

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	2,101.16	-0.92%	97,362.29
Sensitive Index	375.99	-3.14%	21,949.20
Float Index	143.34	-1.58%	96,119.12
Sensitive Float Index	123.19	-3.95%	21,720.63

Particulars	Index	Gain/Loss	Beta	Turnover (In Mills.)
NEPSE Index	2,101.16	-0.92%	1.00	97,362.29
Banking Sub Index	1,134.76	-4.40%	0.74	6,679.02
Development Bank Index	4,121.16	-0.75%	1.12	3,931.84
Finance Index	1,813.07	-1.71%	1.41	2,814.67
Hotels And Tourism	5,468.40	-2.94%	0.75	2,436.70
Hydropower Index	2,731.54	2.81%	1.43	39,423.47
Investment	80.80	-1.89%	1.35	7,212.90
Life Insurance	10,682.83	-2.28%	0.78	6,041.71
Manufacturing And Processing	5,788.93	-4.22%	1.03	5,335.25
Microfinance Index	3,734.69	-2.65%	1.03	3,546.51
Mutual Fund	18.34	-2.91%	0.43	209.68
Non-Life Insurance	10,986.22	-0.98%	0.77	4,389.19
Others Index	1,794.88	9.68%	1.04	14,126.24
Trading Index	2,824.11	-2.58%	0.75	181.62

As of Magh end 2080, the NEPSE Index stands at 2,101.16 with a loss of 0.92% from the previous month with the total turnover amounting to Rs.97.36 billion.

Among the sub-indices, only the “Other Index” and the “Hydropower Index” experienced a gain of 9.68% and 2.81% while all the other indices witnessed a loss in the month of Magh. The “Banking Index” witnessed the most loss of 4.40% followed by the “Manufacturing and Processing Index” with a loss of 4.22%.

Regarding beta, the Hydropower, Finance, and Investment Index exhibit the highest beta of 1.43, 1.41, and 1.35 respectively in the month of Magh.

Analyzing the turnover data, the Hydropower Sector recorded the most substantial turnover of Rs. 39.42 billion, comprising approximately 41% of the total turnover for the month signifying an increase from the previous month’s 33%. Following closely are the other sectors and investment sectors, each contributing turnover of Rs. 14.13 billion and Rs.7.2 billion, respectively. Despite having the highest market capitalization, the Banking Sector accounted for only 6.93% 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 end of the month of Poush marked the end of 2nd quarter of 2080/81, hence the start of the month of Magh marked the publication of the second quarter reports of the companies as well as the much-awaited second quarterly monetary policy review. Alas, mostly the subpar financial performance failed to satisfy the investors for the index to head further in the upward direction as NEPSE demonstrated a decrease of 0.92% against an increase of 6.32% in the previous month. Monetary Policy 2nd quarterly review was only published at the end of the month, hence was not reflected in the index changes for the month of Magh.

The month of Magh at first, started on a positive note, with the market venturing onto a positive direction, also making a monthly high of 2215.54 but soon the index fell after the BFIs started to publish their 2nd quarter reports which had subpar financial performance. The publication of such reports of BFIs led to the Banking Index declining by 2.41%, the Development Bank Index declining by 2.61% and the Finance Index declining by 2.56%.

The 6-month Macro Economic Indicators of FY 2023/24 was published mid-month

presenting a positive economic outlook. The inflation rate has come down to 5.26% as of Poush 2080, and the BOP surplus has increased to 273.52 Billion with the growing remittance, decreasing import, and significant prospects in the electricity export.

The Nepal Rastra Bank (NRB) has recently introduced amendments to the Nepal Rastra Bank Foreign Investment and Foreign Loan Management Regulations 2078, signaling a significant shift in its stance on foreign investments in the Nepalese share market. According to the updated regulations, the NRB has waived the requirement for its approval for foreign investments in companies listed on NEPSE.

Even with the positive economic outlook and the news on foreign investment in the capital market, the NEPSE hardly showed any trend reversal with the ongoing downtrend this month.

This month, The Nepal Insurance Authority (NIA) recently declared that reinsurance firms must undergo a two-fold increase in paid-up capital to 20 Arba. This news concerns the only two reinsurance entities, Nepal Reinsurance Company (government-





owned) and Himalayan Reinsurance (privately owned).

Towards the end of the month, commercial banks also published their interest rates for the month of Poush 2080. The average FD rate for individuals in Poush is 7.758%, down from the previous month's 8.167% in the commercial bank industry. The interest rate reduction along with the expectations of a potential reduction in loan risk weightage in the stock market and real estate sectors in the 2nd quarterly Monetary

Policy Review led to a slight increase of 0.74% on the last trading day of the month.

The 2nd quarterly review of monetary policy was only published after the trading hours of the last day of the month. Despite expectations for potential reductions in loan risk weightage in the stock market and real estate sectors, there were no changes made regarding this. Key rates such as the policy rate (5.5%), bank rate (7%), mandatory cash ratio (4%), and statutory liquidity ratio (12% for commercial Banks, 10% for Development Banks) remain unchanged.

Top 10 Companies with the Highest Market Capitalization

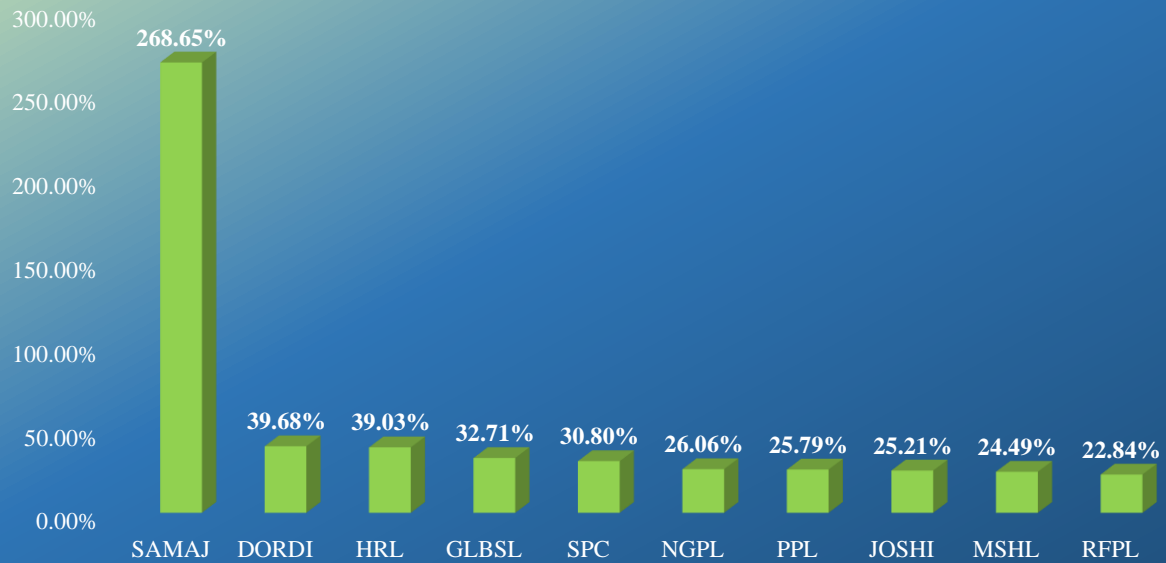
Company	Market Capitalization (in billions)	Weightage in Total Market
NTC	158.40	4.92%
NABIL	129.06	4.01%
CIT	114.25	3.55%
NRIC	102.00	3.17%
GBIME	70.23	2.18%
HRL	69.21	2.15%
NICA	67.14	2.09%
EBL	61.78	1.92%
NIMB	57.88	1.80%
NLIC	51.71	1.61%

For the month of Magh 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 27.41% (27.83% in the previous month) of the total market capitalization of NEPSE. The 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.

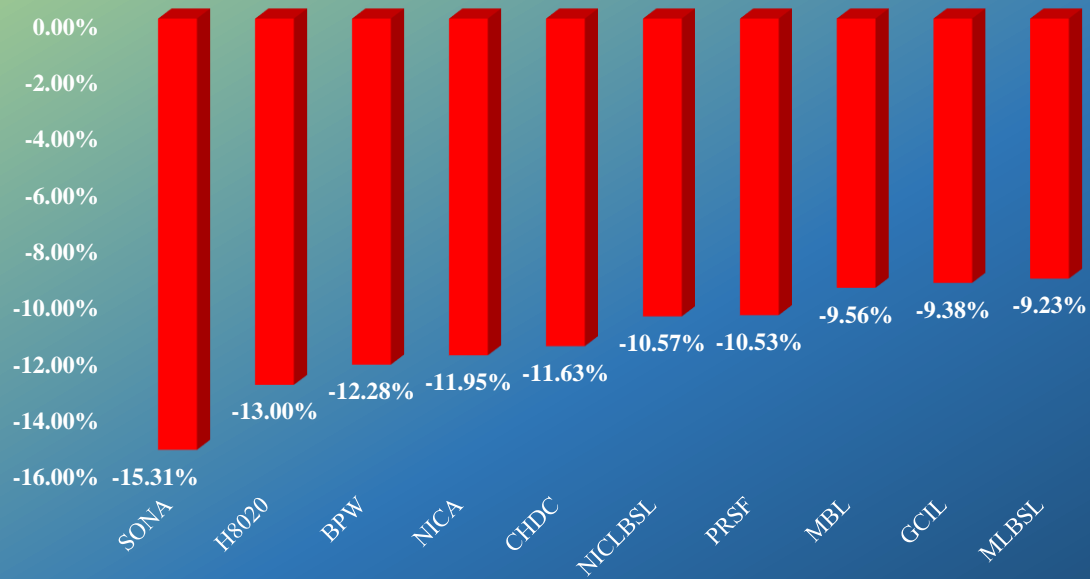




Top 10 Gainers of the month



Top 10 Losers of the month





FUNDAMENTAL ANALYSIS

• Sector-wise PE Ratio

Sector	Poush 2080	Magh 2080	Change
Commercial Bank	18.17	16.38	(1.79)
Development Bank	42.00	35.34	(6.66)
Finance	(211.15)	324.29	535.44
Microfinance	132.64	86.32	(46.32)
Life Insurance	50.22	47.84	(2.38)
Non-life Insurance	54.04	37.16	(16.88)
Investment	57.47	61.07	3.60
Hydropower	43.44	65.82	22.38
Manufacturing	41.88	63.63	21.75
Others	26.99	28.31	1.32
Hotel	137.10	86.18	(50.92)
Trading	194.88	190.34	(4.54)
NEPSE PE	33.37	32.06	(1.31)

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.

By the close of the Magh month in 2080, significant shifts in the Price-to-Earnings (P/E) ratio have occurred following the release of quarterly reports by listed companies. The banking and financial institutions have experienced a decline in performance during the second quarter of the fiscal year 2080/81, attributed to economic slowdown and a rise in Non-Performing Loans (NPLs). Consequently, the stock prices of BFIs have decreased, leading to a reduction in the P/E ratios of commercial banks, development banks, and microfinance institutions. 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 performances of the insurance sector and Hotel Sector have however improved in the 2nd quarter of FY 2080/81 which has decreased their PE Ratio.

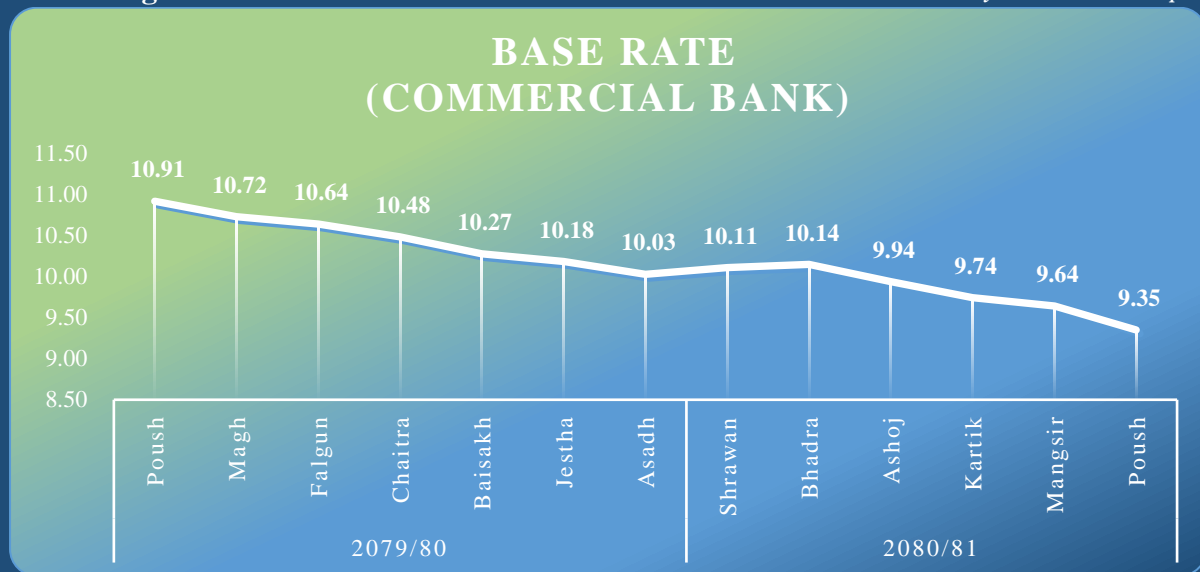
The majority of sectors in the NEPSE are witnessing elevated P/E ratios, reflecting the impact of the economic downturn on companies' earnings. NEPSE's overall P/E ratio stands at 32.06, showing a reduction compared to the previous month due to the consequent decrease in NEPSE.





- Average Base Rate of Commercial Banks**

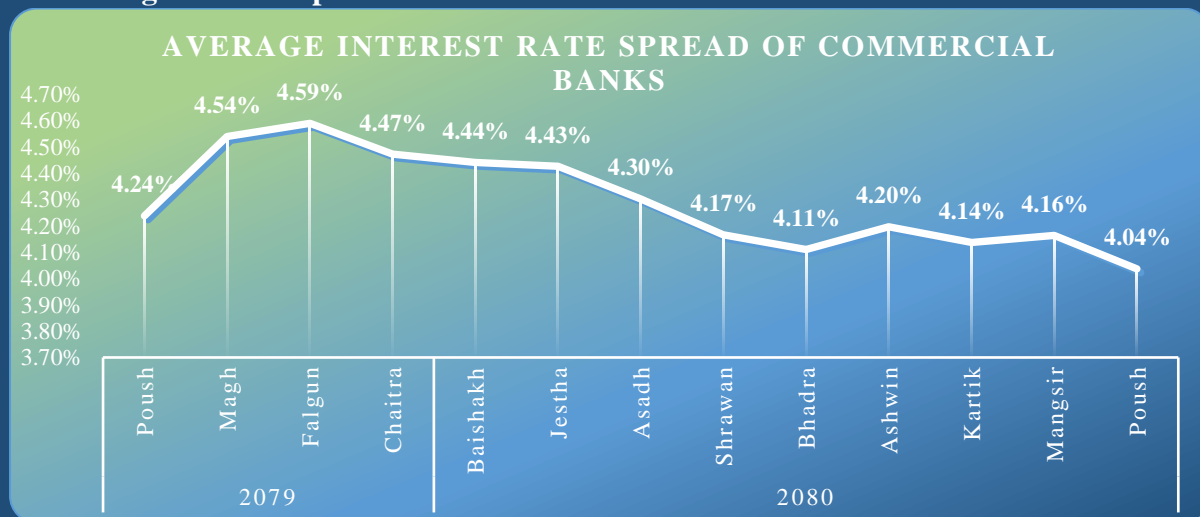
Source : NRB Monthly Macroeconomic Report



The average base rate has decreased to 9.35% in Poush 2080 as compared to the previous month. As per the interest rates published by commercial banks for the month of Falgun 2080, no commercial bank has increased their deposit interest rates, 16 banks have decreased their interest rates and 4 of them have kept it constant following the previous month's interest rate. The average FD rate for individuals in Falgun 2080 is 7.758%, down from the previous month's 8.167% 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 Poush 2080 has decreased to 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 (2-12-2024): 2101

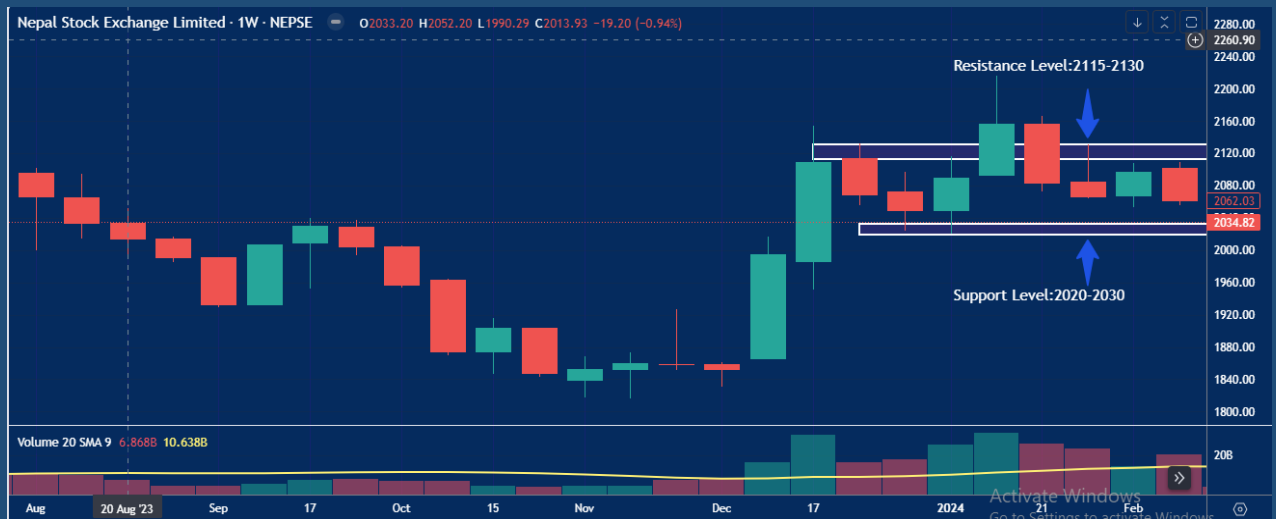
As per Fibonacci Retracement

Support 1: 2014 (-4.14%)

Support 2: 1966 (-6.42%)

Resistance 1: 2120(0.9%)

Resistance 2:2215(5.42%)



Weekly Chart



Candlesticks:

Resistance Level	2115-2130
Support Level	2020-2030

Taking a Technical perspective on recent trend of Magh month 2080, the market is a sidewise structure in which the Index oscillates around the 2100 to 2050 level (from 31st Jan -8th Feb 2024). Even though the macroeconomic aspects of the economy are in an improvising stage i.e. continuous decrease of Interest rate of banks, comfortable CD ratio, and another factor that affects the market, but couldn't see such positive momentum in the Nepse Index due to the economy's slowdown and its effect on the results of companies with declining profit as well as no any positive changes in 2nd Quarter Monetary review related to stock market has impacted the market negatively by forming Bearish candlesticks on last trading week supported by increasing negative volume above average.

MACD and RSI



Weekly Chart

RSI:

With the sidewise structure in the NEPSE index, the RSI indicator is 52 in positive area. In the coming days if the indicator is able to sustains above 50, we may expect bullishness in the market or vice versa.

MACD:

In the Month of Magh2080, 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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