perceived to be a stock market-friendly Finance Minister has the probability of being elected as the finance minister yet again. The news led to the market surging by 6% leading NEPSE to implement a circuit breaker on 21st Falgun 2080.

The next day, however, the index decreased 70.31 points; 3.38% with the news surrounding the low possibility of Bishnu Paudel being appointed as the finance minister.

Ultimately, Barshaman Pun was elected as the finance minister. With the newly appointed Finance minister pledging positive development in the capital market, the investors while not ecstatic, remained positive in sentiment in the capital market.

The 7-month Macro Economic Indicators of FY 2023/24 was published presenting a positive economic outlook. The inflation rate has come down to 5.01% as of Magh 2080, and the BOP surplus has increased to 297.72 Billion with the growing remittance, decreasing import, and significant prospects in electricity export.



Towards the end of the month, commercial banks also published their interest rates for the month of Chaitra 2080. The average FD rate for individuals in Chaitra is 7.254%, down from the previous month's 7.758% in the commercial bank industry.

PM Dahal also took a vote of confidence at the end of the month, which was won but not a matter of surprise for the investors in the capital market.

The market headed towards the positive direction for the ending week of Falgun 2080 and faced a slight correction in the last trading day of the month with a decline of -0.11% and the index settling at 2108.72.

Top 10 Companies with the Highest Market Capitalization

Company	Market Capitalization (in billions)	Weightage in Total Market
NTC	155.88	4.86%
NABIL	127.98	3.99%
CIT	115.44	3.60%
NRIC	100.97	3.15%
GBIME	70.09	2.19%
HRL	66.77	2.08%
NICA	64.44	2.01%
EBL	61.43	1.92%
NIMB	58.70	1.83%
NLIC	51.38	1.60%

For the month of Falgun 2080, NTC tops the list of the largest companies listed in NEPSE based on market capitalization followed by NABIL, CIT, and NRIC. With HRL coming into play, it has pushed SCB out of the top 10 companies with the highest market capitalization. The top 10 largest companies based on market capitalization constitute around 27.23% (27.41% 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.

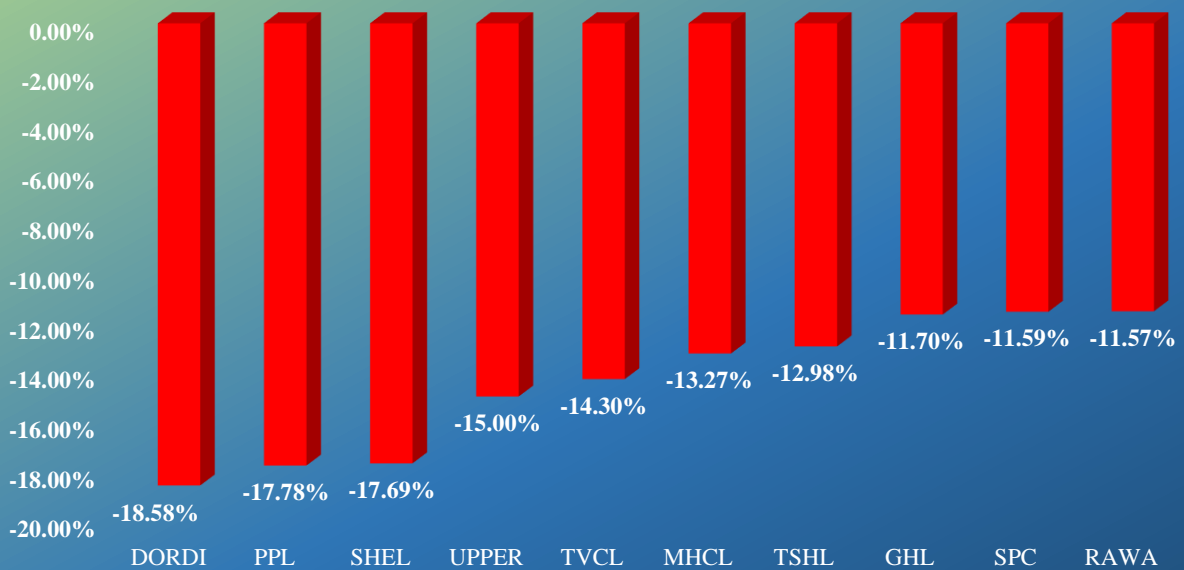




Top 10 Gainers of the month



Top 10 Losers of the month



In the month of Falgun, Samaj Laghubitta Bittiya Sanstha Limited (SAMAJ) witnessed the highest gain of 75.20% while Dordi Khola Hydropower Company Limited (DORDI) witnessed the highest loss of 18.58%.





FUNDAMENTAL ANALYSIS

- **Sector-wise PE Ratio**

Sector	Magh 2080	Falgun 2080	Change
Commercial Bank	16.38	16.30	(0.08)
Development Bank	35.34	34.95	(0.39)
Finance	324.29	346.12	21.83
Microfinance	86.32	86.76	0.44
Life Insurance	47.84	55.68	7.84
Non-life Insurance	37.16	37.57	0.41
Investment	61.07	59.47	(1.60)
Hydropower	65.82	189.83	124.01
Manufacturing	63.63	114.67	51.04
Others	28.31	67.96	39.65
Hotel	86.18	82.28	(3.90)
Trading	190.34	206.34	16.00
NEPSE PE	32.06	37.05	4.99

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.

The P/E of the banking and development bank sub-index had minimal changes but is still on a decline similar to the previous month. This could be due to the decline in performance in the second quarter report and the ongoing controversies surrounding banking personnel. Conversely, there has been an uptick in the P/E ratio of the Finance Index, owing to the sector's overall net profit turning positive.

The profitability of the hydropower sector has also been affected by the onset of the dry season hence increasing its PE Ratio. The P/E of the manufacturing sub-index has also demonstrated a significant increase owing to the increase in the manufacturing index by 21.86% supported by the increase in prices of BNT and BNL.

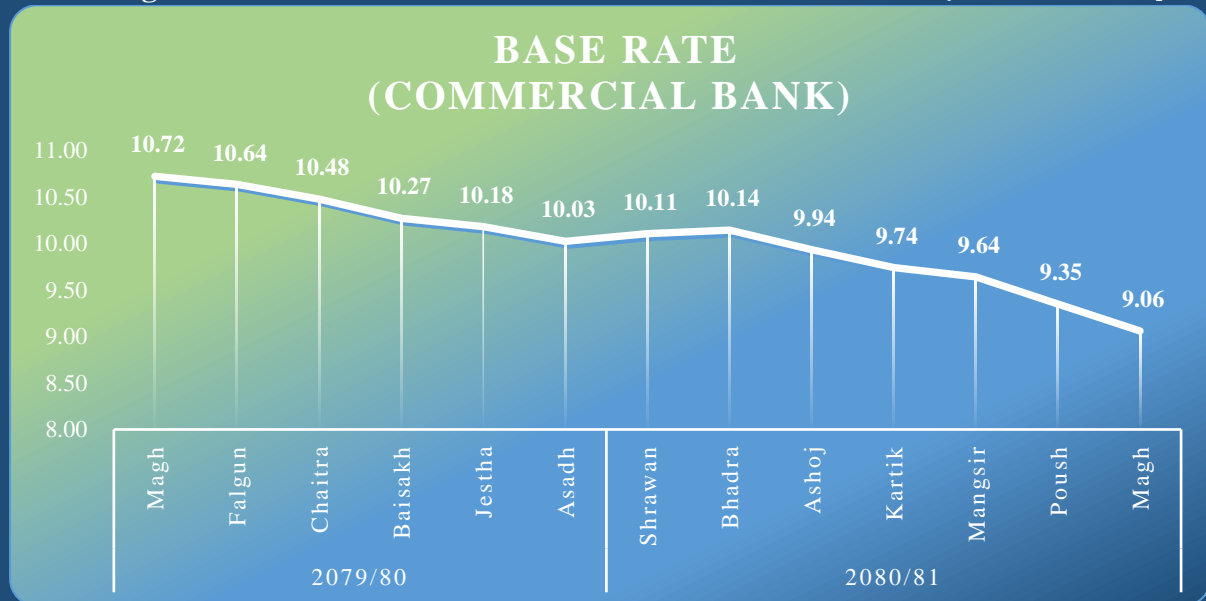
NEPSE's overall P/E ratio stands at 37.05, showing an increase compared to the previous month due to the consequent increase in NEPSE.





- Average Base Rate of Commercial Banks**

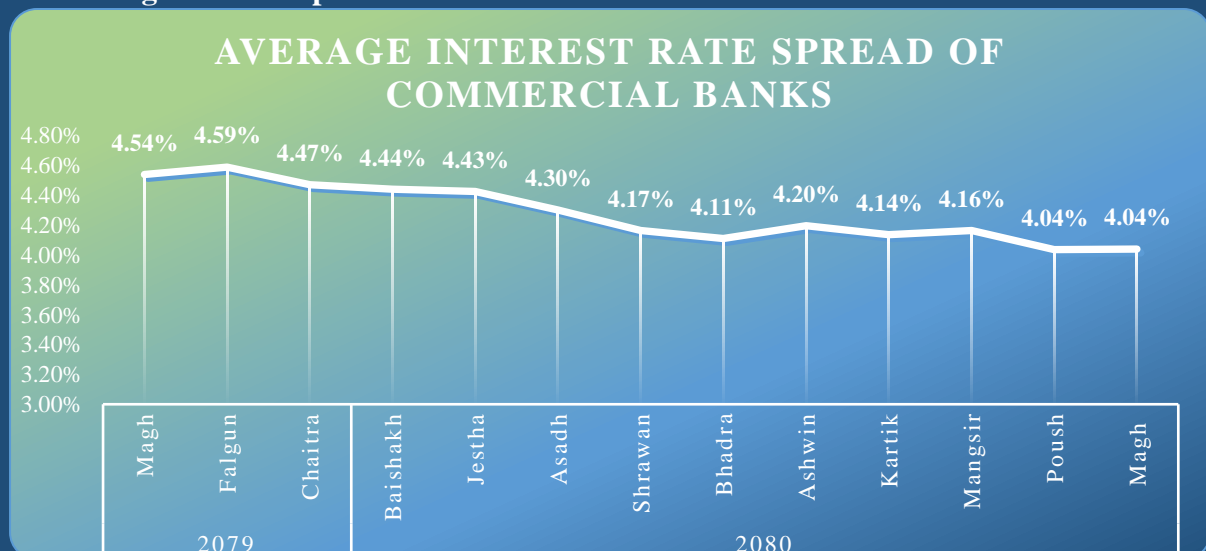
Source : NRB Monthly Macroeconomic Report



The average base rate has decreased to 9.06% in Magh 2080 as compared to the previous month. As per the interest rates published by commercial banks for the month of Chaitra 2080, 1 commercial bank has increased their deposit interest rates, 17 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 Chaitra 2080 is 7.254%, down from the previous month's 7.758% 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

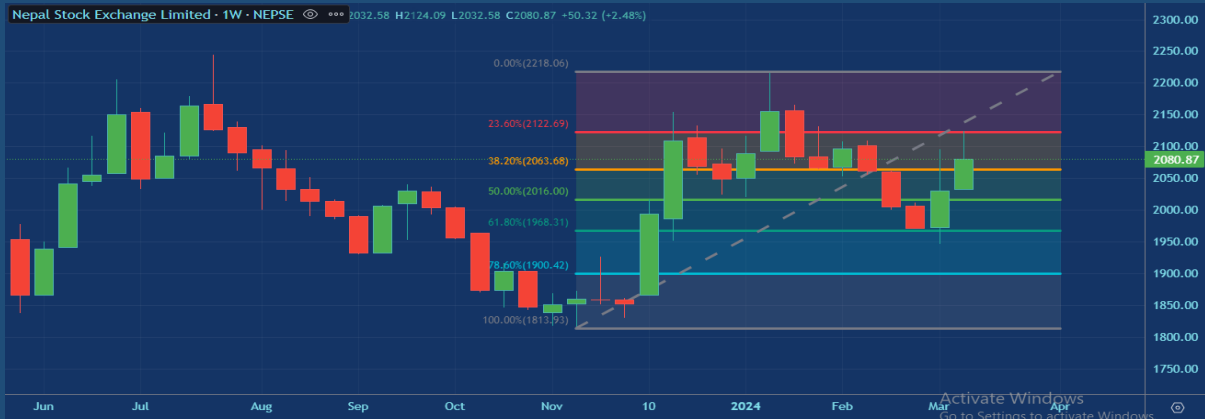


The average interest spread rate as of Magh 2080 has remained constant at 4.04%. The requirement to maintain a spread rate of 4.00 has been maintained by most banks except the merged banks as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate.





TECHNICAL ANALYSIS



Weekly chart

Closing Index (3-13-2024): 2108.72

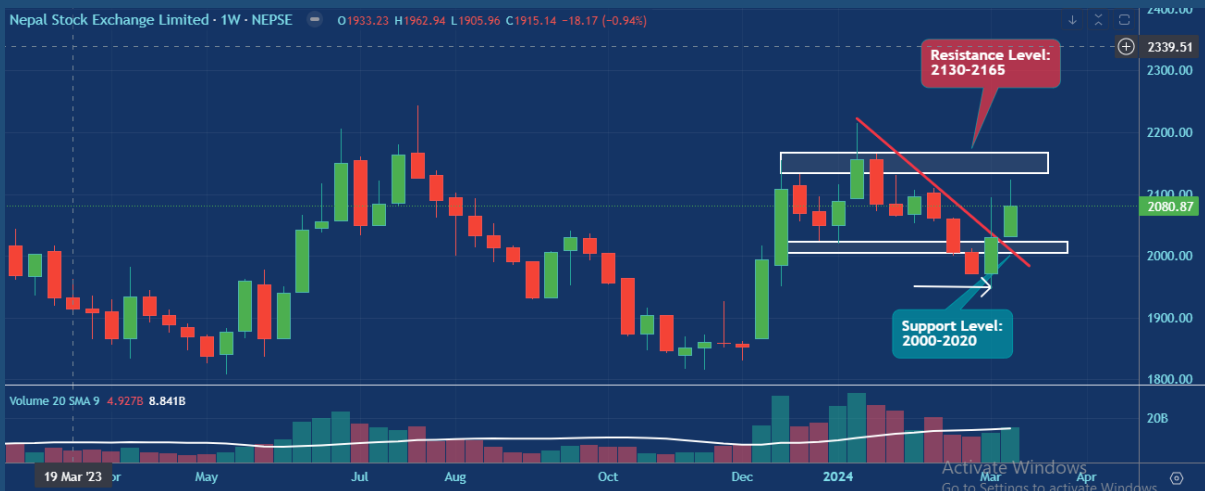
As per Fibonacci Retracement

Support 1: 2016 (-4.36%)

Support 2: 1968 (-6.64%)

Resistance 1: 2122(0.66%)

Resistance 2:2218(5.22%)



Weekly Chart

Candlesticks:

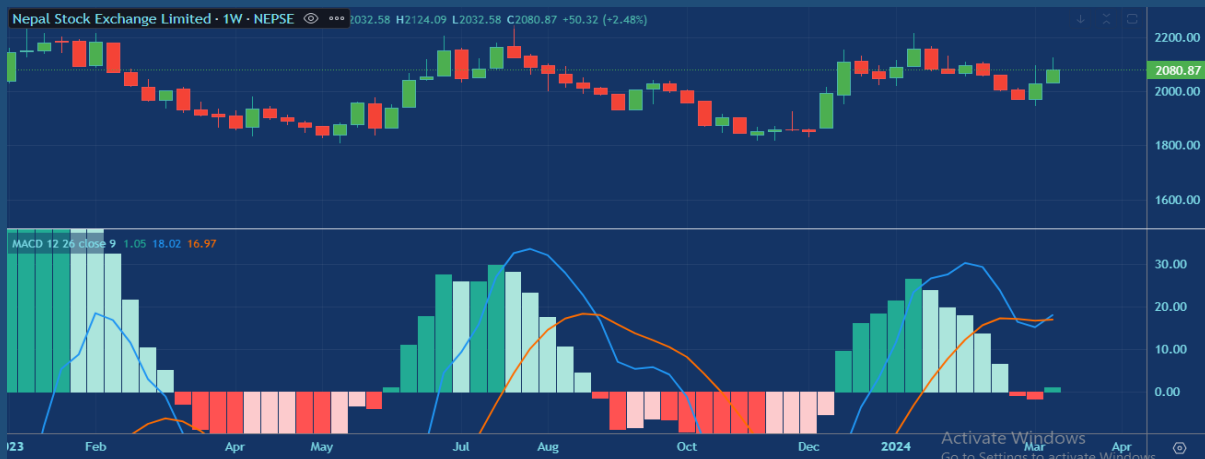
Resistance Level	2130-2165
Support Level	2000-2020





Taking a Technical perspective on the current trend in the month of Falgun 2080, the Index has shown a revived state with the formation of a Higher High and High lower on candlesticks pattern from the recent low of 1946 in the Index with positive volume on an average volume signifying positive sentiment in the market in the coming days. 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 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 Falgun 2080, The Moving Average Convergence Divergence (MACD) is bullish in the Index as the MACD line has cut the signal line from below by making hook like structure provide the positive histogram above the zero level.



**RSI:**

With the positive structure in NEPSE the RSI has also shown the same momentum with 55 point on closing basis. In the coming days if it is able to maintain its level above 62 points, we may expect strong bullishness rally in the market.

Disclaimer: Machhapuchchhre Capital Limited (MCL) is an investment management service provider licensed by the Securities Exchange Board of Nepal (SEBON). The information above is the outcome of the analysis of the current Nepal stock market and macroeconomic condition done by this company to provide information to the investors and the customers of MCL. All the readers are advised to make investment decisions based on their study and analysis.

(Remember us for quality and tailored customer service experience on portfolio management services, DP-related services, underwriting, and corporate advisory-related services We are always glad to cater to your needs.)

-MCL

You Can Find Us at:

**Scan to Join
our MCL Viber
Community**



<https://www.facebook.com/machhapuchchhrecapital/>



<https://instagram.com/machhapuchchhrecapital?igshid=OGQ5ZDc2ODk2ZA==>