

The Pulse

Market Growth, Risks and Outlook

Baisakh 2080

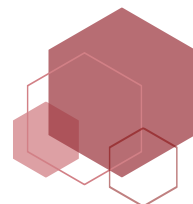
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Himalayan Capital





A Wholly Owned Subsidiary of Himalayan Bank Limited



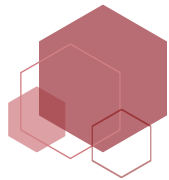
Global Markets Overview

€	1.09 \$ (1.21%)	S&P 500	4,071.62 (2.56%)
£	1.24 \$ (1.05%)	BSE SENSEX	60,149.68 (1.66%)
₹	81.49* (-0.98%)	NIKKEI 225	28,397.57 (3.60%)
¥	129.65* (-0.74%)	FTSE 100	7,891.14 (0.16%)
A\$	0.71 \$ (6.40%)	DAX	15,872.13 (4.36%)
C\$	0.75 \$ (0.75%)	CAC 40	7,531.61 (4.79%)
		HANG SENG	19,732.15 (-0.65%)
		SSE COMPOSITE	3,255.95 (-0.23%)

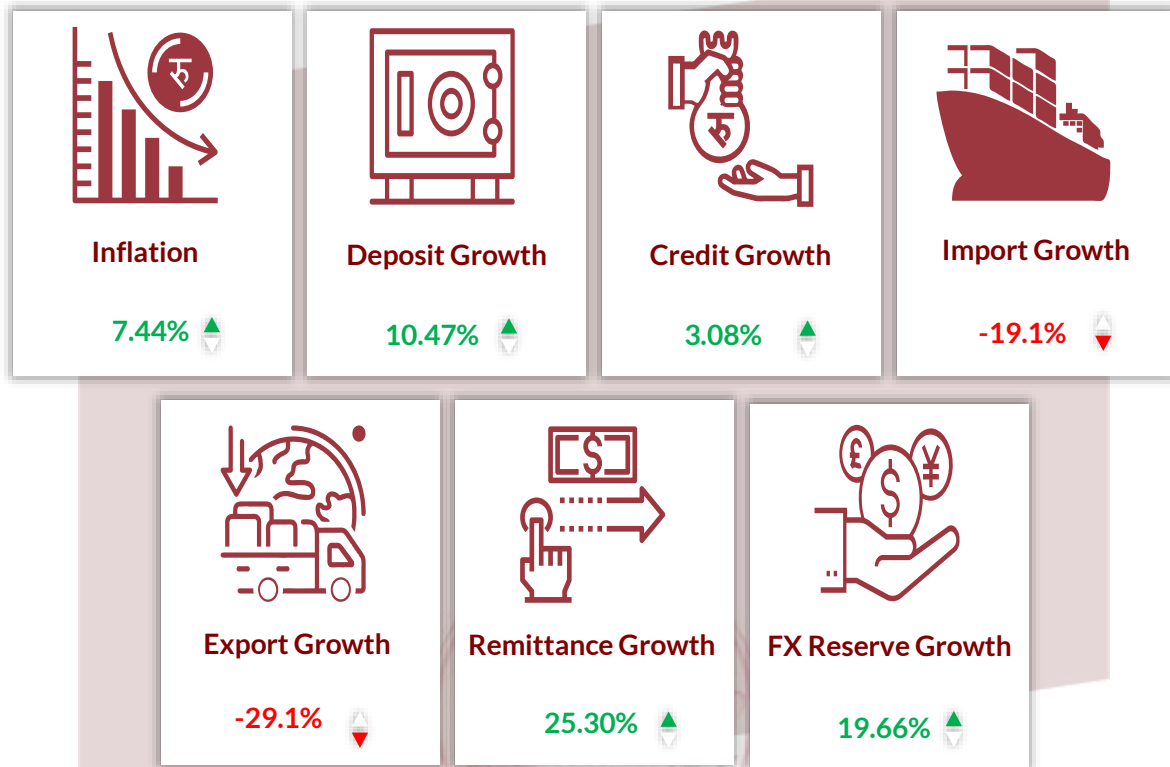
*Values Per 1 \$

	Gold(\$) Per Oz. 1,996.73 (1.01%)		Bitcoin(\$) 28,396.60 (1.39%)
	Brent Crude(\$) Per Barrell 77.69 (4.62%)		Ethereum(\$) 1,866.72 (5.56%)

#All Changes are in MoM basis.



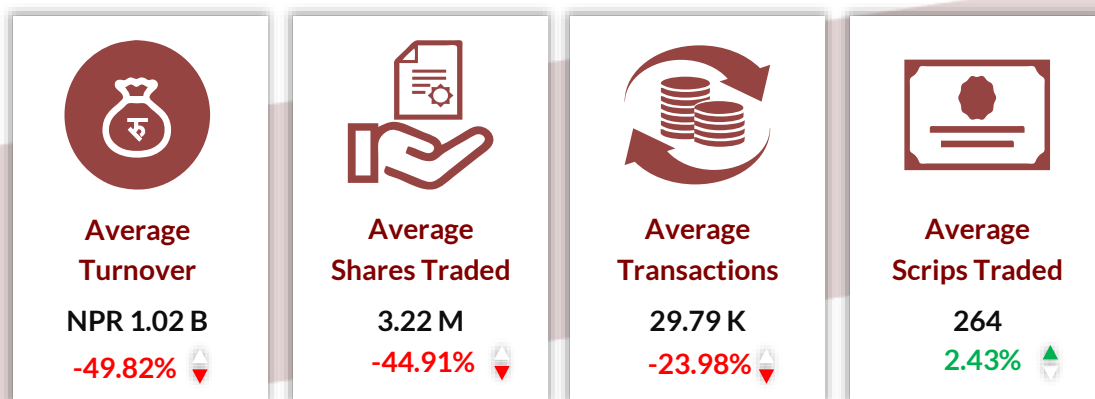
Macroeconomic Overview



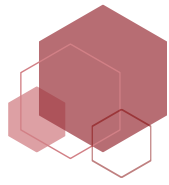
* Growth refers to the change between eight months of FY 78/79 and FY 79/80

* Credit refers to claim on private sector

Monthly Trading Statistics



* For the period (March-28, 2023) - (April-26, 2023)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Falgun-78	Magh-79	Falgun-79	Baisakh-1	Baisakh-8	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	7.16	5.90	7.39	8.55	8.55	0.23	1.49	0.00
Wt.Avg 91 Days TB rate (%)	6.82	9.79	9.33	9.79	9.79	2.51	-0.46	0.00
Wt.Avg 364 Days TB rate (%)	5.29	10.24	9.60	9.64	9.64	4.31	-0.64	0.00
Wt. Avg Interbank Rate (%)	6.56	5.28	7.18	7.00	7.01	0.62	1.90	0.01
CapEx (In Billion NPR)	77.15	66.30	84.26	107.24	111.11	7.11	17.96	3.87

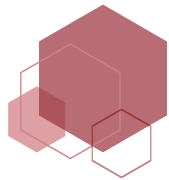
B. BFI Statistics

Description	Value As On					Change		
	Falgun-78	Magh-79	Falgun-79	Baisakh-1	Baisakh-8	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	6.93	8.41	8.37	8.37	8.37	1.44	-0.04	0.00
Wt. Avg Lending Rate (%)	10.60	13.03	13.03	13.03	13.03	2.43	0.00	0.00
Base Rate (%)	8.98	10.72	10.64	10.64	10.64	1.66	-0.08	0.00
CD Ratio (%)	90.40	86.28	85.60	85.35	85.47	-4.80	-0.68	0.12
Fixed Deposits/Total Deposits (%)	54.03	59.59	59.33	59.33	59.33	5.30	-0.26	0.00
Total Liquid Assets/Total Deposits (%)	23.20	23.50	24.30	24.30	24.30	1.10	0.80	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	Chaitra 21	400.00	0.00	12	55	2.13	400.00	8.49	9.47	8.95
91 Days	Chaitra 21	775.00	0.00	17	77	0.98	775.00	9.31	9.98	9.76
182 Days	Chaitra 21	530.00	0.00	14	60	1.52	530.00	9.11	10.40	9.88
364 Days	Chaitra 21	1100.00	0.00	19	78	1.17	1100.00	9.11	9.99	9.81

*Figures are in Millions NPR

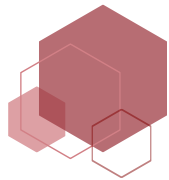


Sectoral Movement

Index	Chaitra 13	Baisakh 13	Change
NEPSE	1,906.00	1,892.00	-0.73%
Hotels & Tourism	3,104.21	3,512.62	13.16%
Mutual Fund	13.06	13.59	4.06%
Microfinance	3,327.63	3,382.36	1.64%
Manufacturing & Processing	4,362.88	4,408.93	1.06%
Commercial Bank	1,224.06	1,233.58	0.78%
Trading	2,132.13	2,105.95	-1.23%
Life Insurance	9,579.92	9,440.48	-1.46%
Non Life Insurance	8,748.82	8,600.98	-1.69%
Others	1,434.64	1,409.02	-1.79%
Investment	64.33	63.07	-1.96%
Development Bank	3,553.40	3,469.40	-2.36%
Finance Company	1,651.16	1,586.79	-3.90%
Hydropower	2,569.30	2,436.36	-5.17%

Major Movers

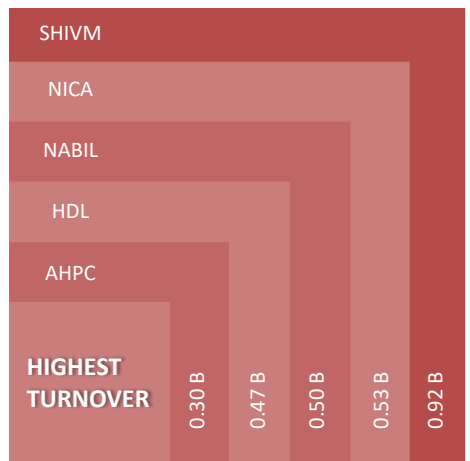
UNL	7.58%	SHLB	-31.13%
NIBD84	7.47%	DLBS	-30.04%
GBBD85	7.33%	JBLB	-27.35%
NICAD883	6.86%	JALPA	-26.01%
SIL	6.56%	SMFDB	-23.47%



Sectoral Divergence-Turnover

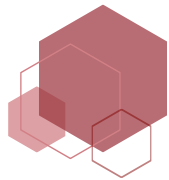
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	2.04 B	1.02 B	-49.82%
Hotels And Tourism	0.03 B	0.03 B	-1.63%
Commercial Banks	0.28 B	0.19 B	-31.44%
Manufacturing And Processing	0.13 B	0.09 B	-32.22%
Non Life Insurance	0.08 B	0.05 B	-44.19%
Investment	0.08 B	0.04 B	-44.35%
Mutual Funds	0.00 B	0.00 B	-45.98%
Development Banks	0.12 B	0.06 B	-52.31%
Life Insurance	0.09 B	0.04 B	-54.46%
Hydro Power	0.65 B	0.29 B	-55.57%
Microfinance	0.21 B	0.09 B	-58.64%
Others	0.07 B	0.02 B	-62.90%
Finance	0.11 B	0.04 B	-65.56%
Tradings	0.01 B	0.00 B	-73.99%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



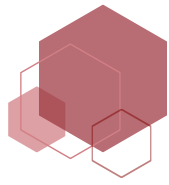
On 25th April 2023, the flagship NEPSE index recorded 1,905.68 points, accompanied by daily turnover of NPR 886 million. Compared to previous month's index movement, the index has remained in the similar range along with the daily turnover.

On 11th April, 2023, Nepal Bankers' Association fixed the rate of interest on individual fixed deposits at 9.99% whereas for institutions it is 7.99%. On 12th April, 2023, the NEPSE index increased by 92 points on a single day with the daily turnover of NPR 1.97 billion resulting index to close at 1,963.55 points. This created a positive sentiment in the market; however, the market could not sustain the growth rather it resulted higher selling pressure.

According to Bollinger Band, the index is currently hovering along with the 20 days simple moving average line. Similarly, the gaps between the upper band and the lower band are tightening which raises the likelihood of a sharp price movement in either direction.

The Relative Strength Index (RSI) is currently at 47.79 points, which falls within the neutral region. Compared to the previous month's corresponding date, this week 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. However, the lines are hovering below the baseline, indicating weak sentiment in the market.



Looking ahead, NEPSE's immediate support levels stand at (S1) 1,880, (S2) 1,840, and (S3) 1,810. On the other hand, the resistance levels hold at (R1) 1,930, (R2) 1,980, and (R3) 2,020. These support and resistance levels can provide guidance to investors when making trading decisions.

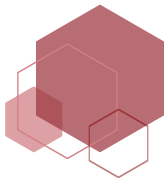
B. Long Term Overview



Over the last month, the NEPSE index has remained in the similar range. In this month, the index reached high of 1,981.87 points and low of 1,833.08 points. Thus, the index is hovering at major support point of 1,816.65 points and the resistance point of 2,280 points.

The NEPSE index is currently receiving strong support at the 50% Trend-Based Fibonacci Extension, which is at 1,880 points. This level is based on the trend-based Fibonacci Extension plotted from the trend initial point of 318 points to the end of the initial trend at 1,864 points and extending the line to the end of the secondary trend at 1,107 points. Meanwhile, the long term resistance level of the index is at 3,616 points, and the support level is at 1,699 points based on the indicator.

In addition to these levels, the intermediate support levels of the NEPSE index stand at (S1) 1,816, (S2) 1,699, and (S3) 1,437, while the resistance levels hold at (R1) 2,280, (R2) 2,652, and (R3) 3,215.



SCRIP ANALYSIS

NMB Bank Limited (NMB)

A. Technical Analysis



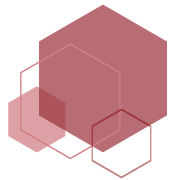
On 25th April 2023, the stock price of NMB closed at NPR 239. The stock has been trading at the range of NPR 218 (low) and NPR 244 (high). In the present scenario, the stock is rising along with daily rising turnover.

The Exponential Moving Average (EMA) is indicating short term bullish signal due to bullish crossover of 20 days EMA and 50 days EMA.

The Relative Strength Index (RSI) of the stock is at 58.81, indicating the buyers are outweighing the sellers in the market.

The Moving Average Convergence Divergence (MACD) indicator is 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.

According to On-Balance Volume (OBV), a moderate uptrend can be observed due to rising stock price and the sideways OBV line.



The immediate support levels for NMB stand at NPR 228 (S1), NPR 218 (S2), and NPR 206 (S3), whereas the resistance levels hold at NPR 243 (R1), NPR 267 (R2), and NPR 280 (R3).

B. Company Analysis

NMB Bank Limited is a Grade A financial institution, which was founded on 1996 AD. The bank has a joint venture agreement with Netherlands Financierings-Maatschappij voor Ontwikkelingslanden (FMO), wherein FMO holds 13.69% of the Bank's shares and is the largest shareholder of the bank. The alliance with FMO positions NMB Bank in becoming the market leader in managing environment and social risks and the leading player in renewable energy and agribusiness. As of now, the bank has in total 201 branches in the economy with 138 ATMs.

Talking about the awards, the bank has been awarded for many times for being the bank of the year.

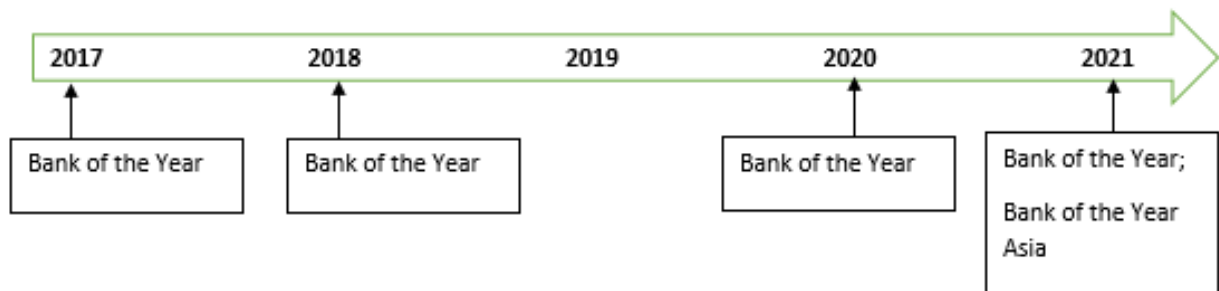
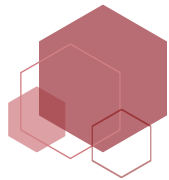


Figure 1: Capitalization of NMB, Banking and Whole market



C. Quarterly Performance of the Bank

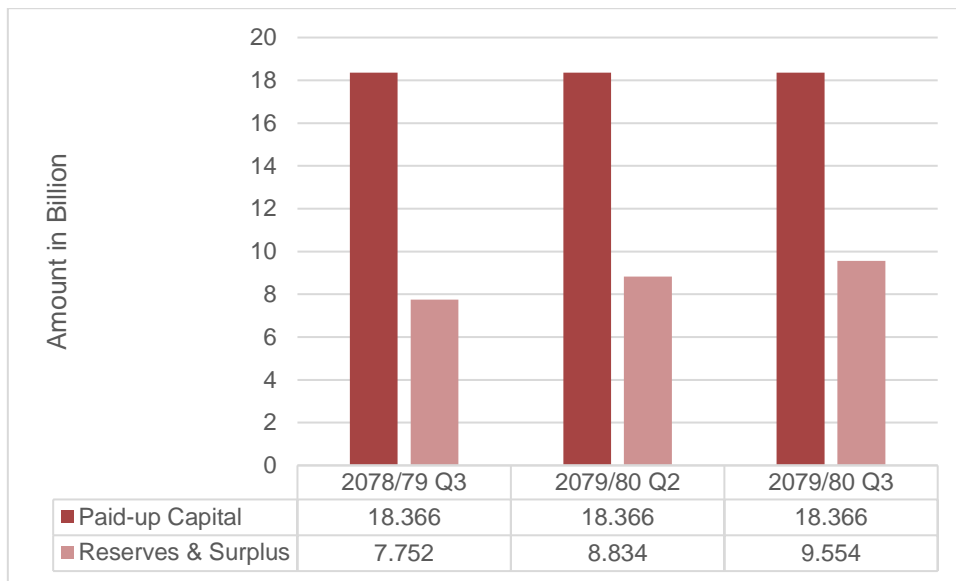


Figure 2: Paid-up capital and Reserve & Surplus

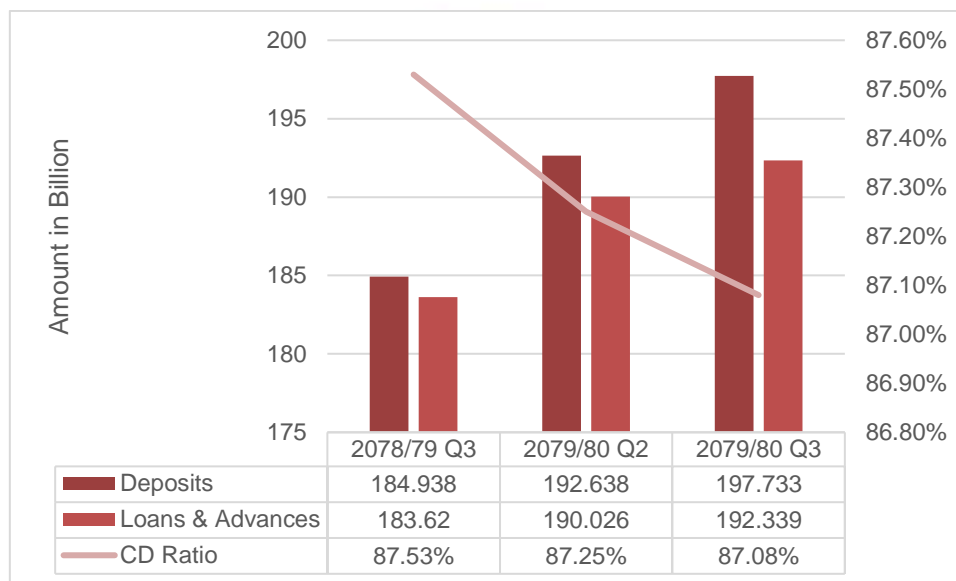


Figure 3: Deposits and Loans & advances along with CD Ratio

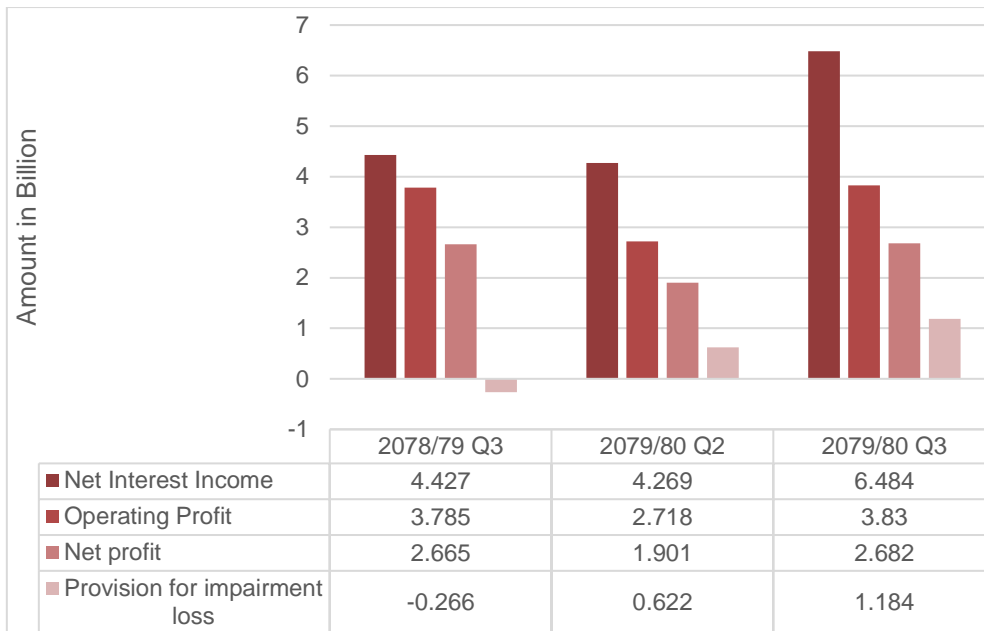
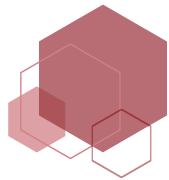


Figure 4: Income from core operations and Impairment charges

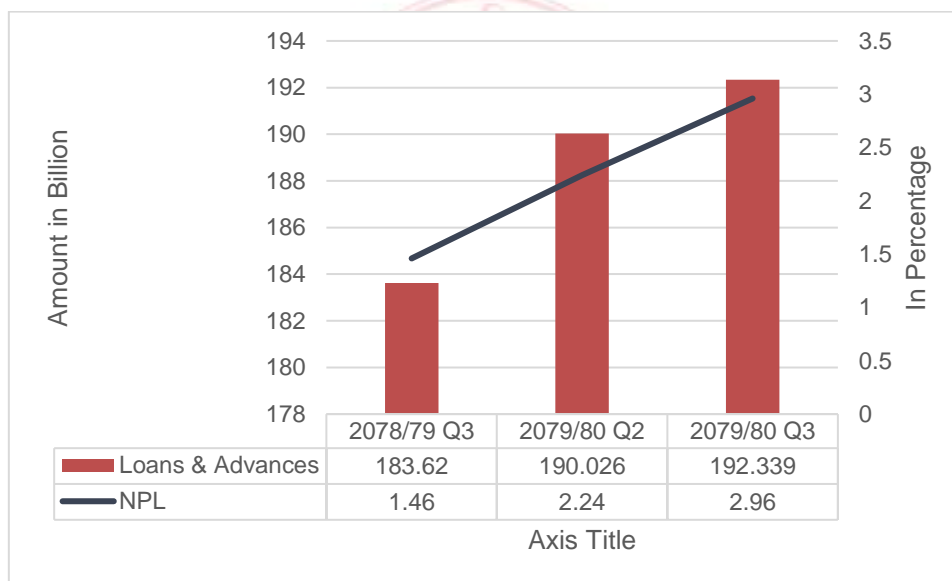


Figure 5: Loans & advances along with NPL%

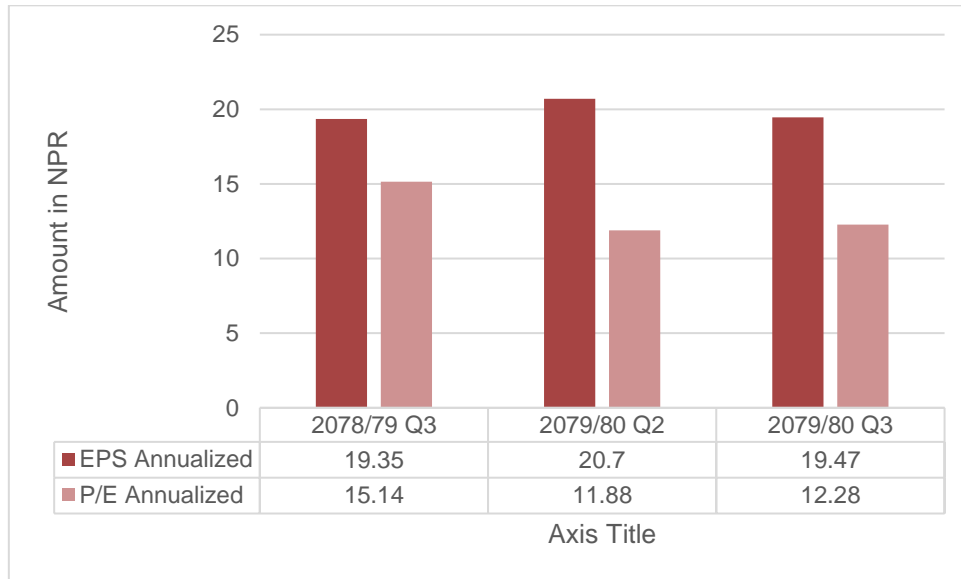
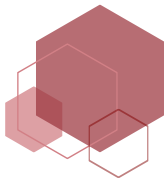


Figure 6: Annualized EPS and P/E ratio

D. Loan Classification

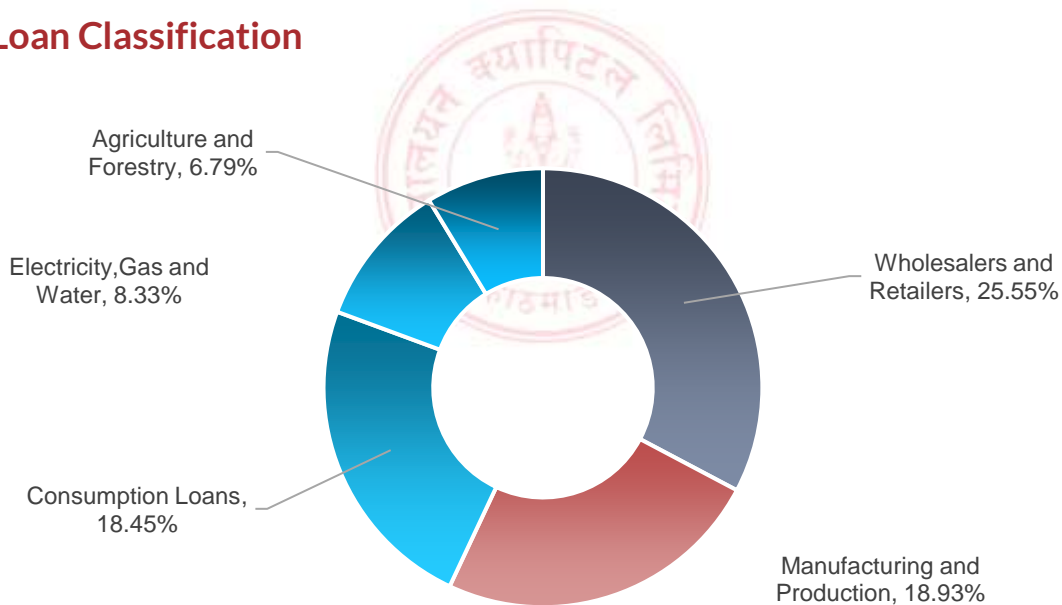
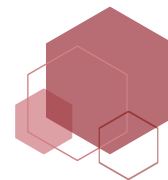


Figure 7: Loan Classification of NMB

E. Qualitative Outlook of Company

NMB Bank is the leading bank of Nepal in terms of Renewable Energy Financing focused towards promoting green business such as solar, biomass, waste to energy projects. It is the first and the only bank in the country to have already issued local currency Energy Bond of over NPR 4 Billion in Nepalese market that is being utilized for financing large energy projects in Nepal thereby supporting the nation's drive to be self-reliant on



Energy. The Bank signed an agreement with Alternative Energy Promotion Centre (AEPC)/Central Renewable Energy Fund (CREF) assuming role of Handling Bank of CREF for the second consecutive tenure of 3 years under Sustainable Energy Challenge Fund for financing in Renewable Energy sector in Madhesh, Lumbini and Karnali Provinces. The fund is established with support of British Government funded Nepal Renewable Energy Program to scale up renewable energy financing in the country. (NMB Bank, 2022)

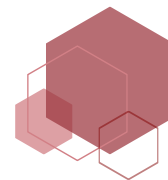
Similarly, the Bank has been financing more than 40 major hydropower projects with total installation capacity of 600 MW. Looking at the bank's loan segmentation, it has more exposure in wholesalers and retailers, manufacturing and production and consumption segments. It is very rare for the Nepalese banks to have higher lending exposure in manufacturing and production sector. Though the returns from these segments might not be as expected in early days but on the long run it might deliver good returns to the company.

F. Key Variables used for Valuation and Assumptions:

Specifics	Value
Beta (Monthly)	0.69
91 days T-Bills(10yrs Average)	2.08%
Market Return (CAGR)	11.60%
Current Inflation	7.88%
Nominal Risk-Free Rate	10.76%
Risk Premium	0.84%
Cost of Equity (CAPM)	11.34%
Tax Rate	30.00%
Sustainable Growth Rate	4.28%

G. Stock Valuation

The final average valuation NMB is based on the average of Absolute Approach (viz. Excess Equity Return Model, and Earnings Capitalization) as well as the Relative Approach (viz. Graham), and Book Value per share. The Final Average value of **NPR 208** has been determined.



Method	Intrinsic Value
Excess Equity Return model	183.61
Earnings Capitalization	249.17
Book Value per Share	152.02
Graham Number	247.56
Final Average Value	208.09

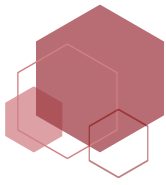
H. Recommendation

NMB bank started its operations in 1996 as a Class C finance company, and has been operating as a commercial bank following its up gradation from Class C to Class A in May 2008. The bank's scale of operation and its geographical presence have also increased significantly in the last 5-6 years, aided by the strategic acquisitions of the regional BFIs. Similarly, as of now, 14% of NMB's equity stake is held by FMO (Netherlands) and 6% is held by the state-owned Employees' Provident Fund (EPF). Both of these institutions have one representative each on the board of directors of the bank, which adds to its governance profile.

Analyzing recent quarter report of the bank, the profitability from its core business have improved drastically compared to its last year corresponding quarter performance. As of quarter 3 (Q3) report, the bank's net interest income stood at NPR 6.484 billion which increased by more than 50% from its previous quarter. The rise in the net interest income was the result of inclining deposits and advances of the bank. Similarly, with the rise of loans and advances, the non-performing loans (NPL) of the bank have also increased to 2.96% from 2.24%. The incline of NPL can be felt in whole banking and financial sectors of the economy.

Now, talking about the valuation of the bank determined from various absolute and relative methods, the final average intrinsic value is determined at **NPR 208**. The last trading price of NMB is NPR 239, which shows that the company's stock price is overvalued by 15%. From Absolute valuation method, the intrinsic value of NPR 216 is determined which shows that the current stock's price is overvalued by 10%. Similarly, from relative valuation method, the intrinsic value of NPR 247 is determined indicating that the current stock price is undervalued by 3.20%.

From technical point of view, the stock price is increasing with above average daily transaction. In the same way, considering indicators like RSI, MACD, OBV and EMAs, these indicators indicate short term bullish trend as the buyers are relatively outweighing sellers which eventually shows positive sentiment of the investors towards



the stock along with moderate accumulation of the stock. Technically, it might be good decision to take position of the company's stock at the major support of **NPR 218**.

Therefore, considering most of the qualitative, fundamental and technical aspects of the company, investing in NMB bank at discount might turn into a good investment for long term. However, investors should carefully consider the company's valuation and may want to consider investing in NMB at a discount to potentially realize gains from an increase in the share price.

ISSUE OF THE MONTH

The Wyckoff Method

A. Introduction

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.

B. Tenets of Wyckoff Method

The method is based on the following tenets:

Market cycles

- The Wyckoff Method acknowledges that financial markets move in cycles. Each cycle consists of four stages, as described in the Wyckoff Cycle: accumulation, markup, distribution, and markdown.

Supply and demand

- The Wyckoff Method focuses on the interaction between supply and demand as the primary driver of market price movements. The method assumes that prices move because of imbalances between supply and demand.

Volume analysis

- Volume is a critical aspect of the Wyckoff Method. The method emphasizes that volume should confirm price movements. Increasing volume during markup stages and decreasing volume during markdown stages can signal a trend reversal.

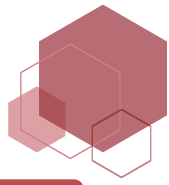


Chart analysis

- Chart analysis is another critical component of the Wyckoff Method. The method relies on the study of chart patterns, such as trendlines, support and resistance levels, and price and volume chart patterns, to identify potential trading opportunities.

Trading ranges

- The Wyckoff Method recognizes the importance of trading ranges in the market. It suggests that accumulation and distribution stages often occur in a trading range, where price movements are limited within a defined range.

Composite operator

- The Wyckoff Method introduces the concept of a "composite operator" who is responsible for manipulating the market. The composite operator is a large trader or group of traders who have the resources to influence the market's price movements.

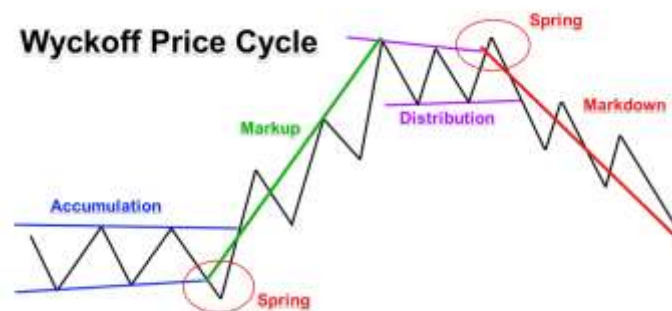
Chart reading skills

- The Wyckoff Method emphasizes the importance of developing chart reading skills. It suggests that traders should learn to identify market trends, support and resistance levels, and price and volume chart patterns.

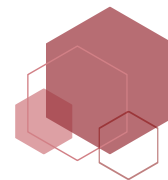
Risk management

- The Wyckoff Method acknowledges that trading involves risk. The method emphasizes the importance of proper risk management, such as setting stop-loss orders and limiting the amount of capital at risk.

C. Stages of Wyckoff Cycle



- Accumulation Stage: Smart money investors buy shares at a low price when other investors are fearful or uncertain, using the psychological bias of others to their advantage.
- Markup Stage: Retail investors tend to follow the crowd and buy shares when others are buying, leading to a bullish trend. This can create a bubble-like market where the price of the asset becomes overvalued.

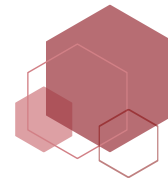


- **Distribution Stage:** Smart money investors take advantage of retail investors who hold onto their shares due to confirmation bias, selling their shares to them even as the price starts to decrease.
- **Markdown Stage:** Retail investors tend to hold onto their shares even as the asset's value continues to decrease due to loss aversion, which can lead to panic selling and further price decreases. Smart money investors take advantage of this bias by buying shares at a low price and preparing for the next accumulation stage.

D. Understanding Wyckoff cycle using technical Parameters.

The Wyckoff Cycle stages can be analyzed using various technical parameters, including volume, RSI, ADX, MACD, and others. Here's how these indicators can be used to analyze the Wyckoff Cycle stages:

- **Accumulation Stage:** During the accumulation stage, the trading volume is typically low. However, as the smart money investors start to accumulate shares, the trading volume can start to increase gradually. The RSI can be used to identify when the accumulation stage is ending and the markup stage is beginning. The RSI may start to rise above 50 as demand for the asset increases, indicating a shift towards a bullish trend. Additionally, the ADX may start to increase, indicating the start of a new trend.
- **Markup Stage:** During the markup stage, the trading volume and value of the asset typically increase, with occasional price pullbacks. The RSI may rise above 70 as the asset becomes overbought, indicating a potential pullback. The MACD can be used to identify potential buying opportunities during pullbacks in a bullish trend. As the asset continues to rise, the ADX may also increase, indicating a strengthening of the trend.
- **Distribution Stage:** During the distribution stage, the smart money investors start to sell their shares at high prices, leading to a decrease in demand and price of the asset. The trading volume may start to decrease, and the RSI may start to fall below 50 as the asset enters a sideways or bearish trend. The MACD can be used to identify potential selling opportunities during pullbacks in a bearish trend. The ADX may start to decrease as the trend weakens.
- **Markdown Stage:** During the markdown stage, the asset's value typically decreases, with lower trading volume and occasional price rallies. The RSI may fall below 30 as the asset becomes oversold, indicating a potential pullback. The MACD can be used to identify potential buying opportunities during pullbacks in a bearish trend. The ADX may start to increase again as the asset enters a new accumulation stage.



E. The Composite Operator

Composite Operator (CO) is a group of highly skilled traders who manipulate the market and control stock prices. They are responsible for the markups and markdowns in the market. Wyckoff believed that studying the movements of the CO was essential for understanding the reasons behind stock price movements.

The CO represents the combined efforts of multiple professional traders working together at the same time. The immense size of their operations gives the CO the ability to enter into the Accumulation Phase early on and buy shares without attracting attention. At the start of the Accumulation Phase, the goal is to collect as many shares as possible at the lowest price while keeping the price suppressed to avoid drawing attention. These Accumulation operations can last for several months, and substantial amounts of capital are discreetly deployed at market lows.

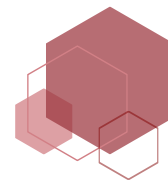
These operations, when carried out on a significant scale, would result in targeted stocks rallying dynamically after the accumulation phase, leading to faster and more extended stock movements than other stocks. These stocks were worth owning. While the CO operates with Sam Fisher-like stealth, their footprints can be seen in price and volume on the charts. The Wyckoff method involves analyzing the footprints left by the CO to take the same trades as them.

This involves identifying whether the stock is being accumulated or distributed and buying or selling accordingly. By repeatedly analyzing the footprints of the CO on charts, one can begin to think and act in unison with them, even with less capital. Wyckoff suggests that retail traders should understand and play the market game as the CO plays it, regardless of whether market moves are real or artificial. To do this, traders must study individual stock charts to judge the behavior of the stock and the motives of the large operators who dominate it.

With practice, one can acquire the ability to interpret the motives behind the action portrayed on a chart, allowing for the identification of trading and investment opportunities early enough to profit from them.

F. The common investor and Wyckoff cycle

Understanding the Wyckoff Cycle is important for common investors because it provides a framework for analyzing market trends and making informed investment decisions. Here are some reasons why understanding the Wyckoff Cycle is important for common investors:

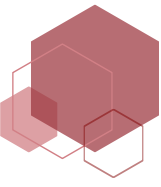


- Helps identify potential trends: By understanding the stages of the Wyckoff Cycle, common investors can identify potential trends in the market and adjust their investment strategy accordingly. For example, if an investor identifies that an asset is in the accumulation stage, they may decide to buy shares at a lower price in anticipation of the markup stage.
- Aids in risk management: The Wyckoff Cycle can also help common investors manage their risk by identifying potential buying and selling opportunities. For example, if an investor identifies that an asset is in the distribution stage, they may decide to sell their shares to avoid potential losses.
- Provides a systematic approach: The Wyckoff Cycle provides a systematic approach for analyzing market trends and making investment decisions. By following a systematic approach, common investors can avoid making impulsive decisions based on emotions or short-term market fluctuations.
- Helps with long-term investing: Understanding the Wyckoff Cycle can also help common investors with long-term investing by identifying potential opportunities to accumulate shares of an asset over time. By identifying assets in the accumulation stage, investors can accumulate shares at a lower price and hold them for the long-term.

Overall, understanding the Wyckoff Cycle can help common investors make more informed investment decisions by providing a framework for analyzing market trends and identifying potential opportunities and risks.

Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
INGWA	IPO	1,268,639(O)	2023/04/26 AD 2080/01/13 BS	2023/04/30 AD 2080/01/17 BS	Nepal SBI Merchant Banking Limited
TSHL	IPO	566,375(O)	2023/04/24 AD 2080/01/11 BS	2023/05/08 AD 2080/01/25 BS	Himalayan Capital Limited
RAWA	IPO	280,000(O)	2023/04/06 AD 2079/12/23 BS	2023/05/07 AD 2080/01/24 BS	Prabhu Capital Limited
NICAP	AUCTION	715,950(P)	2023/04/21 AD 2080/01/08 BS	2023/04/28AD 2080/01/15 BS	NIBL Ace Capital Limited
CSMF30	MUTUAL FUND	8,500,000(O)	2023/04/19 AD 2080/01/06 BS	2023/05/03 AD 2080/01/20 BS	Citizens Capital Limited



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