



## NEPSE: A False breakout below 1600?

During the last trading week of May, NEPSE index had dropped closing below the key psychological support of 1600. The 1600 level has greater significance as the market has reacted several times in this region. The benchmark index had been trending downwards since mid April and a close below psychological support was looked negatively from technical perspective.

### Technical Outlook:

#### **NEPSE Daily:**

- On May 30, NEPSE dropped 21 points to close at 1594.43. To everyone's dismay, market rose 13 points the other day to close at 1608 hinting a false breakout. Nevertheless, it would be too soon to make a judgment.
- As the index has been trending inside a down sloping channel since two months market is biased to south. Therefore, to keep the bullish move supported, it is vital for the index to remain above the 1600 level for at least three days. Any close below 1600 will spur selling pressure.



- The 21-day exponential moving average indicates down trending scenario while the 50-day simple moving average still supports the bullish picture. The ADX has indicated a bearish crossover signaling potential downside risk. A petty rise of ATR indicates increasing volatility and the stochastic is not bullish yet. Trading volume is stagnant failing to impress the momentum traders.
- Taking all these factors into consideration, market will face strong selling pressure if it closes below 1600. On the other side, the chances of rising are thin as long as market doesn't breach the 1630 barrier.



## Market Performance

### NEPSE Top 5 by Turnover

S.N.	Traded Companies	Total
1	Himalayan General Insurance	325,925,397.00
2	Nepal Life Insurance Co. Lt	201,235,382.00
3	Standard Chartered Bank	194,338,126.00
4	Siddhartha Bank Limited	184,339,837.00
5	Life Insurance Co. Nepal	133,873,389.00

### NEPSE Top 5 by Transactions

S.N.	Traded	Total
1	Standard Chartered Bank Limited	2041
2	Mero Microfinance Bittiya Sansthan	1924
3	Arun Kabeli Power Ltd	1708
4	Nepal Life Insurance Co. Ltd	1668
5	Siddhartha Bank Limited	1496

### NEPSE Top 5 by Market CAP

S.N.	Traded Companies	Market Cap
1	Nepal Telecom	98,400,000.00
2	NABIL	96,308,343.99
3	Standard Chartered Bank	82,347,825.96
4	Everest Bank Ltd	76,858,730.46
5	NLIC	67,811,786.89

### NEPSE Top 5 by Traded Shares

S.N.	Traded Companies	Total
1	NIBL Sambriddhi Fund-1	1,772,417.00
2	Siddhartha Oriented Scheme-1	1,178,600.00
3	Laxmi Value Fund-1	1,030,289.00
4	NMB Sulav Investment Fund-1	636,679.00
5	Lalitpur Finance Co. Ltd Promoter	444,185.00

### NEPSE Top Leaders

S.N	Traded Companies	15th May	24th May	% Change
1	Bottler's Nepal	4539.00	7205	58.74
2	Mero Microfinance	1918.00	2723.00	41.97
3	Himalayan Distillery	588.00	820.00	39.46
4	Synergy Power	246.00	329.00	33.74
5	RSDC Laghubitta	1094.00	1405.00	28.43

### NEPSE Top Lagers

S.N.	Traded Companies	15th May	24th May	% Change
1	Dibyeshwori Hydropower	245.00	215.00	(16.04)
2	Bharghav Bikas Bank	252.00	223.00	(12.39)
3	Sahara Bikas Bank	628.00	585.00	(12.28)
4	Saptakoshi Development Bank	193.00	180.00	(9.72)
5	Arun Finance	246.00	231.00	(9.17)



In the review period, NEPSE has contracted down by 1.79% and so the Sensitive Index has decreased by 2.29%. Bank's FD rate is still in increasing trend which signals the existence of the Deposit crunch. Also, due to the license provided to Insurance companies huge chunk of money might be invested toward that sector, hence, creating further liquidity crisis which ultimately downsize the market.

Indices			
Index	15th May	24th May	% change
NEPSE Index	1659.23	1629.58	-1.79%
Sensitive	354.10	345.99	-2.29%
Float	122.88	120.40	-2.02%
Sensitive Float	109.70	107.02	-2.44%

We have enlisted some Global Indices and in the review period, among all the indices SENSEX (Indian Indices) has notched up by highest percentage i.e. 1.41% whereas the NIKKEI (Japanese Indices) has recorded the contraction by 0.29%.

Global Indices				
S. No.	Indices	15th May	24th May	% Change
1	DJI	20,981.94	21,082.95	0.48%
2	NASDAQ	6,149.67	6,205.26	0.90%
3	NIKKEI	19,869.85	19,813.13	-0.29%
4	SENSEX	30,322.12	30,750.03	1.41%
5	FTSE KLCI	1,778.65	1,773.96	-0.26%
6	DSE	5,428.06	5,413.82	-0.26%

Following Stocks are adjusted as per:

- JBNL- 12% Bonus
- NBIL- 100% Rights
- SADBL-16.07% Bonus
- SRBL- 30% Rights
- LICN- 24.8% Bonus

Company Name	Stock Symbol	Price (Nrs.)
Janata Bank	JBNL	346
NB Insurance	NBIL	1000
Shangrila Development Bank	SADBL	424
Sunrise Bank	SRBL	430
Life Insurance Corporation	LICN	2284

### NEPSE Summary: 15th May to 24th May, 2017

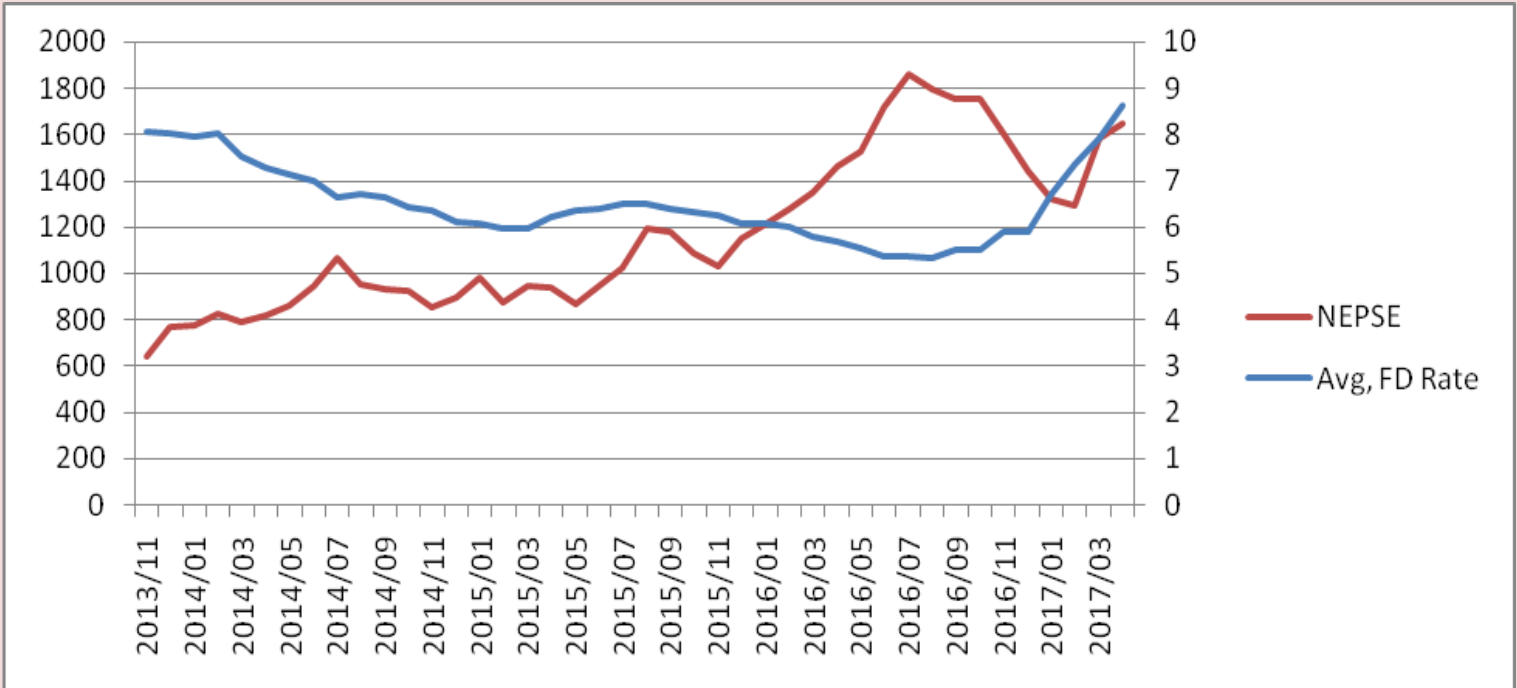
NEPSE High	1,659.23
NEPSE Low	1,616.40
NEPSE Close	1,629.58
Total Average turnover per day	645,050,846.63
Total Average share Traded per day	1,578,816.88
Total Average transactions per day	5,334.00

<b>Bonus/Rights/M&amp;A/AGM ETC.</b>	
<b>Global IME Capital Limited</b>	<b>Others</b>
IPO of Chhyangdi Hydropower will be opened from 2074/2/14, Sunday to 2074/2/18, Thursday.	Book close date for 69.33% right issue of Alpine Development Bank is at 2074/2/21.
Right issue of First Micro Finance Development Bank is going on till 2017/6/14.	Book close date for 50% right issue of Mirmire Micro-Finance Development Bank is at 2074/2/17.
Right Issue of NB Insurance and Lalitpur Finance are coming soon.	Book close date for Right Issues of 25% of Purnima Bikash Bank, 12% of Machhapuchchre Bank and 30% of Siddhartha Bank is at 2074/2/16.
Cash Dividend of HIDCL is being sent through IPS in Lot-Wise.	NRB is going to auction 91-Days Treasury Bills worth of Rs. 3.23 Billion on 14 Jestha, 2074 which will mature on 13 Bhadra, 2074.
Global IME Capital gave application to SEBON to issue new mutual fund of Rs. 1.2 Billion.	

### Relationship: Interest Rate & Stock Market

S. NO.	NAME OF THE BANK	CURRENT FIXED DEPOSIT (1 Year)
1	Nepal Bank Ltd	10.50%
2	Rastriya Banijya Bank Ltd	3.75%
3	Agricultural Dev. Bank Ltd	6.50%
4	Nabil Bank Ltd	10.00%
5	Nepal Investment Bank Ltd	10.00%
6	Standard Chartered Bank Nepal Ltd	8.50%
7	Himalayan Bank Ltd	8.50%
8	Nepal SBI Bank Ltd	7.50%
9	Nepal Bangladesh Bank Ltd	10.00%
10	Everest Bank Ltd	10.00%
11	Bank Of Kathmandu Ltd	10.00%
12	Ncc Bank Ltd	11.00%
13	Nic Asia Bank Ltd	12.00%
14	Machhapuchchre Bank Ltd	12.00%
15	Kumari Bank Ltd	10.00%
16	Laxmi Bank Ltd	12.00%
17	Siddhartha Bank Ltd	12.00%
18	Global Bank Ltd	12.00%
19	Citizens Bank Ltd	11.50%
20	Prime Commercial Bank Ltd	11.50%
21	Sunrise Bank Ltd	7.50%
22	NMB Bank Ltd	11.00%
23	Prabhu Bank Ltd	11.50%
24	Janata Bank Ltd	12.00%
25	Mega Bank Ltd	7.50%
26	Civil Bank Ltd	12.00%
27	Century Commercial Bank Ltd	12.00%
28	Sanima Bank Ltd	11.00%

**NEPSE & Interest Rate:**



*Monthly Average Interest rate of Commercial Bank taken as per the data provided by NRB and monthly NEPSE data considered for analyzing the trend.*

Interest rate is always inversely correlated with the stock price and the stock market as a whole. As per the behavioral approach of investors, they invest in stock market when the fixed deposit rate of BFI's tending to decrease; making the stock market more charming. In the contrary, when interest rate rise, fixed income investment become more competitive tending investors to save their savings in the Banks because of its higher and secured yields.

Undoubtedly, Interest rate and NEPSE also follow the universal law of inverse correlation with each other. As shown in the Graph above reviewed from November 2013 to March 2017, when bank offers the higher interest rate NEPSE has contracted and fallen as investors go for a safer investment i.e. fixed deposit. Latterly, almost every bank has offered higher interest rate on fixed deposit as BFI's has been facing the problem of Deposit crunch subsequently unable to maintain its CD ratio. This also signals the liquidity crunch in the market. The rise in interest rate also increases the spread between saving and loan, which affects the trader who use the bank money for investment which straightaway charge the higher interest rate. So due to the people behavior of saving and bank interest rate charging the higher interest rate will create the money supply at the market to decrease and henceforth, decreasing the market (NEPSE).

Even though, NEPSE and stock market are negatively correlated, we cannot assume that the downtrend for NEPSE is only due to the rise of interest rate. There are various other factors that affect the stock market. Regulatory bodies are governing this interest rate hike issues which will hopefully stabilize the interest rate and helps the market to reach to the next higher level.



## Fortnightly Gone by: Market Outlook

### Macro-Economic indicator

- With the fiscal year coming to an end, NRB has achieved its most of its purpose that has been targeted for the fiscal year 2073/74. For the current fiscal year, NRB had targeted to increase the economic growth level to 6% and maintain the Consumer Inflation to the level of 7.5% which has been achieved maintaining the same to the level of 3.5%.
- As per report published, NRB was successful in maintaining the sufficient foreign currency reserve to the account which is required to import the necessary goods and services. The reserve can buy the 13.3 months required goods and 11.5 months required services to the public which can be considered as the big achievement.
- NRB has also set the goal for investing 25% in the private sector however, the investment has limited to 15.6% till Chaitra end.
- The local level election for the three different states i.e. 3, 4 and 6 has completed successfully and different parties' candidates have been selected accordingly which has been expected a greater change for the political stability and the development of a nation.
- Government has made an announcement of declaring the budget for next fiscal year within Jestha 15. It has been expected that the budget shall exceed the current financial expenses as these expenses will be provided to the local level newly elected parties. Government has also made an assurance of spending the 84% of total allocated budget. National Planning Commission has also projected that the upcoming budget will be under the ceiling of 11 trillion.

### Debt Market

- In the review period, Nepal Rastra Bank has issued the treasury bill worth Rs. 25 crore and 3 arba 32 Lakhs having the maturity of 91 days. These t-bill are issued in order to meet the short-term sources for government.
- The average daily Interbank rate in the review period has been recorded as 3.56%

### Regulatory Synopsis

- Regulatory bodies have decided provide broker license to all the commercial banks and the transaction shall be made through its subsidiary companies.
- NRB has circulated that the BFI's who has not maintained the stipulated paid-up capital license shall be terminated. CD ratio for A,B,C and D categorized BFI's has been stipulated 10% and 6% and the companies who has 25% less than the imposed must provide the capital increment plan. Those BFI's who are in such situation will also be restricted in issuing the cash dividend, bonus share and the expansion for branches. Similarly, for 50% less, the BFI's shall be restricted for further credit disbursement and deposit collection and for 75% opening of new account for deposit shall be restricted and will be declared as Sick Banks.

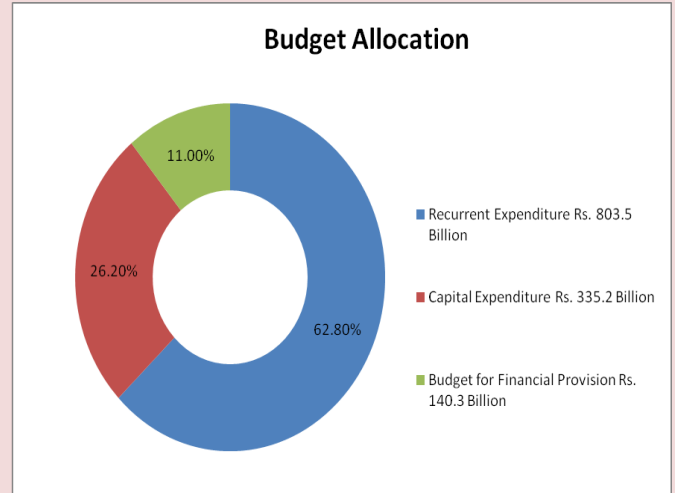
### Highlights of Nepal Budget 2074/75-

Fiscal year 2073/74 has come to an end and prevailing government of Nepal is still facing challenges to expense the allocated budget. As per the report published by NRB on its report, "Current Macroeconomic indicators and Financial situation of Nepal based on the nine month data 2016/17" total expenditure for the current fiscal year has been reported as 40.02%. The government has also declared that the expenditure will be made an assurance of spending 84% of total budget up to this fiscal year end. With an ongoing political instability and the preparation for the second level of local election being uncertain, government has successfully endorsed its budget for upcoming fiscal year 2074/75.



**Highlights: Total Budget: Rs. 1279 Billion**

Particulars	Amount	% Allocation
Recurrent Expenditure	Rs. 803.5 Billion	62.8%
Capital Expenditure	Rs. 335.2 Billion	26.2%
Budget for Financial Provision	Rs. 140.3 Billion	11.0%



Sources of Expenditure to meet the Budget are as under:

Sources	2074/75 (in Billion)
Revenue	730.05
Repayment of Debt Principal	15
Foreign Grant	72.17
Foreign Loan	214.04
Internal Loan	145
Cash Reserve	102.73
<b>Total</b>	<b>1279</b>

In the provided budget there has been made several provision for expenditure under the various categories. The allocated provisional expenditures are listed below:

Provision	Fiscal year 2074/75
Post-quake Reconstruction	Rs. 146.18 Billion
Commerce Trade & Supply	Rs. 10.96 Billion
Communication	Rs. 4.98 Billion
Road construction	Rs. 113.76 Billion
Hydropower	Rs. 73.14 Billion
Labour Management	Rs. 1.14 Billion
Transportation	Rs. 25.51 Billion
Urban development	Rs. 44.02 Billion
Agriculture	Rs. 30.4 Billion

Education	Rs. 66.12 Billion
Drinking water	Rs. 29.27 Billion
Health	Rs. 31.78 Billion
Sport	Rs. 2.24 Billion
Forest	Rs. 1.92 Billion
Irrigation & River management	Rs.32.57 Billion
Land & forest reform	Rs.15.34 Billion
Tourism	Rs. 14.88 Billion

- Huge amount of budget has been allocated for post-quake reconstruction via National Reconstruction Authority. There are several places that still need to be reconstructed and major affected areas are still in need of settlement.
- Exported items to be promoted as per the Commercial Policy 2072 & Nepal Unified Strategy 2073. Focused on the project of "One Belt & One Road Initiative". Export incentives to be effectively used and Birgunj Unified Security post to be operated & construct the security posts of Biratnagar, Bhairahawa & Nepalgunj.
- Communication: Information center to be developed.
- Road Construction: Thankot Naubise Tunnel initiated, Roads at Terai Madhes to link up with the East-West Highway, Dharan- Gaighat- Sindhuli-Hetauda, and Narayanghat- Butwal road to extend to four lanes, enhancement of Munglin- Narayanghat road, 6 lanes at Rani-Itahari-Dharan, Jatahi- Janakpur, Birgunj-Pathlaiya, and Belahiya-Butwal & Mohana- Attariya Road.
- Hydropower: Upper Tamakoshi Hydropower projects, Maaabja distribution & operation expenses, campaign launched as "17000 MW in 7 years" and energy programs to be implemented.
- Labour management- Compulsory Bank account to be obtained before going for foreign employment & Remittance should flow into the country to same account. Remittance encouraged in Hydropower projects.

- Transportation- Projects for Kathmandu-Terai fast track, Road construction of Hulaki Rajmarga, North-South Lok Marga, Humla district Headquarter and Dolpa, Road topped bridge construction, East-West Railway, Moo rail Projects.
- Urban development- Projects for Urban Infrastructure Development, Unified Residential Areas, municipalities around the Kathmandu valley coordinated as Satellite City, Mega city to be developed in every Province, development of headquarters of Terai-Madhes, launch of Janata Aawash Program.
- Agriculture- A study to initiate the Pension Fund based on the contributions to classify the farmers according to the area & ownership of land, Inclusion of Farmers in Social Security Program, encouragement to Youths in Agriculture and also promote the Agricultural Insurance to encourage for the involvement in Agriculture. Further, government has also plan to subsidize 5% on Interest payable on Agriculture & Poultry.
- Tourism- Tourism being one of the primary sources of income to Nepal and to flourish this industry many projects are being launched i.e. International Airport Projects: Nijgadh, Gautam Buddha regional, and Pokhara regional International Airport. Also, wide amount has been allocated to Pashupati Area & Lumbini Area Master Plan has been formulation and Implementation.

**On Summary following are the Major budget Highlights:**

- Rs. 500,000 to Martyr's Family.
- Rs. 300,000 Interest free loan to Earthquake victim
- Earthquake Rehabilitation Budget Rs. 140.66 Billion.
- Budhagandaki Construction Budget Rs. 5.33 Billion.
- Petroleum price to be increased by Rs. 5.
- Hulaki Rajmarga 4.2 Billion.
- Kathmandu- Neejgad fast Track.
- Compulsory Digital meter in taxi.
- Kathmandu- Birgunj Railway service.
- Prime Minister Agricultural fund 5 Billion.
- Loan on pledge of the Agricultural crops.
- 25% Fine to put the bare land.
- School area development Budget
- 4G in Kathmandu.
- Rs. 2000 Brdihbhatta.
- Zero Balance bank accounts.



The timely endorsement of Budget for FY 2074/75 has been considered as positive factor for further economic growth however, NEPSE failed to welcome the budget FY 2074/75 by showing the red signal. Investors fail to regain the confidence over the budget as the target for FY 2073/74 has not been achieved and capital expenditure has been made in very low amount. For the upcoming Fiscal year huge capital extensive projects are being formulated, which are expected to be implemented accordingly. Capital expenditure has always been one of the factors for money circulations and if expensed effectively can be one of the significant indicators. Considering the overall stability in the nation, it has been assumed that there will be no difficulty in achieving the targeted budget boosting the economic as a whole ultimately pushing the stock market upwards to new high level.

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