

The Pulse

Market Growth, Risks and Outlook

Bhadra 2080

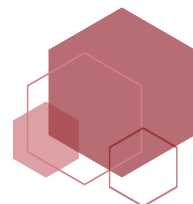
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Himalayan Capital





A Wholly Owned Subsidiary of Himalayan Bank Limited



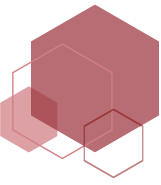
Global Markets Overview

€	1.08 \$ (-1.61%)	S&P 500	4,507.67 (-0.66%)
£	1.27 \$ (-1.43%)	BSE SENSEX	65,384.21 (-1.17%)
₹	82.71* (0.58%)	NIKKEI 225	31,710.55 (-3.20%)
¥	145.71* (3.22%)	FTSE 100	7,482.46 (-2.77%)
A\$	0.65 \$ (-2.90%)	DAX	15,983.35 (-2.60%)
C\$	0.74 \$ (-2.14%)	CAC 40	7,341.17 (-1.48%)
		HANG SENG	18,382.06 (-7.69%)
		SSE COMPOSITE	3,133.25 (-4.36%)

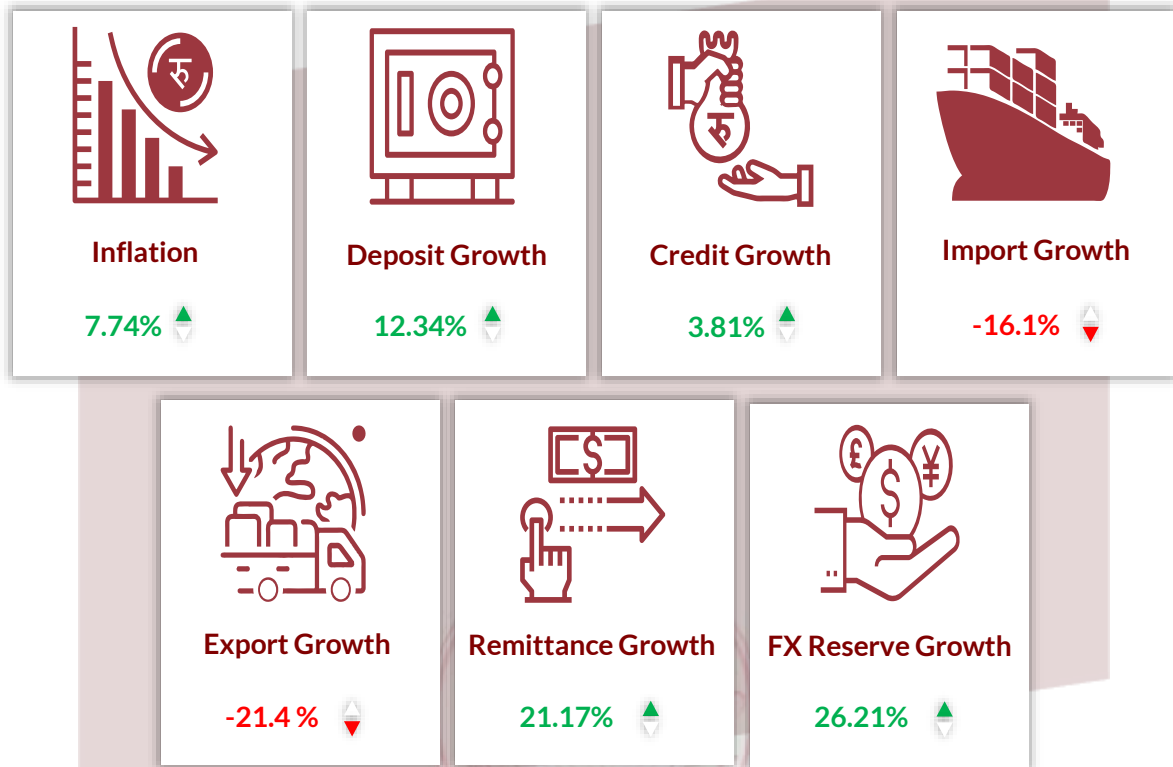
*Values Per 1 \$

	Gold(\$) Per Oz. 1,943.32 (1.22%)		Bitcoin(\$) 26,043.00 (-13.66%)
	Brent Crude(\$) Per Barrell 87.84 (17.90%)		Ethereum(\$) 1,644.12 (-10.24%)

#All Changes are in MoM basis.



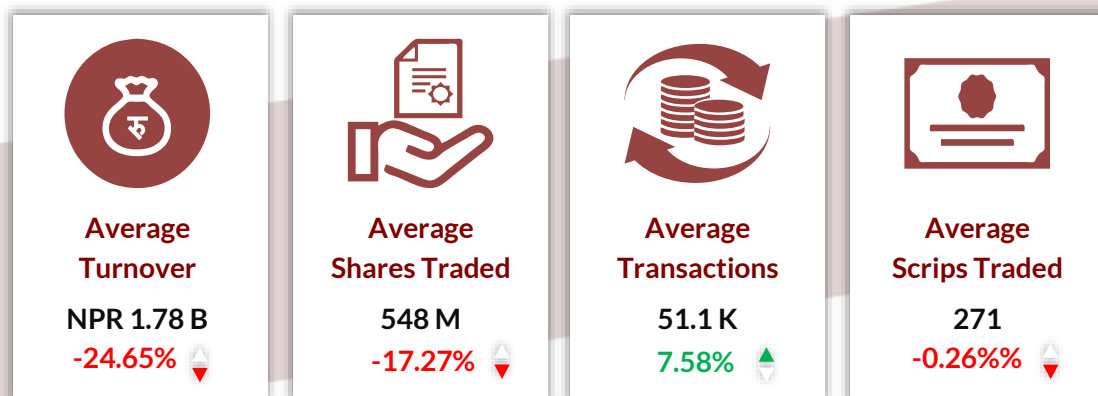
Macroeconomic Overview



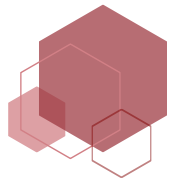
* Growth refers to the change between annual data of FY 78/79 and FY 79/80.

* Credit refers to claim on private sector.

Monthly Trading Statistics



* For the period (July-30, 2023) – (August-30, 2023)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Ashad-79	Jestha-80	Ashad-80	Bhadra-8	Bhadra-15	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	10.34	7.56	4.39	5.18	6.21	-5.95	-3.17	1.03
Wt.Avg 91 Days TB rate (%)	9.69	9.07	6.35	5.82	5.82	-3.34	-2.72	0.00
Wt.Avg 364 Days TB rate (%)	9.85	8.55	8.55	6.44	6.44	-1.30	0.00	0.00
Wt. Avg Interbank Rate (%)	10.34	6.68	2.98	5.88	6.30	-7.36	-3.70	0.42
CapEx (In Billion NPR)	216.37	153.08	233.70	3.38	4.81	17.33	80.62	1.43

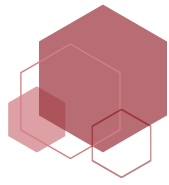
B. BFI Statistics

Description	Value As On					Change		
	Ashad-79	Jestha-80	Ashad-80	Bhadra-8	Bhadra-15	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	7.41	7.99	7.86	7.86	7.86	0.45	-0.13	0.00
Wt. Avg Lending Rate (%)	7.41	12.53	12.30	12.30	12.30	4.89	-0.23	0.00
Base Rate (%)	9.54	10.18	10.03	10.03	10.03	0.49	-0.15	0.00
CD Ratio (%)	86.22	83.96	81.63	83.61	83.72	-4.59	-2.33	0.11
Fixed Deposits/Total Deposits (%)	54.97	59.30	58.21	58.21	58.21	3.24	-1.09	0.00
Total Liquid Assets/Total Deposits (%)	27.52	25.21	27.10	27.10	27.10	-0.42	1.89	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	Shrawan 23	500.00	0.00	17	70	3.18	500.00	4.83	5.37	5.18
91 Days	Bhadra 5	423.32	0.00	26	112	6.30	423.32	4.74	6.15	5.82
182 Days	Shrawan 23	700.00	0.00	15	64	1.99	700.00	6.04	6.62	6.39
364 Days	Bhadra 5	200.00	0.00	17	56	6.16	200.00	6.14	6.48	6.44

*Figures are in Millions NPR

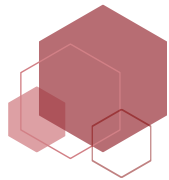


Sectoral Movement

Index	Shrawan 14	Bhadra 13	Change
NEPSE	2,100.34	1,990.59	-5.23%
Trading	2,836.99	2,907.35	2.48%
Hotels & Tourism	5,668.98	5,612.67	-0.99%
Commercial Bank	1,293.66	1,262.80	-2.39%
Investment	72.26	70.07	-3.03%
Non Life Insurance	11,071.73	10,618.49	-4.09%
Development Bank	3,915.44	3,735.75	-4.59%
Life Insurance	11,489.15	10,900.26	-5.13%
Others	1,543.51	1,457.20	-5.59%
Microfinance	3,898.04	3,619.08	-7.16%
Finance Company	1,830.75	1,687.87	-7.80%
Manufacturing & Processing	5,711.36	5,166.31	-9.54%
Hydropower	2,314.12	2,037.71	-11.94%

Major Movers

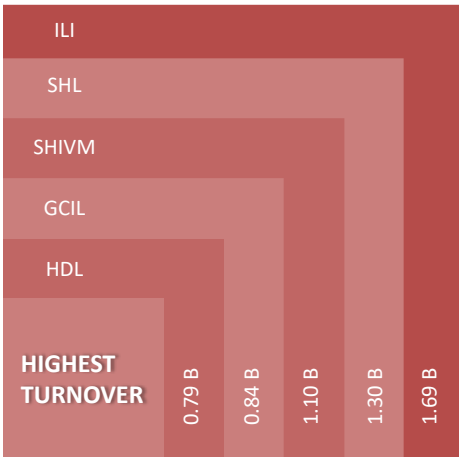
ENL	20.54%	PROFL	-32.71%
SAMAJ	9.75%	PHCL	-24.85%
MBL	9.47%	HHL	-24.45%
NBLD85	6.75%	MKLB	-24.09%
CMF2	5.79%	MEL	-23.85%



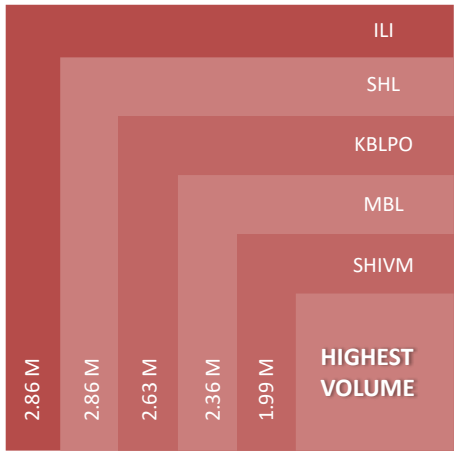
Sectoral Divergence-Turnover

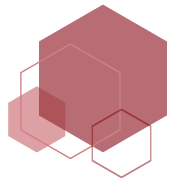
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	2.36 B	1.78 B	-24.65%
Tradings	0.02 B	0.02 B	9.91%
Commercial Banks	0.31 B	0.31 B	3.18%
Development Banks	0.15 B	0.11 B	-22.40%
Hotels And Tourism	0.14 B	0.10 B	-28.26%
Finance	0.14 B	0.09 B	-33.98%
Microfinance	0.15 B	0.10 B	-34.97%
Investment	0.11 B	0.07 B	-35.39%
Others	0.07 B	0.04 B	-39.61%
Manufacturing And Processing	0.19 B	0.12 B	-39.86%
Hydro Power	0.39 B	0.22 B	-43.79%
Life Insurance	0.11 B	0.06 B	-49.13%
Non Life Insurance	0.17 B	0.08 B	-53.30%

Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview

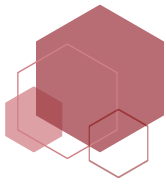


On August 30, 2023, the flagship NEPSE index closed at 1,990.59 points, with an average monthly turnover of NPR 1.66 billion. This represents a decrease in both the index value and the monthly turnover compared to the previous month.

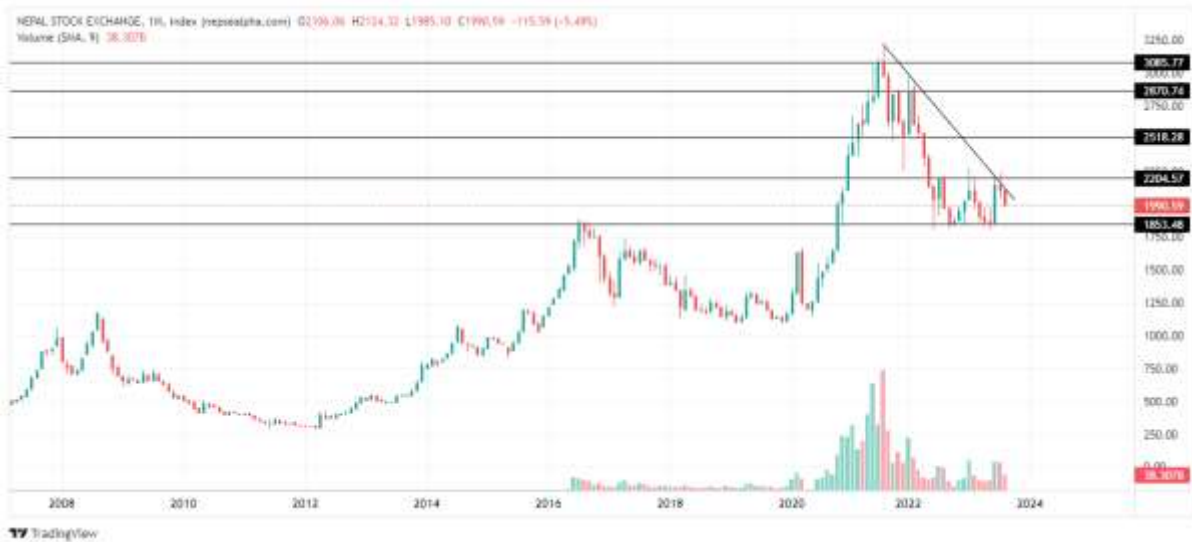
The Relative Strength Index (RSI) currently stands at 38.80 points. This is lower than the RSI on the same date of the previous month, indicating increased selling pressure in the market, leading to the RSI's decline.

The Moving Average Convergence and Divergence (MACD) indicator is signaling a downtrend. This is due to a bearish crossover between the MACD line and the signal line. Additionally, both indicator lines are positioned below the baseline, reflecting a growing negative sentiment in the market.

Looking forward, the NEPSE index has immediate support levels at 1,970 (S1), 1,900 (S2), and 1,850 (S3). On the other hand, the immediate resistance levels are at 2,045 (R1), 2,085 (R2), and 2,150 (R3). These support and resistance levels can serve as valuable reference points for investors when making trading decisions.



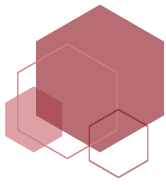
B. Long Term Overview



Taking a long-term view, the local bourse has experienced a significant drop of over 40%. It now appears to have found stability around the 1800-1900 level, which, in the previous market cycle, served as a key support zone.

Analyzing this historical pattern of market fluctuations, it's possible to view the 1800 level as the current cycle's potential bottom. From a longer-term perspective, there is potential for the market to rebound and reach levels between 3800 and 4000, as indicated by Fibonacci extension and pitchfork bands.

In addition to these long-term projections, there are immediate support and resistance levels for the NEPSE index. The support levels are as follows: (S1) 1,970, (S2) 1,900, and (S3) 1,850. Conversely, the resistance levels are: (R1) 2,045, (R2) 2,085, and (R3) 2,150. These support and resistance levels are important reference points for investors when making short-term trading decisions.



SCRIP ANALYSIS

Everest Bank Limited

A. Technical Analysis



On 30th August, 2023, the stock price of EBL closed at NPR 604.00. The price of the stock increased by 73.47% from its low on 12th July, 2022.

The Relative Strength Index (RSI) of the stock is at 49.65 points, indicating the stock is in neutral region.

The Moving Average Convergence Divergence (MACD) indicator is signaling a bearish trend due to a bearish crossover between the MACD line and the signal line.

The immediate support levels for EBL stand at NPR 560.00 (S1), NPR 520.00 (S2), and NPR 480.00(S3), whereas the resistance levels hold at NPR 625.00 (R1), NPR 670.00 (R2), and NPR 710.00 (R3).



B. About the Company

Everest Bank Limited (EBL), is a joint venture bank in partnership with Punjab National Bank (PNB) from India, which holds a 20% stake in the bank. EBL has established itself as one of the leading banks in the country, serving a diverse range of clients from various backgrounds. The bank has played a significant role in the corporate, agricultural, and industrial development of the nation.

EBL offers customer-friendly services through its extensive network, all interconnected through the ABBS system. This system allows customers to carry out operational transactions at any of the bank's branches. With a total of 127 branches, 161 ATM counters, 32 revenue collection counters, and 3 extension counters spread across the country, EBL ensures efficient and convenient banking services for its customers, regardless of their location or the time of day.

I. Comparative Quarterly Performance Visualizations

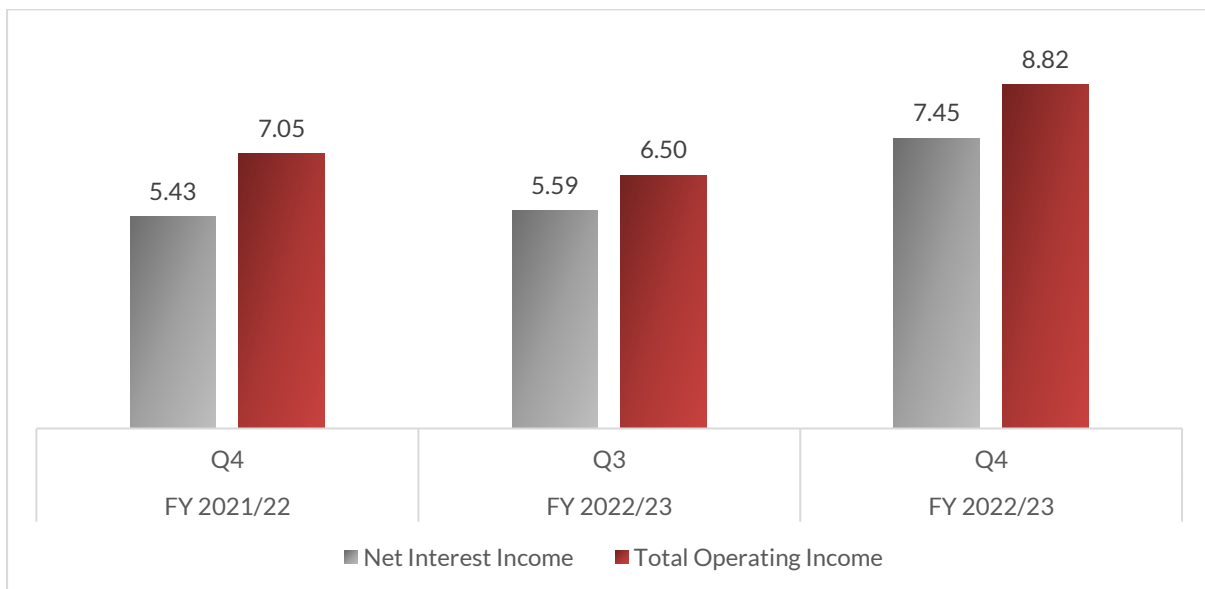


Figure: Quarterly comparison of Net Interest Income and Total Operating Income

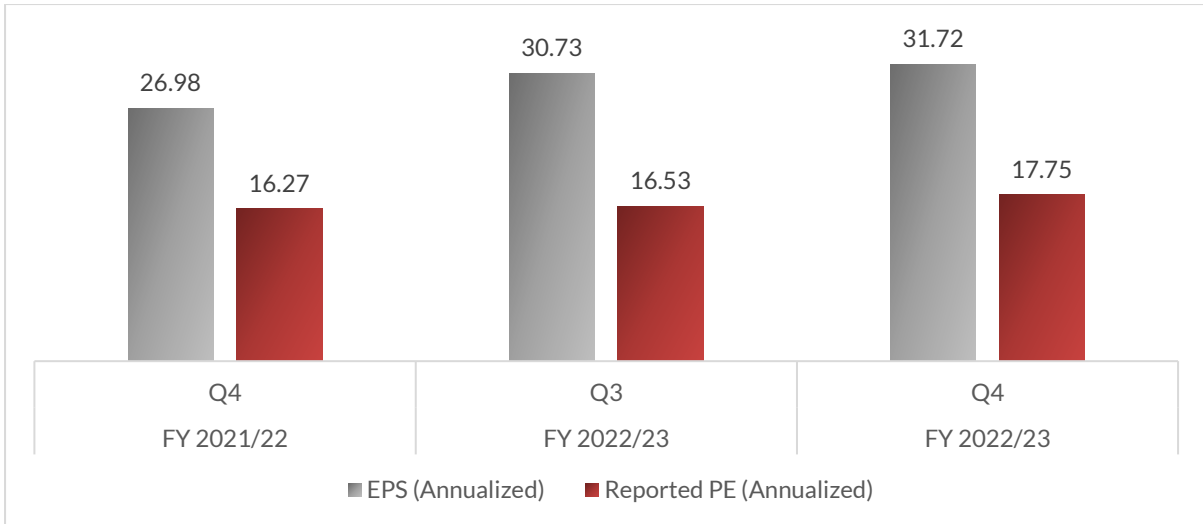
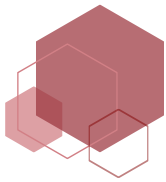


Figure: Quarterly Comparison of EPS and PE

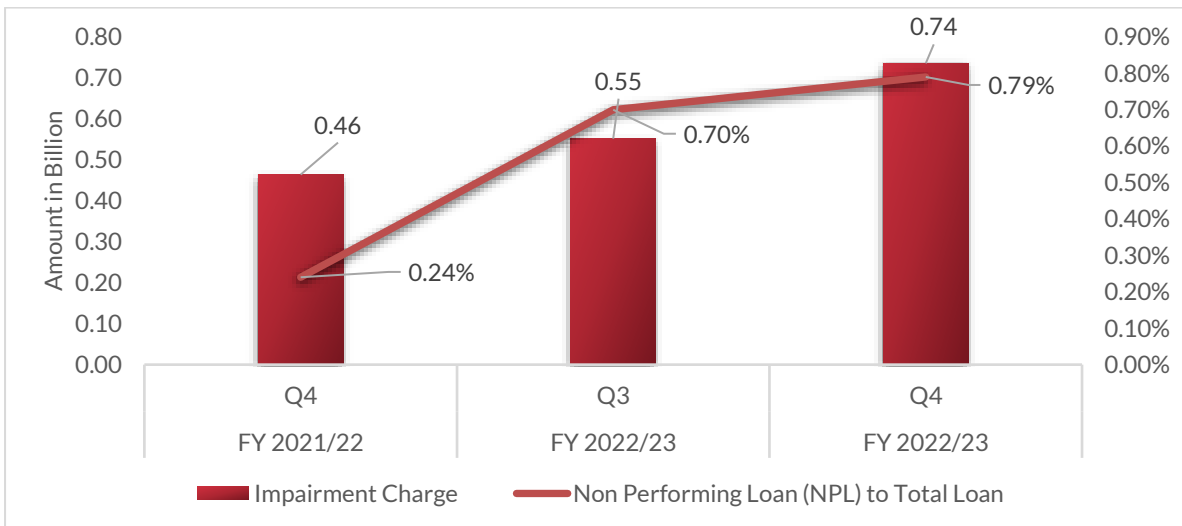


Figure: Quarterly Comparison of Impairment Charges and NPL (%)

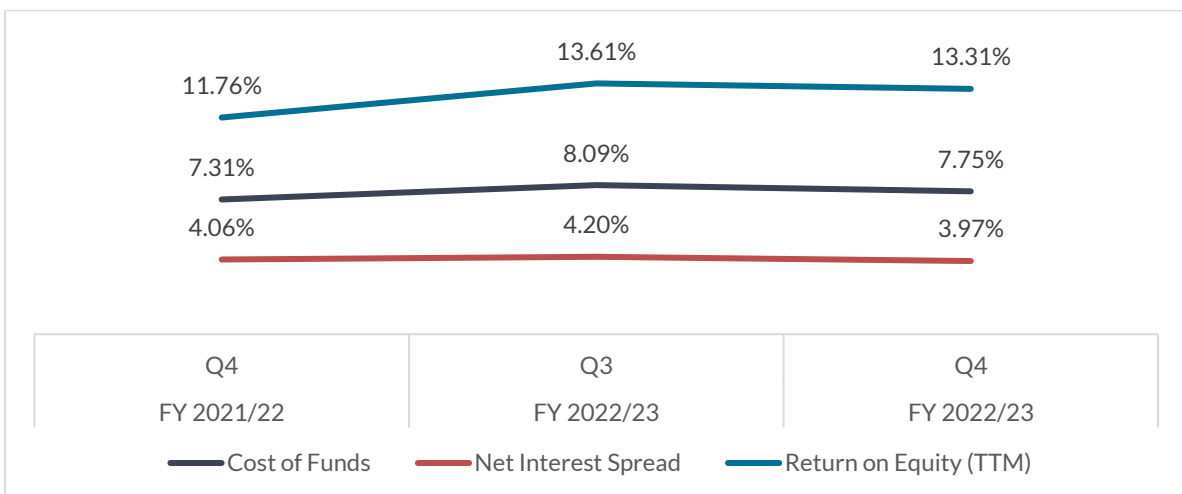
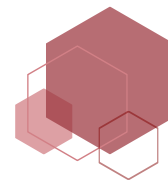


Figure: Quarterly Comparison of Cost of funds, Return on Equity and Net Interest Spread



II. Key Variables used for Valuation and Assumptions:

1. Perpetual Growth Rate for longer period projection to calculate terminal value (Last 10 years average economy growth rate) =4.71%
2. Discount rate using CAPM Model:

$$K_e = R_f + (R_m - R_f) * B$$

Specifics	Value	Remarks
Beta (Monthly)	0.73	As on 01/27/2022
Market Return (R _m)	15.94%	
Risk-Free Rate (R _f)	9.00%	
Cost of Equity (K _e)	14.07%	

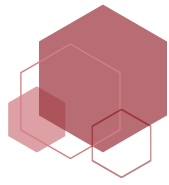
C. Stock Valuation

The final average valuation of EBL based on Absolute Approach (viz. Capitalized Earnings, Earnings Valuation and Discounted Cash Flow Method) as well as Relative Approach (viz. P/E Model and P/B Model) has been computed as NPR 417.82, which has been tabulated below:

Method	Intrinsic Value (NPR)
Capitalized Earnings	428.31
Earning Valuation	349.18
Discounted Cash Flow	392.36
P/E Model	373.75
P/B Model	545.47
Final Average Valuation	417.82

D. Conclusion

After the valuation, the final average value of the company is NPR 417.82. Comparing the final average value with the trading price as on 30th August, 2023 i.e., NPR 604.00, the company's stock price is overvalued by 44.56% of the final average value.



With the publication of 4th quarter report for FY 2079/80, the bank's quarterly performance has increased in terms of core operating income generation. In this quarter, the bank has made NPR 7.45 billion worth of net interest income which increased by 37.27% from the previous F/Y quarter. Similarly, the impairment charges of the bank have also increased to NPR 0.74 billion i.e., by 58.55% from the previous F/Y quarter. Hence, in next quarter report, the bank's profit might look lucrative as the probability of write back of impairment charges is high in next quarter. However, along with the rise of impairment charges, the Non-Performing Loans (NPL %) has also increased to 0.79% from 0.24%.

Similarly, the current Earnings per Share (EPS) and Price to Earnings (PE ratio) of the company stands at NPR 31.72 and 19.04 times. Now, looking at the other major ratio/indicator, return on Equity (ROE) stands at 13.31%, cost of fund at 7.75% and the net interest spread at 3.97%.

From the technical analysis of the EBL, the stock is currently hovering at NPR 604.00 as per closing price on 30th August, 2023. Currently, the stock seems bearish in nature as MACD line has crossed signal from below.

Therefore, considering all fundamental, technical and quarterly comparative analysis of the Everest Bank Limited (EBL), the last trading price of the stock is overvalued.



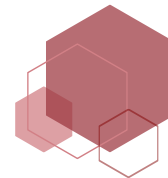
ISSUE OF THE MONTH

Investment Strategies: Gateways to Investment

The world of investing may appear large when you first start out on your own, sometimes too large. But there are several tried-and-true tactics you may use to simplify things. Investment strategies assist investors in making decisions about where and how to invest based on factors such as projected returns, risk tolerance, corpus size, long-term vs short-term holdings, retirement age, sector preference, etc. A sound investment approach can produce positive returns over time, free up your time to concentrate on other aspects of the process, or even make investing so simple that you can spend more time doing the things you like. The most widely used investing techniques in use today include:

A. Buy and Hold Investing

Buy and hold investing is the most straightforward long-term investment strategy. Simple purchases and perpetual holdings are made of individual equities. The



performance of a buy-and-hold portfolio will clearly rely on the stocks that are kept. The simplest investing strategy, purchase and keep, can really be more successful than one might think. Investors sometimes act as their own worst enemies by selling their holdings at the wrong moment. This method solves the equation's issue.

There are two strategies to significantly raise a buy and hold portfolio's chances of success. Start by looking for equities that have a good chance of lasting a long period. Strongly branded stocks with little chance of disruption are an excellent choice. Keep your positions small, second. In this manner, your portfolio won't suffer too much if you make the wrong decisions. Additionally, the stocks that perform well will become large holdings in your portfolio.

B. Growth Investing

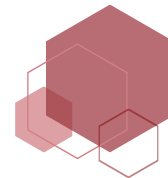
The primary benefit of growth investing methods is that they expose you to the businesses and sectors with the quickest rate of growth. This implies that you are investing in businesses that have the highest potential for producing large yearly returns. Gaining knowledge about the businesses that are developing and shaping the future is another fascinating aspect of investing in growth stocks. Growth investment, however, needs to be done cautiously.

Market values for growth stocks are often the highest. To justify their values, they must live up to the expectations of the market; otherwise, the stock price would decline, sometimes rather sharply. Do your research before investing in growth stocks to avoid chasing after businesses that are based solely on feeling.

C. Momentum Investing

Similar to growth investment, momentum investing prioritizes stock price momentum above revenue or profits growth. The best-performing equities during a specific era are likely to outperform throughout succeeding periods, according to the evidence.

Therefore, buying and selling choices are made solely based on price activity, but avoiding tiny and illiquid businesses is facilitated by this. A relatively straightforward momentum strategy would hold 10 to 20 of the best-performing equities for a whole year. All equities are now sold, and the procedure is repeated. On a monthly or quarterly basis, more complicated iterations of the approach will continually rotate capital into the stock with the strongest momentum.



The majority of the time, momentum investing produces strong returns, but rare losses might be large. It is advisable to combine momentum investment tactics with other techniques.

D. Value Investing

Over the past 100 years, value investment has generated the most reliable long-term returns. Warren Buffett amassed his wealth via investments in businesses that offered dependable revenues at competitive pricing. Worth investors purchase stocks when they are trading at their inherent or fair value or lower. This offers a safety margin in case the unexpected occurs. The lower the value at the time a stock is bought, the less the firm must earn in the future to produce a respectable return.

To ascertain a company's genuine worth, value investors need to comprehend financial statements. The majority of discounted stocks are so for a reason. Finding high-quality, low-priced companies is the responsibility of the value investor

E. Small Cap Investing

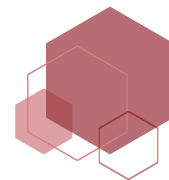
Choosing to concentrate on smaller businesses has two benefits. First off, a small business may increase its revenues more easily. It is far simpler to double income from a base level of NPR 10 Crores than it is from a base level of NPR 10 Arab. Second, smaller businesses are more likely to trade at a discount because investors are more prone to overlook them. The discount will get smaller as more investors become aware of the firm as it develops. If you were an early investment, this might result in an extra return.

Investing in small cap companies has several drawbacks. Finding information is more difficult, therefore research will take longer. Additionally, small businesses have less liquidity and more unpredictable share prices. You will need to carefully manage risk and stay away from circumstances when liquidity runs out before you can depart.

F. Dividend Investing

Generating an income stream is the goal of dividend investment, also known as income investing or yield investing. Strong dividend yielding stocks often have high profitability but relatively slow growth rates. Finding profitable firms that can maintain dividend payments is your responsibility as a dividend investor. Even better would be if the business could raise its dividend yield.

Dividend investing techniques aim to do more than just make money. An investment portfolio with a yield can also see significant capital growth if dividends are reinvested.



Dividend-paying companies are often extremely prosperous, making them defensive during recessions.

G. Factor Investing

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.

H. Passive Investing

Buy and hold investment is a subset of indexing, or passive investing. Investments are made in indexes rather than specific equities, though. This strategy has a number of benefits. First off, investment in market cap weighted indexes ensures that your money is going towards the largest, fastest-growing businesses on the stock market.

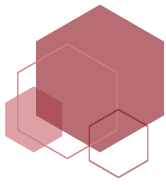
Doing this, you won't need to choose stocks and can be guaranteed to hold all the important ones. Mutual Funds are the most popular method for passive investing since they have relatively cheap costs in comparison to other products. To acquire dozens, if not hundreds, of stocks, you only need to pay commission on a single purchase.

I. Multi Asset Investing

Over the long run, stocks often produce the biggest returns. They are the most volatile asset class, nevertheless. Combining multiple asset classes can result in superior risk-adjusted returns. An investment portfolio's volatility and risk will be reduced the more asset classes it contains. Stocks, bonds, cash, commodities, real estate, hedge funds, and private equity funds can all be included in a well-diversified portfolio. By distributing the stock portfolio over various of the aforementioned investment techniques, diversification may be further strengthened.

Application of Investing Strategies

Setting up your investing plan is similar to purchasing a new television; before looking at the many models, you must determine which aesthetic best suits you. There are several investment kinds to pick from when developing an investment plan, just like there are with televisions. There are several questions that must be addressed before



selecting the best investing plan. What is the duration of your investments? What kind of results are you looking for? How much danger are you willing to take? What will be done with the money from this investment? In the end, the answers to these questions will also assist you in developing your portfolio.

A smart place to begin when developing your investing plan is by deciding how much of your portfolio will be made up of cash, fixed-income securities, and equities. Your level of risk tolerance ultimately determines how your assets are distributed. A cautious investor might want to maintain 20% of his portfolio in stocks and 80% of it in fixed-income securities. An aggressive investor would do the opposite, but a balanced investor would follow a 50/50 split.

If you are a high-risk investor with a long investment horizon, you might want to incorporate small cap and growth investing in your portfolio when it comes to particular stock market techniques within your asset allocation. Value and income investing may be a better fit for you if you have a moderate risk tolerance and a shorter investment horizon. You might choose to limit your investing to income if you have a low risk tolerance and limited time to invest. You may rather easily add socially responsible assets to your portfolio if you're seeking for businesses that strive to do no damage. It's crucial to adjust to the investing approach you feel most at ease with. A person with an aptitude for picking growth stocks could prioritize that approach in their portfolio.

**This article was previously published in the Shrawan, 2079 edition of The Pulse.*



Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
CLICL	IPO	9,000,000(O)	2023/07/20 AD 2080/05/15 BS	2023/09/05 AD 2080/05/19 BS	NIBL Ace Capital
SONAPUR	IPO	1,537,525(O)	2023/08/14 AD 2080/04/29 BS	2023/09/12 AD 2080/05/26 BS	NIMB Ace Capital
Chirkhwa	IPO	80,000(O)	2023/08/13 AD 2080/04/28 BS	2023/09/11 AD 2080/05/25 BS	RBB Merchant Banking
Mathillo	IPO	1,000,000(O)	2023/07/20 AD 2080/04/04 BS	2023/09/03 AD 2080/05/17 BS	Sanima Capital
AKPL	RIGHT	18,552,105(O)	2023/08/28 AD 2080/05/11 BS	2023/09/17 AD 2080/05/31 BS	Nabil Investment Banking
MPFL	RIGHT	1,582,000(O)	2023/08/27 AD 2080/05/10 BS	2023/09/17 AD 2080/05/31 BS	Muktinath Capital
SPDL	RIGHT	4,032,857(O)	2023/08/20 AD 2080/05/03 BS	2023/09/10 AD 2080/05/24 BS	Sanima Capital
API	RIGHT	16,533,137(O)	2023/08/16 AD 2080/04/31 BS	2023/09/05 AD 2080/05/19 BS	Muktinath Capital
NHPC	AUCTION	1,336,742(O)	2023/08/30 AD 2080/05/13 BS	2023/09/10 AD 2080/05/24 BS	Muktinath Capital
SHINEP	AUCTION	20,000(P)	2023/08/25 AD 2080/05/08 BS	2023/09/03 AD 2080/05/17 BS	NIC Asia Capital
KBLPO	AUCTION	751,699(P)	2023/08/22 AD 2080/05/05 BS	2023/09/05 AD 2080/05/19 BS	NIBL Ace Capital
NICLPO	AUCTION	389,041(P)	2023/08/15 AD 2080/04/30 BS	2023/09/18 AD 2080/06/01 BS	Global IME Capital

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