



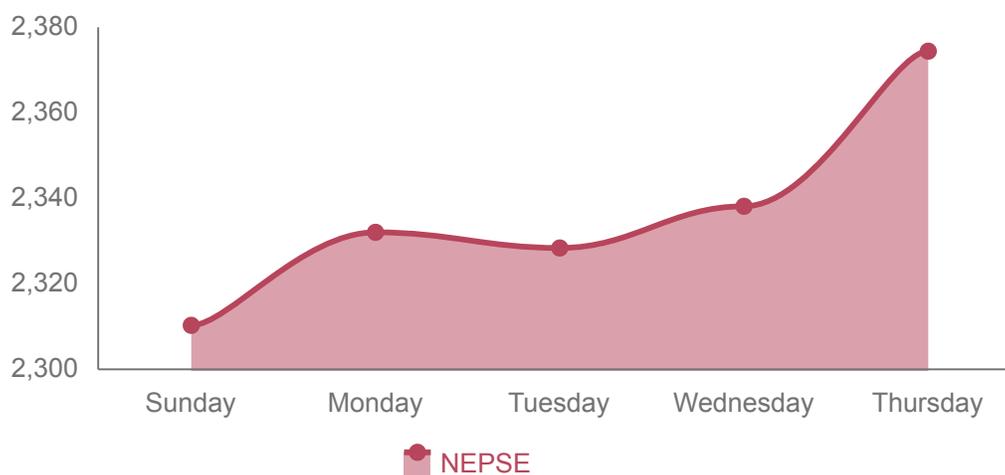
Weekly Review *NEPSE*

Research Department
Prepared By: Abiral Nepal
Head of Research

Contents

1. Market Overview
2. Liquidity Analysis
3. Economic Analysis
4. Floor Sheet Analysis
5. Top Buy and Sell

NEPSE



Market Overview

In this week we saw NEPSE's index increase by 3.79%, and among all the index micro finance and non-life insurance saw a solid momentum. With the beginning of new quarter, NEPSE gained an expected momentum, and we expect this to continue in the coming weeks too. While analyzing the macro economic reports, Market is in a pretty good shape. Decreased imports during the lockdown, and increased remittance have created an excess liquidity in the market, and this can be visualized through a near all time low interbank rate, and modest growth in CCD ratio. With our forecast, we believe till the end of third quarter, market is in a very favorable situation.

With the target of 2500 in the sight, it looks highly likely that the market will bypass the figure very soon. However, the changing political dynamics is still one of the major concern for the market.

With political instability, we expect the investment in new business to decrease significantly. Further, as many industry has been recovering from the effect of pandemic, the need of liquidity in such sectors might impact the liquidity in the capital market.

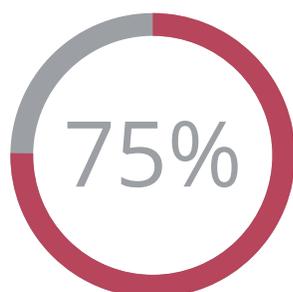
Overall, we can expect the market to continue its current bull run, but there are political factors, and shift in investment from capital market to other sectors, which can impact the NEPSE index as a whole.

Liquidity Analysis

CCD Ratio

At the end of the week, CCD ratio stood at 74.93%. The figure has significantly grown on a week to week basis. For this fiscal year, CCD ratio stands near an all time high, and we expect the number to grow in coming months.

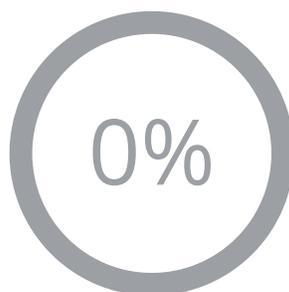
As per our expectation, we believe that the ratio will be around 77.0% at the end of 3rd quarter. CCD ratio is very vital for the market, as it indicates the liquidity scenario of the market.



Deposit Growth

Deposit has dropped by 0.14% since the end of last week. Apart from finance companies, all other categories of banks saw a decrease in deposit.

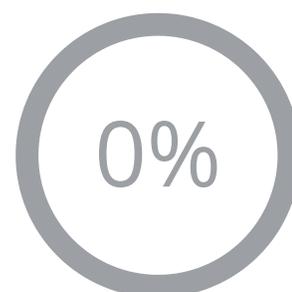
This week decrease is basically the aftermath of previous week quarter end, where both deposit and loan grew exponentially. Last week overall deposit had increased by 0.81%.



Loan Growth

In this week, the total loan disbursed has decreased by 0.05%. Similar to deposit, the main reason behind the decrease is the aftermath of quarter end. Last week alone, the loan disbursement had increased by an whopping 1.96%.

In the coming days, we expect the loan disbursement to be lower. Recent shift in political event, and aftermath of COVID should still affect the demand for liquidity in productive sectors.



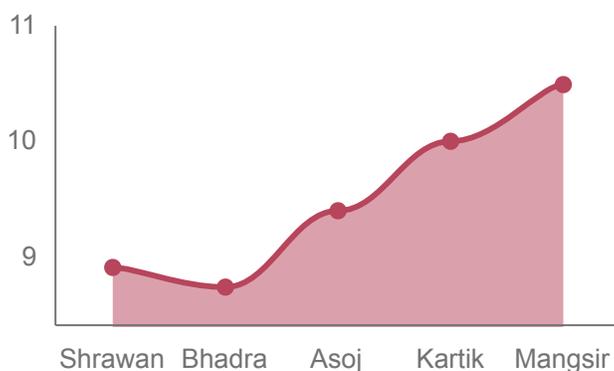
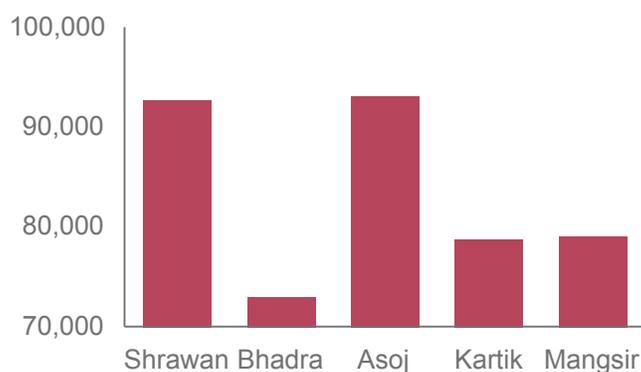
While analyzing the overall liquidity prospect, we expect the liquidity to be available in market until the end of Chaitra. This closely depends on the import export gap, change in foreign currency reserve, inflow of remittance, and consumption of liquidity from various large and small businesses in the country.

Economic Analysis

1

Remittance

The data provided is a month on month remittance figure, and the amount has grown significantly from the last year. This month figure is 10.56% greater than the figure of last year. Such growth during a global pandemic has created an excess liquidity in the market.



2

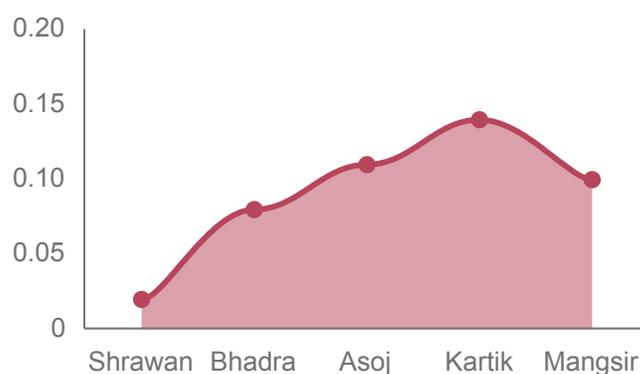
Import to Export Ratio

In last few months, import has started to significantly gain pace, and though the numbers are still below the last year level, but the trend shows it will catch the last year level in couple of months. We can see that the ratio had bottomed at Bhadra, and since then it has already bounced back to 10.50.

3

Inter bank Rate

Inter Bank Rate currently stands at 0.10%, which indicates the excess liquidity in the market. The figure had bottomed at 0.02% on Shrawan, and has been relatively stable since then. To predict the stock market direction, Interbank rate is very vital, and till the rate hovers below one percent, we expect the market to continue its current bull run, unless affected by other unforeseen factors.

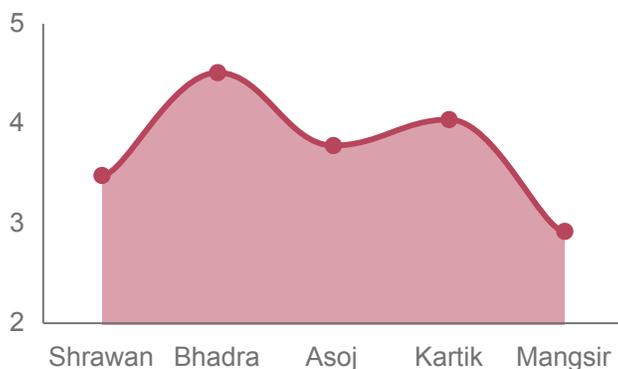
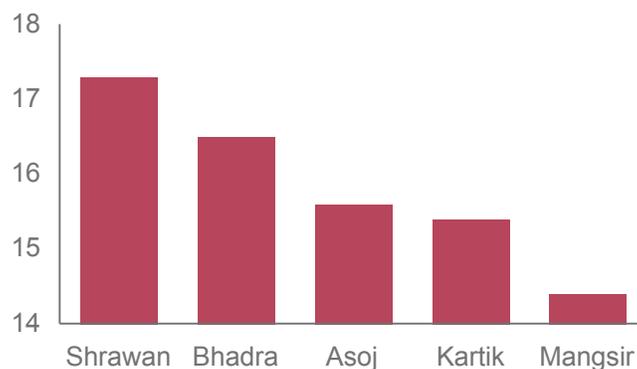


Economic Analysis

4

Foreign Exchange Reserve

The following data includes the foreign exchange reserve of merchandise only. The figure had peaked in Shrawan, and since then has been consistently decreasing. With the resuming imports, we expect the figure to further decrease moving ahead.



5

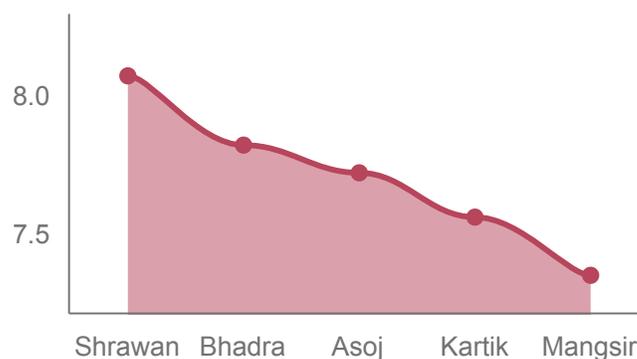
Inflation Rate

Inflation Rate has remained under 5% for every month on this fiscal year. With the expected lower GDP growth in this fiscal year, Inflation is a prime thing that needs to be on a check. Currently, the inflation rate stands at 2.93% and for this year we expect the rate to hover around the very range.

6

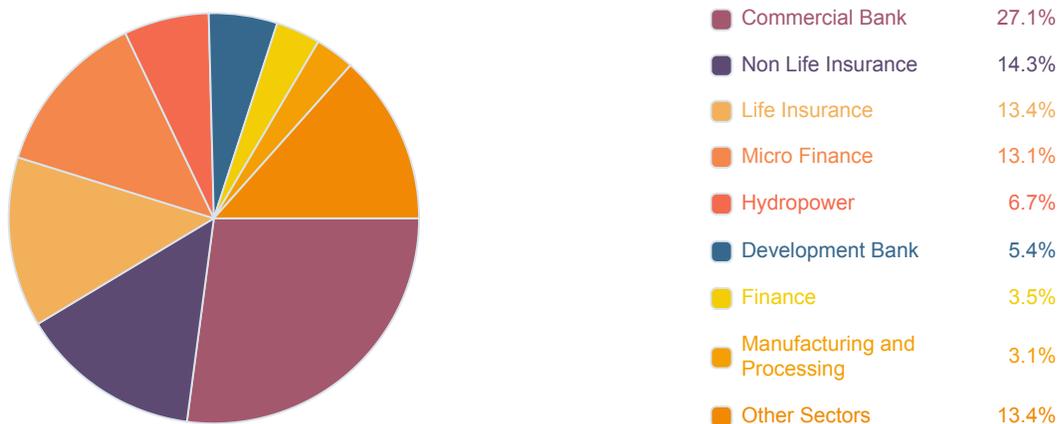
Base Rate

Base Rate has been consistently decreasing in this fiscal year. The current base rate stands at 7.36%, and with the change in deposit rate we expect the base rate to further decrease in coming months. However, after the end of 3rd quarter, we expect the base rate to bounce back.



Floor Sheet Analysis

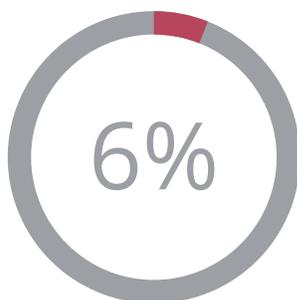
Sectoral Review



This week the most traded sector was commercial bank, followed by non life insurance. From last few weeks, we can see that the non-life sector's volume has significantly increased, with similar movement in price. The increasing volume and cumulation of stock, indicates that the sector has high probability of going up in next few weeks. Similarly, micro finance companies are also showing a similar pattern.

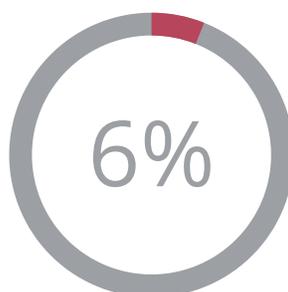
Broker Accumulation

Commercial Bank



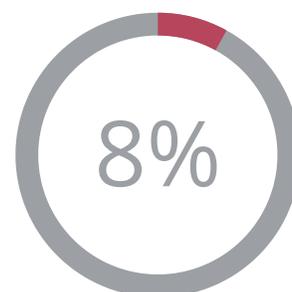
Broker No: 44

Non Life Insurance



Broker No: 44

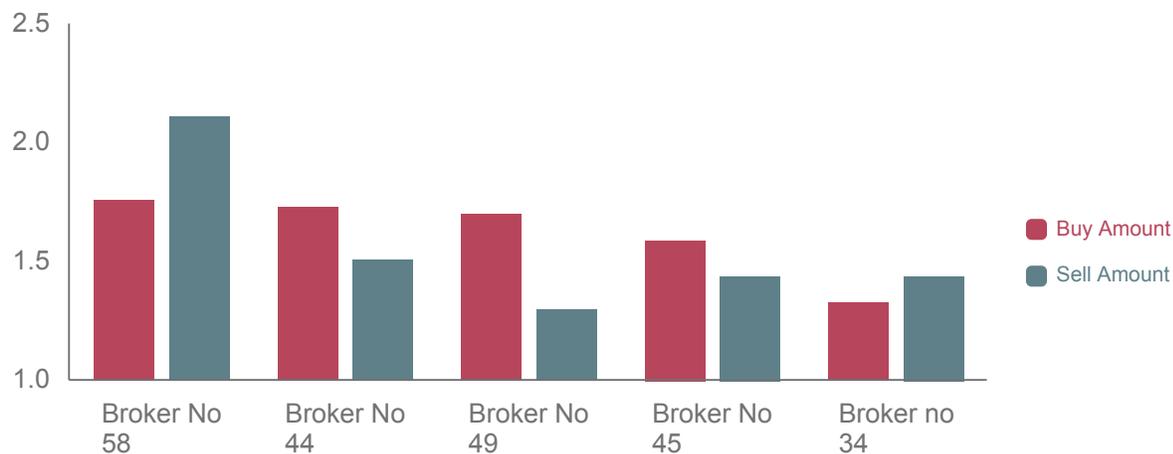
Micro Finance



Broker No: 44

Floor Sheet Analysis

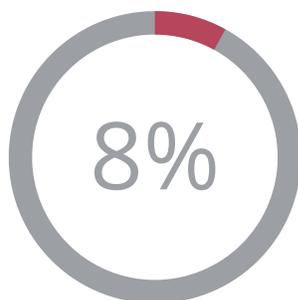
Broker Analysis



The data provided above are in Ar. This week the highest trading broker were 58, 44, 49, 45 and 34 respectively. Among these broker, broker no 58 and 34 were net seller, whereas, the remaining were net buyer. Since, the top 5 broker have bought heavily this week, we expect to see NEPSE continuing its momentum next week.

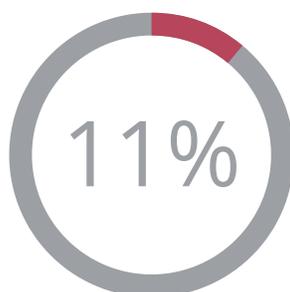
Top Picks

Broker No: 58



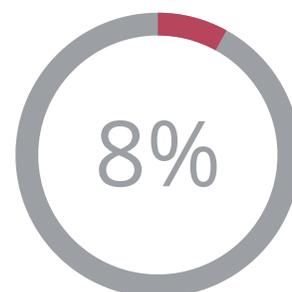
NTC

Broker No: 44



NICA

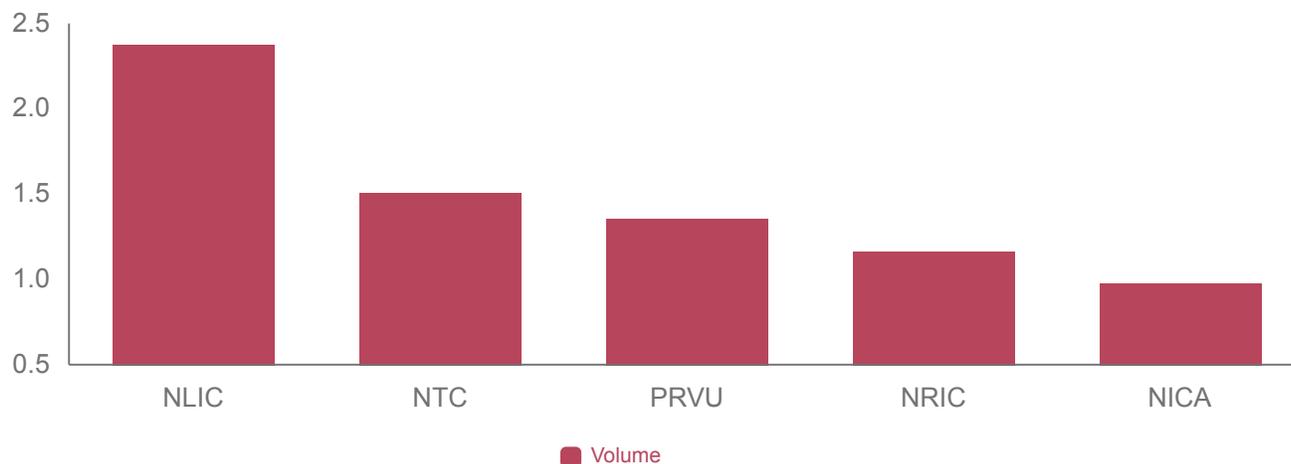
Broker No: 49



NLIC

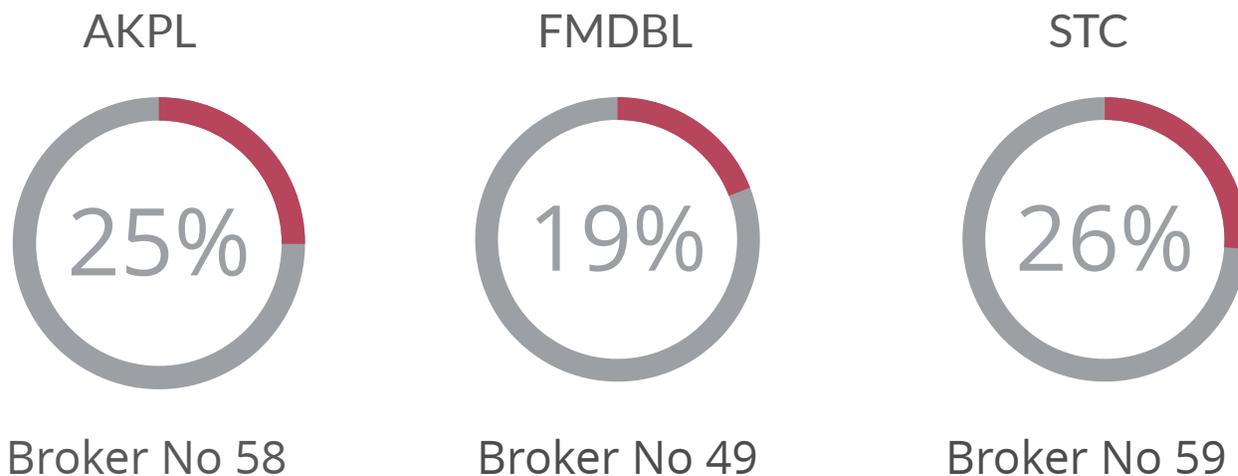
Floor Sheet Analysis

Scrip Analysis



This week the most traded stock was NLIC. Its volume increased significantly from last week, and such increase led to an increase in the price of stock by 19.23%. Similarly NTC, PRVU, and NRIC were among the highest traded scrip this week.

Major Accumulation



Top Buy for the Week

NICA

NICA is one of the best commercial banks in Nepal, and based on consistency of its monthly report, we expect the firm to produce EPS similar to that of last quarter. The company is still among the best investment for a long term trader.

60%

NTC

In this week NTC has seen a decent accumulation from Broker No 58 and 45, further its volume has increased significantly from last week. Its dividend declaration date is also near, thus we expect the stock to get gradual attention.

60%

MFIL

While analyzing the annual report of MFIL, we can estimate that the company has earned above 30 Cr from the stock market, thus the company can be a mid term stock which can provide a decent return.

50%

LGIL

Currently, LGIL is one of the undervalued stock in the non life insurance sector. It's peer companies have seen a significant increase in price, while it is lagging behind. Thus a push in price is near to certain.

75%

FMDBL

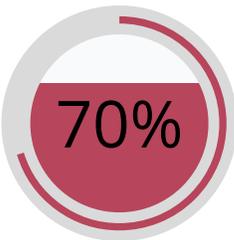
This week FMDBL has been the second most traded stock in the micro finance sector, and has seen an accumulation from 49, and 39. Since its peer firms price has moved significantly, we expect the similar for this scrip.

70%

Top Sell for the Week

IGI

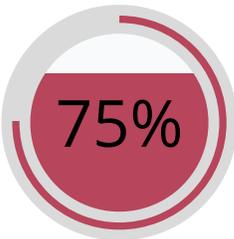
IGI's price has increased significantly in last couple of weeks, and while this was happening we saw an accumulation from Broker no 42. This week 42 and 45 have sold stock worth 9.5 Cr, thus this might be the right time to book profit on IGI.



70%

BFC

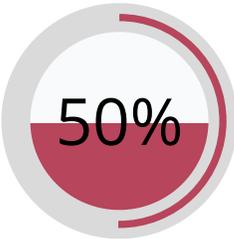
BFC's price has increased significantly since January, and during this period we saw an accumulation from 52 and 38. Last week growth correlated with the purchase of 58, and now since, we see sell pressure from 49, and no involvement of 58, we expect to see no significant upward movement.



75%

CZBIL

This week, CZBIL had seen sell pressure from broker no 58, 49, and 33. We expect the bank to trade in the similar price range, but due to opportunities in other companies, this scrip can be recommended as a sell.



50%

Quote of the Week

“ It ain't what you don't know that gets you into trouble.
It's what you know for sure that just ain't so. ”

Mark Twain

Writer

Prabhu Capital



SMART PMS



Minimum Investment

300,000



Hurdle Rate

7.0%



Number of Years

1 Year



Average Portfolio Return

20.0%

Disclaimer: Our content is intended to be used and must be used for informational purposes only. It is very important to do your own analysis before making any investment decision. Our recommendation should not be used as a buy/sell decision. We firmly suggest one to take their own research as a base while making his or her investment decision.