

The Pulse

Market Growth, Risks and Outlook

Ashad 2079

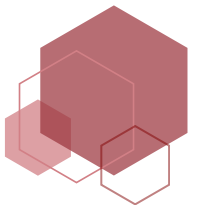
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Himalayan Capital

A Wholly Owned Subsidiary of Himalayan Bank Limited



Macroeconomic Overview



Inflation

7.87% ▲



Deposit Growth

11.47% ▲



Credit Growth

16.57% ▲



Import Growth

28.00% ▲



Export Growth

59.80% ▲



Remittance Growth

0.19% ▲



FX Reserve Growth

-17.54% ▼

*Growth refers to the change between the ninth month of this FY and the ninth month of Last FY.

*Credit refers to claim on private sector

Monthly Trading Statistics



Average
Turnover

NPR 1.28 B

-7.65% ▼



Average
Shares Traded

3.95 M

-7.99% ▼



Average
Transactions

27.04 K

-1.62% ▼

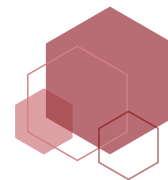


Average
Scripts Traded

228

1.01% ▲

* For the period (May-28) – (June-27)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Baisakh -78	Chaitra-78	Baisakh-79	Ashad-4	Ashad-11	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.13	7.43	7.67	8.18	8.18	5.54	0.24	0.00
Wt.Avg 91 Days TB rate (%)	2.26	7.99	8.77	9.90	9.90	6.52	0.78	0.00
Wt.Avg 364 Days TB rate (%)	4.05	7.81	8.24	10.37	10.37	4.19	0.43	0.00
Wt. Avg Interbank Rate (%)	2.55	6.99	6.99	7.00	7.00	4.44	0.00	0.00
CapEx (In Billion NPR)	125.88	103.79	118.27	140.16	145.28	-7.61	14.48	5.11

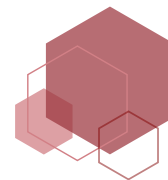
B. BFI Statistics

Description	Value As On					Change		
	Baisakh -78	Chaitra-78	Baisakh-79	Ashad-4	Ashad-11	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	4.81	7.11	7.25	7.25	7.25	2.44	0.14	0.00
Wt. Avg Lending Rate (%)	8.53	10.78	11.42	11.42	11.42	2.89	0.64	0.00
Base Rate (%)	6.90	9.17	9.30	9.30	9.30	2.40	0.13	0.00
CD Ratio (%)	89.45	90.06	90.30	89.98	89.98	0.85	0.24	0.00
Fixed Deposits/Total Deposits (%)	49.12	54.48	47.36	47.36	47.36	-1.76	-7.12	0.00
Total Liquid Assets/Total Deposits (%)	23.92	24.43	24.82	24.82	24.82	0.90	0.39	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 17	200.00	0.00	10	57	4.88	200.00	7.75	8.80	8.18
91 Days	Jestha 31	500.00	0.00	13	41	1.65	500.00	9.30	10.75	10.49
182 Days	Jestha 31	400.00	0.00	17	65	2.66	400.00	9.95	10.67	10.50
364 Days	Jestha 31	1100.00	0.00	27	124	2.00	1100.00	9.60	10.74	10.53

*Figures are in Millions NPR

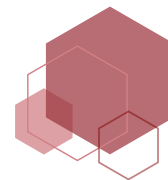


Sectoral Movement

Index	Ashad-4	Ashad-11	Change
NEPSE	2,223.78	1,956.98	-12.00%
Microfinance	4,549.74	4,244.58	-6.71%
Mutual Fund	15.34	14.22	-7.30%
Hotels & Tourism	2,831.03	2,606.92	-7.92%
Manufacturing & Processing	5,377.89	4,854.33	-9.74%
Finance Company	1,609.98	1,432.84	-11.00%
Investment	71.87	63.77	-11.27%
Others	1,646.35	1,454.18	-11.67%
Development Bank	3,813.12	3,353.64	-12.05%
Commercial Bank	1,548.87	1,352.98	-12.65%
Trading	1,927.86	1,675.67	-13.08%
Life Insurance	10,779.57	9,338.75	-13.37%
HydroPower	2,552.46	2,195.63	-13.98%
Non Life Insurance	9,482.46	7,925.74	-16.42%

Major Movers

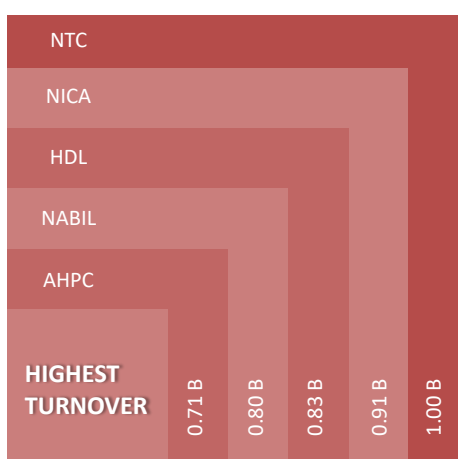
SLBSL	6.49%	CORBL	-35.14%
GVL	2.79%	SIIL	-29.40%
ADBLD83	1.97%	NLG	-25.62%
SMFBS	1.14%	NRIC	-24.05%
GUFL	0.70%	MBJC	-23.56%



Sectoral Divergence-Turnover

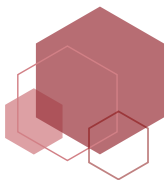
Index	90 days Avg	Monthly Avg	Divergence
NEPSE	1.39 B	1.28 B	-7.65%
Preferred Stock	0.0 M	0.0 M	27.31%
Corporate Debenture	1.53 M	1.56 M	1.57%
Commercial Banks	328.35 M	333.43 M	1.55%
Mutual Fund	6.74 M	5.67 M	-15.84%
Tradings	7.16 M	5.26 M	-26.59%
Microfinance	187.38 M	133.25 M	-28.89%
Development Banks	143.54 M	102.01 M	-28.93%
Others	103.32 M	71.64 M	-30.66%
Manufacturing And Processing	114.35 M	75.63 M	-33.86%
Life Insurance	190.25 M	114.11 M	-40.02%
Hydro Power	605.30 M	355.10 M	-41.33%
Hotels	17.29 M	9.86 M	-42.99%
Finance	106.60 M	57.53 M	-46.03%
Investment	133.52 M	65.64 M	-50.84%
Non Life Insurance	139.44 M	58.74 M	-57.87%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview

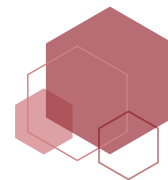


On June 27, 2022, the NEPSE index reached 1,933.13 points, with a total turnover of Rs. 2.044 billion. This week's purchasing pressure was stronger than in previous weeks, but the index was unable to break through the current resistance level. The index grew by 48.32 points (2.56 percent) over previous week's closing price and average turnover, with a high weekly average turnover of Rs. 1.498 billion, which increased by 20% over last week's weekly average turnover.

Based on Fibonacci Retracement, the index is finding excellent support around 1,809.02, which is the 1.618 Fibonacci Extension Level for the retracement. The index did not break through the support level, but it did rise by 5.10 percent on June 26th, 2022, owing to increasing daily turnover which indicated increased investor participation in the market.

The Exponential Moving Average (EMA) indicator is continuing displaying a downward trend, with the 50-day EMA crossing over the 20-day EMA line, indicating a bearish trend.

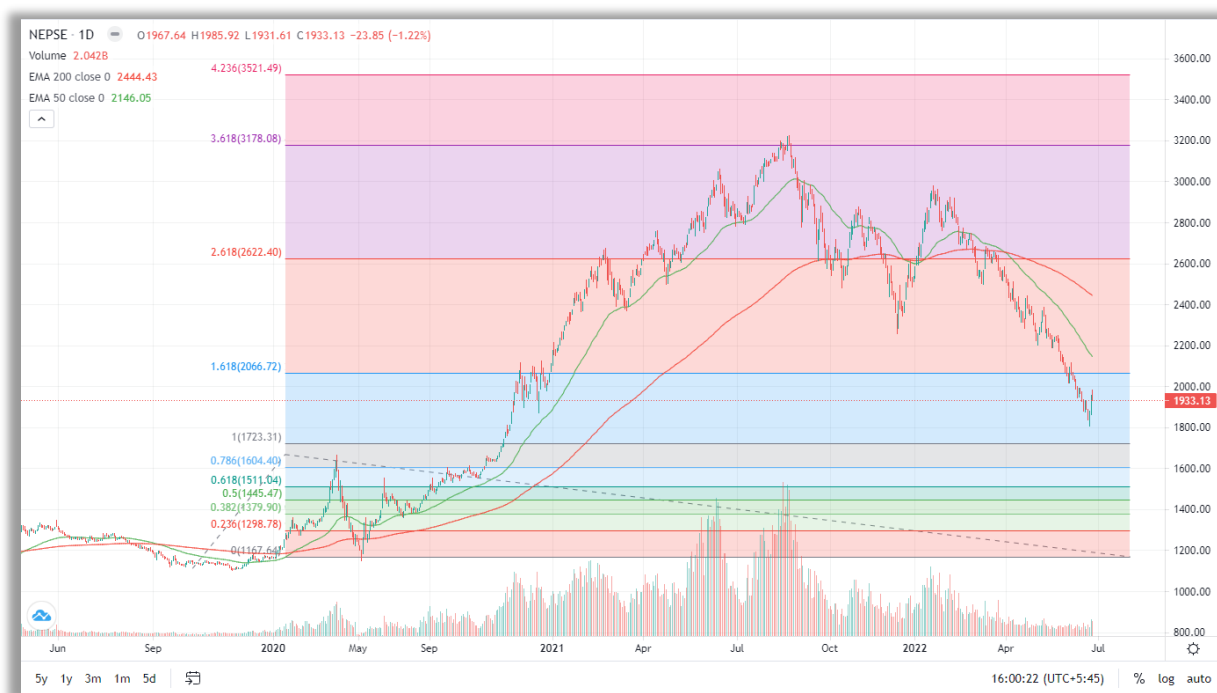
The MACD line is in negative territory, suggesting that the market is losing momentum. Similarly, with bullish MACD crossing, the negative MACD histogram may be seen.



The Relative Strength Index (RSI) is at 38.84, indicating that sellers outnumber buyers in the market.

Both the Positive and Negative Directional Moving Index (DMI) were moving in the opposite direction, resulting in wider gaps and suggesting bearish momentum. However, with the latest price hike, the margin has narrowed. Similarly, the Average Directional Index (ADX) is at 48.52, suggesting that the market's current trend is bullish.

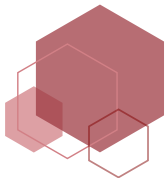
B. Long-Term Outlook



Over the last five months, the NEPSE index has been trending lower with occasional little upticks (in between). The NEPSE index is now at 1,933.13 points, with firm support above 1723.31. Because the situation of liquidity scarcity persists, there is no strong purchasing demand in the market. As a result, the index is trending lower with brief upward pulls.

NEPSE index's intermediate peak was formed at 2,981 points on January 18, 2022, following which it began a downward move owing to heavy selling pressure, breaching the Trend-Based Fibonacci Extension Level of 1.618 from the previous bullish move. (2,066.72 points). Now, the index is taking support above 1,723.31 points i.e. Trend-Based Fibonacci Extension of 1 of previous bullish. The market's current level also happens to fall around the 0.618 Retracement of the bullish move.

If we look at the 50-day and 200-day EMA crossovers, we can see that there was a death crossing in the first week of April. Since the day of the observation of the death cross over,



the market has dropped by 28%. As a result, despite all of the applicable indicators and economic considerations, the market remains weak to increase.

Though there may be some increased purchasing pressure because most companies are trading at their lowest trading levels, the market should still expect selling pressure because of limited lending (4/12 cap), unfavorable mood toward the market, and a drop in stock prices in the international market.

The intermediate support levels of NEPSE index stands at: (S1) 1,784, (S2) 1,615 and (S3) 1,445, whereas the resistance levels hold at: (R1) 2,044, (R2) 2,220 and (R3) 2,310.

SCRIP ANALYSIS

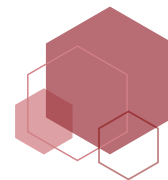
Nepal Doorsanchar Company Limited (NTC)

A. Technical Analysis



As of June 27th, 2022, the stock price of NTC is NPR 880, and it has been declining for the previous four months from its recent high of 1,479.72.

According to the Fibonacci Retracement Level, the stock is finding good support at 803, which is the 100 percent Fibonacci level. Following the breakdown of the 78.6 percent Fibonacci retracement zone, the stock has been noticed to be drifting sideways with increasing activity.



The Exponential Moving Average (EMA) indicator is showing a negative trend, since a death cross over was detected in the first week of April, and the stock has dropped by 23% since then.

The stock's Relative Strength Index (RSI) is 44.67, indicating that it is in neutral motion.

The MACD line is below negative area, suggesting weak market momentum, but it has crossed over the signal line from below, signaling bullish momentum, and the positive MACD histogram can be seen, showing the market has a favorable emotion toward the company. Overall, this indication shows that the stock is bullish.

Similarly, classic bullish divergence can be seen in both the RSI and the MACD indicators in relation to stock price movement.

The Average Directional Index (ADX) is at 29.63, suggesting that the stock's current trend is bullish.

This stock's immediate support levels are (S1) NPR 331, (S2) NPR 316, and (S3) NPR 280, while its resistance levels are (R1) NPR 393, (R2) NPR 420, and (R3) NPR 470.

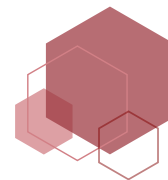
B. Stock Valuation

NTC was valued using an average of the Capitalized Earnings technique, Earning Discount, Discounted Cash Flow, Dividend Discount Model, and Relative Valuation approach. Based on its average previous performance growth, the company's financials are forecast over the next five years, till FY 2025/26. After calculating the final value from each model, the company's ultimate average value was ascertained at **NPR 665.55**.

Assumptions

I. Major Variables

- ✓ Revenue is projected based on the number of users and revenue generated from each user. Revenue per user is assumed to be declining for each year by 8%.
- ✓ Cost of goods sold is projected based on past average gross profit margin times forecasted year revenue.
- ✓ Administrative and personnel cost are projected based on past average proportion of income from service.
- ✓ Depreciation percentage of 11.77%.



II. Discounted Rate Using CAPM Model

- $K_e = R_f + (R_m - R_f) \cdot B$

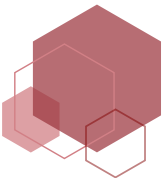
Specifics	Value	Remarks
Weekly Beta (B)	1.37	
Market Return (Rm)	13.63%	
Inflation Adjusted Nominal Risk-Free Rate (Rf)	2.95%	After tax government bond rate=10.45% citizens saving bond,2080
Cost of Equity (Ke)	17.58%	

C. Recommendation

The ultimate average value of the firm after four different valuation methodologies is NPR 674.91. The ultimate average value based on the Absolute Valuation Method and the Relative Valuation Method is NPR 374.33 and NPR 1,102.38, respectively. When compared to the company's last trading price, the stock price is overpriced by 32% of the final average value. The stock price is falling from its previous high of Rs. 1479, a drop of 41% so far. When compared to previous quarter financials, the company's performance in this quarter was good, as it was able to earn more revenue from its main operational operations.

Nepal Doorsanchar Company (NTC), a state-owned telecommunications service provider in Nepal with 91.29 percent government ownership, is the sole supplier of fixed-line, ISDN, and leased line services in Nepal, among other things. Based on previous success, the firm was able to raise its income as the number of users rose. Furthermore, looking at the firm's dividend history, the corporation has delivered at least 40% cash dividend with the exception of a 20% bonus and a 20% cash dividend in this fiscal year. Because the corporation has a large reserve, bonus shares may not be distributed in the next years. However, investors may anticipate a minimum cash dividend of 20% in the future.

One source of worry is rising competition in major revenue-generating areas such as internet service, as well as declining business in other categories such as CDMA and fixed-line service. The administration appears to be lacking in competitive spirit. Similarly, the fact that the company diluted its shareholding by distributing bonus shares when there was little to no need to increase share capital raises the question of



whether the company is acting in the best interests of general public shareholders or is being unduly influenced by a few board members for their own gain.

The company's stock price has dropped by 41% from its previous high point, which might be a good entry point for purchasers. The key indicators are neutral or negative from a technical standpoint, however the RSI and MACD line show a typical bullish divergence. As a result, if the company's current price falls into the valuation range, it may be a solid long-term investment for investors after taking into account the company's other qualitative aspects.





ISSUE OF THE MONTH

Building Long-Term Wealth Through Dollar-Cost Averaging

The ability to manage one's emotions when making rational decisions is a key trait of successful investors. This is easier said than done, which is why many long-term investors employ Dollar-Cost Averaging in controlling risk and removing emotions from the equation as they grow their investment portfolio.

A. What is Dollar-Cost Averaging?

It is a long-term investing strategy in which equal monetary amounts are invested on a regular and periodic basis in a specified investment or portfolio over specific time periods. As a result, when prices are low, more shares are acquired, and when prices are high, fewer shares are purchased. This method may reduce the total average cost per share of the investment, offering the investor a cheaper overall cost for the shares acquired over time.

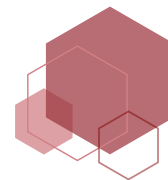
B. Dollar-Cost Averaging as a rational investment strategy.

Fear of joining the market at an inopportune moment might lead to inactivity or rash judgments. Dollar-cost averaging helps loosen volatility by buying more shares when prices fall and fewer shares when prices climb. This is the cost-averaging impact of the strategy. A long-term approach is also dollar-cost averaging. Barring unforeseen events, it allows you to progressively increase your ownership in a specific investment over time.

Dollar-Cost Averaging simplifies things from an emotional standpoint. You invest the same amount of money each month, regardless of market swings. You will be less emotionally impacted by market volatility and less likely to make reckless financial decisions if you have the discipline to adhere to it.

C. Benefits of Dollar-Cost Averaging

As an investor is buying more shares at lower prices and fewer shares at higher prices, therefore they are effectively averaging down the overall price of the shares. Dollar-Cost Averaging cannot guarantee a profit or prevent losses in declining and volatile



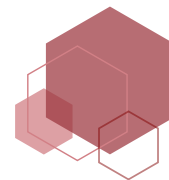
markets. This stock market investment approach, on the other hand, is designed to assist in reducing the risk involved with making a single major purchase. Investors should be wary of stock prices plummeting soon after making an investment. As a result, spreading the investment across time can assist to mitigate some of the risk that poor timing and potentially detrimental price swings can have on investment selections.

D. How to calculate Dollar-Cost Averaging?

Let's say that an investor named Mr. Ujjwal invests Rs 10,000 per month for 1 year into Suvechchha Cosmetics. Now the price of the company may change each month, but the amount Ujjwal invests never changes. Theoretically speaking, as long the company increases in price over that time period, Mr. Ujjwal will have successfully used Dollar-Cost averaging to see a positive return on his investment.

Dollar-Cost Averaging

Period	Market Price	Amount Invested	Shares Purchased	Shares Owned
January	250.00	10,000	40	40
February	238.10	10,000	42	82
March	217.39	10,000	46	128
April	212.77	10,000	47	175
May	208.33	10,000	48	223
June	200.00	10,000	50	273
July	188.68	10,000	53	326
August	238.10	10,000	42	368
September	250.00	10,000	40	408
October	263.16	10,000	38	446
November	294.12	10,000	34	480
December	294.12	10,000	34	514



Total Cost	Current Value	Total Gain if Sold
120,000	151,176	31,176 *

*Does not include brokerage fees

E. Build long-term wealth even if you're a new investor

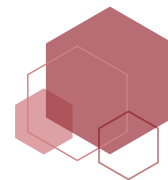
Most novice investors do not have big funds to invest and are unsure where to start. Typically, as their earning ability grows, they will have more money to put into their investing portfolio each month. As a result, dollar-cost averaging is the optimal technique for beginning investors aiming to create a long-term portfolio. It also allows for a hands-off approach, which is perfect for new investors.

F. Dollar-Cost Averaging vs. Market Timing

Dollar-cost averaging allows investors to continue putting money into the market regardless of market circumstances. Dollar-cost averaging requires investors to invest the same amount of money at regular periods (monthly, quarterly, etc.) in order to accumulate wealth over time. Rather than focusing on the intricacies of "timing the market" or forecasting price moves, dollar-cost averaging is about regularly putting money into the market regardless of gains or volatility.

Dollar-Cost Averaging	Market Timing
<ul style="list-style-type: none">✓ Investing fixed sums at recurring times✓ Can take emotion out of investing✓ The emphasis is on consistency rather than market success.	<ul style="list-style-type: none">✓ Investments may be postponed due to market circumstances.✓ This might result in regret or procrastination.✓ The emphasis is on adding money at the correct time, which can result in larger returns - or losses.

That said, while Dollar-Cost averaging is a simple strategy, there a few caveats to keep in mind before you jump in. You must have the discipline to stick to it



G. Alternative Strategies

There are several alternative strategies to Dollar-Cost averaging, each with their pros and cons. Although they can require a more hands on approach. So, remember to choose a strategy that balances the risk with your expectations.

I. Value Averaging

Value averaging is one such example. Value averaging, as opposed to Dollar-Cost averaging, suggests that if Mr. Ujjwal were to buy shares in a firm, he would buy less when the price was high and more when the price was low. While this approach can yield great returns, investors run the danger of not having enough money to continue with it when larger purchases are necessary in a down market. Dollar-cost averaging is a much easier technique because it is passive and does not need substantial contributions at specific times.

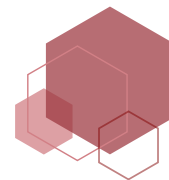
II. Lump Sum

Investors can also make a one-time lump sum investment. This is helpful if you have a substantial quantity of money ready to invest since, in theory, firm stocks improve in value over time, and money sitting on the side will not generate as high a return for the investor. If the investor does not have the significant cash upfront or is not comfortable with that method, Dollar-Cost averaging is the preferable option.

H. Potential Downsides of Dollar-Cost Averaging?

Dollar-cost averaging can be a useful strategy for risk management. However, individuals who choose this investment approach may forego potentially better profits.

Dollar-cost averaging involves keeping your money in cash for a longer length of time, which has lower risk but frequently delivers lower returns than lump sum investing, especially over longer time periods. If the market rises during the period in which you are dollar-cost averaging, you may miss out on possible gains that you could have had if you had invested everything at once. If you use dollar-cost averaging, you may incur additional brokerage costs, which can reduce your returns. You must also be diligent with the money that is resting on the sidelines in order to finally invest it and not erode it with purchases.



I. Why Might Someone Consider Dollar-Cost Averaging?

It would be fantastic if we could buy stocks or other sorts of assets when the market is low and sell when it is high. Unfortunately, attempts to "time the market" frequently backfire, and investors wind themselves buying and selling at inconvenient times.

When equities fall in value, many investors become afraid and sell. When the market recovers, they may miss out on possible gains. On the other hand, as the stock market rises, investors may be tempted to rush in. But they could end up buying just as stocks are about to drop.

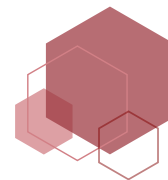
Dollar-cost averaging can assist in removing emotion from investment. It obligates you to continue investing the same (or about the same) amount regardless of market swings, possibly avoiding the temptation to timing the market. And, by diving in gradually rather than all at once, dollar-cost averaging can help you reduce your losses if the market falls.

J. Using Dollar-Cost Averaging Strategy.

Dollar-cost averaging is advantageous because it may lessen investor anxiety, assist in avoiding market timing, and give a predictable, structured strategy to consistently develop your nest egg. If you intend to dollar-cost average while investing, there are a few easy actions to take:

- ✓ Determine how much money you wish to put into the venture/stock. It may be a one-time windfall that you wish to invest, or it could be a predetermined sum that you want to contribute on a monthly basis permanently.
- ✓ Determine how frequently you wish to invest. With broker commissions being lower, it may be daily, weekly, monthly, or any other frequency you like.
- ✓ Choose how many time periods you wish to spread the investment over. Again, it may be a few times or the beginning of a regular pattern.
- ✓ Determine the total amount of money invested at each period. Divide the amount by the number of periods if it is a lump sum. Budget how much you can consistently afford if it is a long-term investing goal.
- ✓ Stick with the plan, no matter what markets do on a particular day or week.

There is no one right way to invest. But if you're an investor looking to increase your net worth but worried you might be tempted to time the market, or you're dedicated to adding a little bit each month regardless of recent stock returns, dollar-cost averaging can be an effective way to build your portfolio.



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
MHPL	IPO	588,037(O)	2022/06/15 AD 2079/03/01 BS	2022/06/09 AD 2079/03/15 BS	BOK Capital
RHPL	IPO	6,842,100(O)	2022/06/27 AD 2079/03/13 BS	2022/07/11 AD 2079/03/27 BS	Siddhartha Capital
PPL	IPO	632,600(O)	2022/06/22 AD 2079/03/08 BS	2022/07/06 AD 2079/03/22 BS	Prabhu Capital
SAYAPATRI	IPO	300,000(O)	2022/06/16 AD 2079/03/02 BS	2022/06/30 AD 2079/03/16 BS	NIBL Ace Capital
CCBLPO	Auction	1,812,089(P)	2022/06/22 AD 2079/03/08 BS	2022/06/29 AD 2079/03/16 BS	NIBL Ace Capital
NLICP	Auction	597,921(P)	2022/06/22 AD 2079/03/08 BS	2022/06/30 AD 2079/03/16 BS	Global IME Capital
CZBILP	Auction	266,999(P)	2022/06/16 AD 2079/03/02 BS	2022/06/30 AD 2079/03/16 BS	Sunrise Capital
BOKLPO	Auction	131,531(P)	2022/06/16 AD 2079/03/02 BS	2022/06/30 AD 2079/03/16 BS	Sunrise Capital
NCCBPO	Auction	2,634,136(P)	2022/06/15 AD 2079/03/01 BS	2022/06/29 AD 2079/03/15 BS	Sunrise Capital
SBLD89	Debenture	4,000,000(O)	2022/06/24 AD 2079/03/10 BS	2022/07/08 AD 2079/03/24 BS	Kumari Capital

Disclaimer: Investment in equity shares has its own risks. The information contained herein is based on analysis and on sources that we consider reliable. This Report is a proprietary document prepared by Himalayan Capital Limited (HCL)'s Research and Investment Unit. (HCL) does not assume any liability for any financial or other loss resulting from this report in consequence of any undertaking made dependent on this report.

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