

The Pulse

Market Growth, Risks and Outlook

Ashad 2080

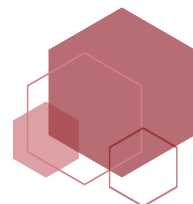
Inside This Edition

Global Markets Overview	1
Macroeconomic Overview	2
Monthly Trading Statistics	2
Liquidity Overview	3
Public Debt Subscription	3
Sectoral Movement	4
Major Movers	4
Sectoral Divergence-Turnover	5
Highest Turnover, Volume	5
NEPSE Outlook	6
Scrip Analysis-Shikhar Insurance Company Limited	8
Issue of the Month – Understanding Divergences for Smarter Investing	11
Key Dates	13



Himalayan Capital





A Wholly Owned Subsidiary of Himalayan Bank Limited



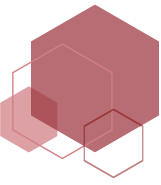
Global Markets Overview

€	1.09 \$ (1.77%)	S&P 500	4,409.60 (6.68%)
£	1.26 \$ (2.39%)	BSE SENSEX	63,209.42 (2.16%)
₹	82.02* (-0.69%)	NIKKEI 225	33,388.84 (8.40%)
¥	144.24* (2.63%)	FTSE 100	7,586.42 (0.21%)
A\$	0.66 \$ (1.68%)	DAX	16,080.28 (1.81%)
C\$	0.75 \$ (2.85%)	CAC 40	7,282.22 (0.73%)
		HANG SENG	19,062.02 (1.68%)
		SSE COMPOSITE	3,240.36 (1.22%)

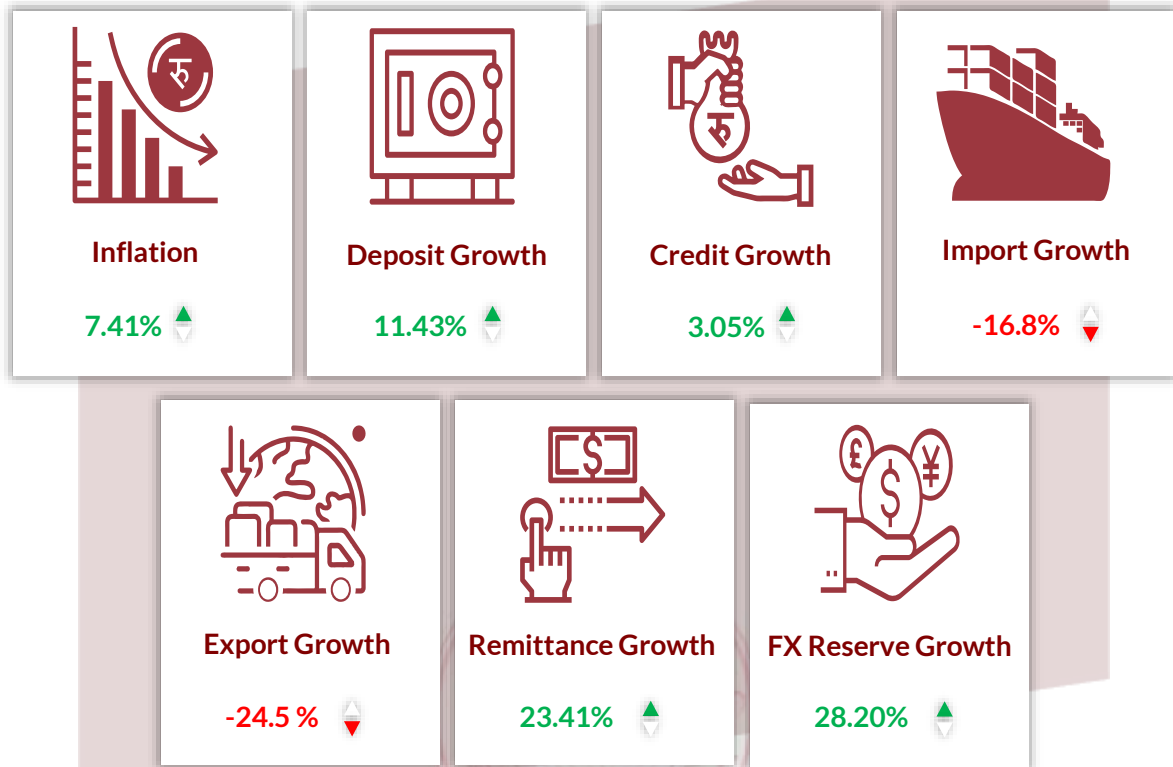
*Values Per 1 \$

	Gold(\$) Per Oz. 1,919.82 (-3.51%)		Bitcoin(\$) 30,161.80 (12.87%)
	Brent Crude(\$) Per Barrell 74.5 (-3.33%)		Ethereum(\$) 1,831.77 (0.15%)

#All Changes are in MoM basis.



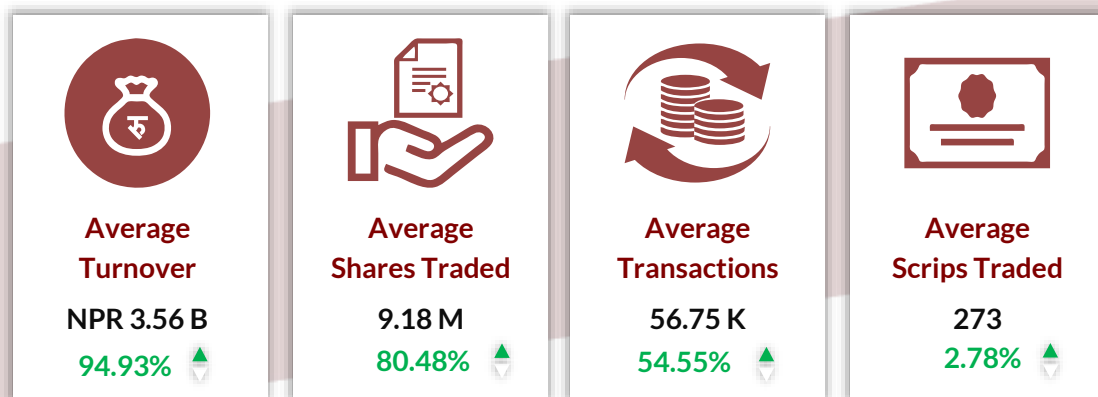
Macroeconomic Overview



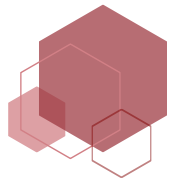
* Growth refers to the change between tenth months of FY 78/79 and FY 79/80

* Credit refers to claim on private sector

Monthly Trading Statistics



* For the period (May-28, 2023) – (June-28, 2023)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Baisakh-79	Chaitra-79	Baisakh-80	Ashad-8	Ashad-15	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	7.67	8.82	8.45	4.30	5.61	0.78	-0.37	1.31
Wt.Avg 91 Days TB rate (%)	8.77	9.74	9.66	7.03	6.80	0.89	-0.08	-0.23
Wt.Avg 364 Days TB rate (%)	8.24	9.71	9.43	7.12	7.19	1.19	-0.28	0.07
Wt. Avg Interbank Rate (%)	6.99	7.00	7.01	2.65	5.11	0.02	0.01	2.46
CapEx (In Billion NPR)	118.27	107.24	125.68	160.09	165.31	7.41	18.44	5.22

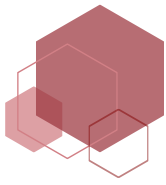
B. BFI Statistics

Description	Value As On					Change		
	Baisakh-79	Chaitra-79	Baisakh-80	Ashad-8	Ashad-15	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	7.25	8.26	8.08	8.08	8.08	0.83	-0.18	0.00
Wt. Avg Lending Rate (%)	11.42	12.84	12.65	12.65	12.65	1.23	-0.19	0.00
Base Rate (%)	9.30	10.48	10.27	10.27	10.27	0.97	-0.21	0.00
CD Ratio (%)	90.30	85.60	85.63	83.97	83.92	-4.67	0.03	-0.05
Fixed Deposits/Total Deposits (%)	47.36	59.63	59.63	59.63	59.63	12.27	0.00	0.00
Total Liquid Assets/Total Deposits (%)	24.82	24.60	24.60	24.60	24.60	-0.22	0.00	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	Ashadh 12	400.00	0.00	13	67	2.56	400.00	3.68	6.32	5.61
91 Days	Ashadh 12	1011.25	0.00	28	135	2.86	1011.25	5.25	7.04	6.80
182 Days	Ashadh 12	500.00	0.00	22	93	3.99	500.00	5.50	7.10	6.90
364 Days	Ashadh 12	500.00	0.00	17	73	3.19	500.00	6.75	7.44	7.19

*Figures are in Millions NPR

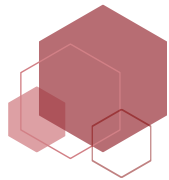


Sectoral Movement

Index	Jestha-12	Ashad-13	Change
NEPSE	2,055.53	2,150.99	4.64%
Microfinance	3,728.51	4,173.31	11.93%
Life Insurance	11,439.79	12,721.22	11.20%
Finance Company	1,713.10	1,892.13	10.45%
Mutual Fund	14.06	14.69	4.48%
Non Life Insurance	10,960.34	11,439.91	4.38%
Development Bank	3,758.05	3,914.26	4.16%
Commercial Bank	1,207.11	1,256.83	4.12%
Others	1,524.41	1,575.94	3.38%
Manufacturing & Processing	5,479.83	5,647.03	3.05%
Trading	2,608.35	2,648.55	1.54%
Hydropower	2,506.05	2,530.46	0.97%
Hotels & Tourism	5,636.71	5,682.04	0.80%
Investment	73.91	74.34	0.58%

Major Movers

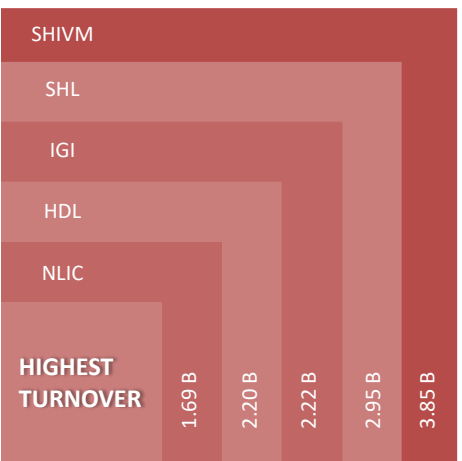
BPW	399.81%	PPCL	-12.62%
ANLB	276.88%	UHEWA	-7.44%
SHL	90.71%	EHPL	-6.94%
PLI	77.38%	UNLB	-6.13%
NICL	66.98%	MHNL	-5.84%



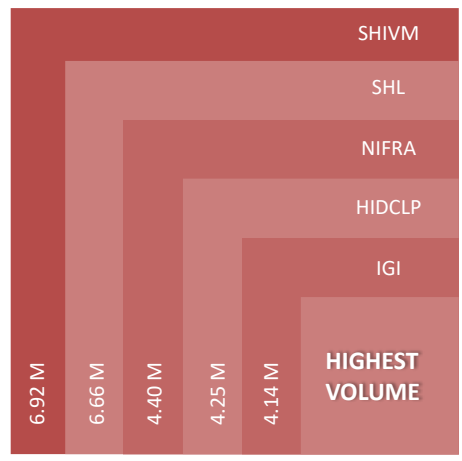
Sectoral Divergence-Turnover

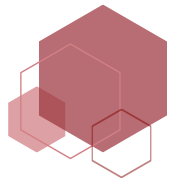
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	1.82 B	3.56 B	94.93%
Hotels And Tourism	0.08 B	0.23 B	183.32%
Non Life Insurance	0.12 B	0.32 B	172.35%
Life Insurance	0.09 B	0.23 B	145.69%
Finance	0.08 B	0.19 B	136.95%
Investment	0.09 B	0.19 B	122.90%
Others	0.06 B	0.12 B	119.49%
Manufacturing And Processing	0.16 B	0.33 B	111.25%
Development Banks	0.09 B	0.19 B	109.75%
Tradings	0.01 B	0.03 B	98.59%
Microfinance	0.16 B	0.25 B	60.33%
Hydro Power	0.44 B	0.70 B	58.70%
Mutual Funds	0.00 B	0.01 B	54.85%
Commercial Banks	0.23 B	0.32 B	37.68%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



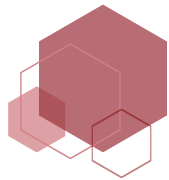
On 28th June 2023, the flagship NEPSE index recorded a price of 2,150.99 points, accompanied by daily turnover of NPR 5.97 billion. Compared to previous month's index movement, the index has increased along with increased daily transaction.

According to Bollinger Band, the index is currently hovering along with the upper band line. After the rise of the index, the gap between the upper band and the lower band has widened. This shows potential uptrend of the index.

The Relative Strength Index (RSI) is currently at 70.09 points, which falls to overbought region. Compared to the previous month's corresponding date, this month had more buying pressure which resulted RSI to rise.

The Moving Average Convergence and Divergence (MACD) is currently indicating an upward trend, as the MACD line and signal line have experienced a bullish crossover. Similarly, the lines are hovering above the baseline, indicating strong sentiment in the market along with positive histogram.

Looking ahead, NEPSE's immediate support levels stand at (S1) 2,120, (S2) 2,050, and (S3) 1,948. On the other hand, the resistance levels hold at (R1) 2,215 (R2) 2,260, and (R3) 2,280. These support and resistance levels can provide guidance to investors when making trading decisions.



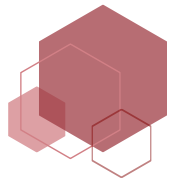
B. Long Term Overview



In this month, the index reached high of 2,205.97 points and low of 1,837.24 points. The index is resting at 2,150.99 points after the rise of 15% from previous month.

The NEPSE index is currently receiving strong support at the 50% Trend-Based Fibonacci Extension, which is at 1,878 points. This level is based on the trend-based Fibonacci Extension plotted from the trend initial point of 299 points to the end of the initial trend at 1,877 points and extending the line to the end of the secondary trend at 1,098 points. Meanwhile, the long-term resistance level of the index is at 3,640 points, and the support level is at 1,696 points based on the indicator.

In addition to these levels, the intermediate support levels of the NEPSE index stand at (S1) 2,070, (S2) 1,878, and (S3) 1,696, while the resistance levels hold at (R1) 2,280, (R2) 2,328, and (R3) 2,665.



SCRIP ANALYSIS

Shikhar Insurance Company Limited (SICL)

A. Technical Analysis



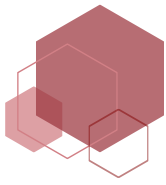
On 28th June 2023, the stock price of SICL closed at NPR 890. The price of the stock increased by 27% from its recent lower price.

The stock is moving along with the upper band of the Bollinger band which shows a bullish signal of the stock. Similarly, the gap between the upper band and the lower band is widening which also indicate a bullish signal.

The Relative Strength Index (RSI) of the stock is at 70.24 points, indicating the stock is in overbought region.

The Moving Average Convergence Divergence (MACD) indicator is also indicating positive signals due to the bullish crossover of the MACD line and the signal line, and the positive histogram. Moreover, the lines are trading above the baseline, indicating strong momentum of the stock.

The immediate support levels for SICL stand at NPR 845 (S1), NPR 809 (S2), and NPR 758(S3), whereas the resistance levels hold at NPR 924 (R1), NPR 941 (R2), and NPR 995 (R3).



B. About the Company

Shikhar Insurance Company Limited (SICL) holds the distinction of being the 13th private sector general insurer in Nepal. With a significant presence in the industry, SICL commands approximately 13% of the market share in terms of gross premium written between FY 2020 and FY 2022. Operating with a strong network, the company boasts 110 branches strategically positioned throughout the country to facilitate business transactions and provide after-sales services. As of mid-July 2022, SICL's paid-up capital stands at approximately NPR 2,286 million, while its net worth amounts to NPR 4,679 million. The company follows a promoter–public shareholding ratio of 60:40.

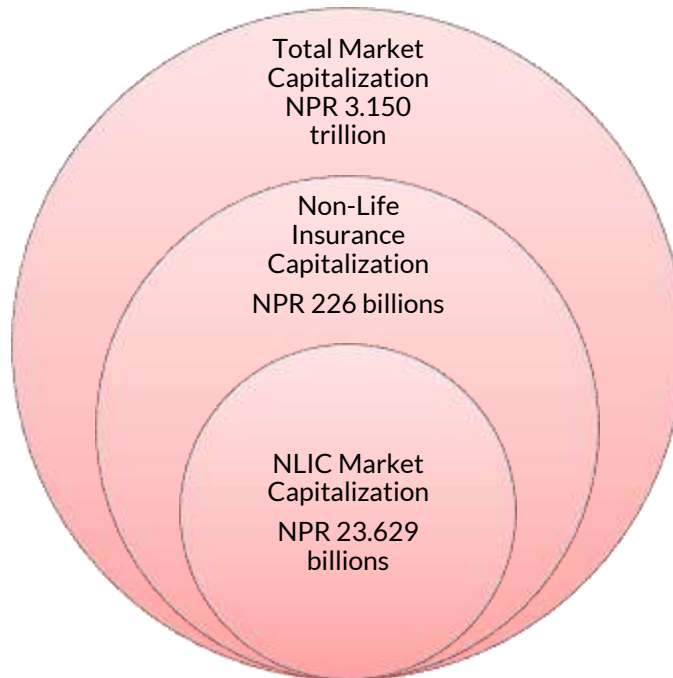
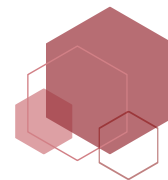


Figure 1: Capitalization of SICL, Non-Life Insurance and Whole market



C. Key Variables used for Valuation and Assumptions:

Specifics	Value
Beta (Monthly)	1.39
91 days T-Bills (10yrs Average)	2.08%
Market Return (CAGR)	13.38%
Current Inflation	7.41%
Nominal Risk-Free Rate	10.04%
Risk Premium	3.34%
Cost of Equity (CAPM)	14.84%
Tax Rate	30.00%
Sustainable Growth Rate	4.28%

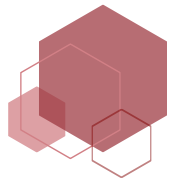
D. Stock Valuation

The final average valuation SICL is based on the average of Absolute Approach (viz. Embedded Valuation, Discounted Future Earnings and Earnings Capitalization) and Book Value per share. The Final Average value of **NPR 308.21** has been determined.

Method	Intrinsic Value(NPR)
Embedded Valuation	471.91
Earnings Capitalization	294.50
Discounted Future Earnings	273.67
Book Value per Share	192.75
Final Average Value	308.21

E. Recommendation

After analyzing the recent quarter report of the non-life insurance sector, it has been reported that SICL has achieved the second-highest net profit, amounting to NPR 34.33 crores, following Rastriya Beema Company. Additionally, SICL's paid-up capital is NPR 2.65 billion, meeting the criteria for non-life insurance paid-up capital. In terms of core operating activities, SICL maintains an above-average insurance fund worth NPR 1.58 Kharba and a net premium of NPR 4.15 Arba. The company holds 203 thousand policies



and has made notable progress in claims. Consequently, when comparing profitability, growth from the previous quarter, and overall business performance among non-life insurance companies, SICL has emerged as the dominant player.

Moving on to the company's valuation, determined through various absolute methods and book value per share, the average intrinsic value is assessed at NPR 308.21. However, SICL's last trading price stands at NPR 890, indicating an overvaluation of the company's stock by 176%. Employing the Absolute valuation method, an intrinsic value of NPR 346.69 is determined, implying a 145% overvaluation of the current stock price.

From a technical standpoint, SICL's stock price is witnessing an upward trend with above-average daily transactions. Indicators such as RSI, MACD, OBV, and Bollinger bands suggest a short-term bullish trend, as buyers outnumber sellers, reflecting positive sentiment among investors and a moderate accumulation of the stock.

Considering the qualitative, fundamental, and technical aspects of the company, investing in SICL at a discount to the last trading price could potentially yield long-term gains. However, given the substantial increase in the stock price, investors should carefully evaluate the company's valuation and consider investing at a discounted price to maximize potential returns from a future rise in share price.



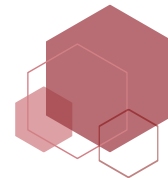
ISSUE OF THE MONTH

Understanding Divergences for Smarter Investing

Human behavior is shaped by conscious and unconscious decisions which can be swayed by behavioral biases. One such bias is confirmation bias wherein people tend to search for, interpret, favor, and recall information in a way that confirms or supports their prior beliefs or values. This bias becomes more prominent in case of stock market trends, especially when the markets have been moving in the same direction for a sustained period of time. This builds a mindset in people where they assume the markets will keep on moving in the same direction which is not always true. The markets do change their trend and the key to understanding when this change may occur is by understanding when divergences occur and what they mean.

A. What is Divergence?

Divergence is when the price of a stock is moving in the opposite direction of a technical indicator or is moving contrary to other data. Divergence informs an investor that the



current price trend may be weakening, which in some cases may lead to the price changing direction. The indicator in question may be the MACD, RSI, or Price Volume Indicators.

B. What causes divergence?

A Divergence occurs when the underlying factors supporting the directional movement of a trend begin to weaken/start having less of an effect on the trend. However, these changes are not highly pronounced initially but rather start affecting the market environment in a more gradual manner; A divergence is an indicator of the forces supporting a trend starting to weaken which in turn can change the entire trend altogether if the change in forces is substantial enough.

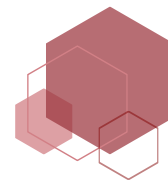
C. Divergence and Confirmation

A divergence occurs when the price movement of a stock and the various technical indicators of the stock tell an investor different things. A confirmation occurs when the price movement of the stock and different technical indicators tell the investor the same thing. A divergence thus is like a warning to investors to be careful about the ongoing market trend whereas a confirmation tells an investor to either enter or exit a position in the market.

For example, the price of a stock making higher highs shows bullish momentum and so does an increase in overall turnover. However, the increase in turnover can mean two things; the first is that the price of the stock and number of shares traded are both in an increasing trend; the second is that only the price of the stock is increasing but the number of shares traded may be the same or lower. In the second case, a large increase in the price of the stock may mask stagnation/ smaller decrease in the number of shares traded and support increasing turnover. The first case is confirmation of a bullish trend whereas the second case shows a divergence in the trend wherein falling investor participation is hidden due to large increase in stock price.

D. Why Understanding Divergence is Essential?

The price of any stock is driven by a complex interrelationship between a myriad of factors. This includes both firm specific and macroeconomic factors which combine together to affect overall investor sentiment. However, it is very difficult for a common investor to understand all these factors in play and accurately gauge any changes that may be occurring. The most commonly available information for a common investor regarding a stock are its regular price and volume information which can be used to determine the overall trend in the stock. In this regard, a divergence in price action and



volume action can provide an indicator about impending change in the current trend of the stock.

For better informed investors with knowledge of technical indicators, a divergence within the RSI, between RSI and Price or Price and other more advanced indicators can indicate a change in trend. This will help better inform and investor about preparing to enter/ exit the market. However, a divergence is only one of the various technical tools which becomes more effective when used in conjunction with other technical indicators. Even then, it does provide an idea about any impending changes in a market trend.

**This article was previously published in the Ashad, 2078 edition of The Pulse.*

Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
UPPERLOHORE	IPO	708,628(O)	2023/06/22 AD 2080/03/07 BS	2023/07/06 AD 2080/03/21 BS	NIC Asia Capital
HDHPC	RIGHT	12,000,000(O)	2023/06/05 AD 2080/02/22 BS	2023/07/10 AD 2080/03/25 BS	Laxmi Capital Market
MNBBLP	AUCTION	119,055(P)	2023/06/13 AD 2080/02/30 BS	2023/07/17 AD 2080/04/01 BS	B.O.K. Capital Market
JBBLPO	AUCTION	168,496(P)	2023/06/25 AD 2080/03/10 BS	2023/07/02 AD 2080/03/17 BS	NIBL Ace Capital
KBLPO	AUCTION	316,140(P)	2023/06/27 AD 2080/02/12 BS	2023/07/03 AD 2080/02/19 BS	B.O.K Capital
PCBLP	AUCTION	351,817(P)	2023/05/17 AD 2080/03/12 BS	2023/05/31 AD 2080/03/18 BS	B.O.K. Capital Market

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.

Himalayan Capital Limited
Karmachari Sanchaya Kosh Bhawan,
Thamel, Kathmandu
Contact: 01-5358345, 5363147
www.himalayancapital.com
info@himalayancapital.com