



NEPSE: A False breakout below 1600?

Down trending NEPSE index has been making new lows in a consistent basis and it seems like this trend is not going to reverse any soon. The significant support region of 1610 and 1590 were unable to hold the selling pressure which is turn NEPSE slipped to 1575 levels.

Technical Outlook:

NEPSE Daily

- On the daily chart, majority of the technical indicators portray bearish picture of the market. NEPSE dropped 26 points last week alone and the bearish sentiment continued on the first trading of this week too.
- Index plunged 13.61 points on Sunday making a fresh 3.5 months low. The 5-day SMA and 31-day SMA indicate down trend. The 5-day moving average is well below the 31-day SMA which indicates that the down trend is strong.



- Negative histogram and the –DI of ADX indicates bearish trend. Sideways ATR indicates mild volatility over two week’s period. The Stochastic is biased downwards.

- As the NEPSE index is likely to trend downward until any major fundamentals supports the market, it is quite unsure up to which levels the market will fall. However, down trending channel and the Fibonacci extensions shed some light regarding the future level of the index.

- If the index keeps falling at this pace, it is likely to meet a lower trend line of a down trending channel at 1510 where Fibonacci extension (April 3 to April 18 swing) 161.8 % lies. There are many hurdles on the upside too; the 1590-1610 will be a strong supply zone for the index.



Market Performance

NEPSE Top 5 by Transactions		
S.N.	Traded Companies	Total
1	Standard Chartered Bank Limited	8209
2	Nepal Life Insurance	3454
3	United Modi Hydropower Ltd	3183
4	Nepal Investment Bank	2587
5	Arun Kabeli Power Ltd	2488

NEPSE Top 5 by Market CAP		
S.N.	Traded Companies	Market Cap
1	Nepal Telecom	99,000,000.00
2	NABIL Bank	91,545,503.60
3	Standard Chartered Bank	85,760,235.87
4	Everest Bank Ltd	78,035,601.48
5	Nepal Life Insurance	65,303,679.70

NEPSE Top 5 by Turnover		
S.N.	Traded Companies	Total
1	Standard Chartered Bank	627,540,321.00
2	Everest Bank Limited	290,993,766.00
3	Nepal Life Insurance Co. Ltd	262,588,950.00
4	Himalayan General Insurance	205,210,197.00
5	Nepal Investment Bank Limited	187,841,569.00

NEPSE Top 5 by Traded Shares		
S.N.	Traded Companies	Total
1	Civil Bank	617,184.00
2	Siddhartha Oriented Scheme-1	571,393.00
3	Prabhu Bank Limited	384,874.00
4	NMB Sulav Investment	336,717.00
5	Nabil Equity Fund	330,529.00

NEPSE Top Leaders				
S.no	Traded Companies	31 st May	15 th June	% change
1	World Merchant Banking & Finance	94	187	98.94
2	RSDC Laghubitta Bittiya Sanstha	1707	2901	69.95
3	Forward Community Microfinance Bittiya Sanstha	1103	1365	23.75
4	National Microfinance Bittiya Sanstha Ltd	932	1119	20.06
5	Everest Insurance Co. Ltd	2375	2645	11.37

NEPSE Top Lagers				
S.no	Traded Companies	31 st May	15 th June	% change
1	Synergy Power Development	310	266	-14.19
2	Lalitpur Finance	219	188	-14.16
3	Shrijana Finance (Bittaya Sanstha)	591	509	-13.87
4	Synergy Finance	183	164	-10.38
5	Jebils Finance	280	255	-8.93

In the review period, NEPSE has contracted down by 1.15% and so the Sensitive Index has decreased by 1.07%. Market is still facing the situation of Credit-Deposit mismatch as Bank's FD is still in increasing trend. Nepal relies most in the Remittance inflow which has now been decreased. This has also created liquidity crisis in the market which can also be considered as one of the reason for the continuous downfall.

Indices			
Index	31st May	15th June	% change
NEPSE Index	1608.11	1589.59	-1.15%
Sensitive	341.27	337.61	-1.07%
Float	118.48	117.07	-1.19%
Sensitive Float	105.29	104.05	-1.18%

We have enlisted some Global Indices and in the review period, among all the indices DJI (US Indices) has notched up by highest percentage i.e. 1.67% whereas the NASDAQ (US Indices) has recorded the contraction by 0.53%.

Global Indices				
S. No.	Indices	31st May	15th June	% Change
1	DJI	21,008.65	21,359.90	1.67%
2	NASDAQ	6,198.52	6165.50	-0.53%
3	NIKKEI	19,650.57	19,831.82	0.92%
4	SENSEX	31,145.80	31,075.73	-0.22%
5	FTSE KLCI	1765.87	1790.01	1.37%
6	DSE	5,403.12	5468.33	1.21%

Following Stocks are adjusted as per:

- KADBL- 30% Rights
- CFCL- 22.50% Rights
- GLICL- 8% Bonus
- SLBBL- 50% Rights

Company Name	Stock Symbol	Price (Nrs.)
Kanchan Development Bank	KADBL	292
Central Finance	CFCL	175
Gurans Life Insurance	GLICL	1099
Swarojgar Laghubitta Bikas bank	SLBBL	1753

NEPSE Summary: 31st May to 15th June, 2017

NEPSE High	1,637.37
NEPSE Low	1,580.52
NEPSE Close	1,589.59
Total Average turnover per day	620,069,182
Total Average share Traded per day	1,055,072
Total Average transactions per day	6,497

Bonus/Rights/M&A/AGM ETC.

Global IME Capital Limited	Others
IPO of Chhyangdi Hydropower has been oversubscribed by more than 74 times.	Everest bank will issuing 33.33% (3:1) Right Shares from Ashad 18, 2074.
Right issue of NB Insurance Company Limited is open from 2017/6/19 till 2017/7/24.	SEBON approves 166.67% right share of Himalayan General Insurance.
Cash Dividend of HIDCL is being sent through IPS in Lot-Wise.	Siddhartha bank proposed further 10% right share; SGM is scheduled on Ashad 18, 2074.
Cash Dividend of HIDCL is being sent through IPS in Lot-Wise.	RSDC 200% right share issue is added in SEBON pipeline.
Issue close date of IPO of Himalayan Power partner Limited is on 2017/6/19.	Laxmi bank's AGM is scheduled on Ashad 13; AGM is likely to approve 18.29% Bonus Share.

Fortnightly Gone by: Market Outlook

Macro-Economic indicator

- World Economic Forum on the basis of data provided by the World Bank has published that the forecasted economic growth of Nepal by 7.5% is the third highest economic growth in the World and the first highest in the South Asia. This economic growth of Nepal is the highest growth rate in 23 years and the credibility for this growth has been given to the Reconstruction after the Earthquake of Nepal.
- Economic survey announced by the government has provided a data that this year Per Capita Income (PCI) of Nepalese is expected to reach 862 USD (Eight Hundred Sixty Two US Dollar) whereas the corresponding year PCI was recorded as 757 USD. This increment in PCI also indicates the increment in the purchasing power of individual.
- The fiscal year coming to an end, but government still lacks in investing the allocated budget. More than 2 Kharba of government budget need to be expensed in the infrastructural areas.



Debt Market

- In the review period, Nepal Rastra Bank has issued the Treasury bill worth Rs. 15 Arba. NRB issued 830 crore of t-bill for 364 days which includes the 330 crore of roll over and fresh issuance of 500 crore.
- The average daily Interbank rate in the review period has been recorded as 0.65%

Regulatory Synopsis

- To maintain the stipulated paid-up capital by the regulatory bodies, issuing FPO has been the general practice among the companies. However, addressing the same SEBON has circulated a certain guidelines for issuing FPO through Securities Issue and Distribution Guidelines, 2017 has provisioned a gap of at least five years to issue another FPO. The guidelines has further included the provision of lessen the period of FPO to be listed in the stock market and has provided the formula to fix the premium price of securities.
- Security Board of Nepal (SEBON) has made an announcement of adding the exchange company to enhance the competition in the secondary market. As per the SEBON, the decision has been made as the part of the capital market regulator's reform initiatives which also includes the modernization of stock market. The initiative also includes attracting more real sector companies to be listed in the stock exchange. NEPSE, government owned company is the only available stock exchange in Nepalese Financial market hence; introduction of another company might break the monopoly regulations and enhance the financial market accordingly.
- New allotment model has been introduced to the IPO which indicates that the institutional investor will not be allowed to apply for the IPO and each retail investor will be facilitated with at least 10 kittas of stock. This allotment model has encouraged the retail investor to apply for the IPO increasing the involvement of general public towards the stock market.

Initial Public Offerings (IPO) Allotment Module

Initial Public Offering (IPO) is referred to as process of public offering in which shares of a company are sold to the general public usually to raise the expansion of capital and to become publicly traded enterprises. Through this process a privately held companies are converted in to the public company.

Nepal is an emerging and developing country and with a very few years of history in the financial market. We witness a lot of companies establishing and / or going public. The citizen of Nepal is still in their initial phase to understand the importance of investment in the stock market and this has begun with the investment in the IPO's. The involvement of public in the stock market can lead to the economic growth and thus, increase the wealth of the investors. In the past five years, we have witnessed a growing demand for the investment in the IPO, leading to the oversubscription of the shares.

In the previous Security Allotment Guideline (2068), SEBON recognizes two types of investors, Retail investor and the Big Investors. Retail investors are the investors who invest less than Rs. 50,000 and other big investors are the investors who invest more than Rs. 50,000. The issued shares are allotted in the ratio of 40 to 60 among the small and big investors. The guideline further prescribes that 5% of total issued shares are to be allotted to mutual funds and 2-5% allotted to employees issuing companies. If the demand for the share from small investors exceeds more than 40% than both the group is regarded as one and allotted on the pro-rata basis. However, allotted investors must be provided with minimum 10 units of stocks. In this volume of communiqué we have provided the allotment module to the investors as per the "Securities Issuance and Allotment Directives, 2074 30 (1)" which has been revised recently.



Assumptions:

- Let us assume Company A is issuing a 20,00,000 units or Rs.20 Crore worth share to general public.

IPO Share (Units)	20,00,000
IPO Amount	200,000,000
Issued oversubscribed by	1.94 times
Total Demand	3,88,000,000.00

S.no	Applied Kittas	Total No. of applicants	Applied Amount
1	10	50000.00	50,000,000.00
2	20	8000.00	16,000,000.00
3	30	10000.00	30,000,000.00
4	40	8000.00	32,000,000.00
5	50	10000.00	50,000,000.00
6	100	4000.00	40,000,000.00
7	200	3000.00	60,000,000.00
8	300	2000.00	60,000,000.00
9	500	1000.00	50,000,000.00
Total		96,000.00	388,000,000.00

Allotment Table (Table No. 2)

Total no. of applicants(1)	Minimum kittas to be allotted (2)	Allotted Kittas (1*2)	Total allotted kittas	Remaining Kittas
96,000.00	10	960,000.00	960,000.00	1,040,000.00
46,000.00	10	460,000.00	1,420,000.00	580,000.00
38,000.00	10	380,000.00	1,800,000.00	200,000.00
Among 28000, 20,000 no of applicant will allotted through lottery	10	200,000.00	2,000,000.00	-

(Note: If the total number of applicants exceeds 100,000 than the allotment will be done completely on the lottery basis)

SEBON has recently changed the allotment process of securities favoring the retail investors through its new guidelines. Institutional clients have been restricted in applying for IPO and allotting minimum of 10 kittas compulsorily to the retail investors. However, these regulations have not been implemented for recently issued IPOs. In the above example, security allotment at first is made with allotment of 10 kittas to all the valid applicants. Here all the 10,000 number of applicants will receive the 10 kittas. Any remaining kittas after allotment shall be again allotted with 10 kittas each to applicants applying for 20 or more. The same process will be followed until the subscription is fulfilled whereas for the insufficient number of applicants the allotment will be done on lottery basis.

References:

- www.nrb.org.np
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- www.sebon.org.np

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