

# The Pulse

Market Growth, Risks and Outlook

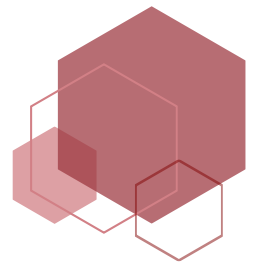
Mangshir 2077



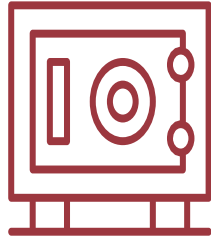
**Himalayan Capital**

A Wholly Owned Subsidiary of Himalayan Bank Limited

# Macroeconomic Overview



**Inflation**  
3.79% ↓



**Deposit Growth (YOY)**  
20.9% ↑



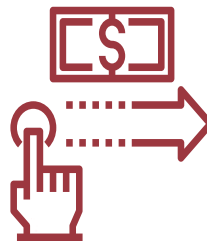
**Credit Growth (YOY)**  
14.3% ↑



**Import Growth (YOY)**  
-12.7% ↓



**Export Growth (YOY)**  
14.3% ↑



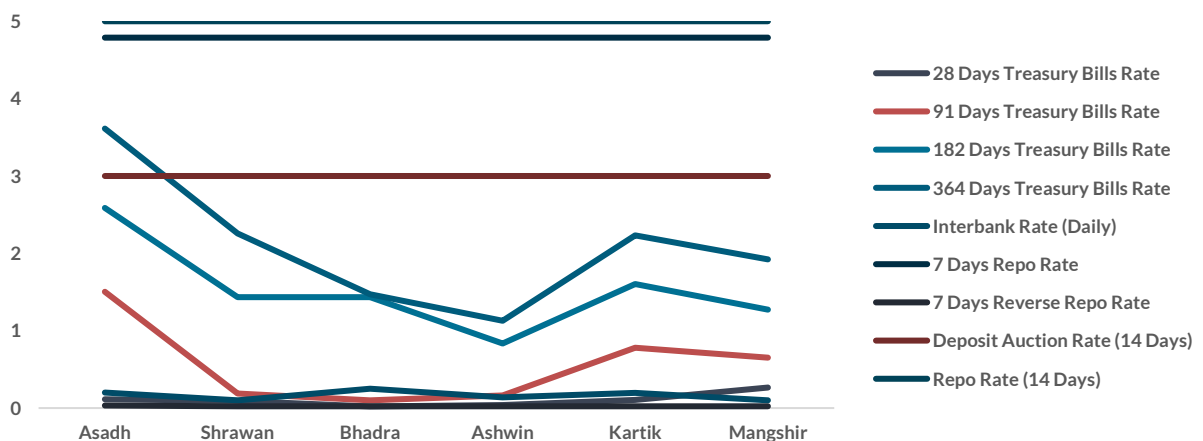
**Remittance Growth (YOY)**  
12.6% ↑

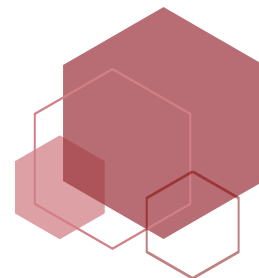


**FOREX Reserve Growth (YOY)**  
35.17% ↑

\*YOY here refers to change between the first three months of this FY vs first three months of Last FY.

# Short Term Rates





# NEPSE OUTLOOK

## Current Overview



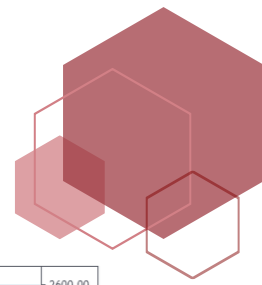
The benchmark index closed at 2,067.17 points at the end of the review period (i.e. 14<sup>th</sup> December 2020), which is heading towards the (purple colored) trend line with major support at 1,900 level and strong resistance for break out at 2,070 level.

The 20 days Moving Average (MA) is well above the 50 days MA while the Relative Strength Index (RSI) which measures the magnitude of recent price changes to evaluate whether a scrip is overbought or oversold is currently at 71 in the overbought zone indicating dominance of buying pressure in the market.

Similarly, looking at the Moving Average Convergence Divergence (MACD) line, we can see that the MACD line is still in the positive zone, it has also crossed over the trigger line from above, as slight correction was witnessed in the ongoing upward trend.

The Directional Movement Index (DMI) which identifies the direction in which the price of an asset is moving shows that +DMI is above -DMI and the gap between them has again started to increase with an Average Directional Index (ADX) of 58 indicating good strength in the ongoing upward trend.

The immediate support levels of NEPSE index stands at: (S<sub>1</sub>) 2,000 and (S<sub>2</sub>) 1,900, whereas the resistance levels hold at: (R<sub>1</sub>) 2,150 and (R<sub>2</sub>) 2,200.



## Long Term Outlook

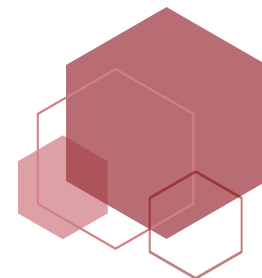


As we can see in the chart above, the 38.2% retracement level of last Bull Run was at 1,280 and 50% retracement level was at 1,092. Therefore, 1,100 level of NEPSE became a strong psychological support level for NEPSE, testing almost three times in last three years, which is highlighted by the trend line in the above chart.

On the other hand, after making a low of 1,102.47 points on 25<sup>th</sup> November 2019, NEPSE seems to have ended its bearish run and entered into a bull run, which can be confirmed with a golden crossover observed in NEPSE (i.e. crossover between 50 days MA and 200 days MA from below) as well as a clear breakout from the trend line.

As shown in the chart above, the NEPSE index has already achieved the Trend-Based Fibonacci Extension of 1.61 (2,066.20 points) within very short span of time.

Thus, the long-term outlook of the market remains bullish, however the natural correction might be witnessed throughout the journey.



## Market Movement

Sectoral Change (12 Nov-14 Dec 2020)		
Sector	% Change	
Man & Processing	45.28%	↑
Others	35.72%	↑
Life Insurance	33.36%	↑
Hydro Power	19.29%	↑
Microfinance	18.59%	↑
Trading	16.12%	↑
Banking	13.82%	↑
Non-Life Insurance	13.68%	↑
Hotels	6.55%	↑
Development Bank	6.28%	↑
Finance Company	2.79%	↑
Mutual Fund	-0.43%	↓

The best performing sector for the last month was Manufacturing and Production followed by Others sector followed by Life Insurance all of which gained more than 30% in the given period. The gain of NEPSE in the last month was primarily driven by these three sectors.

In the Financial Sector Microfinance Institutions grew the most followed by Commercial Banks, Development Banks, and Finance Companies.

Mutual Fund Sector was the only sector that experienced a decline in the period.

The major gainers for the month all gained over 50% and come from various sectors with manufacturing being represented by HDL and SHIVM, NRIC representing Others, NIL representing Non-Life Insurance and UPPER representing Hydropower Sector. NIL and HDL grew on the back of better financial performance while UPPER grew on the back of news of completion of its Hydropower Project.

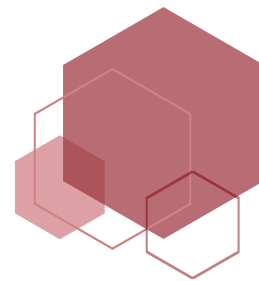
Most of the Major Losses for the month came from the Hydropower Sector which grew on the back of performance of UPPER, RHPL and SJCL in particular. Nepal Finance represented the finance sector as it had grown substantially on the back of Rights Issue and experienced a decline.

### Major Gains

S.N.	Scrip	Change%
1	HDL	81.74%
2	NRIC	67.96%
3	SHIVM	64.90%
4	NIL	53.41%
5	UPPER	51.52%

### Major Losses

S.N.	Scrip	Change%
1	NFS	-15.13%
2	GHL	-11.59%
3	RHPC	-11.33%
4	HDHPC	-10.53%
5	UMHL	-9.77%



## SCRIP ANALYSIS

### Nepali Life Insurance Company Limited (NLIC)

#### A. Technical Analysis



The stock price of NLIC closed at Rs. 2,238 on 14<sup>th</sup> December 2020 after taking good support at Rs. 1,760.

Its RSI is at 76 in the overbought zone indicating huge attraction of the investors towards this stock.

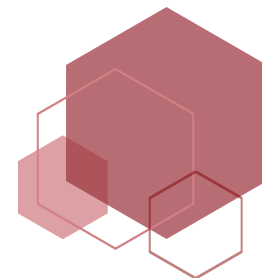
20 days MA is above the 50 days MA indicating upward trend. The MACD line is also in the positive zone and above the trigger line giving an upward indication.

+DMI is above the -DMI and the widening gap between them indicates huge buying pressure of the investors. Also, the ADX of 52 indicates good strength in the upward trend.

The immediate support levels of the stock are: (S1) Rs. 1,950 and (S2) Rs. 1,760, whereas its resistance levels are: (R1) Rs. 2,300 and (R2) Rs. 2,500.

#### B. Stock Valuation

The final average valuation of NLIC based on Absolute Approach (viz. Earnings Valuation and Discounted Cash Flow) as well as Relative Approach (viz. P/E Model, Market Price Model, P/B Model and Price-to-Life Insurance Fund Model) has been computed as **NPR 1,415.46**, which has been tabulated below:



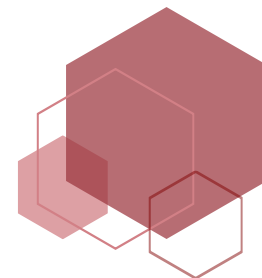
Method	Valuation Price
Earnings Valuation	717.39
Discounted Cash Flow	931.84
PE Method	1,738.74
*Market Price Model	1,490.40
PB Method	1,464.66
Price to Fund Valuation	2,149.71
<b>Average Valuation</b>	<b>1,415.46</b>

### C. Recommendation

The stock is trading at Rs. 2,238, which is overvalued based on the intrinsic value of the stock. The stock is hovering at the Trend-Based Fibonacci Extension of 1.61 (Rs. 2,208.50), which is crucial level for further extensive wave or, for a corrective wave.

With life insurance fund of NPR 94.82 billion and number of policy holders above 1.32 million, NLIC is a market leader in life insurance business. With net-to-gross premium ratio of 99.18%, claim ratio of 43.43% & Management Expense/ Net Premium of just 2%, NLIC is one of the most effectively managed institution in Nepal. And since the company is yet to announce dividend of last two fiscal years, NLIC is one of the most preferred stock by the investors, which can be reflected through its trading volume in the secondary market.

The stock is worth holding for long-term investors, whereas in the short-term perspective, minor correction can be expected which might drag its stock price at around Rs. 1,950 to Rs. 2,000.



## KEY DATES

Scrip	Type	Quantity	From	To	Issue Manager	Status
PLIL	IPO	6,000,000(O)	2020/12/14 AD 2077/08/29 BS	2020/12/17 AD 2077/09/02 BS	Siddhartha Capital	Open
FMDBL	Auction	150,000 (O)	2020/12/13 AD 2077/08/28 BS	2021/01/03 AD 2077/09/19 BS	Muktinath Capital	Open
PIC	Auction	50,000 (O)	2020/12/10 AD 2077/08/25 BS	2020/12/17 AD 2077/09/02 BS	Nabil Investment	Open
NMFBS	Auction	104,000 (P)	2020/12/02 AD 2077/08/17 BS	2020/12/16 AD 2077/09/01 BS	NIBL ACE Capital	Open

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