

MONTHLY NEWSLETTER

Vol. 2 || ISSUE II Bhadra 2080/81



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Research and Trading Team





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NEPSE HIGHLIGHTS

Index	Index	Gain/Loss	Turnover (In Millions)
NEPSE Index	1964.91	-3.36%	24,521.07
Sensitive Index	378.68	-2.25%	8,458.83
Float Index	136.44	-3.10%	21,318.50
Sensitive Float Index	125.43	-2.21%	8,443.44

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	1,964.91	-3.36%	1.00	24,521.07
Banking Sub Index	1,258.57	-1.22%	0.64	5,365.86
Development Bank Index	3,708.10	-2.55%	1.13	1,330.55
Finance Index	1,673.45	-3.05%	1.47	952.71
Hotels And Tourism	5,456.51	-4.70%	1.48	1,596.31
Hydropower Index	1,981.40	-7.19%	1.59	3,967.55
Investment	68.66	-3.04%	0.89	857.01
Life Insurance	10,697.81	-4.27%	1.27	2,634.33
Manufacturing And Processing	5,139.81	-4.12%	0.92	2,067.37
Microfinance Index	3,556.48	-3.93%	0.93	1,614.24
Mutual Fund	18.52	-1.70%	0.26	110.71
Non-Life Insurance	10,438.48	-3.73%	1.26	1,945.96
Others Index	1,436.66	-4.21%	0.90	698.63
Trading Index	2992.93	3.36%	1.23	371.66

As of the end of Bhadra 2080, the NEPSE Index stands at 1964.91 with a loss of -3.36% from the previous month with the total turnover amounting to Rs.24.52 billion.

Among the sub-indexes, the Hydropower Index and Hotels and Tourism Index registered the highest loss of 7.19% and 4.70% respectively. Most of the hydropower companies have not performed well due to flooding in the rainy season. That along with the massive supply of right share of the hydropower companies in the market has led to the decline of the hydropower index.

The Trading Index was the index with the highest and only positive growth of 3.36% primarily driven by a 4.32% rise in the price of STC. Regarding beta, Hydropower, Hotels and Tourism, and Finance Indices exhibit the highest beta in Bhadra.





MONTHLY NEPSE OVERVIEW



The market sentiment turned pessimistic in the month of Bhadra as the Nepse Index experienced a loss of 3.36%. The index started off red in the month of Bhadra 2080. It briefly went up in the next few days however it was unable to beat the most recent high to form a bullish trend. Instead, the NEPSE index had a bearish movement for most of the days in the month with a slight reversal during the last week of the month.

Despite the hopeful economic outlook presented through the Annual Macroeconomic Report 2079/80 published by NRB and the relaxation on reserve requirement for distributing dividends to merged microfinance institutions, the market was unable to head onto a positive direction. Additionally, reforms were made in Securities Registration and Issuance Regulations 2080 in order to promote responsible investment and enhance market transparency. While, it had no such drastic effect on investor's sentiment at a current point of time, such reformations is expected to be positive in the near future.

After reaching the monthly high, on 11th Bhadra, NRB revised guidelines for working capital loans for the manufacturing industry providing certain relief to the sector and encouraging domestic production. On the same date, NRB has also ammended the Unified Directives for 'A', 'B' and 'C' class institutions on taking measures against the categorization of risk and consequent loan loss provisions to be maintained. The index showed low to no reaction for these events as well.

While on one hand, the issuance of right shares and IPOs absorbed the investible funds of retail traders and investors, on the other hand, their listing in the secondary market increased the supply of shares. However, the creation of demand has remained weak, as there has been no policy-level support. The inflation rate has consistently exceeded the maximum target rate set by NRB which has also been fueled by the export restrictive policy imposed by India. Consequently, it has reduced the savings of the population, resulting in a relatively reduced pool of investable funds.





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were not adequate enough for the market to catch on to a positive momentum.

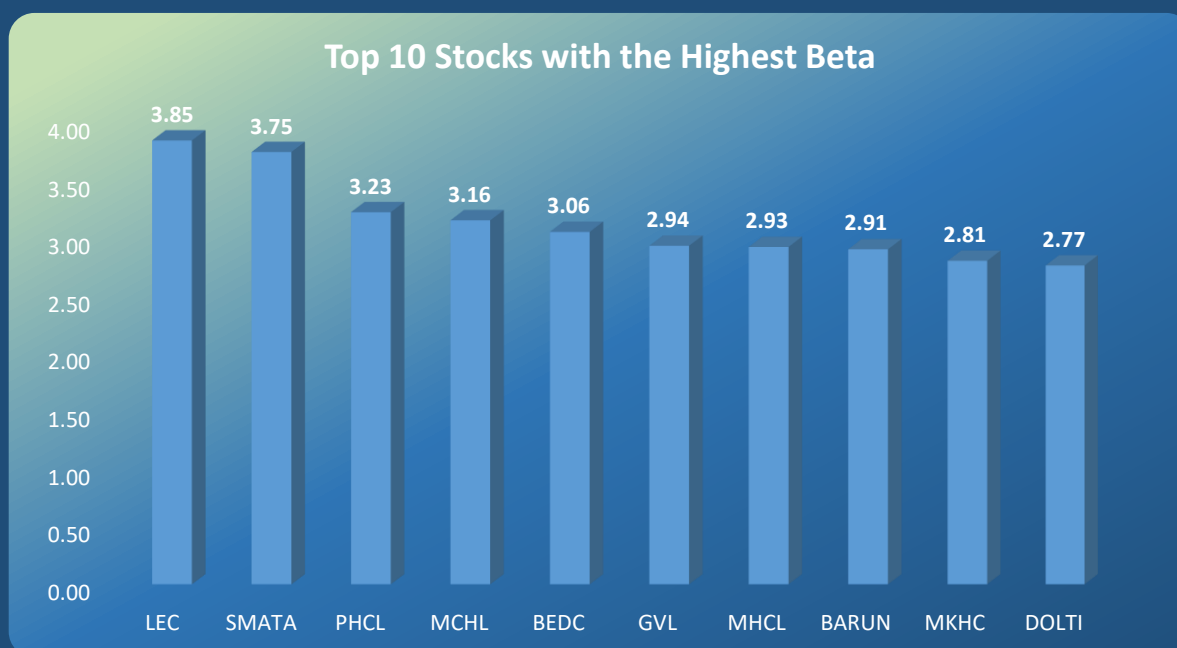
On 24th Bhadra, 2080, the NEPSE Index finally ventured into the positive direction after the confirmation of the allowance of count 60% of local funds as deposits. This news influenced investor sentiment in the positive way with the expectation of decrease in the interest rate in the coming

month. However, those sentiments were soon crushed on the last day of the month (31st Bhadra) with the some of the commercial banks setting a relatively higher deposit interest rates for the month of Ashwin 2080 compared to the previous month. This led to NEPSE index to close at 1964.91 with a decline of 2.09% from the previous day.

Top 10 Companies with the Highest Market Capitalization

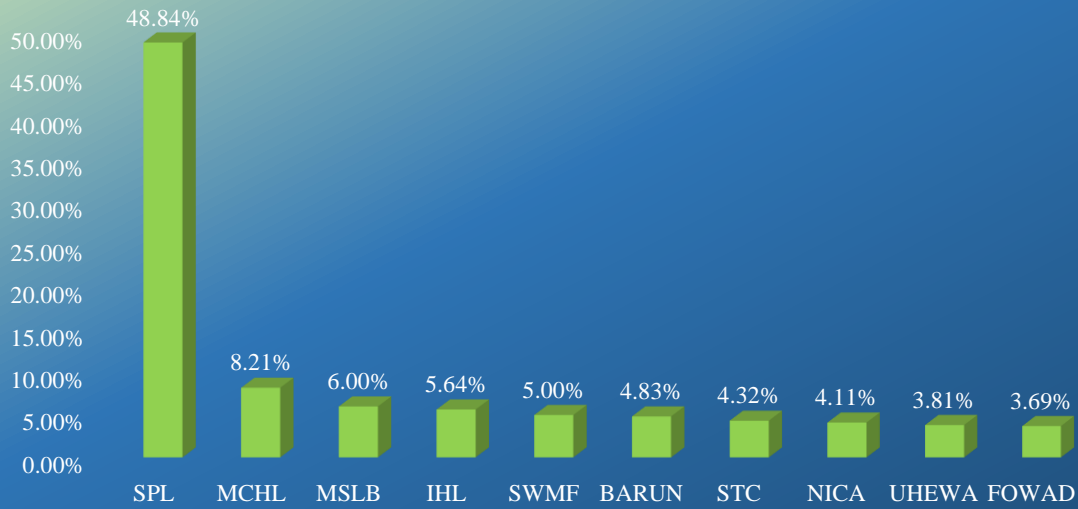
Company	Market Capitalization (in billions)	Weightage in Total Market
NABIL	160.45	5.64%
NTC	154.24	5.42%
CIT	106.81	3.75%
NICA	94.13	3.31%
NRIC	77.54	2.73%
GBIME	72.87	2.56%
EBL	62.70	2.20%
NIMB	59.42	2.09%
NLIC	56.27	1.98%
SCB	52.71	1.85%

For the month of Bhadra 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 31.54% of the total market capitalization of NEPSE.

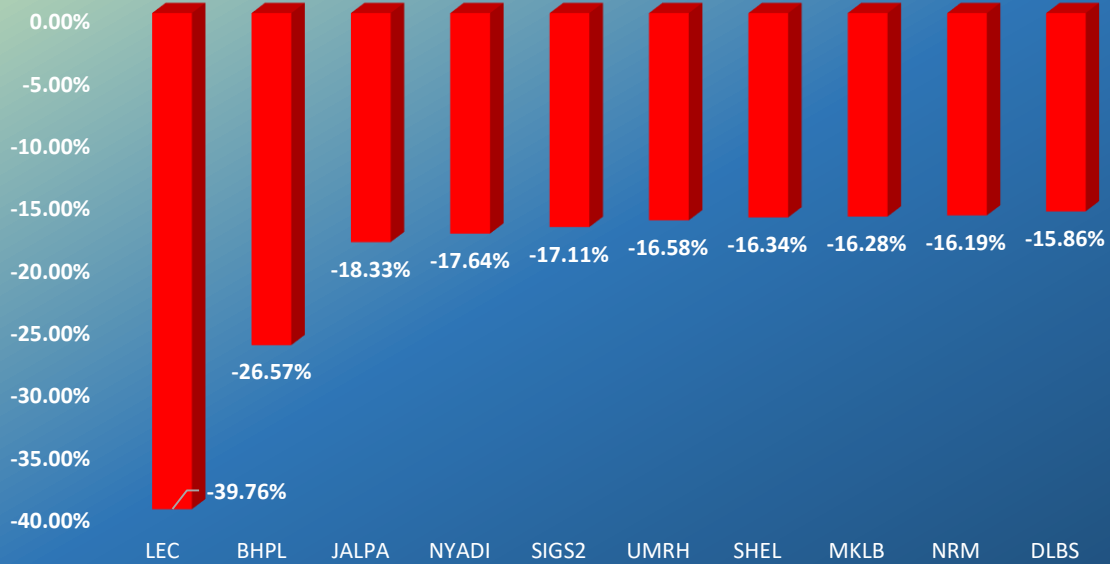




Top 10 Gainers of the month



Top 10 Losers of the month



The release of the lock in period of the Liberty Energy Company (LEC) has caused the sharp decline in its share price.





FUNDAMENTAL ANALYSIS

- Sector-wise PE Ratio

Sector	P/E Ratio (17-08-2023)	P/E Ratio (17-09-2023)	Change
Commercial Bank	15.07	14.84	-1.55%
Development Bank	23.62	23.02	-2.55%
Finance	99.96	96.67	-3.29%
Microfinance	53.50	51.62	-3.52%
Life Insurance	89.90	86.09	-4.23%
Non-life Insurance	43.96	42.39	-3.57%
Investment	54.45	52.79	-3.03%
Hydropower	-93.54	-84.73	-9.42%
Manufacturing	36.39	35.05	-3.69%
Others	28.76	27.63	-3.95%
Hotel	79.21	76.14	-3.88%
Trading	189.30	197.48	4.32%
Nepse PE	29.99	28.94	-3.52%

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.

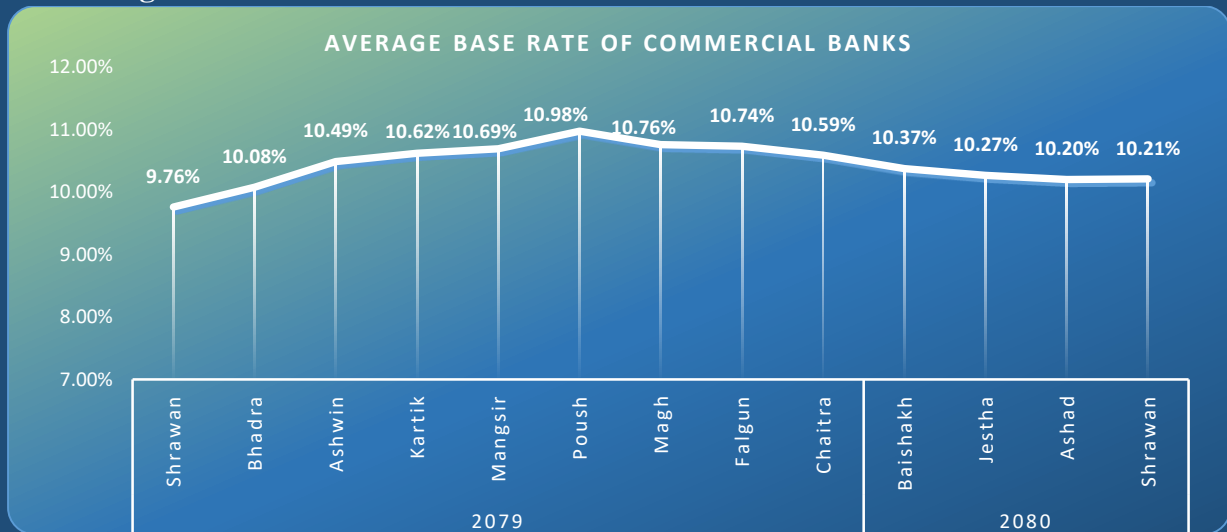
The average PE Ratio of almost all the sectors decreased in the month of Bhadra 2080 except for the trading sector. Here, the P/E ratio of the Hydropower sector has been reported to be -84.73. The negative PE was largely caused due to the massive loss of UPPER of about 3.76 Billion in the 4th quarter report.

As of Bhadra end, the banking sector is trading at the lowest P/E ratio of 14.84 times, which is generally assumed to be relatively safer for investment from the PE perspective. After the banking sector, the development bank and the other sector have the lowest P/E ratio of 23.02 times and 27.63 respectively. 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. But 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 the P/E ratio of 28.94 times.



- Average Base Rate of Commercial Banks**

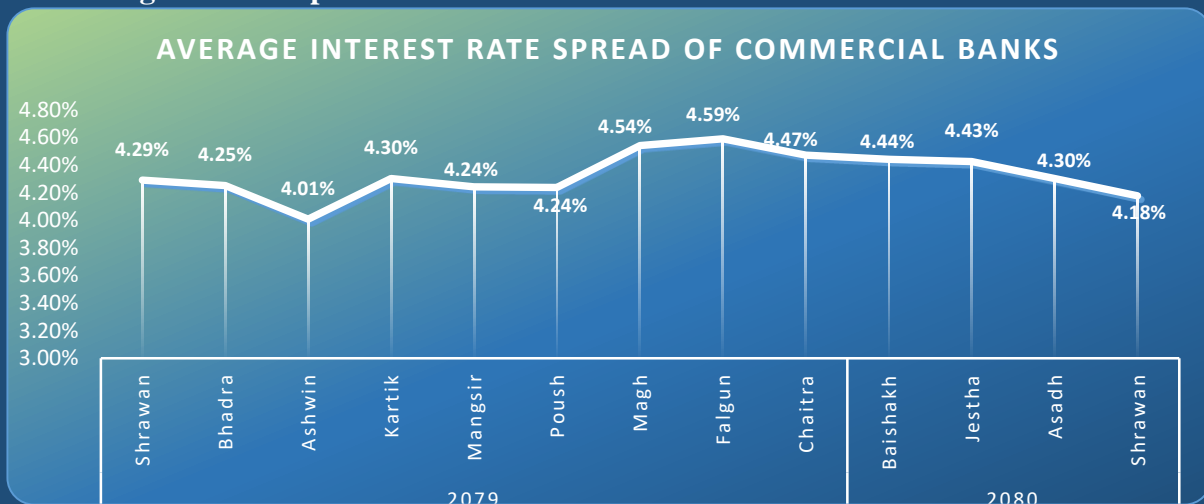
Source: Commercial Banks' Websites



The average base rate has slightly increased to 10.21% in Shrawan 2080. From Shrawan 2080, banks are free to set their interest rates as per their liquidity status according to NBA's decision to end interest cartelization. For Shrawan, some of the commercial banks had increased the interest rate on deposits resulting in an increase in the average interest and average base rate of the month as well. As per the interest rates published by commercial banks for the month of Ashoj 2080, 8 commercial banks have increased their deposit interest rates, 8 banks have decreased their interest rates and 4 of them have kept it constant following the previous month's interest rate. Despite the highest rate on deposit has been increased to 11.05% from 10.89% in Bhadra, the average interest rate has decreased to 10.24% for Ashoj from 10.32% in Bhadra month which is expected to slight decrease in the average base rate in the upcoming month.

- Average Interest Spread Rate of Commercial Banks**

Source: Commercial Banks' Websites



The interest spread rate as of Shrawan 2080 has decreased to 4.18%. The requirement to maintain spread rate of 4.00% from the month of Ashad 2080 has been maintained by banks that have not undergone M&A, but not the merged banks as they have a grace period of 1 year from the joint transaction commencement date to maintain the spread rate up to 4%. With the reduction in the limit of interest spread, the profitability of the BFIs would be affected, if not compensated by the credit growth.



TECHNICAL ANALYSIS



Weekly chart

Closing Index (09-17-2023): 1964

As per Fibonacci Retracement

Support 1: 1898.42 (-3.6%)

Support 2: 1804 (-8.4%)

Resistance 1: 2024.61 (2.81%)

Resistance 2: 2076.68 (5.46%)



Weekly Chart



Candlesticks:

The market is in a range bound or in a consolidated phase on an average of 2200 -1800 index level on a broader aspect. But from 2-3 months, the market has changed its character by decreasing its range bound with continuous bearish candlesticks formation with the Supply zone range from 2033-2080 on the upper side and the Demand zone from 1929-1972 on the lower side. In the last week, there has been a Dark Cloud cover candlesticks pattern formation along with below-average volume indicating a reversal of the trend in the market. If the candlesticks sustain and maintain support above the demand zone, we may expect a bounce back or vice versa i.e., continuity of a bearish trend in the market in the coming days.



Weekly Chart

Bollinger Band:

In band there was continuous bearish candlestick formation in the NEPSE index showing negative trend in the market. But from few weeks back candlesticks have formed just below the middle line of band, indicating the index is looking for support in the middle band. If the candlesticks form and close above the middle line of the band. we may expect the bounce back of the index in the market in the short term.





RSI & MACD



Weekly Chart

RSI

With the continuous fall in the NEPSE index, the RSI indicator has also declined with the same momentum from the overbought zone (72.95) to the Neutral zone from 40-45.48 point as it is looking for the support level.

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, the histogram formation is below the zero level in the negative zone supporting the bearish sentiment. Provided the Cross-over is above Zero level (not extremely bearish), if certain positive news comes into the market we may expect a rebound in the market in the short term.

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