



NEPAL LIFE
CAPITAL LIMITED

A SUBSIDIARY OF NEPAL LIFE INSURANCE COMPANY LTD.



QUARTERLY NEWSLETTER

Q2

FY 2081/82

Capital Market:



Figure 1 Line chart for NEPSE Daily Graph



Figure 2 NEPSE Chart (weekly Chart)

The first quarter of the fiscal year had a great start, as the index surged, providing a good return throughout the quarter. The market rallied from the early 2200s to peak above the 3000s point mark. On a closing basis the market closed 502.47 points above the fourth quarter's closing, gaining 22.43%.

On second quarter of the fiscal year, the index was quite slow, ranging between the highs of 2775.85 and lows of 2576.50 (7.73% of volatility). As a summary the index shortly went into a correction right after the quarter began. The index somehow managed to peak in December only to make a new low and close at 2594.13 this quarter. The quarter's movement can be

taken as a consolidation as it was mostly sideways with an average volume of 6 Arba. It is quite high compared to previous quarters but a drastic change in comparison to the first quarter as the volume peaked at 30 Arba in the last quarter.

Overall, the government seems supportive yet under wait and watch scenario. The market seems to be doing well as the overall economy is recovering yet under a grey area as the NPLs for the BFIs have still been rising. It has been a major challenge for the nation. As the interest rate has been cut down to a significant number, some other forms of easing are expected as time unfolds.

This quarter too the money supply factor has been in favor of the stock market. The Interbank Interest Rate LCY - Weighted Avg. has now been observed to be lower than 3% at 2.8%, still indicating liquidity in the market.

A lot of hydropower projects have made up a highlight in this quarter as lots of the projects have called for right shares to raise adequate capital for upscaling their business. However, the Finance sector and Development sector came down, causing the market to fall. As the price of these shares had been heavily influenced in the secondary market questioning the overall robustness of the market.

With everything else going on in the market the government has yet again been successful in introducing certain policies mostly related to investment from the NRNs. It has really been a favorable policy with its possible positive impact on the future of the country.

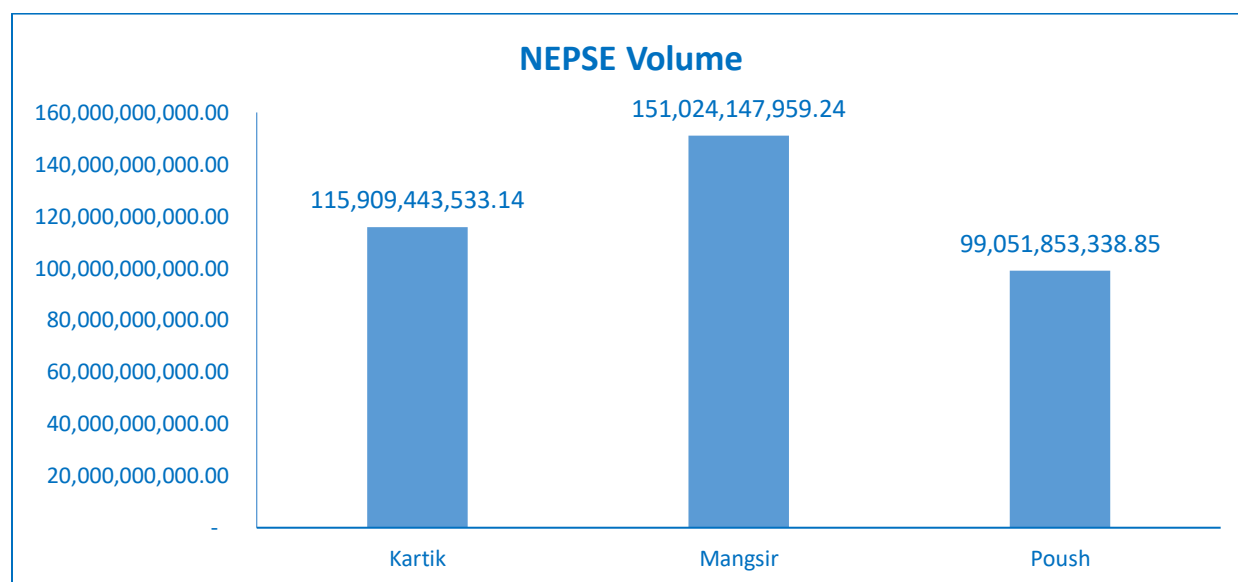
We are still bullish in the market as the index has successfully been able to hold on, outstanding quite a selling pressure which was present throughout the quarter.

Index	Kartik	Mangsir	Poush	Return (Q2)
Trading	-3.70%	37.23%	-12.21%	16.02%
Hydropower	7.82%	-0.76%	1.61%	8.72%
Development banks	3.03%	1.41%	-5.64%	-1.41%
Hotels	2.16%	-4.23%	-1.09%	-3.22%
Microfinance	1.99%	-4.70%	-0.99%	-3.76%
Mutual Fund	4.05%	-0.55%	-7.41%	-4.19%
Non Life Insurance	1.21%	-4.00%	-2.63%	-5.40%
NEPSE	0.22%	-2.42%	-3.29%	-5.42%
Life Insurance	0.59%	-4.05%	-2.29%	-5.70%
Manufacturing & Pro.	-2.16%	-2.35%	-3.49%	-7.80%
Investment	-1.60%	-3.93%	-2.67%	-7.99%
Others	-1.20%	-5.18%	-4.23%	-10.28%
Banking	-4.63%	-6.53%	-4.20%	-14.61%
Finance	10.01%	-13.35%	-11.49%	-15.63%

Table 1 Monthly return (Sub indexes)

Overall, this quarter's movement reflects short-term correction that usually takes place right after a good rise in any index. What's to come is yet to be discovered but as a rule of thumb once the momentum has been created in the market (the trend, which is upside right now) the chances of the trend changing are quite low. Paired with all the supporting evidence we are optimistic about the future of the market at least for a short while.




The sector's performance for this quarter has been displayed in the table above.



The monthly volume for the index has also been displayed in the figure above.

Economy:



	<p>Inflation (YOY) $\mathbf{=}$ 6.05%</p>
	<p>Remittance Growth (USD) (YOY) $\mathbf{\uparrow}$ 2.50%</p>
	<p>Deposits Growth YOY $\mathbf{\uparrow}$ 10.90%</p>
	<p>Credit Growth YOY $\mathbf{\uparrow}$ 7.00%</p>
	<p>Forex Reserve Growth $\mathbf{=}$ 16.76 billion in USD terms</p>

According to Nepal Rastra Bank's Current Macroeconomic and Financial Situation report (Based on Five Months Data of 2024/25) CPI-based inflation remained 6.05% on y-o-y basis. It is quite high in comparison to previous reports. As per NRB's report, remittances increased 4.4% in NPR terms and 2.5% in USD terms. It is quite a drop compared to an increase of 24.2% in the same period of the previous year. Deposits at BFIs increased 2.7% and private sector credit increased 3.5%. On a y-o-y basis, deposits increased 10.9 %and private sector credit increased 7.0%. Broad money (M2) increased 3.3%. On y-o-y basis, M2 expanded 11.2%.

Technical Overview:



Figure 3 NEPSE INDEX for the 2nd quarter

The chart above highlights the movement for the index for the second quarter with the index being relatively between a close range. The index seems to be consolidating for further move upwards. To sum up, the index had a great rally with a strong correction happening right as the quarter switched from first to second. And as time passed by the index bounced back, creating a series of buying bringing in more hope in the market. However, once the index failed to breach the major resistance of 2800s, a larger selling pressure was observed marked by orange circles in the above graph.

The volume seems relatively large and stable, indicating constant buying.



Adding in more to the technical analysis, the RSI indicates a hidden bullish divergence. It indicates the bullish strength is present in the index, unable to breach the major support area of 2500s. We have a good chance of the short-term correction ending soon. MACD being a slower indicator, it has yet to confirm any significant signs of bullish strength. But it has done a great job indicating the bearish movement once the index declined after the constant rise in the index.

SUPPORT AREAS	RESISTANCE AREAS
Support 1: 2500	Resistance 1: 2790
Support 2: 2375- 2340	Resistance 2: 3014
Support 3: 2260	Resistance 3: 3200



From an Elliot wave perspective, the third wave (a strong rally) has already taken place. The next move is down as a corrective wave which in fact is the current trend according to the cycle analysis. What we have next is a smaller strong wave upside which shall go beyond the recent high completing the whole cycle until further correction after the move which shall be above our ATH above 3000s hopefully above 3200s.

Our Approach:

As we are sticking to our analysis, we are holding onto our investments to ride the further upward moves. However, if the market does prove us wrong, we won't be slow to protect the capital. Booking profits and staying in cash would be our major action if the index does show signs of further large correction. Until then we are waiting for the index to rise again at an exponential speed.

At the current market level, we are still bullish in the market and with this view we encourage additional investment from our clients as the climax for the bull is not far.

Thank you for trusting and choosing us.

Regards,

Nepal Life Capital Team



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