

# The Pulse

Market Growth, Risks and Outlook

**Falgun 2079**

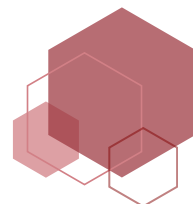
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**Himalayan Capital**





A Wholly Owned Subsidiary of Himalayan Bank Limited



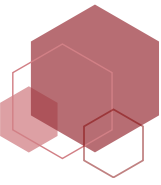
## Global Markets Overview

€	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%)

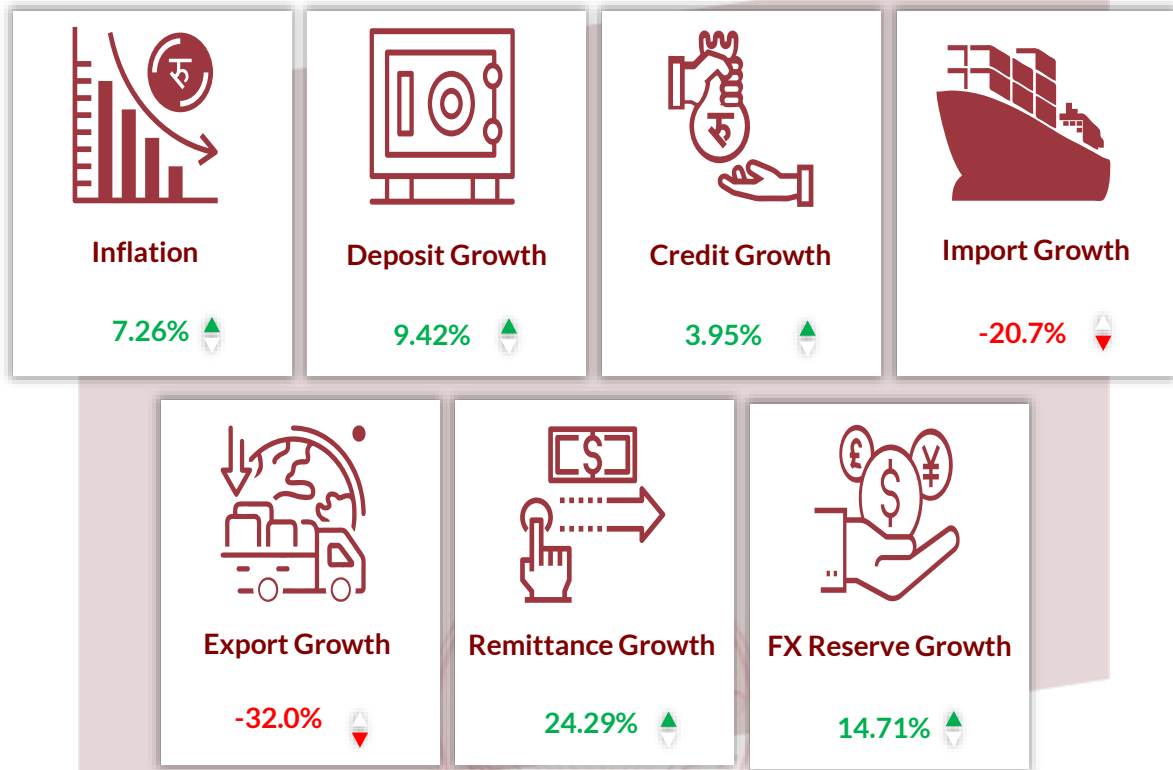
\*Values Per 1 \$

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

#All Changes are in MoM basis.



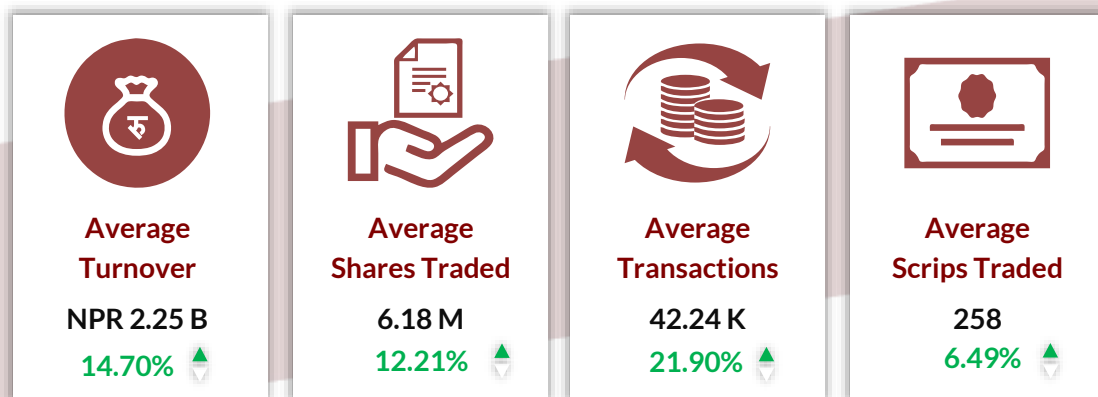
## Macroeconomic Overview



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

\* Credit refers to claim on private sector

## Monthly Trading Statistics



\* For the period (January-30, 2023) - (February-25, 2023)



# Liquidity Overview

## A. Major Rates

Description	Value As On					Change		
	Poush -78	Mangsir-79	Poush-79	Falgun-5	Falgun-12	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	4.72	9.45	8.83	5.90	7.26	4.11	-0.62	1.36
Wt.Avg 91 Days TB rate (%)	5.07	10.67	10.89	10.22	9.57	5.82	0.22	-0.65
Wt.Avg 364 Days TB rate (%)	4.99	11.52	11.92	10.09	10.09	6.93	0.40	0.00
Wt. Avg Interbank Rate (%)	4.76	7.96	7.48	8.50	7.00	2.72	-0.48	-1.50
CapEx (In Billion NPR)	50.81	33.99	53.46	69.25	71.81	2.65	19.46	2.56

## B. BFI Statistics

Description	Value As On					Change		
	Poush -78	Mangsir-79	Poush-79	Falgun-5	Falgun-12	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	6.37	8.46	8.51	8.51	8.51	2.14	0.05	0.00
Wt. Avg Lending Rate (%)	9.44	12.74	12.79	12.79	12.79	3.35	0.05	0.00
Base Rate (%)	8.42	10.69	10.91	10.91	10.91	2.49	0.22	0.00
CD Ratio (%)	89.95	85.91	86.64	86.24	86.17	-3.31	0.73	-0.07
Fixed Deposits/Total Deposits (%)	52.52	56.92	60.09	59.67	59.67	7.57	3.17	0.00
Total Liquid Assets/Total Deposits (%)	22.67	24.58	24.58	24.29	24.29	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	Falgun 10	500.00	0.00	12	27	1.56	500.00	6.50	7.43	7.26
91 Days	Falgun 10	223.32	0.00	18	54	4.34	223.32	9.45	9.67	9.57
182 Days	Falgun 10	600.00	600.00			0.00	0.00	0.00	0.00	0.00
364 Days	Magh 24	500.00	0.00	21	93	3.26	500.00	9.20	10.34	10.09

\*Figures are in Millions NPR



## Sectoral Movement

Index	Magh 16	Falgun 14	Change
NEPSE	2,127.37	2,022.64	-4.92%
Development Bank	3,693.12	3,637.13	-1.52%
Investment	66.29	64.84	-2.19%
Others	1,503.13	1,463.55	-2.63%
Finance Company	1,752.85	1,699.70	-3.03%
Hydropower	2,639.01	2,556.46	-3.13%
Commercial Bank	1,378.07	1,334.51	-3.16%
Mutual Fund	14.60	14.12	-3.29%
Non Life Insurance	9,209.56	8,878.33	-3.60%
Manufacturing & Processing	5,154.31	4,947.37	-4.01%
Trading	2,280.55	2,185.98	-4.15%
Hotels & Tourism	3,260.26	3,091.80	-5.17%
Life Insurance	10,941.44	10,204.44	-6.74%
Microfinance	4,695.43	3,907.02	-16.79%

## Major Movers

RHGCL	29.66%	AKBSL	-25.25%
ADLB	19.04%	SHLB	-25.19%
CHL	14.48%	JBLB	-24.65%
NHDL	9.26%	KLBS	-24.32%
CORBL	8.30%	SLBSL	-21.86%

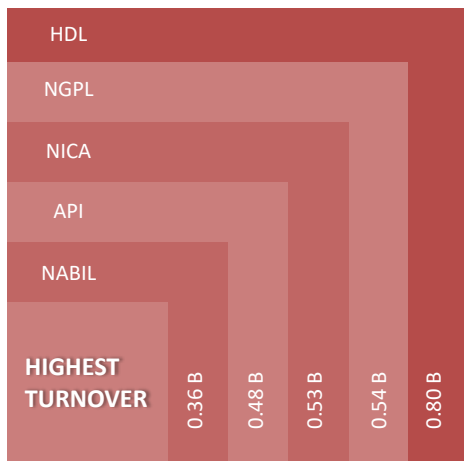


# Sectoral Divergence-Turnover

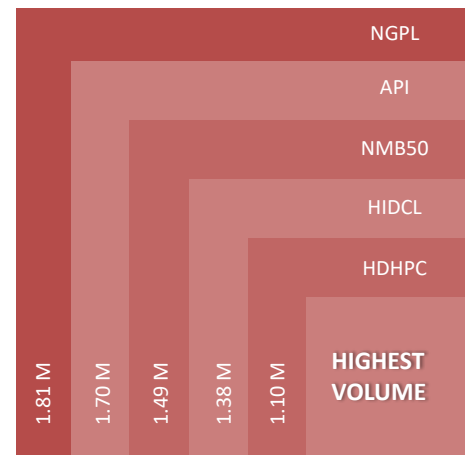
Index	90 Days Avg	Monthly Avg	Divergence
NEPSE	1.96 B	2.25 B	14.70%
Tradings	0.01 B	0.02 B	108.21%
Hydro Power	0.60 B	1.24 B	106.69%
Hotels And Tourism	0.02 B	0.05 B	104.26%
Non Life Insurance	0.08 B	0.15 B	79.19%
Investment	0.07 B	0.12 B	73.37%
Mutual Funds	0.00 B	0.01 B	71.26%
Finance	0.12 B	0.20 B	69.99%
Life Insurance	0.09 B	0.14 B	66.04%
Microfinance	0.22 B	0.34 B	51.01%
Commercial Banks	0.28 B	0.42 B	46.40%
Others	0.07 B	0.09 B	31.29%
Development Banks	0.13 B	0.17 B	31.02%
Manufacturing And Processing	0.14 B	0.15 B	8.17%



## Highest Turnover



## Highest Volume





# NEPSE Outlook

## A. Current Overview



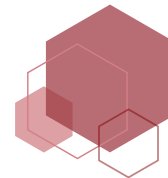
On 24<sup>th</sup> February 2023, the flagship NEPSE index recorded a price of 2,027.19 points, accompanied by a total turnover of NPR 2.52 billion. This figure represented a decline of 156.02 points compared to the previous month's corresponding quarter-end price, as well as a reduced turnover.

The decline in the NEPSE index can be attributed to the release of new regulations by the Nepal Rastra Bank (NRB) on 23<sup>rd</sup> February, which imposed restrictions on dividend distribution of microfinance companies. This had a significant impact on microfinance stocks, triggering negative circuit breakers in the sector and leading to heavy selling pressure on the market.

Despite the breach of the lower bound of its parallel channel, the NEPSE index has since retested its breakout zone, indicating that it remains in a buy zone. This could be a promising opportunity for investors looking to invest in microfinance companies.

The Exponential Moving Average (EMA) is still indicating upward movement, but due to the decline in the index, both of the lines are converging, resulting in a low gap that could potentially turn into a bearish crossover.

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, and negative histograms are formed as a result.



The Relative Strength Index (RSI) is currently at 39.39 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) 1,960, (S2) 1,895, and (S3) 1,850. On the other hand, the resistance levels hold at (R1) 2,085, (R2) 2,125, and (R3) 2,215. 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 7.05% due to heavy selling pressure in the market. This selling pressure has been largely driven by changes in policies and regulations that have made the market less sustainable. Currently, the index is trading near its support level of 2,027.19, which could provide a potential buying opportunity for investors.

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. Additionally, the gap between the EMA lines is closing in, which could potentially lead to a death crossover and a bearish trend.

The NEPSE index is currently receiving strong support at the 23.60% Trend-Based Fibonacci Extension, which is at 1,956.10 points. This level is based on the trend-based Fibonacci Extension plotted from the trend initial point of 1,856.29 points to the end of the initial trend at 2,279.21 points and extending the line to the end of the secondary trend at 1,856.29 points. Meanwhile, the resistance level of the index is at 2,067 points, and the support level is at 1,956 points based on the indicator.

In addition to these levels, the intermediate support levels of the NEPSE index stand at (S1) 1,960, (S2) 1,870, and (S3) 1,815, while the resistance levels hold at (R1) 2,085, (R2) 2,188, and (R3) 2,280.





## SCRIP ANALYSIS

### Hydroelectricity Investment and Development Company Limited (HIDCLP)

#### A. Technical Analysis



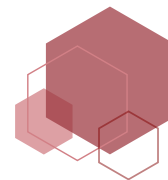
On 26<sup>th</sup> February 2023, the stock price of HIDCLP was NPR 103.90. The stock price has been consolidating within a similar price range since experiencing a fall in February 2023.

The Exponential Moving Average (EMA) is indicating a bullish signal, but the 20-day EMA and the 50-day EMA are closing in due to a fall in traded volume. If this trend continues, a bearish crossover might be observed.

The Relative Strength Index (RSI) of the stock is at 46.72, indicating a neutral momentum, neither overbought nor oversold.

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.

The immediate support levels for HIDCLP stand at NPR 101 (S1), NPR 97 (S2), and NPR 90 (S3), whereas the resistance levels hold at NPR 107 (R1), NPR 110 (R2), and NPR 120 (R3).



## B. About the Company

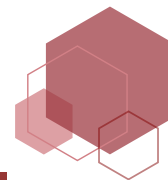
Hydroelectricity Investment and Development Company Ltd. (HIDCL) was established on July 11<sup>th</sup>, 2011 as a specialized development financial institution to mobilize resources and cater to the needs of investments in hydroelectricity generation (15 MW and above), transmission and distribution projects. It is registered as a public limited company, with the Government of Nepal holding 80% of the shares. This figure is made up of 50% direct ownership, and 30% split between three state-owned companies (Employees Provident Fund, Citizen Investment Trust, and Rastriya Beema Sansthan). The remaining 20% is held largely by the public.

HIDCL can invest in a variety of activities in the power sector, either through debt or equity, including generation, distribution and transmission. These investments are generally in hydroelectric projects of 15 MW and above. Each proposal is carefully assessed by a Risk Assessment Cell, which is created on a project-specific basis. HIDCL has also made investments in companies operating in the hydroelectricity sector, such as NEA Engineering Company Ltd., Power Transmission Company Nepal Ltd. (which is responsible for constructing the 400 KV cross-border transmission line between India and Nepal), Nepal Power Trading Company Ltd., and Vidhyut Utpadan Company Ltd. (VUCL, which invests in various hydroelectric power projects).

## C. Company's Portfolio as of Annual Report of FY 2078/79

### I. Loan Distribution of HIDCL to different Hydro projects and companies

SN	Project Name	Capacity (In MW)	Loan Pledged (In Crore)	Loan Provided (In Crore)	Current Situation
1	Bagmati Small Hydroelectric	22	20	20	Commencement of electricity generation and loan repayment
2	Kabeli B1 Hydroelectric	25	20	20	Commencement of electricity generation, and loan has been repaid
3	Lower Hewa Hydro	21.6	15	15	Commencement of electricity generation, and loan has been repaid
4	Mistri Hydroelectric	42	108.72	105.87	Commencement of electricity generation and loan repayment
5	Solu Hydroelectric	23.5	21.8	21.8	Commencement of electricity generation and loan repayment
6	Dordi Hydroelectric	27	58.93	58.93	Commencement of electricity generation and loan repayment
7	Nyadi Hydroelectric	30	54.25	43.45	Commencement of electricity generation and loan repayment
8	Lower Likhu Hydro	28.1	91.18	82.98	Commencement of electricity generation and loan repayment
9	Lower Solu Hydroelectric	82	60	49.1	Project is under construction
10	Upper Solu Hydroelectric	17	20	18.1	95% of the project is complete



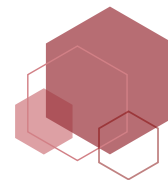
SN	Project Name	Capacity (In MW)	Loan Pledged (In Crore)	Loan Provided (In Crore)	Current Situation
11	Solukhola Dudhkoshi Hydro	86	144.92	83.09	In last phase of the project construction and commencement of electricity generation
12	Upper Trishuli 3B Hydro	37	187.8	94.6	70% of the project is complete
13	Upper Tamakoshi Hydro	456	200	110	Commencement of electricity generation and loan repayment
14	Super Madi Hydroelectric	44	85	81	90% of the project is complete
	<b>Total</b>	<b>941.2</b>	<b>1087.6</b>	<b>803.92</b>	
15	Kabeli A hydroelectric	37.3	USD 40 million	USD 9.8 million	Construction of the project has been started. Out of provided loan, USD 6.67 million has been repaid

HIDCL has a loan portfolio worth NPR 1,087.6 crores, with NPR 803.92 crores already disbursed to various companies and projects. These investments have a total capacity of 941.2 MW of electricity, with each project having a capacity of 17 MW or more. The company is expecting to generate interest income from these investments in the future, as most of these projects are either in the construction or final phase, and some have already begun repaying their loans to HIDCL. This should allow the company to have a stable source of income for the next few years, which will help HIDCL remain competitive in the market.

## II. Investment of HIDCL in different Hydropower Related Companies

SN	Company name	Pledged Investment on Shares			Invested Till Now	Remarks
		Paid Up Capital	Percent	Amount (In Crore)		
1	Power Transmission Company Nepal Limited	45	14%	6.3	6.3	Project has come into operation and generating certain return
2	Electricity Generation Company Limited	2,000	4%	80.0	26.9	Feasible study of various projects
3	Nepal Power Trading Company Limited	20	15%	3.0	0.2	Under feasible study
4	NEA Engineering Company Limited	20	15%	3.0	2.6	Project has come into operation and generating certain return
	<b>Total</b>	<b>2,085</b>		<b>92.3</b>	<b>36.0</b>	

HIDCL has also invested in companies that are backed by a government authority. The company has pledged NPR 92.3 crores, of which NPR 35.995 crores has been invested in four companies. This investment is expected to generate dividends in the future, as some of the companies have already started operations and are generating capital gains for their investors. With these investments, HIDCL should have a stable source of income in the long run.



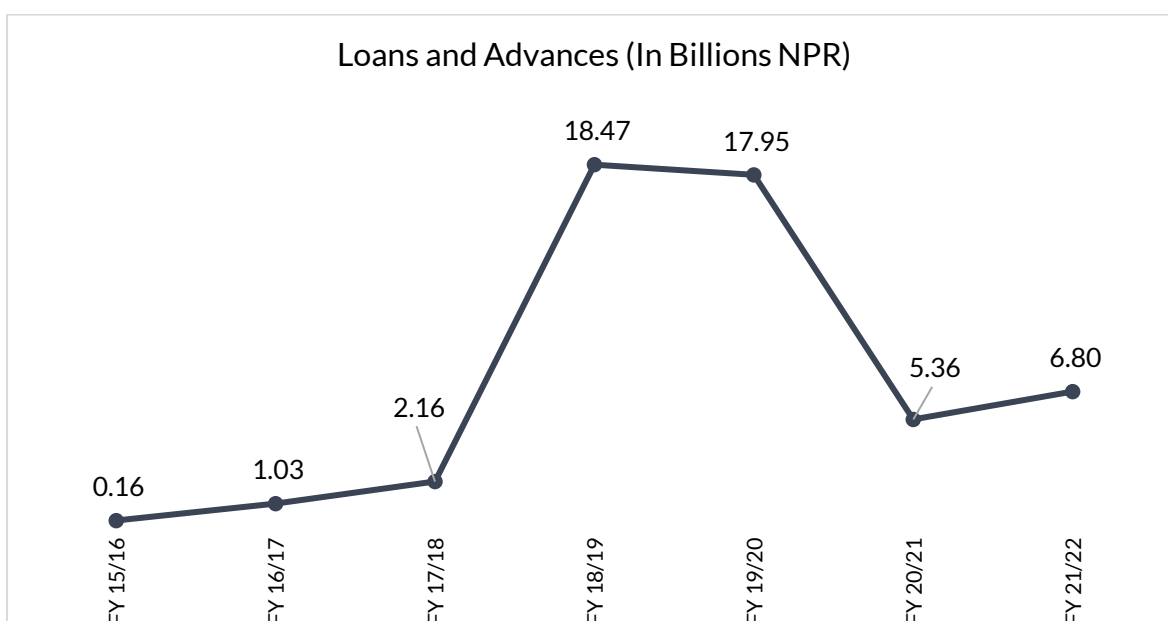
### III. Investment of HIDCL on different Hydropower Projects

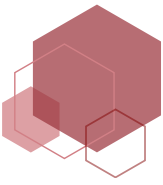
SN	Project Name	Company Name	Capacity (In MW)	% Share	Amount (In crores)	Investment Till Now	Remarks
1	Ghunsa Khola	Remit Hydro Limited	77.5	51	213.4	55	In the final phase, construction going on
2	Simbuwa Khola	Simbuwa Remit Hydro	70.3	51	193.6	35.13	
3	Fukot Karnali	Electricity Generation Company	426	10	126		In the final phase of detailed study
4	Nupche Likhu	Vision Energy And power	57.5	18.9	50	50	40% of the construction completed
5	Seti Nadi	Vision Lumbini Power	25	13.3	20	20	70% of the construction completed
6	Jagdulla	Jagdulla Hydropower	106	10	70	23.43	In the final phase, construction going on
7	Middle Mewa	Mewa Developers	49	20	46	46	40% of the construction completed
8	Myagdi Khola	Hydro Village Private Limited	57.3	20	55	0	In the final phase, construction going on
<b>Total</b>			<b>868.6</b>		<b>774</b>	<b>229.56</b>	

In addition to providing loans and investing in hydropower companies, HIDCL has also invested in hydropower projects of different firms. The total amount pledged for these investments is NPR 774 crores, with NPR 229.56 crores invested so far. These investments have a total capacity of 868.6 MW of electricity. At present, none of these projects are producing electricity, as some are still in construction, some are undergoing feasibility studies, and some are in the final phase of construction. However, the potential return from these investments is promising, and should allow HIDCL to have a stable source of income in the long run.

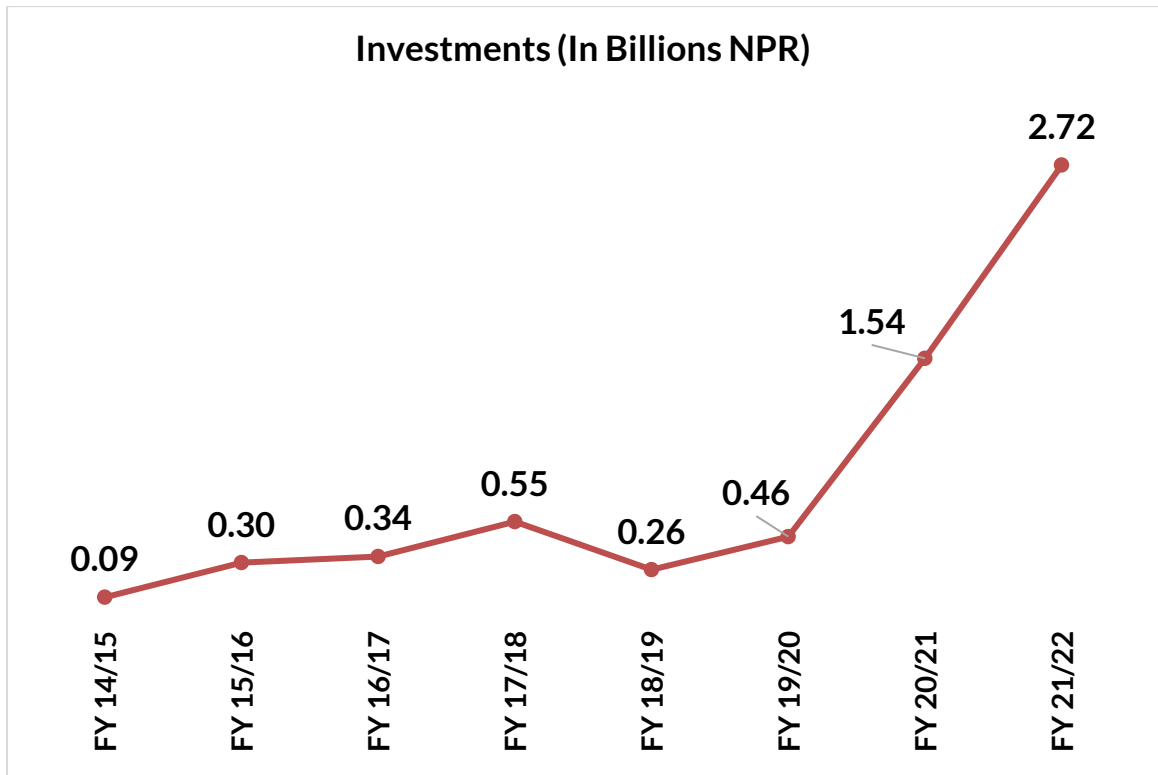
### D. Core Business Performance

#### I. Loans and Advances Made

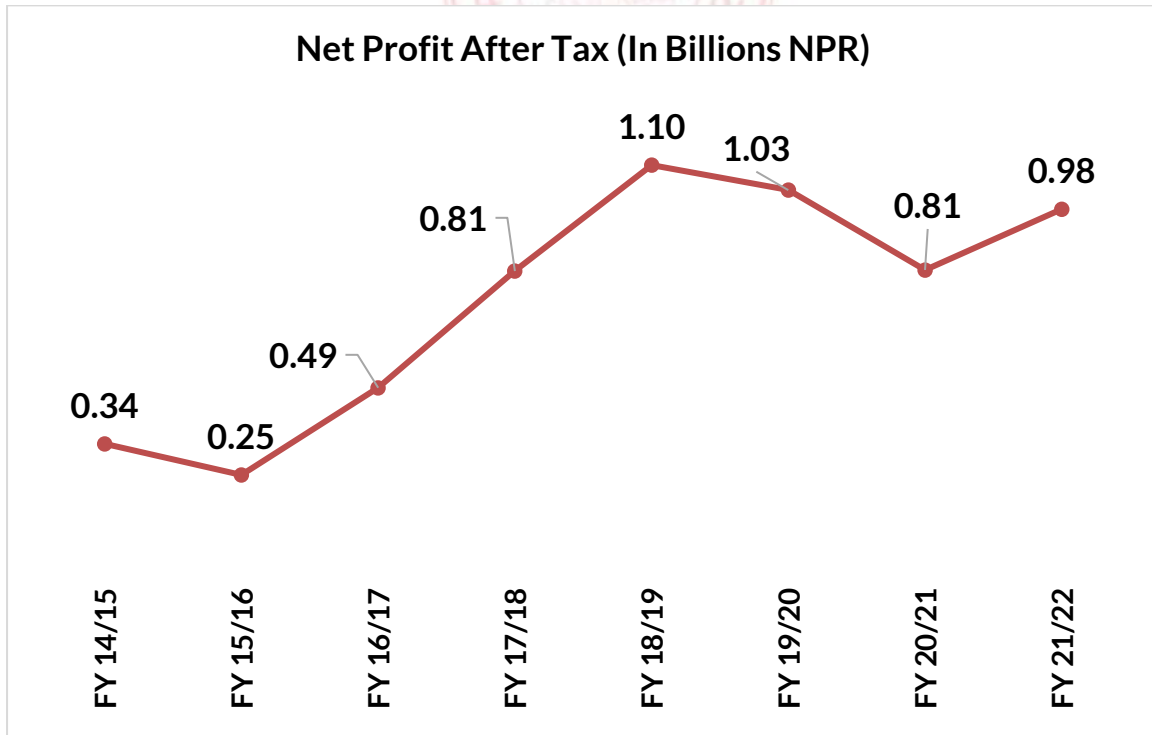




## II. Investments



## III. Net Profit After Tax





## E. Announced Strategy

### Maintaining limits on investment:

- The company has established investment limits for equity and loans/advances to ensure a balanced portfolio and mitigate risks.
- The investment on equity will be kept within the range of 45% to 65% of the total investment, which indicates a preference for higher returns but also exposes the company to higher risks.
- For loans and advances, the investment will be maintained within 35% to 55% of the total investment, which provides a lower return but also a lower risk profile.
- By maintaining these limits, the company aims to optimize its returns while managing its exposure to risks.

### Pledged Investment:

- The company has committed to investing in hydroelectric projects with a total capacity of 6500 MW.
- The investment in these projects will amount to NPR 100 billion, which will be funded through a mix of loans and equity investments.
- Hydroelectric projects are a key area of focus for the company, as they align with its sustainable energy goals and provide long-term investment opportunities.

### Utilization of financial sources:

- The company plans to utilize NPR 22 billion from its share capital and NPR 15 billion from other financial resources for other income sources.
- This indicates that the company aims to diversify its sources of revenue beyond its core business of hydroelectric projects.
- By utilizing these financial resources effectively, the company hopes to generate additional income streams and increase its overall profitability.

### Proper management of funds:

- The company has a clear strategy for the proper management of its funds, with 90% of the total utilized financial sources being invested in hydroelectric projects.
- This strategy reflects the company's commitment to its core business of sustainable energy and its confidence in the long-term profitability of hydroelectric projects.
- By allocating the majority of its funds towards these projects, the company aims to maximize its returns and achieve its sustainability goals.

## F. Strength and Weakness



Strategic importance in the development of power infrastructure in Nepal and majority ownership by GON

Involvement of higher officials and experts from government agencies for overall decision and management of the company

Comfortable liquid profile

Gradual increase in investments and loans to Energy Sector

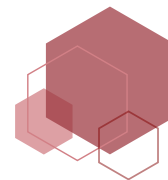
Comfortable financial risk profile and debt free nature of the company

Implementation of appropriate corporate governance framework

Expected time overrun and project implementation risk related to various under construction projects

Moderate revenue profile which will be concentrated in hydropower sector in future

Hydrology risk associated with run-of-the-river power generation affecting profitability of the company



## G. Comparative Analysis of the Industry

Company	LTP	In Billions NPR			Total Revenue	ROE (F)%	EPS (D)	BVP
		Paid up Capital	Reserves & Surplus	Net Income				
HIDCL	199	21.28	2.33	0.68	1.05	5.76%	5.47	110.94
CIT	2,035	4.25	15.34	0.51	0.83	3.70%	24.15	467.47
NRN	480	1.22	0.23	0.01	0.03	0.79%	0.93	118.84
CHDC	744	0.84	0.45	0.06	0.08	9.49%	14.42	153.50
ENL	684	0.56	0.05	0.01	0.02	4.58%	4.95	109.35

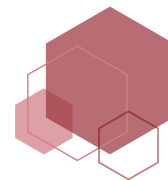
HIDCL operates in the investment sector, where it is one of five companies operating in a similar business model. It has the highest paid-up capital of all the companies, at NPR 21.276 billion, which accounts for 75% of the sector's total paid-up capital. Despite its high capital, its last traded price (LTP) is the lowest in the industry at NPR 199. Its core financials include a reserve and surplus of NPR 2.327 billion, an Earnings Per Share of Rs. 5.47, a Return on Equity of 5.76%, and a Book Value Per Share of NPR 110.94. All in all, HIDCL has managed to achieve above-average performance in the sector.

## H. Key Variables used for Valuation and Assumptions:

Specifics	Value
Beta(monthly)	1.23
91 days T-Bills(10yrs Average)	2.08%
Market Return(CAGR)	12.67%
Current Inflation	7.50%
Nominal Risk-Free Rate	9.74%
Risk Premium	2.93%
Cost of Equity	13.34%
Tax Rate	30.00%
Sustainable Growth Rate	4.20%

## I. Stock Valuation

The final average valuation HIDCL is based on the Absolute Approach (viz. Discounted Cash Flow (DCF) and Earnings Valuation) as well as the Relative Approach (viz. Graham), and Book Value per share has been computed as NPR 107.53, which has been tabulated below:



Method	Intrinsic Value
Discounted Cash Flow(FCFE)	130.30
Earning Valuation	70.31
Book Value per Share	110.94
Graham's Number	118.55
<b>Final Average Value</b>	<b>107.53</b>

## J. Recommendation

HIDCL is an investment company that provides funds to hydropower companies and projects in the form of debt and investment. The company's ownership structure is such that the government of Nepal holds a 50% stake, while three state-owned businesses hold 30%, and the remaining 20% is held by the general public. This ownership structure, combined with the company's focus on hydropower investments, suggests that HIDCL is likely to have a low-risk profile.

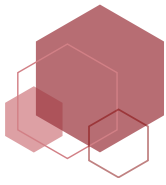
In terms of the company's exposure to hydropower investments, the annual report for 2078/79 indicates that HIDCL has invested and provided loans totaling NPR 1,069.475 crores. Of this total, 75% of the funds were provided to hydropower companies in the form of loans, while the remaining 25% was invested in hydropower companies and projects. This exposure to a variety of hydropower investments suggests that HIDCL is well-positioned to generate income from interest and dividend payments.

Turning to the valuation of HIDCL, the final average value arrived at NPR 107.53, based on a combination of the Absolute Valuation Method and the Relative Valuation Method. The Relative Valuation Method provided a higher valuation of NPR 118.55, while the Absolute Valuation Method provided a lower valuation of NPR 100.31. Comparing the final average value to the last trading price of HIDCL, it appears that the company's stock is overvalued by 85% of the final average value.

Given these factors, it may be wise for investors to consider investing in HIDCLP (promoter share) at a discount of 20% of the final average value of HIDCL. This is because promoter shares of the company tend to be illiquid compared to ordinary shares, and they often trade at a discount of 15-20%. By investing in HIDCLP at a discount, investors may be able to benefit from the company's hydropower investments while also potentially realizing gains from a potential increase in the share price.

In summary, based on the qualitative and quantitative factors mentioned, investing in HIDCL may be a wise decision for long-term investors. The company's low-risk profile and exposure to hydropower investments suggest that it is well-positioned to generate income from interest and dividend payments. However, investors should carefully





consider the company's valuation and may want to consider investing in HIDCLP at a discount to potentially realize gains from an increase in the share price

## ISSUE OF THE MONTH

### Inflection in Stock Market

#### A. Introduction

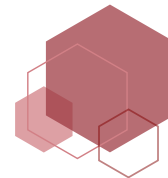
The stock market is a complex and constantly changing environment. It is characterized by ups and downs, and it is not always easy to predict what will happen next. However, there are certain patterns that can be observed in the stock market that can provide clues as to the future direction of the market. One such pattern is inflection points.

Inflection points refer to points in the market where the direction of the trend changes. They are important because they can indicate a shift in investor sentiment, which can lead to significant changes in the stock market. In this essay, we will explore the indicators of inflection, how to identify inflection points, and the concept of bull traps and bear traps.

#### B. Indicators of Inflection

There are several indicators that can signal an inflection point in the stock market. These include:

- 1) **Moving Averages:** Moving averages are one of the most commonly used indicators in technical analysis. They are used to smooth out price fluctuations and identify the direction of the trend. When a shorter-term moving average crosses over a longer-term moving average, this can signal a potential inflection point.
- 2) **Relative Strength Index (RSI):** The RSI is a momentum indicator that measures the strength of a stock's price action. When the RSI moves above 70, this can indicate that the stock is overbought and due for a correction. Conversely, when the RSI moves below 30, this can indicate that the stock is oversold and due for a bounce.
- 3) **Volume:** Volume is a measure of the number of shares that are traded in a particular stock. When volume increases, this can signal that there is increased interest in the stock and a potential inflection point.
- 4) **Chart Patterns:** Chart patterns are formations that can be observed in the price action of a stock. These patterns can signal a potential inflection point. Examples of chart patterns include head and shoulders, double top, and double bottom.



## C. How to Identify Inflection Points

Identifying inflection points in the stock market requires careful analysis and observation of the indicators discussed above. Here are some steps you can take to identify potential inflection points:

- 1) Look for Breakouts: A breakout occurs when a stock's price moves above a resistance level or below a support level. This can indicate a potential inflection point.
- 2) Analyze Moving Averages: Look for crossovers between shorter-term and longer-term moving averages. This can indicate a potential inflection point.
- 3) Check the RSI: Look for overbought or oversold levels on the RSI. This can indicate a potential inflection point.
- 4) Look for Volume Spikes: A significant increase in volume can signal a potential inflection point.
- 5) Monitor Chart Patterns: Keep an eye out for chart patterns that can signal a potential inflection point.

## D. Divergence as a precursor to inflection

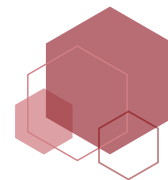
Divergence is one tool that can be used to predict possible inflection points in the stock market. Divergence occurs when the price of a stock and an indicator used to analyze the stock's trend are moving in opposite directions.

There are two types of divergence: bullish and bearish. Bullish divergence occurs when the price of a stock is making lower lows, but the indicator is making higher lows. This can indicate that the stock is oversold and due for a bounce. Bearish divergence occurs when the price of a stock is making higher highs, but the indicator is making lower highs. This can indicate that the stock is overbought and due for a correction.

Divergence can be observed using a variety of indicators, including the relative strength index (RSI), moving average convergence divergence (MACD), and the stochastic oscillator. When divergence is observed, it can signal a potential inflection point in the stock market.

For example, if a stock is in a downtrend and the RSI is making higher lows while the price is making lower lows, this could indicate a potential reversal in the trend. Similarly, if a stock is in an uptrend and the MACD is making lower highs while the price is making higher highs, this could indicate a potential reversal in the trend.

Thus, divergence can be used to identify potential inflection points in the stock market. When divergence is observed, it can signal a potential reversal in the trend. However, investors should use divergence in conjunction with other technical indicators and fundamental analysis to make informed investment decisions.



## E. Conclusion

Identifying inflection points in the stock market is important for investors to make informed investment decisions. Indicators such as moving averages, RSI, volume, and chart patterns can provide clues to potential inflection points. Divergence, which occurs when the price of a stock and an indicator used to analyze the stock's trend are moving in opposite directions, can also be a useful tool to predict possible inflection points. However, investors should use divergence in conjunction with other technical indicators and fundamental analysis to make informed investment decisions. Overall, careful analysis and observation of the indicators discussed can help investors identify potential inflection points and make better investment decisions in the stock market.

### Key Dates

Scrip	Issue Type	Quantity	From	To	Issue Manager
MJSHL	IPO	760,000(O)	2023/01/29 AD 2079/10/15 BS	2023/02/27 AD 2079/11/15 BS	Prabhu Capital
Doltipower	IPO	912,027(O)	2023/02/20 AD 2079/11/08 BS	2023/03/20 AD 2079/11/25 BS	NIC Asia Capital
BEDCL	IPO	652,864(O)	2023/02/20 AD 2079/11/08 BS	2023/03/09 AD 2079/11/25 BS	NIC Asia Capital
MENCHHIYAM	IPO	651,100(O)	2023/02/22 AD 2079/11/10 BS	2023/03/09 AD 2079/11/25 BS	NIC Asia Capital
BFCPO	AUCTION	556,674(P)	2023/02/13 AD 2079/11/01 BS	2023/02/27 AD 2079/11/15 BS	Prabhu Capital
BFC	AUCTION	58,429(P)	2023/02/13 AD 2079/11/01 BS	2023/02/27 AD 2079/11/15 BS	Prabhu Capital

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**Himalayan Capital Limited**  
**Karmachari Sanchaya Kosh Bhawan,**  
**Thamel, Kathmandu**  
**Contact: 01-5358345, 5363147**  
**[www.himalayancapital.com](http://www.himalayancapital.com)**  
**[info@himalayancapital.com](mailto:info@himalayancapital.com)**