



**Global IME
Capital Limited**
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GICL

**FORTNIGHTLY
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1300 : A Psychological Barrier

Humans have memories of the market. Past rise and fall are engraved in the brain of the investors. Thus when the market tests the significant past levels, fear and greed accumulates inside the head of the investors/traders. Emotion of fear and greed arises at various price levels because of the market actions that actually occurred in the past. For an instance, if XYZ stock falls sharply after topping at 1000, many traders who bought at the top witnesses losses in that



particular trade. The trader wishes price to come back to that level so that the position can be liquidated at breakeven. Although this is the perspective from a trader who bought at the top, there are other market participants who missed to book profit on their trades. Now both of these group of traders are wanting to stock price to come back to at least 1000. And guess what happens when stock price comes back to 1000? These both group of traders, seeing that they failed to exit at 1000 in the past, they rush to sell at the breakeven or to book profit at the 1000 price. This certainly brings a pool of sellers in the market pushing prices below 1000. It is important to note that 1000 for XYZ stock became a barrier solely due to the psychology of investors rather than fundamentals of the company. Such kinds of levels are called “Resistance”. And similar things happen at the support as well. When price rises dramatically traders feel that they missed the important rally so when price comes back to the previous level, investor hurry up to accumulate the stock resulting in upward price movement.

Above example demonstrates how support and resistance form. Before explaining about psychological support and resistance can you think how much a table fan would cost? A multimedia projector? A basketball? A motorbike? It is important that you should imagine the cost of these objects. Well, whatever answer you have there’s something common among those answers. It is quite obvious that your imaginary prices about those things ended with zeros. When you think of something you like to think in terms of round numbers. In other words, you don’t say that a table fan may cost Rs.3497, you will say it may cost Rs. 3500 instead. This is how human brain thinks about numbers. And yes, it applies to stock trading as well. When stock traders are watching the stock prices they give more weightage to the prices ending with more zeros. So, from psychological point of view, 1000 is more important than 987. Many people think of selling at 1000 while many are thinking to buy at 900. Such behavior creates support and resistance levels.

In the context of Nifty, 1300 has acted as a psychological barrier. Until and unless this barrier is breached upward and unless Nifty stabilizes above 1300, investors’ confidence towards the market may be weak.



Market Performance

NEPSE Top 5 Companies by Traded Shares		
1	Nabil Balance Fund 1	1,048,221
2	Bank of Kathmandu Promoter Share	579,914
3	Om Development Bank	373,915
4	Nepal Bangladesh Bank	367,818
5	Siddhartha Equity Oriented Scheme	333,747

NEPSE Top 5 Companies by Market CAP (' Millions)		
1	Nepal Doorsanchar Company	109,950.00
2	Nabil Bank	79,501.78
3	Nepal Investment Bank	70,878.33
4	Standard Chartered Bank	68,497.93
5	Everest Bank	63,974.10

NEPSE Top 5 Companies by No. of Transactions		
1	Radhi Bidyut Company	3,494
2	Premier Insurance Co.	2,400
3	Standard Chartered Bank	2,326
4	Nepal Life Insurance Co.	1,790
5	Nabil Bank	1,767

NEPSE Top 5 Companies by Turnover		
1	Nabil Bank	177,677,332
2	Standard Chartered Bank	144,990,567
3	Nepal Life Insurance Co.	132,035,646
4	Bank of Kathmandu Promoter Share	122,941,768
5	Nepal Investment Bank	109,403,173

NEPSE Top Leaders				
1	Swadeshi Laghubitta Bittiya Sanstha	619	961	55.25%
2	Premier Insurance Co.	758	1,104	33.77%
3	Gurans Life Insurance Company	662	879	32.78%
4	Surya Life Insurance Company	645	840	30.23%
5	Ngadi Insurance Co.	470	605	28.73%

NEPSE Summary: 1 st Apr to 12 th Apr, 2018	
NEPSE High	1,294.65
NEPSE Low	1,192.96
NEPSE Close	1,277.55
Total Average Turnover per Day	465,078,261
Total Average Share Traded per Day	1,364,916
Total Average Transactions per Day	6,475

Global Indices				
S. No.	Indices	2 nd Apr	13 th Apr	% Change
1	DJIA	23,644.19	24,360.14	3.03%
2	NASDAQ	6,870.12	7,106.65	3.44%
3	NIKKEI	21,388.58	21,778.74	1.82%
4	SENSEX	33,255.36	34,192.65	2.82%
5	FTSE 100	7,056.61	7,264.56	2.95%

NEPSE Top Losers				
1	Corporate Development Bank	141	118	-16.31%
2	Barun Hydropower Co.	191	171	-10.47%
3	Guheshwori Merchant Bank & Finance Co.	157	143	-8.92%
4	Everest Bank Limited Con. Pref	711	650	-8.58%
5	Ngadi Group Power	209	198	-5.26%

Indices			
Index	1 st Apr	12 th Apr	% Change
NEPSE Index	1,196.24	1,277.55	6.80%
Sensitive	255.69	272.45	6.55%
Float	86.19	92.12	6.88%
Sensitive Float	77.68	82.83	6.63%

In review period, Nepse index went 6.80% up to close at 1277.55 levels. Global stock market performed mildly in the review period amid trade war and geopolitical tensions. NASDAQ surged 3.44% to stay at 7,106.65 while DJIA, its American counterpart stock market index rose 3.03% to close the fortnight at 24,360.14.



Sectoral Indices

Sub-Indices	Turnover (12th April)	1st April	12th April	% Change
Banking	123,356,000.00	1,079.82	1,134.04	5.02%
Development Bank	37,694,600.00	1,422.40	1,492.18	4.91%
Finance	2,105,170.00	636.32	648.60	1.93%
Hotels	3,930,440.00	1,758.98	1,859.99	5.74%
Hydro Power	34,023,800.00	1,418.58	1,511.87	6.58%
Insurance	133,440,000.00	5,420.58	6,161.08	13.66%
Manu. & Pro.	2,015,640.00	2,147.99	2,264.28	5.41%
Microfinance	61,401,600.00	1,313.99	1,477.84	12.47%
Others	6,929,880.00	671.87	713.69	6.22%

Listing of Shares in NEPSE during Review Period

S. No.	Name of Company	Type of Issue	Number of Listed Shares
1	Sunrise Bank	Bonus	10,633,769
2	Janaki Finance	Bonus	615,346
3	Lumbini General Insurance	Bonus	1,000,000
4	Api Power	Bonus	840,000
5	Prime Commercial Bank	Bonus	17,078,667
6	Nagbeli Laghubitta	Bonus	240,046
7	Tinau Development Bank	Bonus	460,850
8	Civil Laghubitta	Bonus	47,250
9	Citizens Bank	Bonus	11,115,467
10	Sahayogi Bikas Bank	Bonus	849,447
11	Swabalamban Bikas Bank	Bonus	841,477
12	Jyoti Bikas Bank	Bonus	2,302,872
13	Nepal Bangladesh Bank	Bonus	8,688,507
14	Nepal Bangladesh Bank	Rights	1,554
15	Prudential Insurance	Rights	1,283,040

Existing/Upcoming Corporate Events

Auction

S. No.	Ticker	Units	Opening Date	Closing Date	Issue Manager	Status
Ordinary Share						
1	LBBL	221,989	4/15/2018	4/22/2018	Vibor Capital	Coming Soon
Promoter Share						
1	LBBL	379,336	4/15/2018	4/22/2018	Vibor Capital	Coming Soon
2	KEBL	45,351	4/10/2018	4/17/2018	Global IME Capital	Open
3	RLFL	535,315	4/9/2018	4/16/2018	Sunrise Capital	Open

Rights

S. No	Symbol	Ratio	Units	Opening Date	Closing Date	Book Closure Date	Issue Manager	Status
2	GLICL	50%	2,970,000	Coming Soon	Coming Soon	Coming Soon	Laxmi Capital	Coming Soon
3	SHBL	250%	1,824,870	Coming Soon	Coming Soon	Coming Soon	NIBL Ace Capital	Coming Soon
1	KBL	20%	11,938,992	Coming Soon	Coming Soon	4/23/2018	NIBL Ace Capital	Coming Soon



4	NICL	100%	3,019,886	4/18/2018	5/22/2018	4/6/2018	NIBL Ace Capital	Coming Soon
5	DBBL	40%	6,533,109	4/9/2018	5/13/2018	3/1/2018	NIBL Ace Capital	Open
6	MFIL	5%	362,190	3/22/2018	4/25/2018	2/21/2018	NIBL Ace Capital	Open
7	PLIC	160%	9,763,200	3/11/2018	4/15/2018	3/1/2018	Siddhartha Capital	Open
8	ALICL	50%	4,027,966	2/25/2018	4/15/2018	1/22/2018	NIBL Ace Capital	Open

IPO Status of different Companies at SEBON

IPO Replied and Under Review						
S. No.	Company Name	Type of Issue	Units	Issue Manager	Date of Application	Date of Comment
1	Rairang Hydropower Development Company limited (For General Public)	IPO	840,000.00	NIBL Ace Capital	7/27/2074	12/4/2074

IPO Reviewed and Comment Sent						
S. No.	Company Name	Type of Issue	Units	Issue Manager	Date of Application	Date of Comment
1	Mailung Khola Jal Vidhyut Co. Ltd. (For General Public)	IPO	736,286.00	Siddhartha Capital	6/20/2074	10/18/2074
2	Upper Tamakoshi Hydropower Ltd. (For Local and General Public)	IPO	26,475,000.00	Citizen Investment Trust & Sunrise Capital	7/30/2074	10/23/2074
3	Mountain Hydro Nepal Ltd. (For Local People)	IPO	1,250,000.00	Siddhartha Capital	6/25/2074	10/26/2074
4	NADEP Laghubitta Bittiya Sanastha Ltd.	IPO	480,000.00	Nabil Investment Banking	10/17/2074	11/11/2074
5	NMB Bank Ltd.	FPO	11,415,163.00	Citizen Investment Trust	2/22/2074	11/30/2074

Waiting for Reply and Compliance						
S. No.	Company Name	Type of Issue	Units	Issue Manager	Date of Application	Date of Comment
1	Gajrang Upatyaka Hydro Power Ltd.	IPO	200,000.00	NIBL Capital Market	6/14/2073	8/15/2073

IPO Under Preliminary Review						
S. No.	Company Name	Type of Issue	Units	Issue Manager	Date of Application	Date of Comment
1	Ankhukhola Jalbidut Co. Ltd	IPO	800,000.00	Civil Capital	2073/02/31	5/7/2073
2	Laughing Buddha Power Nepal Ltd. (For Local People)	IPO	978,000.00	Siddhartha Capital	2074/02/31	
3	Unique Hydel Co.Ltd (For Local People)	IPO	550,000.00	NMB Capital	2074/02/31	
4	CEDB Hydro Fund Ltd. (For General People)	IPO	2,289,300.00	Sunrise Capital	3/27/2074	
5	Union Hydropower Ltd. (For Local People)	IPO	633,745.00	Laxmi Capital	4/29/2074	
6	Ghalemadi Hydro Ltd. (For Local People)	IPO	550,000.00	Vibor Capital	6/25/2074	
7	Shiva Shree Hydropower Ltd. (For Local People)	IPO	1,476,400.00	Siddhartha Capital	10/24/2074	
8	Himalaya Urja Bikas Company Ltd. (For Local People)	IPO	990,000.00	Nabil Investment Banking	12/21/2074	
9	Shivam Cements Ltd. (For Local People and General Public)	IPO	5,280,000.00	Siddhartha Capital	12/6/2074	



Mutual Fund Pipeline Status					
S. No.	Company Name	Fund Size	Fund Manager	Date of Application	Processing Status
1	Global IME Balanced Fund-1	1.2 Billion	Global IME Capital	2/7/2074	Under Preliminary Review
2	NIBL Sahabhagita Fund	500 Million	NIBL Capital	3/27/2074	Under Preliminary Review

Top Fortnightly News

1. Tourism Development Bank Limited has announced 15% bonus shares for its shareholders worth Rs 30.15 crore from the net profit of FY 2073/74.
2. Nepal Insurance Company has announced its AGM on Baisakh 21, 2075 to approve 65% right shares. The book closure date is on Baisakh 07, 2075.
3. Unnati Microfinance has announced 20% right shares. Its paid up capital will reach Rs 6.60 crore after the issue.
4. Global IME Laghubitta has appointed Global IME Capital as the Share Registrar.
5. Shikhar Insurance is converting 14.28% promoter shares to ordinary. After the conversion, promoter to ordinary shareholding ratio will be 60:40 from existing 70:30.
6. Citizens Bank International (CZBIL) is issuing 4,63,826 unit shares as Further Public offering (FPO). After the issuance, the promoter public ownership ratio will reach to 51:49.
7. The 18th AGM of Nepal Life Insurance, which was held on Chaitra 28, 2074, have approved 42% bonus share along with Rs. 28.53 cash dividend for with tax purpose.
8. Mahalaxmi Bikas Bank Limited has announced its 16th AGM date, Baisakh 21, 2075. The book closure date is on Baisakh 07, 2075.
9. Best Finance Company Limited has conducted its 21st AGM on Chaitra 24, 2074 and decided to acquire Synergy Finance Ltd at a share swap ratio of 1:1.
10. The book closure date for 40% right share issue of Surya Life Insurance has been set on Baisakh 04, 2075.
11. The Board Meeting of Butwal Power Company has decided to distribute 20% cash dividend to its shareholders from the Profit generated in Fiscal Year 2073/74. However, the decision is still subject to approval from AGM.
12. ICRA Nepal has assigned 'Grade 4+' rating to the proposed Initial Public Offering (IPO) of NPR 4.80 crore of Nadep Laghubitta Bittiya Sanstha.
13. SEBON has approved 1.80 lakh units IPO issue of Nepal Seva Laghubitta on 3rd April, 2018.
14. SEBON has approved 50% right share issuance of Gurans Life Insurance Company. Paid up capital of Gurans Life would reach to Rs 89.10 crore after the issuance.
15. Rasuwagadhi Hydropower and Sanjen Hydropower's IPO were allotted on 1st April, 2018.



16. Nepal Insurance Company Limited (NICL) is issuing 100% right share to its shareholders from Baishakh 5, 2075 closing on Jestha 8, 2075. The book has been closed on Chaitra 23, 2074.
17. The Mutual Fund Unit Nabil Balance fund has been suspended from 13th April, 2017 as the fund is matured.

Key Highlights from Current Macroeconomic and Financial Situation of Nepal (Based on Eight Months' Data of 2017/18) published by Nepal Rastra Bank:

1. The y-o-y consumer price inflation rose to 6.0 percent in mid-March 2018 from 2.9 percent a year ago. The spike in prices of vegetables mainly contributed to the rise in inflation in the review period. However, the average consumer price inflation in eight months of 2017/18 remained lower at 4.0 percent.
2. During eight months of 2017/18, merchandise exports increased 10.8 percent to Rs. 53.42 billion compared to an increase of 12.8 percent in the same period of the previous year.
3. The growth in merchandise imports remained elevated at 22.1 percent to Rs. 767.36 billion in the review period compared to an increase of 44.2 percent in the same period of the previous year. Commodity-wise, imports of petroleum products reached Rs. 100.60 billion, followed by food and live animals of Rs. 97.05 billion and vehicles and spare parts of Rs. 84.91 billion during eight months of 2017/18.
4. Total trade deficit widened 23.0 percent to Rs. 713.93 billion in eight months of 2017/18. The export-import ratio declined to 7 percent in the review period from 7.7 percent in the corresponding period of the previous year.
5. The workers' remittances increased 4.9 percent to Rs. 471.86 billion in the review period compared to a rise of 5.3 percent in the same period of the previous year.
6. The current account deficit widened further to Rs. 153.96 billion in the review period from a deficit of Rs. 6.31 billion in the same period of the previous year. The significant increase in imports and dividends payment for foreign investment widened the current account deficit.
7. Similarly, the overall BOP remained at a deficit of Rs. 24.73 billion in contrast to a surplus of Rs. 50.02 billion in the same period of the previous year. In the review period, the flow of foreign direct investment (FDI) amounted to Rs. 14.24 billion compared to Rs. 8.35 billion in the corresponding period of the previous year.
8. The budget deficit of the Government of Nepal (GoN) increased to Rs. 53.63 billion in eight months of 2017/18 from a deficit of Rs. 8.73 billion in the corresponding period of the previous year.
9. Deposits at Banks and Financial Institutions (BFIs) increased 8.1 percent in the review period compared to a growth of 9.1 percent in the corresponding period of the previous year. On y-o-y basis, deposits at BFIs expanded 13.0 percent in mid-March 2018.



10. Credit to the private sector from BFIs increased 14.4 percent in the review period compared to a growth of 15.3 percent in the corresponding period of the previous year. On y-o-y basis, credit to the private sector from BFIs increased 17.3 percent in mid-March 2018.

11. In the review period, NRB mopped up Rs. 130.25 billion liquidity through open market operations whereas Rs. 97.25 billion liquidity was injected.

13. The weighted average inter-bank transaction rate among commercial banks, which was 0.90 percent a year ago, increased to 4.87 percent in the review month. Likewise, the average base rate of commercial banks increased to 10.4 percent in the review month from 8.30 percent a year ago.

Please follow below link for full reading:

https://nrb.org.np/ofg/current_macroeconomic/CMEs%20Eight%20Months%20English%202074-75.pdf

Investo School

Fiscal Federalism and Sub Central Government Bonds

Fiscal federalism is a state in which a country designs financial relations between the national and sub-national levels of the government. To make it more clear, it is situation where country is in a federal system and a certain method is chosen for circulation of revenue and allocation of expenses within the central and state government also taking the account of local bodies. To do so state level government and local level government will be needing source of income, by applying only tax and fees at this point of time would not be easy, so good prospects of sub central governmental bonds are seen.

This time's article deals with the opportunities that are hidden in this system for investment and for better economic growth of the country. Sub central governmental bonds are those bonds which are issued by sub central government. To make it simple, it is called state government bonds and municipal bonds. We will be eventually discussing about investment prospects of these bonds but let's know about the need of issuing these bonds for local and state level of government.

Dependency of Local Government

Past history shows that many local bodies have faced problem in maintaining proper cash flow for their expenditure by only collection of taxes and fees. Thus, consequently they were mostly dependent on government grants.

Changed Times?

It is generally found that the provision of tax and expenditure between the national government and sub-national levels is not properly coordinated and also not thoughtful enough. In several cases, local governments are responsible with large set of functions but they face various financial constraints. So, they cannot discharge their functions and



responsibilities in an effective way. At this time Municipal Bonds and State Level Bonds can be issued at an independent level to finance capital expenditures while obviously honoring the interest payments.

Though our Constitution have mentioned about the Taxation Ability of Local Level: Article 228 and Article 229 of Constitution of Nepal, along with Schedule 8, we must find new opportunities to diversify the sources of funds of local government. These phenomena have advantages where the tax bases for local government and state will be reduced as there will be alternative way of financing projects on these both levels.

We have recently ratified Act. Inter-Governmental Fiscal Arrangement Act was ratified to accommodate the present needs of central and sub-central government's fiscal plans. IGFA Act, 2074 has a very peculiar point that has to be noted, along with making provision for local bodies to get 15 percent of income generated from Value Added Tax, it has opened a way to issue State Government Bonds in Nepal. According to the act, if certain guidelines and directives are made then, State Government can issue bond in local currency as loan.

Significance of Bonds in Nepal

Our neighbor India has a good experience with issuing municipal and other SCGs for development of various cities water supply and sewerage system. The latest ones include bonds issued in Lucknow and Pune. Though India's experiences with SCG bonds are not as exciting as of USA but India's motive to issue SCG bonds is very practical and makes sense for Nepal Government's Smart Cities Initiatives.

India's recent issues are all focused on infrastructure projects under Smart Cities Initiative. Uttar Pradesh, which has the largest number of cities (10) the under Smart City Mission (SCM), is encouraging its urban centers to mop up resources to fund their developmental and infrastructure projects. Lucknow Municipal Corporation has planned to float municipal bonds worth Rs. 1 billion for a multi-storied housing project.

Nepal issued the initiative of smart cities in 2012. But still, this project is in planning stage. As the information came on October, 2017, Kathmandu Valley Development Authority was selecting firms for Detailed Project Report for planning smart city Initiative. Thus here, state level can issue bonds to implement this initiative. If funds are collected within the territory of the country, we can get rid of being a parasite of foreign donations too.

Also, as we are seeing hype of mega rail projects with China and India along with Metro/Monorail in Kathmandu valley. These projects can also be partially financed by SCGs.

There can be great advantages to investors too. These bonds are tax exempted in many countries. Same can be expected in Nepal too. These bonds in Nepal would be recognized as alternative investment which can be much safer for investors who have low appetite for risk. It can be successful investment avenue as SCGs have third party guarantee too. However in this high interest rate environment, these fixed income bonds may not have competitive advantage so, we should wait for a moderate level of interest rates.

Thus for a thoughtful investor, of a growing country, these SCG Bonds can be a good prospect for investor.



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