

The Pulse

Market Growth, Risks and Outlook

Chaitra 2079

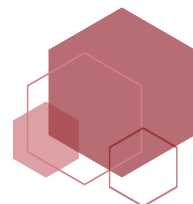
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Himalayan Capital





A Wholly Owned Subsidiary of Himalayan Bank Limited



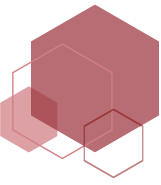
Global Markets Overview

€	1.05 \$ (-2.97%)	S&P 500	3,970.05 (-2.47%)
£	1.19 \$ (-3.46%)	BSE SENSEX	59,166.05 (-0.51%)
₹	82.94* (1.75%)	NIKKEI 225	27,411.20 (0.03%)
¥	136.33* (4.59%)	FTSE 100	7,878.67 (1.46%)
A\$	0.67 \$ (-5.12%)	DAX	15,209.74 (0.39%)
C\$	0.73 \$ (-1.95%)	CAC 40	7,187.27 (1.27%)
		HANG SENG	19,860.91 (-11.12%)
		SSE COMPOSITE	3,263.38 (-0.76%)

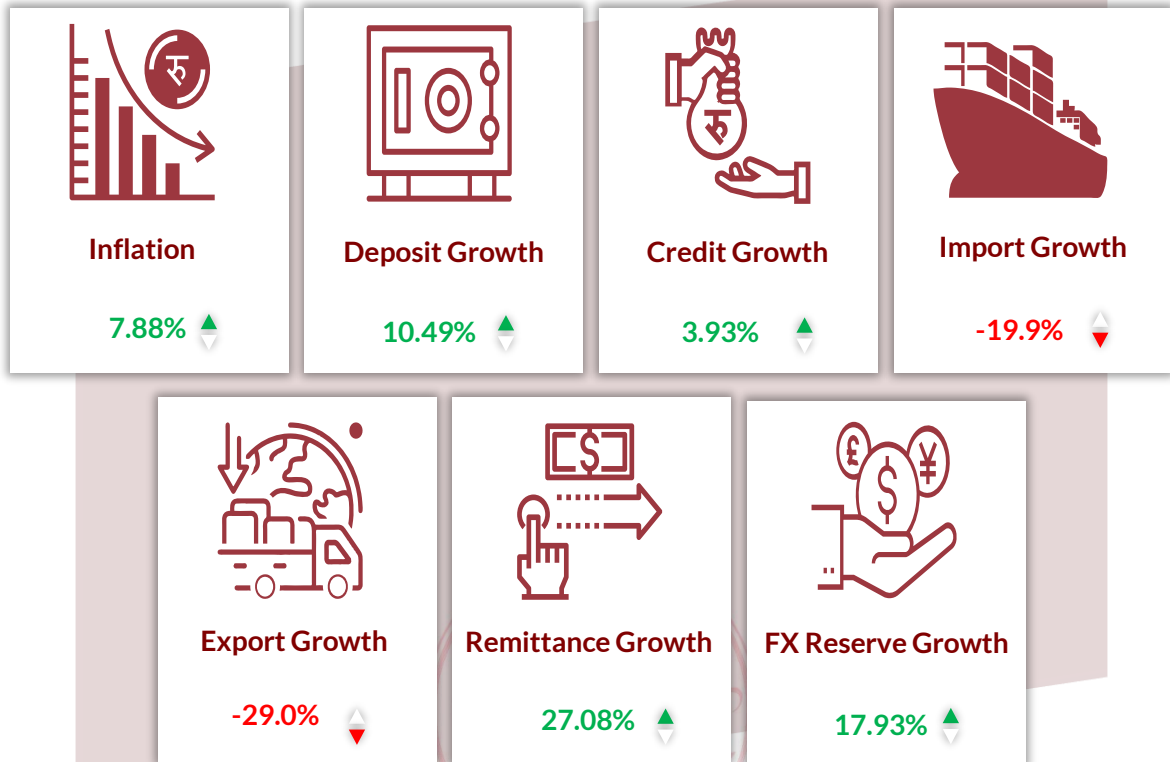
*Values Per 1 \$

	Gold(\$) Per Oz. 1,810.40 (-0.85%)		Bitcoin(\$) 23,559.39 (-0.94%)
	Brent Crude(\$) Per Barrell 82.86 (-4.38%)		Ethereum(\$) 1,641.07 (-0.44%)

#All Changes are in MoM basis.



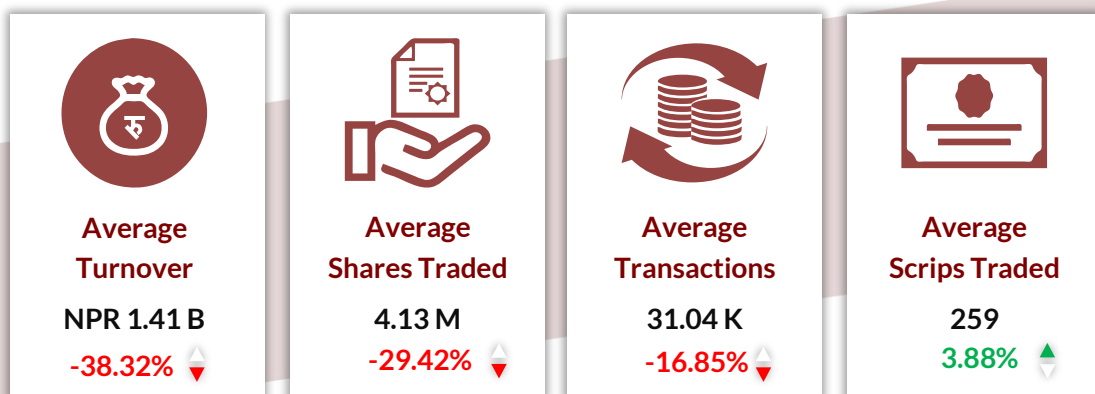
Macroeconomic Overview



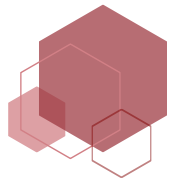
* Growth refers to the change between seven months of FY 78/79 and FY 79/80

* Credit refers to claim on private sector

Monthly Trading Statistics



* For the period (February-24, 2023) - (March-26, 2023)



Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Poush -78	Mangsir-79	Poush-79	Chaitra-3	Chaitra-10	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	4.72	9.45	8.83	8.00	8.00	4.11	-0.62	0.00
Wt.Avg 91 Days TB rate (%)	5.07	10.67	10.89	9.10	9.10	5.82	0.22	0.00
Wt.Avg 364 Days TB rate (%)	4.99	11.52	11.92	9.51	9.51	6.93	0.40	0.00
Wt. Avg Interbank Rate (%)	4.76	7.96	7.48	7.01	7.00	2.72	-0.48	-0.01
CapEx (In Billion NPR)	50.81	33.99	53.46	87.29	90.77	2.65	19.46	3.48

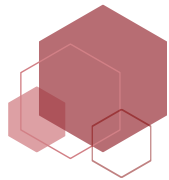
B. BFI Statistics

Description	Value As On					Change		
	Poush -78	Mangsir-79	Poush-79	Chaitra-3	Chaitra-10	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	6.37	8.46	8.51	10.41	10.41	2.14	0.05	0.00
Wt. Avg Lending Rate (%)	9.44	12.74	12.79	13.03	13.03	3.35	0.05	0.00
Base Rate (%)	8.42	10.69	10.91	10.72	10.72	2.49	0.22	0.00
CD Ratio (%)	89.95	85.91	86.64	85.69	85.63	-3.31	0.73	-0.06
Fixed Deposits/Total Deposits (%)	52.52	56.92	60.09	59.59	59.59	7.57	3.17	0.00
Total Liquid Assets/Total Deposits (%)	22.67	24.58	24.58	23.50	23.50	1.91	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	Chaitra 8	500.00	0.00	19	56	1.55	500.00	6.77	9.50	8.68
91 Days	Chaitra 8	553.00	0.00	14	54	0.99	553.00	8.25	10.74	9.42
182 Days	Chaitra 8	430.00	0.00	12	48	1.95	430.00	8.91	9.64	9.41
364 Days	Chaitra 8	900.00	0.00	21	90	1.69	900.00	9.00	9.92	9.60

*Figures are in Millions NPR

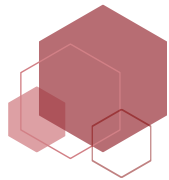


Sectoral Movement

Index	Falgun 11	Chaitra 12	Change
NEPSE	2,022.64	1,888.30	-6.64%
Hotels & Tourism	3,091.80	3,056.71	-1.13%
Hydropower	2,556.46	2,525.79	-1.20%
Investment	64.84	63.81	-1.59%
Non Life Insurance	8,878.33	8,622.39	-2.88%
Others	1,463.55	1,420.38	-2.95%
Trading	2,185.98	2,106.13	-3.65%
Development Bank	3,637.13	3,476.54	-4.42%
Finance Company	1,699.70	1,618.53	-4.78%
Mutual Fund	14.12	12.99	-8.00%
Life Insurance	10,204.44	9,385.47	-8.03%
Commercial Bank	1,334.51	1,220.92	-8.51%
Manufacturing & Processing	4,947.37	4,262.90	-13.84%
Microfinance	3,907.02	3,344.65	-14.39%

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%

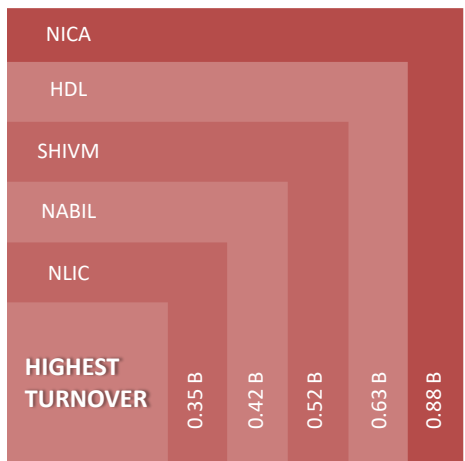


Sectoral Divergence-Turnover

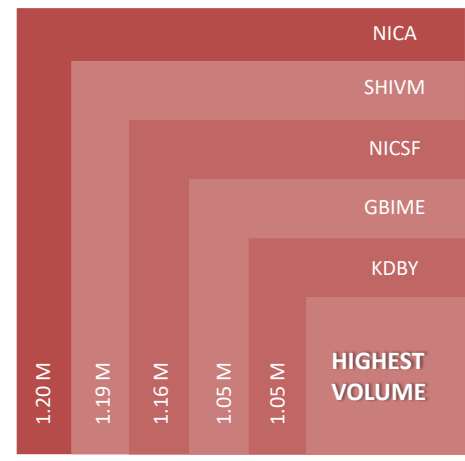
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	2.09 B	1.41 B	-32.82%
Tradings	0.01 B	0.01 B	7.61%
Mutual Funds	0.00 B	0.00 B	-20.90%
Commercial Banks	0.29 B	0.22 B	-23.02%
Manufacturing And Processing	0.15 B	0.10 B	-30.47%
Investment	0.08 B	0.05 B	-31.19%
Microfinance	0.24 B	0.16 B	-32.56%
Hotels And Tourism	0.03 B	0.02 B	-34.06%
Hydro Power	0.66 B	0.42 B	-35.75%
Life Insurance	0.09 B	0.06 B	-37.95%
Non Life Insurance	0.09 B	0.05 B	-44.61%
Development Banks	0.13 B	0.06 B	-55.19%
Finance	0.12 B	0.05 B	-57.90%
Others	0.07 B	0.03 B	-60.15%

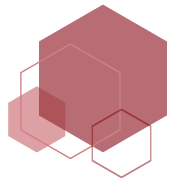


Highest Turnover



Highest Volume





NEPSE Outlook

A. Current Overview



TradingView



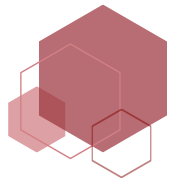
On 27th February 2023, the flagship NEPSE index reached the level of 1,906 points, accompanied by a total turnover of NPR 1.38 billion. This figure represented a decline of 5.8% compared to the previous month's corresponding end price, as well as a reduced turnover.

In this month, some of the international well-known banks failed due to the change of Federal Reserve interest rate which eventually triggered the weak sentiment of the market, and even in the NEPSE.

For more than a month, the index is hovering in a parallel channel. Right now, the index is hovering at upper bound of the channel.

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

The Moving Average Convergence and Divergence (MACD) is currently indicating a downtrend, as the MACD line and signal line have experienced a bearish crossover. Additionally, the lines are hovering below the baseline, indicating weak sentiment in the market, however with the formation of negative diminishing histograms.



The Relative Strength Index (RSI) is currently at 35.30 points, which falls within the neutral region. Compared to the previous month's corresponding quarter, this week had more selling pressure.

Looking ahead, NEPSE's immediate support levels stand at (S1) 1,858, (S2) 1,840, and (S3) 1,810. On the other hand, the resistance levels hold at (R1) 1,945, (R2) 2,006, and (R3) 2,078. These support and resistance levels can provide guidance to investors when making trading decisions.

B. Long Term Overview

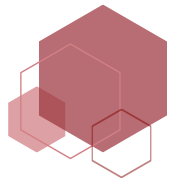


Over the last month, the NEPSE index has experienced a significant decline of 3.20% due to heavy selling pressure in the market. Currently, the index is trading near at 1906 points which is hovering at the support level of 1,870 points.

As a result of the decline in the index, it is now trading below both the 200-day and 50-day Exponential Moving Average (EMA) lines.

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 330 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 3,608.67 points, and the support level is at 1,697 points based on the indicator.

In addition to these levels, the intermediate support levels of the NEPSE index stand at (S1) 1,697, (S2) 1,472, and (S3) 1,634, while the resistance levels hold at (R1) 2,218, (R2) 2,322, and (R3) 2,615.



SCRIP ANALYSIS

Nepal Bank Limited (NBL)

A. Technical Analysis



On 26th March 2023, the stock price of NBL was NPR 257. The stock price has been declining since the month of February with high selling pressure indicating weak sentiment of the investors.

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

The Relative Strength Index (RSI) of the stock is at 41.08, indicating the sellers are outweighing the buyers in the market.

The Moving Average Convergence Divergence (MACD) indicator is indicating negative signals due to the bearish crossover of the MACD line and the signal line, and the diminishing negative histogram. Moreover, the lines are trading below the baseline, indicating weak momentum of the stock.

According to On-Balance Volume (OBV), a strong downtrend can be observed due to falling price and the OBV line.



The immediate support levels for NBL stand at NPR 250 (S1), NPR 234 (S2), and NPR 225 (S3), whereas the resistance levels hold at NPR 266 (R1), NPR 275 (R2), and NPR 286 (R3).

B. About the Company

Nepal Bank Limited (NBL) is recognized as the first commercial bank in Nepal, as it laid the foundation for the formal banking system in the country. NBL was established in 1937 AD, even before the establishment of the central bank. It was formed as a public-private partnership (PPP) model, with the Government of Nepal and the general public as joint partners. In July 2005, NBL underwent a transformation and became a public company. It is now classified as a class A commercial bank, licensed by the Nepal Rastra Bank. The government currently owns a 51% stake in NBL, while the remaining portion is held by the general public. The bank's equity shares are publicly traded on the Nepal Stock Exchange (NEPSE), with a current market capitalization of NPR 37 billion, as of March 26, 2023.

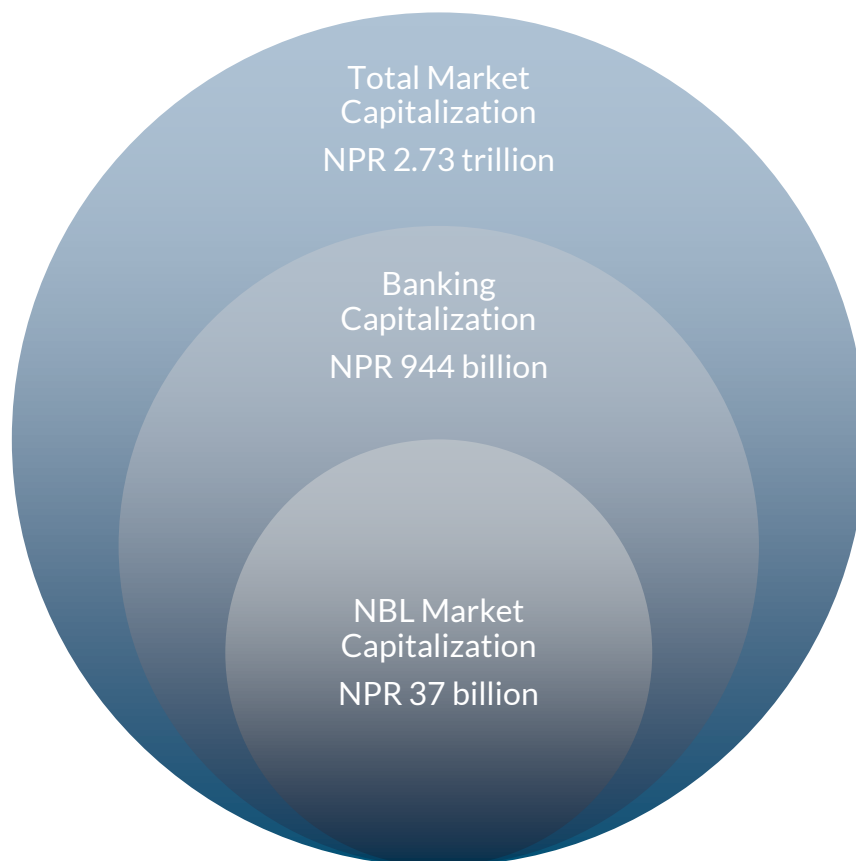
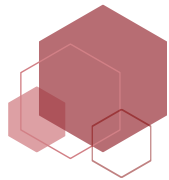


Figure 1: Capitalization of NBL, Banking Sector and NEPSE



Nepal Bank Limited (NBL) Overview

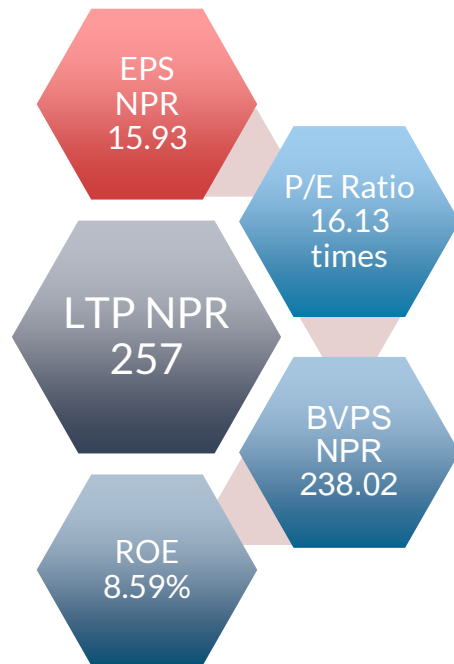
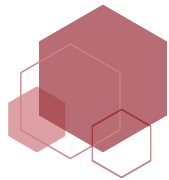


Figure 2: Nepal Bank Limited Overview (As of 26th March, 2023)

C. Stock Performance with Various Index



Figure 3: NBL's stock movement along with the Banking Sector and NEPSE index



D. Loan Segmentation of NBL (Top 5)

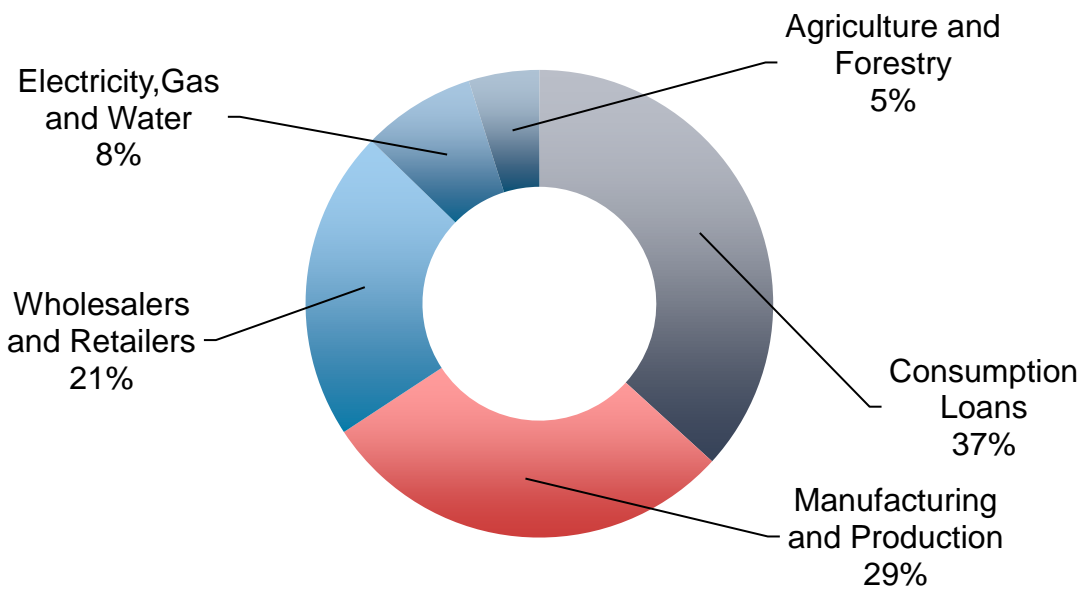


Figure 4: Top 5 Loan segmentation of NBL

Here, NBL has high exposure in consumption loans followed by manufacturing and production, wholesalers and retailers, and so on. Having more exposure in the consumption loan sector makes relatively less risky for the banks as the changes in interest rate can be applied quickly.

E. Company's Past Core Business Performance

I. Loans and Deposits

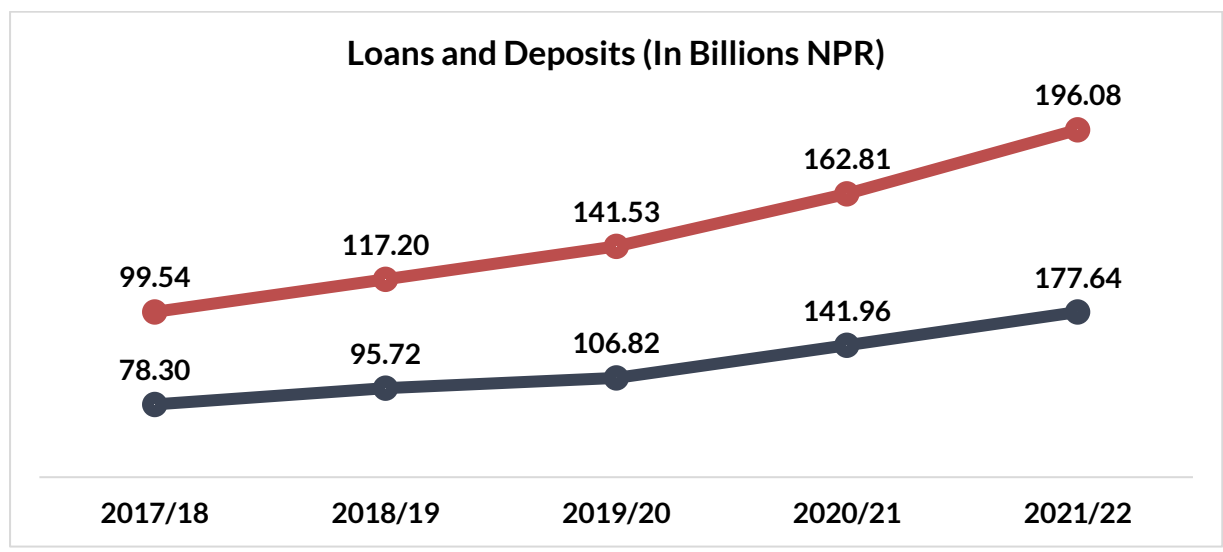
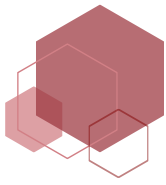


Figure 5: Growth of Loans and Deposits from past five years



i. Interest Income and Average Yield

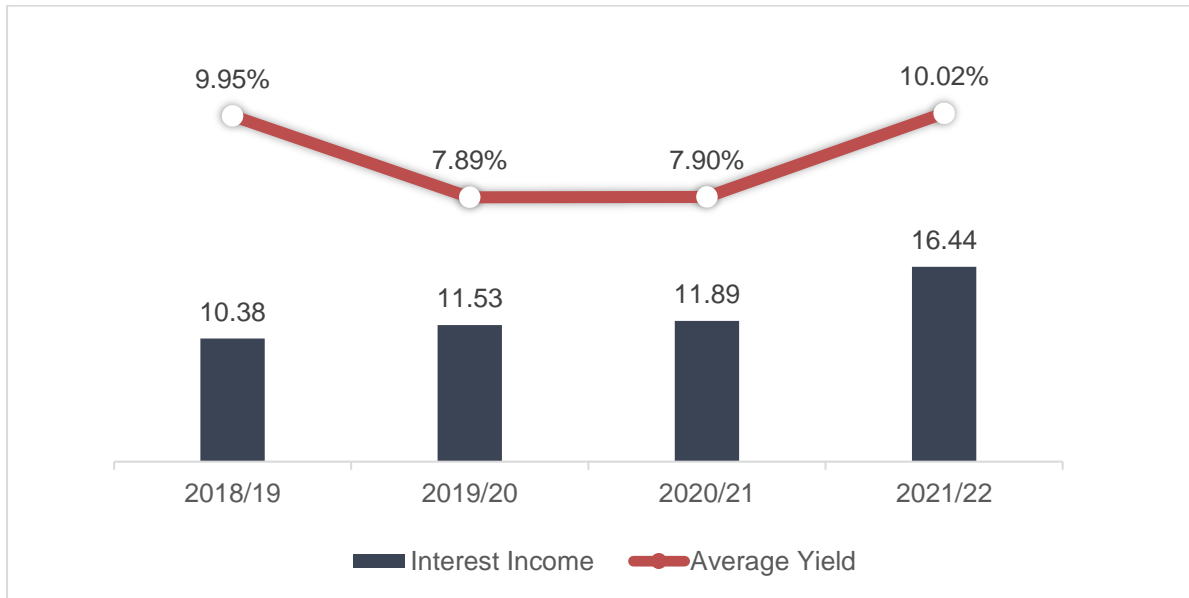


Figure 6: Interest Income along with the average annual Yield (%)

ii. Interest Expenses and Cost of Fund

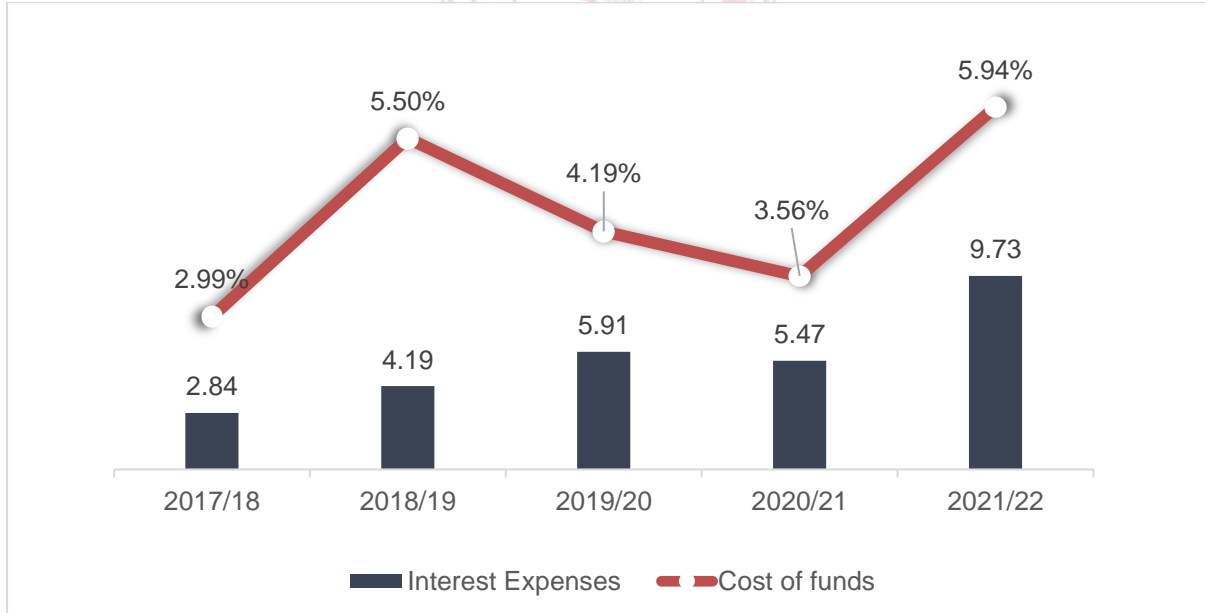


Figure 7: Interest Expenses along with the cost of fund (%)



iii. Earnings Per Share (EPS) and Non-Performing Loans (NPL)s

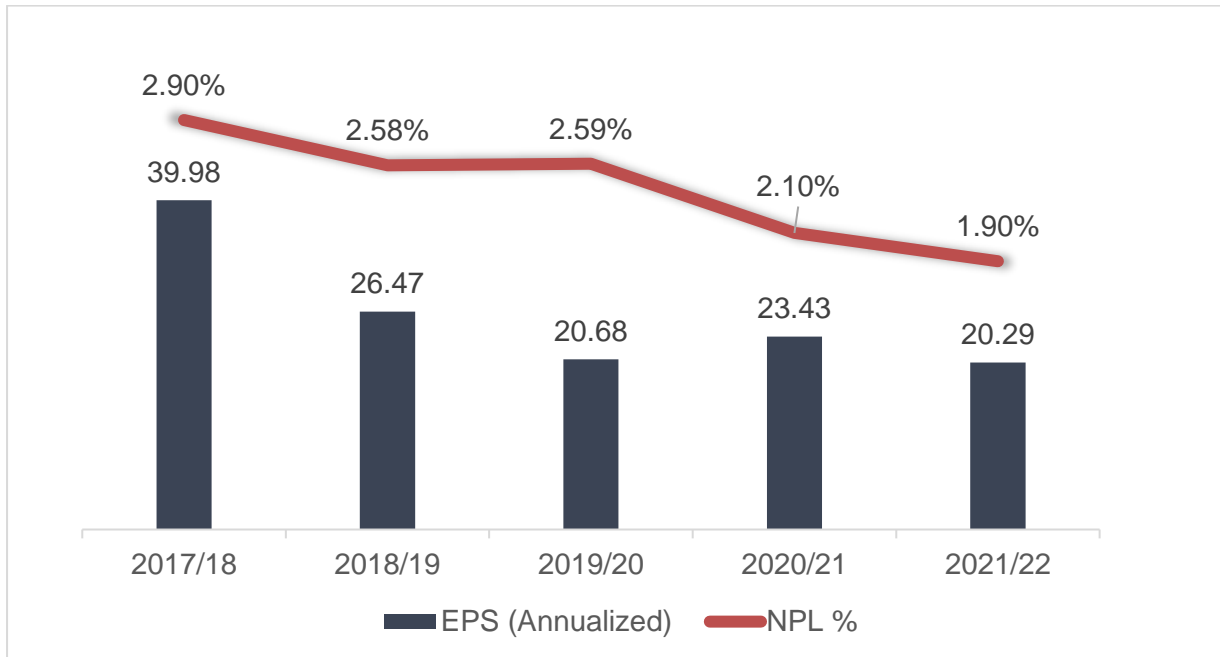


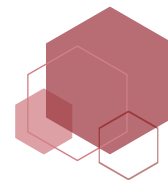
Figure 8: Past five years EPS and NPL%

F. Key Variables used for Valuation and Assumptions:

Specifics	Value
Beta (Monthly)	0.72
91 days T-Bills(10yrs Average)	2.08%
Market Return(CAGR)	12.09%
Current Inflation	7.88%
Nominal Risk-Free Rate	10.12%
Risk Premium	1.97%
Cost of Equity	11.54%
Tax Rate	30.00%
Sustainable Growth Rate	4.20%

G. Stock Valuation

The final average valuation NBL is based on the average of Absolute Approach (viz. Excess Equity Return Model) as well as the Relative Approach (viz. PE Valuation), and Book Value per share. The Final Average value of **NPR 195.39** has been determined.



Method	Intrinsic Value
Excess Equity Return model	171.82
Book Value per Share	238.02
PE Valuation	176.34
Final Average Value	195.39

H. Recommendation

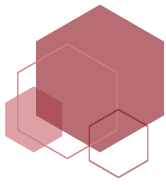
Nepal Bank Limited (NBL) is a well-established commercial bank in Nepal with a significant government stake of 51% and a remaining 49% stake held by the general public. The bank's board members provide comfort regarding the bank's governance aspect due to the government's backing and the company's excellent operations in the market, which has earned the trust and confidence of depositors. This makes NBL more trustworthy than other non-government commercial banks.

NBL has shown strong growth in its deposits profile, which is currently NPR 196 billion, and an increasing trend in loans and advances, currently standing at NPR 177 billion. The company has a greater exposure to consumption loans followed by manufacturing and production loans, wholesaler and retailer loans, and other types of loans. However, according to the 2nd quarter 2079/80 report, the company's Non-performing loan (NPL%) stands at 3.11%, which is higher than the industry average.

The valuation of NBL was derived from a combination of the Absolute Valuation Method and the Relative Valuation Method, arriving at a final average value of NPR 195.39. However, the company's stock appears to be overvalued by 32% of the final average value compared to the last trading price. The stock is currently in a downtrend with high selling pressure, and the whole banking sector has felt high selling pressure for the past 10 days due to the failure of International Giant Banks.

Currently, the NBL stock is trading at NPR 257, with a support level of NPR 250 and a resistance level of NPR 266. The NBL stock price is currently trading at 1.079 times the company's recent book value, which is NPR 238.02. Based on technical analysis, the company's stock price is hovering at the major support level and is close to its book value.

In summary, based on technical analysis, investing in NBL for the short term may be a wise decision. However, based on fundamental analysis, investing in NBL at a discount of 15 to 20% of LTP might be a wise decision for the long term. Investors should carefully consider the company's valuation and may want to invest in NBL at a discount to potentially realize gains from an increase in the share price.



ISSUE OF THE MONTH

Information Asymmetry in Stock Market

A. Introduction

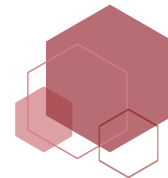
Information asymmetry in stock markets refers to a situation where one party has more information than another party in a transaction, and this information advantage gives the party with more information an unfair advantage in the transaction. In the context of the stock market, information asymmetry occurs when some investors have access to information that is not available to other investors, such as insider information about a company's financial performance or upcoming events that could impact its stock price.

In such situations, investors with access to privileged information can make more informed investment decisions, potentially resulting in profits at the expense of other investors. This can lead to a situation where the stock market is not fully efficient, as prices may not always reflect all available information.

B. Why Information Asymmetry Exists:

Information asymmetry can exist for several reasons, including:

- 1. Market Complexity:** The stock market is a complex system with many factors that can impact prices, including economic indicators, geopolitical events, and company-specific news. Institutional investors tend to have a better understanding of these factors than others, giving them an information advantage.
- 2. Research and Analysis:** Institutional investors have access to larger set of resources including access to more costly research and analysis tools than others, allowing them to be better informed earlier and make more informed investment decisions. For example, institutional investors may have more resources to devote to research and analysis than individual investors.
- 3. Timing of information:** In some cases, information can be accessed by certain investors before it is made available to the general public. For example, analysts may receive early access to a company's earnings report before it is released to the public, giving them an information advantage.
- 4. Insider information:** Insiders such as company executives, board members, and employees may have access to non-public information about the company's financial performance or upcoming events that could impact its stock price. They may use this information to make trades that profit from the information advantage.



C. Impact of Information Asymmetry on Small Investors

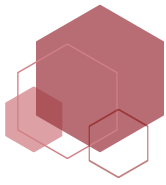
Small investors can be affected by information asymmetry in several ways. Here are some examples:

1. **Mispricing:** Information asymmetry can lead to mispricing in the market, which can negatively impact small investors. For example, if some investors have access to information that indicates a stock is undervalued, they may buy the stock, causing its price to increase. Small investors who do not have access to the same information may end up buying the stock at a higher price than its true value, leading to lower returns.
2. **Insider trading:** Insiders, such as company executives, may have access to non-public information that can significantly impact the stock's value. If insiders use this information to trade stocks, it can lead to unfair advantages over small investors who do not have access to the same information. Insider trading is illegal, but it can still occur, leading to a negative impact on small investors.
3. **Volatility:** Information asymmetry can increase volatility in the market, making it challenging for small investors to predict market movements. For example, if some investors have access to negative news about a company before it becomes public, they may sell their shares, causing the stock's price to drop suddenly. Small investors who do not have access to the same information may find it difficult to understand why the stock price has dropped, causing them to panic and sell their shares, leading to a loss.
4. **Scams:** Information asymmetry can create opportunities for scams and fraudulent activities that can negatively impact small investors. For example, if a company releases false information about its financial performance, small investors who do not have access to the true information may invest in the company, leading to a loss.

D. Keys for Navigating information asymmetry.

As a small investor, it can be challenging to avoid the pitfalls of information asymmetry entirely, but there are steps you can take to minimize its impact on your investment decisions:

1. **Conduct research:** Conducting thorough research on a company or industry can help you make informed investment decisions based on available information. It is essential to gather information from multiple sources, such as financial reports, news articles, and industry experts.
2. **Diversify your portfolio:** Diversifying your portfolio can help reduce the impact of any single stock or market event on your overall investment portfolio. By spreading your investments across different asset classes, sectors, and geographic regions, you can minimize the impact of any negative events that may occur in one particular area.
3. **Stay up to date:** Keeping up to date with the latest news and developments in the market and the companies you invest in is critical. Following reputable news sources,

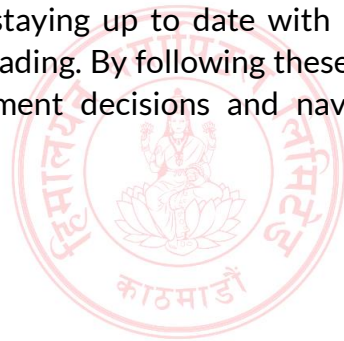


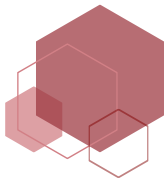
industry analysts, and company announcements can help you stay informed about any new developments that could impact your investments.

- 4. Seek advice:** If you are unsure about how to navigate a particular investment or market, seek advice from a financial advisor or other investment professional. They can provide guidance and insights that can help you make informed investment decisions.
- 5. Avoid insider trading:** Insider trading is illegal and can result in significant financial and legal consequences. As a normal investor, you should not use non-public information to make investment decisions or share information with others that could give them an unfair advantage.

E. Conclusion

In conclusion, information asymmetry in the stock market is a common phenomenon that can lead to unfair advantages for some investors over others. This can have negative impacts on small investors, including mispricing's, insider trading, volatility, and scams. However, there are ways for small investors to minimize the impact of information asymmetry on their investment decisions, such as conducting research, diversifying their portfolios, staying up to date with market developments, seeking advice, and avoiding insider trading. By following these strategies, small investors can make more informed investment decisions and navigate the stock market more successfully.





Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
INGWA	IPO	600,000(O)	2023/03/05 AD 2079/11/21 BS	2023/04/03 AD 2079/12/20 BS	Nepal SBI Merchant Banking Limited
Sagarmatha	IPO	3,581,760(O)	2023/03/22 AD 2079/12/08 BS	2023/03/26 AD 2079/12/12 BS	Prabhu Capital Limited
MEL	IPO	2,900,000(O)	2023/03/09 AD 2079/11/25 BS	2023/03/30 AD 2079/11/16 BS	Sunrise Capital Limited
KSLY	MUTUAL FUND	3,500,000(O)	2023/03/23 AD 2079/12/09 BS	2023/03/027AD 2079/12/13 BS	Kumari Capital Limited

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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