

The Pulse

Market Growth, Risks and Outlook

Jestha 2082

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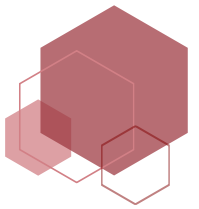
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हिमालयन क्यापिटल लि.



Himalayan Capital

A Subsidiary of Himalayan Bank Limited



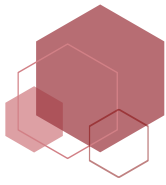
Global Markets Overview

€	1.13 \$ (-0.31%)	S&P 500	5,934.25 (7.68%)
£	1.35 \$ (1.49%)	BSE SENSEX	81,551.63 (2.19%)
₹	85.33* (0.05%)	NIKKEI 225	37,724.11 (7.66%)
¥	144.38* (1.20%)	FTSE 100	8,778.05 (4.41%)
A\$	0.64 \$ (0.66%)	DAX	24,226.49 (9.80%)
C\$	0.73\$ (0.82%)	CAC 40	7,826.79 (4.32%)
		HANG SENG	23,381.99 (6.72%)
		SSE COMPOSITE	3,340.69 (1.32%)

*Values Per 1 \$

	Gold(\$) Per Oz. 3,346.72 (0.97%)		Bitcoin(\$) 108,994.64 (16.02%)
	Brent Crude(\$) Per Barrell 64.33 (-3.42%)		Ethereum(\$) 2,663.07 (50.47%)

#All Changes are in MoM basis.



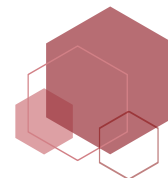
Currency Market Trends

The currency market displayed mixed movements over the past month. The Euro weakened slightly by 0.31%, possibly reflecting economic uncertainties in the Eurozone. In contrast, the British Pound appreciated by 1.49%, potentially driven by stronger-than-expected UK economic data or interest rate expectations. The Indian Rupee remained almost flat with a minimal gain of 0.05%, indicating relative stability in the region. The Japanese Yen rose by 1.20%, which may reflect safe-haven demand or central bank policy shifts. Both the Australian and Canadian Dollars showed marginal appreciation (0.66% and 0.82%, respectively), likely linked to modest improvements in commodity prices and overall global risk appetite.

Global equity markets experienced broad gains, with all major indices recording positive movements. The U.S. S&P 500 jumped 7.68%, reflecting robust corporate earnings and resilient economic data. Japan's NIKKEI 225 rose 7.66%, mirroring investor optimism and potential monetary easing by the Bank of Japan. European indices also posted healthy gains: DAX surged 9.80%, the FTSE 100 by 4.41%, and CAC 40 by 4.32%, indicating economic recovery in the region. Asian markets such as the Hang Seng and SSE Composite increased by 6.72% and 1.32% respectively, suggesting a cautiously optimistic sentiment in China and Hong Kong. India's BSE SENSEX climbed 2.19%, buoyed by stable domestic conditions.

The commodity sector saw significant volatility. Bitcoin and Ethereum surged by 16.02% and 50.47% respectively, driven by growing institutional adoption and speculation. Ethereum's jump may also be linked to technological upgrades or ecosystem developments. Gold edged up 0.97%, reaffirming its role as a hedge against inflation and market uncertainty. Conversely, Brent Crude declined by 3.42%, possibly reflecting concerns over global demand and rising supply levels, especially in the context of geopolitical tensions or OPEC+ decisions.

Overall, financial markets showed strong performance across equities and cryptocurrencies, signaling investor optimism and improving economic sentiment. The currency and commodities markets, however, reflected a more nuanced picture, with selective strength and ongoing volatility. These trends suggest a cautiously positive global outlook, supported by growth in risk assets, though vulnerabilities remain due to geopolitical uncertainties, central bank policies, and energy market dynamics. Investors may benefit from a diversified approach to mitigate potential market swings.



Macroeconomic Overview



Inflation

3.39 % ▲



Deposit Growth

11.47% ▲



Credit Growth

8.09% ▲



Import Growth

12.18% ▲



Export Growth

65.16% ▲



Remittance Growth

23.93% ▲



FX Reserve Growth

26.94% ▲

* Growth refers to the change between nine months data of FY 80/81 and FY 81/82.

* Credit refers to claim on private sector.

Monthly Trading Statistics



**Average
Turnover**

NPR 8.84 B
8.18% ▲



**Average
Shares Traded**

21.02 M
20.23% ▲



**Average
Transactions**

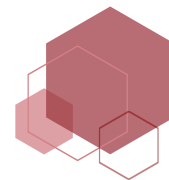
82.1 K
2.26% ▲



**Average
Scrips Traded**

316
0.47% ▲

* For the period (April 27, 2025) – (May 27, 2025)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Chaitra-80	Falgun-2081	Chaitra-81	Jestha 1	Jestha 8	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.71	2.95	2.98	2.93	2.95	0.27	0.03	0.02
Wt.Avg 91 Days TB rate (%)	3.00	2.93	3.06	2.95	2.95	0.06	0.13	0.00
Wt.Avg 364 Days TB rate (%)	3.29	3.00	3.03	3.00	2.99	-0.26	0.03	-0.01
Wt. Avg Interbank Rate (%)	3.10	3.00	3.00	3.00	3.00	-0.10	0.00	0.00
CapEx (In Billion NPR)	97.38	82.34	102.90	120.38	125.07	5.52	20.56	4.69

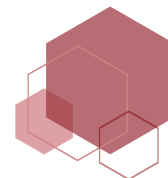
B. BFI Statistics

Description	Value As On					Change		
	Chaitra-80	Falgun-2081	Chaitra-81	Jestha 1	Jestha 8	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	6.53	4.54	4.45	4.45	4.45	-2.08	-0.09	0.00
Wt. Avg Lending Rate (%)	10.55	8.40	8.22	8.22	8.22	-2.33	-0.18	0.00
Base Rate (%)	8.51	6.34	6.29	6.29	6.29	-2.22	-0.05	0.00
CD Ratio (%)	80.88	79.47	79.45	79.24	79.02	-1.43	-0.02	-0.22
Fixed Deposits/Total Deposits (%)	58.50	51.37	50.68	50.68	50.68	-7.82	-0.69	0.00
Total Liquid Assets/Total Deposits (%)	27.87	26.50	25.40	25.40	25.40	-2.47	-1.10	0.00

Public Debt Subscription

Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Highest	Average
28 Days	Jestha 6	1000.00	0.00	20	40	2.89	1000.00	2.80	2.93	2.95
91 Days	Baishak 9	525.00	0.00	22	52	3.53	525.00	2.83	2.98	2.97
182 Days	Jestha 6	500.00	2.00	18	46	5.44	500.00	2.95	2.98	2.97
364 Days	Jestha 6	750.00	0.00	13	31	3.18	750.00	2.99	3.00	2.99

*Figures are in Millions NPR

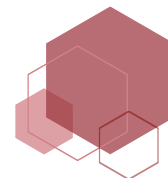


Sectoral Movement

Index	Baisakh 11	Jestha 13	Change
NEPSE	2,658.02	2,675.62	0.66%
Hotels & Tourism	6,410.67	6,733.69	5.04%
Commercial Bank	1,334.96	1,393.97	4.42%
Microfinance	4,744.73	4,843.85	2.09%
Development Bank	5,407.29	5,498.66	1.69%
Non Life Insurance	12,339.51	12,444.07	0.85%
Life Insurance	13,140.65	13,234.12	0.71%
Manufacturing & Processing	7,204.90	7,238.52	0.47%
Hydropower	3,481.77	3,440.32	-1.19%
Others	2,375.95	2,344.22	-1.34%
Mutual Fund	19.57	19.12	-2.30%
Finance Company	2,449.85	2,392.73	-2.33%
Investment	115.96	110.83	-4.42%
Trading	4,564.25	4,343.65	-4.83%

Major Movers

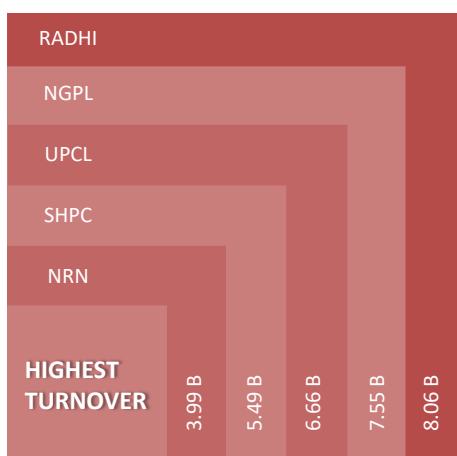
CREST	129.97%	RFPL	-24.46%
NMIC	100.44%	WNLB	-24.26%
RADHI	28.71%	NYADI	-23.18%
UPCL	27.42%	BHPL	-18.75%
BPCL	27.24%	MKHC	-18.05%



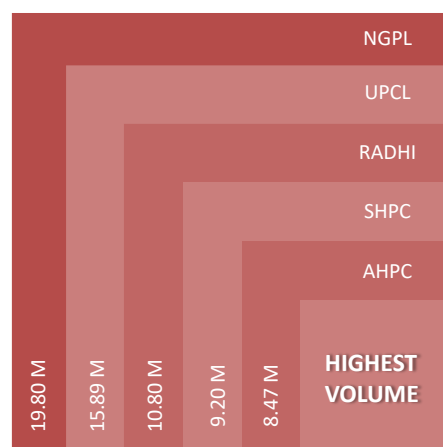
Sectoral Divergence-Turnover

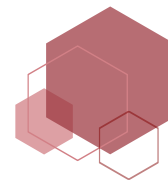
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	8.17 B	8.84 B	8.18%
Hotels And Tourism	0.12 B	0.25 B	102.29%
Hydro Power	3.43 B	4.68 B	36.45%
Mutual Fund	0.01 B	0.01 B	17.28%
Commercial Banks	0.47 B	0.53 B	12.37%
Manufacturing And Processing	0.25 B	0.25 B	0.68%
Investment	0.78 B	0.79 B	0.08%
Tradings	0.02 B	0.02 B	-1.11%
Non Life Insurance	0.22 B	0.21 B	-3.78%
Life Insurance	0.44 B	0.38 B	-14.29%
Development Banks	0.68 B	0.54 B	-20.64%
Microfinance	0.44 B	0.32 B	-26.51%
Others	0.73 B	0.45 B	-38.26%
Finance	0.36 B	0.18 B	-50.02%

Highest Turnover



Highest Volume





NEPSE Outlook

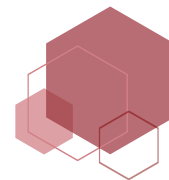
A. Current Overview



As of 28 May 2025, the NEPSE index closed at 2,692.95 points, marking a gain of 45.88 points (1.73%) across 21 trading days. The average turnover in these 21 trading days saw an increase to NPR 8.72 billion, up from NPR 7.30 billion in the previous month.

The Relative Strength Index (RSI) stands at 58 points, indicating the market is in the neutral zone while the Moving Average Convergence Divergence (MACD) indicator suggests a bullish trend but is below the histogram.

Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,650, (S2) 2,610, and (S3) 2,575 while immediate resistance levels are recognized at (R1) 2,740, (R2) 2,780, and (R3) 2,810. These support and resistance levels serve as valuable indicators for investors when formulating trading decisions.



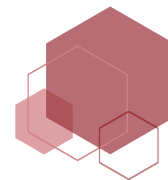
B. Long Term Overview



The NEPSE index has recently broken through the psychological barrier of 2,200, a level not reached in over two years. This surge is driven by several key factors: a reduction in interest rates, and the Nepal Rastra Bank's (NRB) rate cuts aimed at stimulating economic activity. The NRB's policy rate reductions have notably benefited the banking, financial institutions (BFI), and construction sectors.

Furthermore, the NRB's decision to remove the NPR 20 crore cap on institutional investors is expected to further boost capital inflows into the market.

Given these factors, the market is likely to continue its upward momentum. If the NEPSE index surpasses its previous high of 3,200, Trend Based Fibonacci extension levels suggest it could target 3,400 and 3,690. On the downside, if the market experiences a pullback, long-term support is expected around 2,390, followed by 2,200, the previous resistance level. These levels will depend on broader economic conditions and market sentiment.



SCRIP ANALYSIS

Sanvi Energy Limited (SANVI)

A. About the Company

Sanvi Energy Limited is a public hydropower company engaged in the development and operation of run-of-the-river projects in Nepal. Incorporated in 2011 and later converted to a public limited company in 2020, SEL currently operates the 7.6 MW Jogmai Khola Small Hydroelectric Project and is in the final stages of completing the 5.2 MW Jogmai Cascade Project, which is located in Suryodaya Municipality ward no. 10, 11, Maijogmai Rural Municipality ward no. 1, 3 and 4, and Ilam Municipality ward no. 10 of Ilam District in the Eastern Development Region of Nepal.

The company is issuing an IPO worth NPR 379 million at a par value of NPR 100 per share. The total capital of the company after the IPO issuance will be NPR 880 million. The total size of the IPO issue is 3,790,000 units, offered at a price of NPR 100 per share. Of this, 10% or 880,000 units have been allocated for the local residents, while 291,000 units, representing 10% of the issue size, have been set aside for individuals working abroad under the foreign employment quota. Additionally, 145,500 units, which account for 5% of the issue size, have been reserved for mutual funds.

The remaining 2,473,500 units is available for the general public and the issue opening date for general public is from 23 May, 2025 and the closing date is on 27 May, 2025. As per the data by CDSC as per 10:06 AM of 25 May, 2025, there were 1,058,914 units of application for 2,415,300 units. Nepal SBI Merchant Banking Limited is appointed as the issue manager. Applications can be placed for a minimum of 10 units and a maximum of 20,000 units.

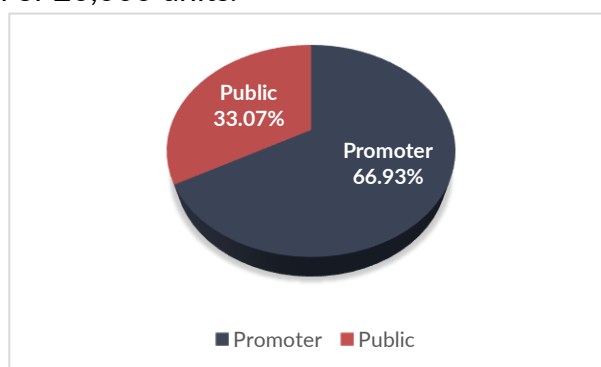
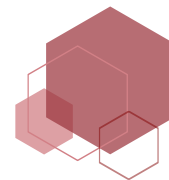


Figure: Shareholding Pattern of Sanvi Energy Limited post IPO issuance



Key Project Details:

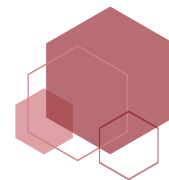
Particulars	Jogmai Khola SHEP	Jogmai Cacade Project
Location	Suryodaya Municipality, Illam	
Type	Run of River	
River Source	Jogmai Khola	
Project Size (MW)	7.60	5.20
Project Status	In Operation	93% work completed
Power Purchase Agreement Rate in NPR per kwh (Wet Season)	4.80	4.80
Power Purchase Agreement Rate in NPR per kwh (Dry Season)	8.40	8.40
No. of escalations given	5.00	8.00
No. of escalations remaining	-	8.00
Total cost in NPR millions	1,572.95	1,009.11
Cost per MW in NPR millions	206.97	194.06
Required Commercial Operation Date (RCOD)	27 Falgun, 2073	15 Baisakh, 2082
Commercial Operation Date (COD)	18 Baisakh, 2074	-
Plant Load Factor (PLF)	64.40%	65.26%
Validity of Generation License	28 Chaitra, 2104	30 Poush, 2112

B. SWOT Analysis

Backed by an experienced management team and long-term power purchase agreements, the company plays a vital role in Nepal's growing renewable energy sector. The following SWOT analysis highlights SEL's strategic position by evaluating its strengths, weaknesses, opportunities, and threats.

Strengths

- **Experienced Board and Management Team:**



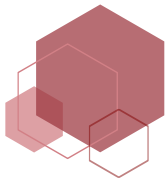
- ✓ Chaired by Mr. Anup Acharya with over 30 years of experience in the construction and hydropower sectors.
- ✓ Backed by a capable management team with industry knowledge.
- **Operational Project with Stable Income:**
 - ✓ The 7.6 MW Jogmai Khola Small Hydroelectric Project (JKSHEP) has been operational since 2017.
 - ✓ Maintains a strong PBILDT margin (~79.6% in FY24).
- **Power Purchase Agreements (PPAs):**
 - ✓ Long-term 30-year PPAs with Nepal Electricity Authority reduce offtake and revenue risk.
 - ✓ Annual tariff escalation clauses enhance revenue visibility.
- **Government Support and Incentives:**
 - ✓ SEL benefits from generous tax holidays (10 years full + 5 years 50%) under GoN's energy policy.
 - ✓ Favorable financing environment due to NRB mandates on energy sector lending.

Weaknesses

- **High Leverage and Deteriorating Debt Metrics:**
 - ✓ Gearing ratio increased to 3.00x and Total Debt/GCA deteriorated to 29.83x in FY24.
 - ✓ Increased term loan liabilities have stressed the financial profile.
- **Moderate Interest Coverage:**
 - ✓ Interest coverage ratio declined to 1.63x in FY24, indicating tight debt servicing ability.
- **Declining Operating Income:**
 - ✓ Revenue fell by 2.1% YoY in FY24 due to poor hydrology, affecting generation and profitability.

Opportunities

- **Project Expansion via Jogmai Cascade HEP (5.2 MW):**
 - ✓ ~93% project completion offers near-term growth potential once operational.
- **Growing Regional Energy Demand:**
 - ✓ Expansion in cross-border energy trade and bilateral agreements with India may improve market reach and profitability.
- **BOO(T) Model Advantage:**
 - ✓ Ownership until asset transfer ensures long-term cash flow potential from operational assets.



Threats

- **Project Completion Risk (Jogmai Cascade HEP):**
 - ✓ Residual construction and cost/time overrun risks persist until commissioning.
- **Hydrology Risk (Run-of-the-River Model):**
 - ✓ Seasonal variations significantly affect generation capacity and revenue stability.
- **Natural Calamity Risk:**
 - ✓ Located in topographically challenging terrain, the project is exposed to floods and landslides, which may damage infrastructure.
- **Volatile Interest Rate Environment:**
 - ✓ Floating-rate loans in Nepal's banking system expose SEL to margin compression amid fluctuating base rates.

C. Comparative Annual Performance Visualizations

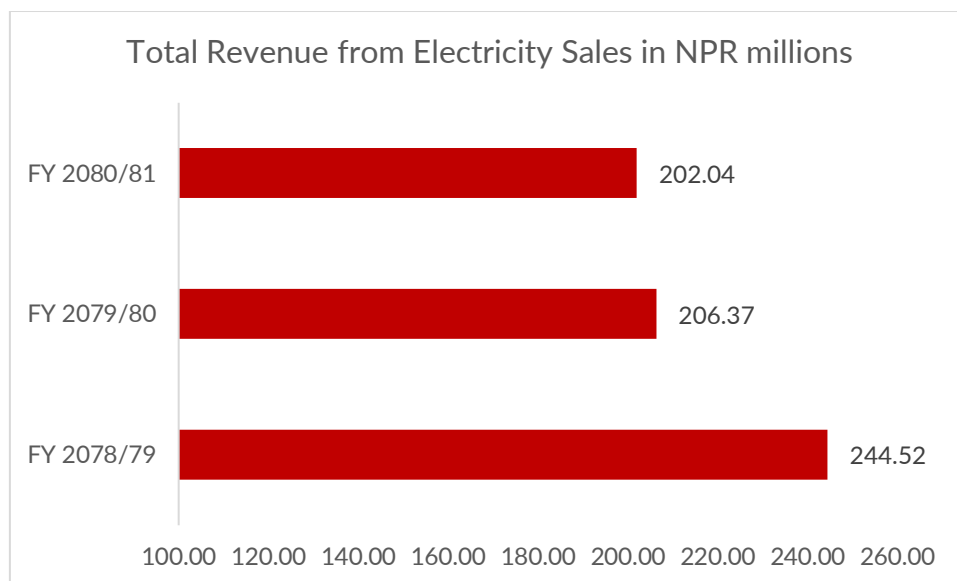


Figure: Total Revenue from Electricity Sales in NPR

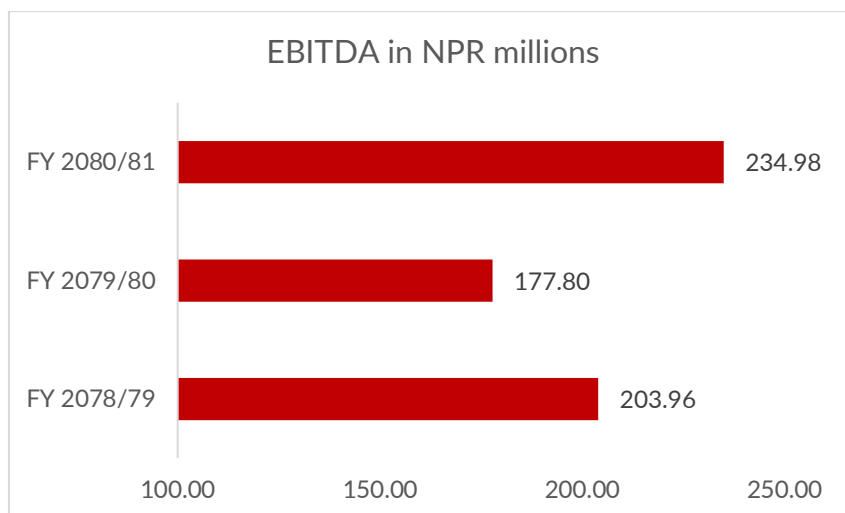
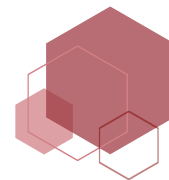


Figure: Total EBITDA in NPR millions

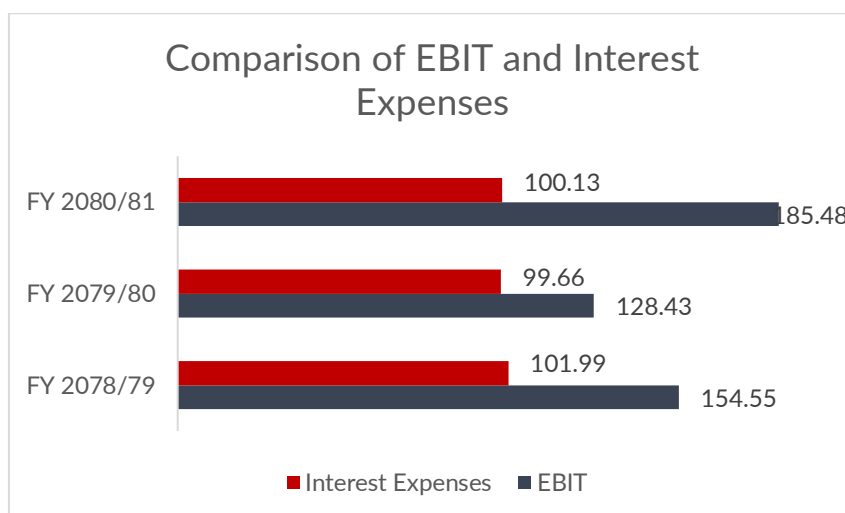


Figure: Comparison of EBIT and Interest Expenses in NPR millions

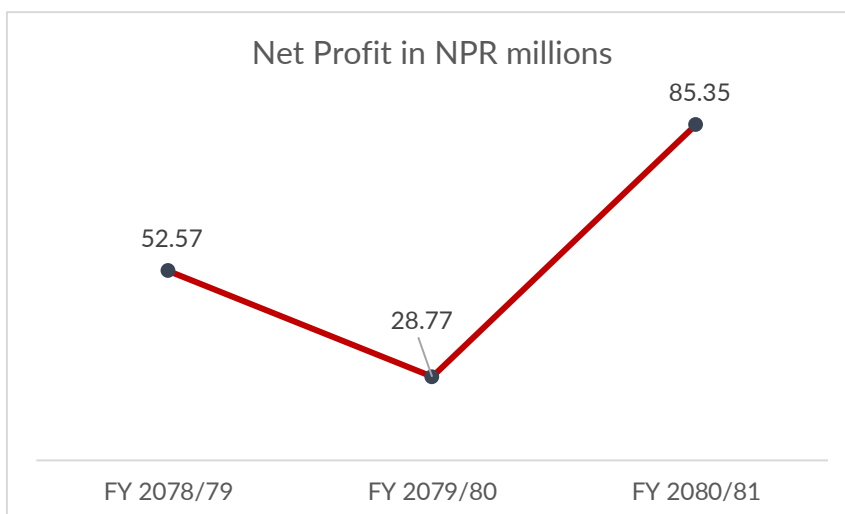


Figure: Net Profit Over the years in NPR millions

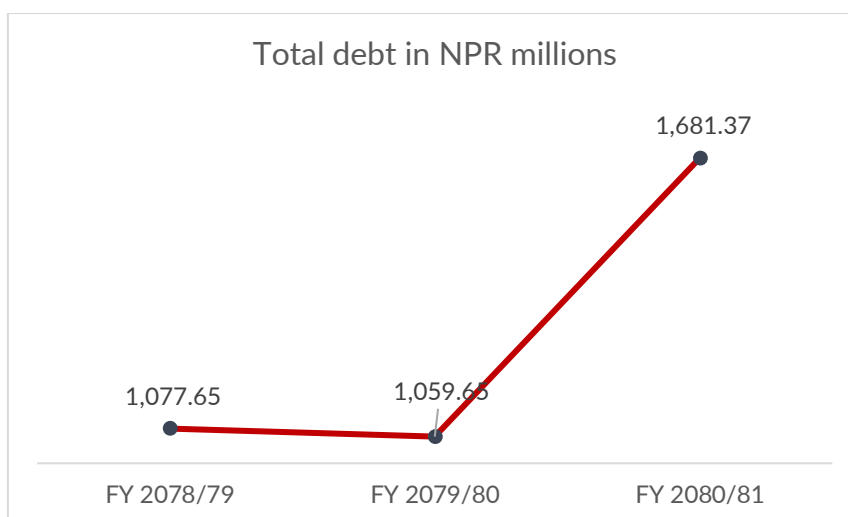
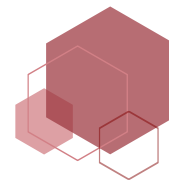


Figure: Total Debt in NPR millions

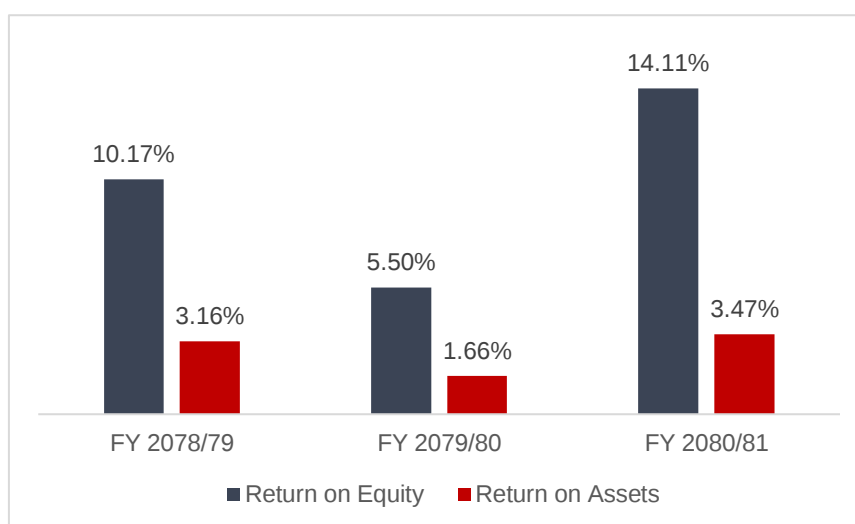


Figure: ROE and ROA

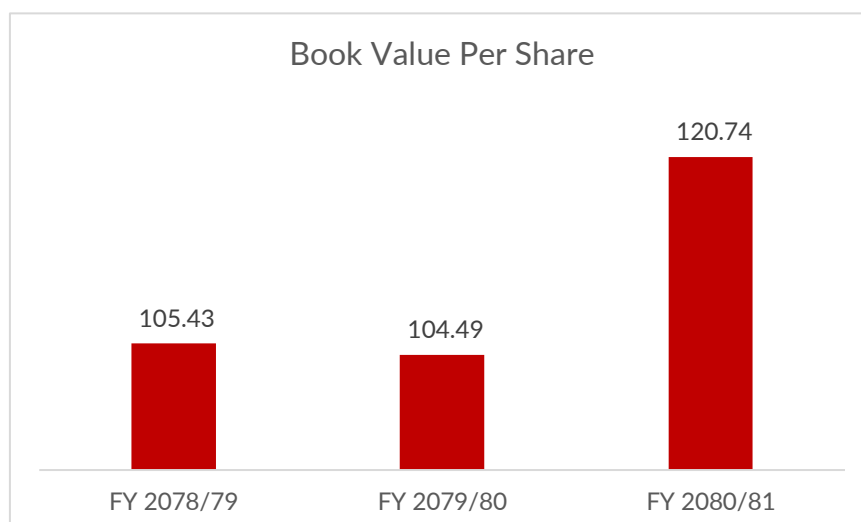


Figure: Book Value Per Share in NPR

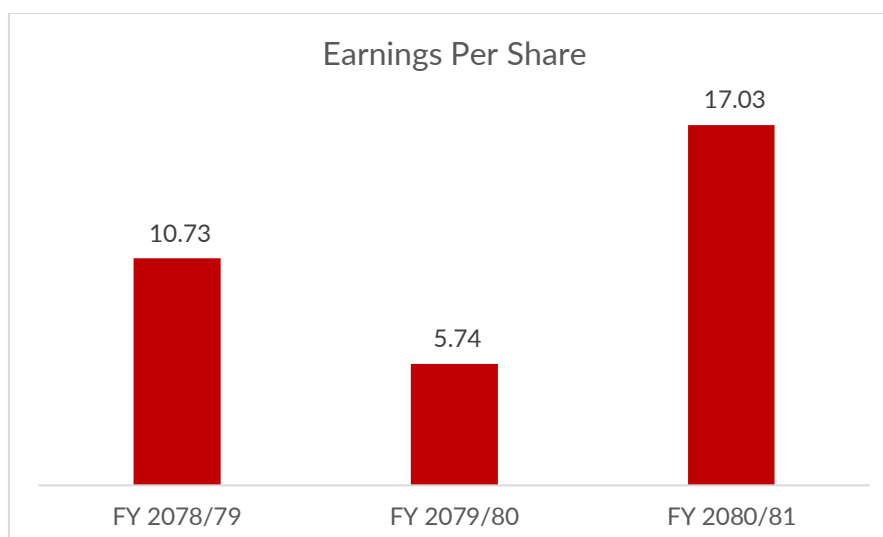
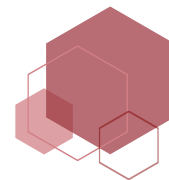


Figure: Earnings Per Share in NPR

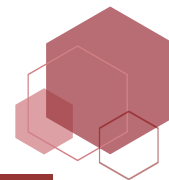
Use of IPO Funds

The funds collected from this IPO will be used by the company for the following purposes:

S.N.	Particulars	Amount (NPR)
1.	Equity investment for construction of 5.2 MW capacity of Jogmai Cascade Hydropower Project (The amount of equity mentioned for the project will be utilized to repay the IPO gap funding loan facility previously obtained by the project from the bank)	145,942,000.00
2.	Loan repayment to banks and financial institutions for 7.6 MW Jogmai Khola Small Hydropower Project	150,000,000.00
3.	For various operational activities of the company, including program participation, repair, maintenance, and asset purchase	83,058,000.00
Total		379,000,000.00

Key Variables used for Valuation:

Specifics	Value	Remarks
Adjusted Beta (β)	1.37	The levered beta for Sanvi Energy is derived by re-levering the adjusted beta of MAKAR, a listed hydropower company that operates projects in the 13.40 MW range—comparable in scale to Sanvi's operations
Market Return (R_m)	11.04%	CAGR of closing prices of NEPSE from FY 2001/02 to FY 2023/24.



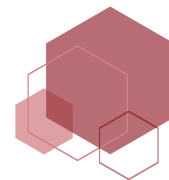
Specifics	Value	Remarks
Risk Free Rate (Rf)	5.15%	The latest Development Bond Rate (5.48%) adjusted for a tax rate of 6.00%
Cost of Equity (Ke)	13.24%	As per the CAPM Model
Cost of Debt (Kd)	10.65% / 9.58% / 8.52%	As per the average monthly lending rates of commercial banks since February 2014 (adjusted as per the tax rate of the company)
Tax Rate	0.00% / 10.00% / 20.00%	As per tax rates for energy sector companies (Year 1 – 10, Year 11 – 15, and Year 16 onwards)
WACC	11.26% / 10.45% / 9.63%	Discount rate for the valuation (based on 72.83% debt and 27.17% equity in capital structure) as per change in tax rate (Year 1 – 10, Year 11 – 15, and Year 16 onwards)

Other Assumptions:

- We have assumed a Plant Load Factor (PLF) of 64.40% for Jogmai Khola Sana Jalvidut Aayojana (7.60 MW) and 65.26% for Jogmai Cascade Project (5.20 MW), which is as per the contracted PLF with Nepal Electricity Authority (NEA).
- The license validity of Jogmai Khola Sana Jalvidut Aayojana (7.6 MW) is upto 28 Chaitra, 2104 BS, while the validity of the cascade project (5.2 MW) is 30 Poush, 2112 BS.
- The 7.6 MW project has completed all its escalations and the current wet season rate is NPR 5.52 per unit and the dry season rate is NPR 9.66 per unit.
- The 5.2 MW cascade project has not been completed yet with 93% progress, we assume it to come into operation by Shrawan 2082. The plant has an escalation of 8 times.
- The dry mix of the 7.6 MW and 5.2 MW is 16.19% and 14.78% respectively.
- The royalty expenses are projected based on the following table:

Particulars	Value
Royalty on Capacity up to 15 Years per KW in NPR	100.00
Royalty on Capacity after 15 Years per KW in NPR	1,000.00
Royalty on Revenue up to 15 Years (as a % of revenue)	2.00%
Royalty on Revenue after 15 Years (as a % of revenue)	10.00%

- Other expenses are projected based on the average of historical data.



- As the valuation is done from a perspective of post IPO money, we have deducted a debt of NPR 295.54 million from the total debt as of FY 2081/82 Q2 of NPR 2.01 billion and added NPR 83.05 million in the cash balance of NPR 163.70 million as of FY 2081/82 Q2.
- We have also assumed a post IPO number of shares of 8,800,000 units.

D. Stock Valuation

We have valued Sanvi Energy Limited using the Discounted Cash Flow (DCF) method. This valuation method estimates a company's value by projecting future cash flows and discounting them back to the present. It's commonly used because it considers time value of money, providing a comprehensive, long-term financial assessment.

Internationally, DCF valuation is widely used for its adaptability and detailed view of future cash flows. However, it's subjective, relying on assumptions about growth and risk, which can vary widely across analysts and markets.

The final valuation of Sanvi Energy Limited based on the DCF Approach has been computed, tabulated below.

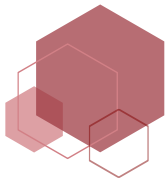
Valuation Metric	Valuation Price (NPR)
Discounted Cash Flow	154.36

E. Conclusion

Sanvi Energy Limited emerges as a promising player in Nepal's hydropower sector with one fully operational project (7.6 MW Jogmai Khola SHEP) and another nearing completion (5.2 MW Jogmai Cascade Project). The company benefits from long-term PPAs with NEA, high plant load factors, and government-backed incentives, including tax holidays. However, it is burdened by a high debt load, weakening debt servicing metrics, and exposure to hydrology and construction risks. Revenue dipped marginally in FY24 due to poor hydrological conditions, and financial indicators reflect pressure from rising leverage. Nonetheless, the near-term commissioning of the cascade project is expected to significantly improve earnings capacity.

F. Recommendation:

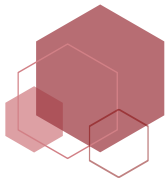
From an investment standpoint, Sanvi Energy Limited presents a favorable opportunity for both short-term and long-term investors, albeit with varying risk considerations.



In the short term, the IPO is expected to be oversubscribed, supported by strong investor sentiment and typical market dynamics in Nepal where newly listed hydropower stocks often trade above their issue price. Given the pricing at par (NPR 100) and a robust retail interest, short-term investors may benefit from listing gains, especially during the initial days of trading.

In the long term, Sanvi Energy holds strong fundamentals. With one revenue-generating project and another 93% complete, the company is well-positioned to enhance its earnings base. The Discounted Cash Flow (DCF) valuation indicates an intrinsic value of NPR 154.36 per share, reflecting substantial upside from the IPO price. Backed by 30-year PPAs, tax incentives, and a high plant load factor, SANVI has consistent cash flow potential. However, its high leverage and exposure to hydrology and construction risks must be monitored.





ISSUE OF THE MONTH

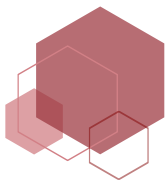
Momentum Effect in Stock Market

A. Introduction

The momentum effect in the stock market refers to the phenomenon where stocks that have performed well in the recent past continue to outperform, while stocks that have performed poorly continue to underperform in the near future. It is based on the assumption that there is persistence in stock price movements over a certain time period.

The presence of the momentum effect in the stock market can be attributed to a combination of behavioral biases, market inefficiencies, and information diffusion processes. Here are some rationales that help explain the existence of the momentum effect:

- **Investor Herding and Behavioral Biases:** Investors are prone to behavioral biases such as herd behavior, anchoring, and confirmation bias. These biases can cause market participants to follow the crowd and chase stocks that have shown positive momentum, leading to further price increases. Additionally, investors may anchor their expectations to past prices, which can contribute to the persistence of momentum.
- **Delayed Information Processing:** It takes time for market participants to process and react to new information. As a result, stock prices may not fully reflect all available information immediately. This delayed information processing can create momentum as the market gradually incorporates new information into stock prices, leading to trends that persist over time.
- **Underreaction and Overreaction:** Research has shown that investors tend to underreact to new information initially and then overreact later. This can create momentum in stock prices as the market gradually adjusts to new information. Investors may initially underestimate the impact of positive news or earnings surprises, leading to a gradual increase in stock prices as the information is more widely recognized.
- **Investor Risk Aversion:** Investors often exhibit risk aversion and prefer to invest in assets that have shown recent positive performance. This preference for winners can create momentum as investors allocate their capital to stocks with positive momentum, driving prices higher.



- **Limits to Arbitrage:** The presence of transaction costs, short-sale restrictions, and other market frictions can limit the ability of arbitrageurs to exploit mispricing in the market. These limitations prevent arbitrageurs from quickly correcting mispricing caused by momentum, allowing the momentum effect to persist.

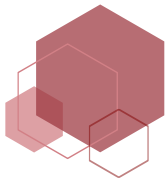
B. Momentum Effect and Efficient Market Hypothesis

The momentum effect contradicts the efficient market hypothesis, which suggests that stock prices fully reflect all available information and follow a random walk pattern. According to the efficient market hypothesis, it should not be possible to consistently profit from momentum strategies.

However, empirical studies have shown that the momentum effect exists and can persist over medium to long-term horizons, typically spanning several months to a year. Investors and traders have observed that stocks that have exhibited positive price momentum in the recent past tend to continue their upward trend, while stocks with negative momentum continue to decline.

Momentum strategies can be implemented in various ways, such as buying stocks that have shown positive price momentum and selling stocks with negative momentum. However, it is important to note that momentum investing carries risks, and past performance is not always indicative of future results. It is essential for investors to conduct thorough research and analysis before making investment decisions. When utilizing the momentum effect in the stock market, there are several strategies that investors and traders can employ. Here are some common approaches:

- **Trend Following:** This strategy involves identifying stocks or other financial instruments that are in a clear uptrend and investing in them. Traders using this strategy may use technical analysis tools like moving averages, trendlines, or price patterns to identify stocks with positive momentum. They aim to ride the trend until there are signs of a reversal.
- **Relative Strength Investing:** With this strategy, investors compare the performance of different stocks or sectors and allocate their investments to those with the strongest relative strength. This involves identifying stocks that have outperformed their peers over a specific time period. The idea is to capitalize on the continued outperformance of these stocks.
- **Momentum Rotation:** This strategy involves rotating investments among different assets or sectors based on their recent performance. Investors periodically review the performance of various assets or sectors and allocate their investments to those that have exhibited the strongest momentum. The rotation can occur on a monthly, quarterly, or yearly basis.

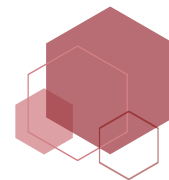


- **Breakout Trading:** This strategy involves identifying stocks that have recently broken out of a well-defined trading range or chart pattern. Traders look for stocks that have experienced a significant price move with high trading volume, indicating a potential momentum breakout. They aim to enter positions as the stock price breaks out and continues its upward movement.
- **Systematic Momentum Investing:** This strategy involves building a systematic approach to capture momentum across a broad set of stocks or assets. It typically involves using quantitative models and algorithms to identify stocks with positive momentum based on predefined criteria. Systematic momentum strategies can be implemented through rules-based investment strategies or quantitative funds.
- **Risk Management:** Regardless of the specific momentum strategy employed, risk management is crucial. Setting clear entry and exit points, using stop-loss orders, and managing position sizes are essential to mitigate potential losses. Additionally, diversification across different stocks or asset classes can help spread risk and reduce the impact of any individual stock's performance.

C. Risks associated with Momentum Effect.

While applying the momentum effect in investing can potentially lead to profits, it also carries certain risks. Here are some risks associated with momentum investing:

- **Reversals and Price Volatility:** Momentum strategies rely on the continuation of price trends. However, stock prices can reverse abruptly, and trends can quickly change direction. Sudden market shifts or unexpected news can cause significant price volatility and result in losses for momentum investors.
 - **Overvaluation and Market Bubbles:** Momentum strategies may lead to overvaluation of certain stocks or sectors. As more investors chase stocks with positive momentum, prices can become disconnected from their underlying fundamentals. This can create market bubbles, which are vulnerable to sharp corrections when the momentum subsides.
 - **Limited Diversification:** Momentum strategies often concentrate investments in a subset of stocks or sectors that have exhibited strong momentum. This concentration can increase the risk of portfolio losses if the momentum reverses or specific sectors underperform.
 - **Transaction Costs:** Frequent buying and selling of stocks in a momentum strategy can generate higher transaction costs, including brokerage fees, spreads, and taxes. These costs can erode the overall returns of the strategy, especially when trading in smaller or less liquid stocks.
- Behavioral Biases and Timing



- **Risks:** Applying momentum strategies requires disciplined adherence to predetermined rules and overcoming behavioral biases such as chasing past performance. Timing the entry and exit points for stocks based on momentum can be challenging, as momentum can fade quickly or persist longer than expected.
- **Data Mining and False Signals:** The process of identifying and selecting stocks based on historical momentum can be susceptible to data mining biases. Historical performance may not reliably predict future performance, and false signals can lead to poor investment decisions. Underperformance in
- **Sideways or Trendless Markets:** Momentum strategies rely on the presence of trends in the market. In sideways or trendless markets, where prices fluctuate within a narrow range, momentum strategies may underperform as there is insufficient sustained momentum for profitable trades.

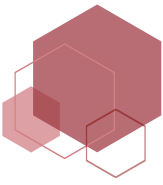
It's important for investors to carefully assess these risks, conduct thorough research, and consider risk management techniques when implementing momentum strategies. Diversification, setting clear exit criteria, and having a well-defined investment plan can help mitigate some of these risks.

D. How Investors can correctly utilize momentum effect?

To utilize momentum effect effectively in the stock market, investors should follow a disciplined approach. Firstly, they should identify and measure momentum by analyzing past price performance and using indicators to quantify momentum. It is crucial to confirm the fundamental strength of the stocks or sectors exhibiting momentum, considering factors such as positive earnings growth, strong financials, and favorable industry trends. This combination of momentum and fundamental analysis helps identify stocks with sustainable momentum.

Implementing risk management is essential to mitigate potential losses. Investors should establish clear entry and exit criteria, set stop-loss levels to limit downside risk, and diversify their portfolio across multiple stocks or sectors. Continuously monitoring momentum is key, staying updated with relevant news, market trends, and changes in company fundamentals. Being prepared to adjust positions or exit trades if momentum weakens or market conditions change is crucial for successful momentum investing.

Combining momentum with other complementary strategies, such as value investing or trend following, provides diversification and adaptability to different market conditions. Maintaining discipline and overcoming behavioral biases, such as chasing past performance, is essential. Adhering to predetermined rules and a well-defined investment plan helps in executing momentum-based strategies effectively. Lastly, investors should continuously learn, adapt, and stay informed about research and

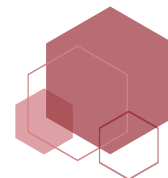


market developments to refine and improve their momentum strategies over time. Thorough research, risk management, and a disciplined approach are vital for utilizing the momentum effect while being mindful of the associated risks.

The Wyckoff Method is a technical analysis approach to trading that focuses on the relationship between supply and demand in the market. The method aims to identify trends and market cycles by analyzing price and volume movements. The method consists of analyzing chart patterns, volume, and market cycles to identify potential trading opportunities and manage risk.

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HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR

	CORBL	516.56%
	NRN	429.77%
	CHDC	419.28%
	SAPDBL	394.46%
	NABBC	377.98%

PAST 3 YEARS

	BNL	103.10%
	CORBL	95.83%
	GRDBL	79.10%
	SAPDBL	70.65%
	NRN	68.19%

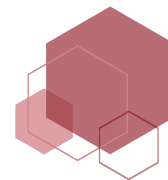
PAST 5 YEARS

	CORBL	84.98%
	GRDBL	68.60%
	SAPDBL	60.71%
	BNL	59.03%
	NHDL	57.78%

PAST 10 YEARS

	STC	61.76%
	CORBL	35.55%
	HDL	33.65%
	SINDU	25.54%
	NABBC	24.42%

*Returns are dividend-adjusted on a year-over-year (YoY) basis. Past performance should not be interpreted as indicative of future results. * CAGR means annual growth rate of an investment over specified time period.



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
TTL	IPO	32,96,505 (O)	2025/05/28 AD 2082/02/14 BS	2025/06/02 AD 2082/02/19 BS	Laxmi Sunrise Capital
BIKASH	IPO	9.09.101 (O)	2025/05/20 AD 2082/02/09 BS	2025/06/03 AD 2082/02/20 BS	Prabhu Capital
BIKASH	IPO	3,54,550 (O)	2025/05/20 AD 2082/02/06 BS	2025/06/03 AD 2082/02/20 BS	Prabhu Capital
SNLI	RIGHT	1,06,96,320 (O)	2025/05/13 AD 2082/01/30 BS	2025/06/01 AD 2082/02/19 BS	Nepal SBI Merchant Banking
NFSPO	AUCTION	10,90,371 (P)	2025/05/25 AD 2082/02/11 BS	2025/06/15 AD 2082/03/01 BS	Prabhu Capital
DORDI	AUCTION	19,46,676 (O)	2025/05/25 AD 2082/02/11 BS	2025/06/02 AD 2082/02/19 BS	Sanima Capital

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Himalayan Capital Limited
IT Plaza, Kamaladi, Kathmandu,
Contact: 01-5970675
www.himalayancapital.com
info@himalayancapital.com