

The Pulse

Market Growth, Risks and Outlook

Falgun 2082

Inside This Edition

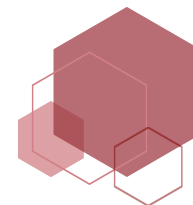
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Himalayan Capital





A Subsidiary of Himalayan Bank Limited



Global Market

 1.15 \$ (-3.54%)	S&P 500 6,632.00 (-2.94%)
 1.32 \$ (-3.00%)	BSE SENSEX 74,563.92 (-10.89%)
 92.54* (1.99%)	NIKKEI 225 53,132.00 (-6.73%)
 159.74* (4.22%)	FTSE 100 10,237.80 (-1.81%)
 0.70 \$ (-2.00%)	DAX 23,447.29 (-5.66%)
 0.73 \$ (-1.14%)	CAC 40 7,911.54 (-5.00%)
	HANG SENG 25,465.60 (-5.80%)
	SSE COMPOSITE 4,095.45 (-0.93%)

*Values Per 1 \$

 Gold (\$) Per Oz. 5,020.60 (2.00%)	 Bitcoin(\$) 71,218.00 (7.55%)
 Brent Crude(\$) Per Barrell 103.88 (53.81%)	 Ethereum(\$) 2,096.70 (7.74%)

#All Changes are in MoM basis.

Global Market Trends

The Falgun snapshot reflects a highly uncertain and risk-sensitive phase in global markets, significantly influenced by escalating geopolitical tensions following the joint U.S.–Israel military campaign against Iran that began on February 28, 2026. This event, which included the killing of Iran’s Supreme Leader, marked a major geopolitical shock and triggered widespread reassessment of global risk conditions. Currency movements during the period indicate a strengthening bias toward the U.S. dollar, as investors shifted capital toward safe-haven assets amid rising geopolitical uncertainty. The Japanese yen remained weak due to persistent interest-rate differentials, while emerging market currencies such as the Indian rupee depreciated modestly. Given Nepal’s currency peg with the INR, this implies a corresponding weakening of the Nepalese rupee, thereby sustaining pressure on import costs and external sector stability despite broader global adjustments.

Equity markets during the period exhibited a synchronized global decline, contrasting with the regional divergence observed in earlier months. Major indices across Asia, Europe, and emerging markets moved downward, reflecting a broad deterioration in investor sentiment amid escalating geopolitical tensions and uncertainty surrounding global growth. The conflict in the Middle East heightened concerns over energy supply disruptions, trade routes, and overall economic stability, prompting investors to reduce exposure to risk assets and shift toward safer allocations. The U.S. market also declined during the period, indicating that even relatively strong economies were not insulated from global pressures; however, the comparatively moderate nature of its correction suggests underlying structural strength. Nonetheless, market performance remains increasingly narrow and defensive, with gains or stability concentrated in a limited number of sectors rather than supported by broad-based confidence, highlighting fragile underlying sentiment across global equities.

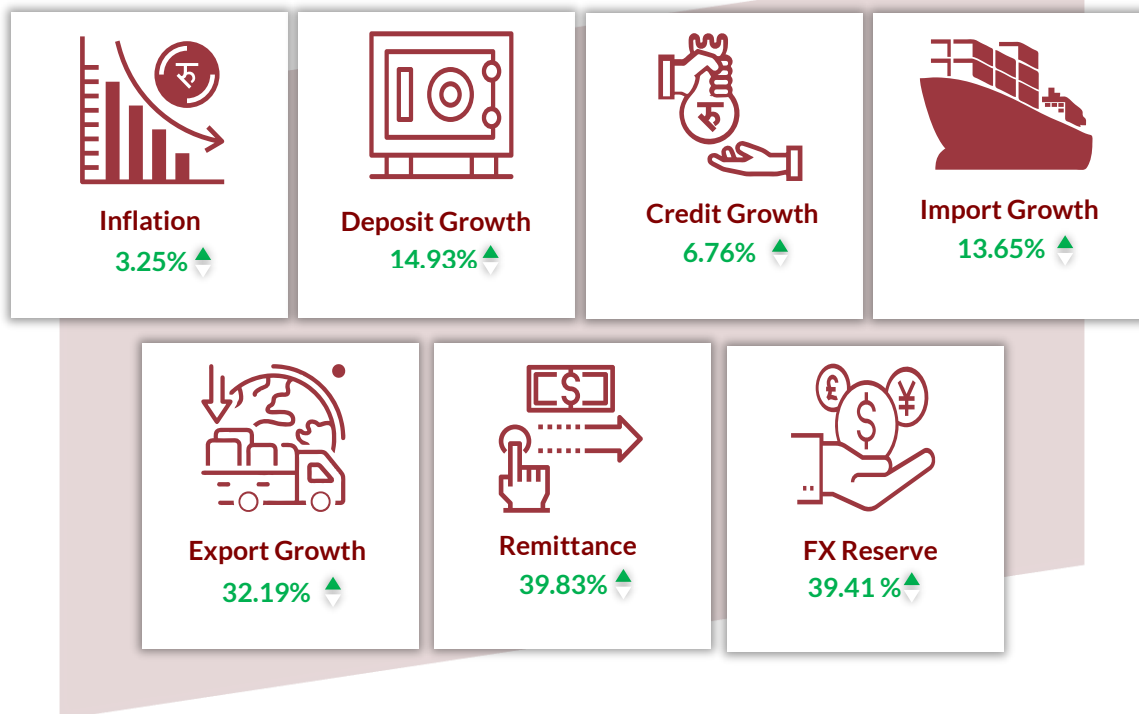
Commodity markets responded most directly to the geopolitical shock, with crude oil prices rising sharply amid fears of supply disruptions, particularly through critical channels such as the Strait of Hormuz. The escalation of conflict and retaliatory strikes significantly disrupted regional energy dynamics, contributing to heightened volatility in global oil markets. This surge in oil prices introduces substantial inflationary pressure, especially for oil-importing economies such as India and Nepal, and increases risks to trade balances and macroeconomic stability. At the same time, gold prices strengthened, reinforcing its role as a safe-haven asset during periods of geopolitical and financial uncertainty, as investors increasingly prioritized capital preservation over return maximization.

Digital assets, however, displayed mixed behavior, indicating fragmentation in market responses. While traditional risk assets such as equities declined and safe havens like gold gained, cryptocurrencies did not fully align with either trend,

suggesting that they remain influenced by liquidity cycles and speculative positioning rather than macroeconomic fundamentals. This divergence highlights the evolving and still-maturing role of digital assets within the global financial system.

Overall, the Falgun data portrays a market environment heavily shaped by geopolitical risk, where the escalation of the U.S.–Israel–Iran conflict acted as a key catalyst for declining equity markets and rising oil prices. The combination of heightened uncertainty, inflationary pressures from energy markets, and cautious capital allocation reflects a broader shift toward defensive positioning among global investors. For Nepal, the implications are particularly significant: rising oil prices are likely to increase import bills and inflationary pressures, while INR depreciation continues to influence the Nepalese rupee through the currency peg. As such, external sector vulnerabilities and global geopolitical developments will remain critical factors to monitor in the near term.

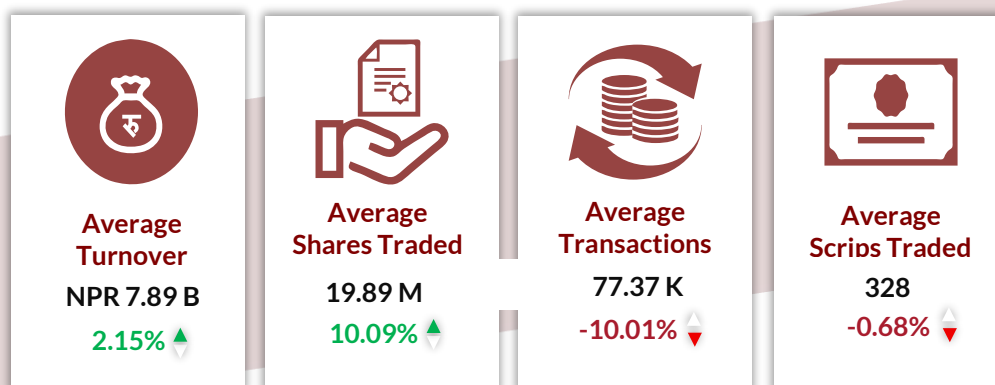
Macroeconomic



*Growth refers to the change between seven-months data of FY 81/82 and FY 82/83,

*Credit refers to claims on the private sector,

Monthly Trading Statistics



*Changes are evaluated against the last three month's average.

Liquidity Overview

A. Major Rates

Description	Value As On					Change		
	Magh-2081	Poush-82	Magh-82	Chaitra 05	Chaitra 12	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.90	2.20	1.65	1.65	1.65	-1.25	-0.55	0.00
Wt.Avg 91 Days TB rate (%)	2.86	2.35	2.45	2.55	2.62	-0.41	0.10	0.07
Wt.Avg 364 Days TB rate (%)	2.98	2.58	2.65	2.70	1.72	-0.33	0.07	-0.98
Wt. Avg Interbank Rate (%)	3.00	2.75	2.75	2.75	2.75	-0.25	0.00	0.00
CapEx (In Billion NPR)	68.42	49.43	63.73	80.90	83.82	-4.69	14.30	2.91

B. BFI Statistics

Description	Value As On					Change		
	Magh-2081	Poush-82	Magh-82	Chaitra 05	Chaitra 12	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	4.62	3.56	3.51	3.51	3.51	-1.11	-0.05	0.00
Wt. Avg Lending Rate (%)	8.55	7.12	7.00	7.00	7.00	-1.55	-0.12	0.00
Base Rate (%)	6.46	5.29	5.12	5.12	5.12	-1.34	-0.17	0.00
CD Ratio (%)	79.54	74.29	74.34	74.05	73.89	-5.20	0.05	-0.16
Fixed Deposits/Total Deposits (%)	52.09	42.56	41.41	41.41	41.41	-10.68	-1.15	0.00
Total Liquid Assets/Total Deposits (%)	25.59	27.10	23.58	23.58	23.58	-2.01	-3.52	0.00

Public Debt Subscription



Category	Issue Date	Offered Amount	Payment By GoN	No. of Participants	No. of Bids	BID Ratio	Allocated Amount	Discount Rate		
								Lowest	Average	Highest
28 Days	Magh 6	1000.00	0.00	22	41	3.15	1000.00	1.47	1.65	1.81
91 Days	Chaitra 10	1949.20	0.00	31	91	2.57	1949.20	2.37	2.62	2.69
182 Days	Chaitra 3	500.00	0.00	21	42	4.51	500.00	2.55	2.67	2.73
364 Days	Chaitra 10	500.00	0.00	20	49	4.76	500.00	0.67	1.72	2.69

*Figures are in 10 million NPR

Sectoral Movement

Index	Magh 29, 2082	Falgun 28, 2082	Change
NEPSE	2,671.07	2,820.44	5.59%
Banking SubIndex	1,364.72	1,484.57	8.78%
Investment	104.45	111.11	6.38%
Development Bank Index	5,696.77	6,040.19	6.03%
Life Insurance	12,759.14	13,508.36	5.87%
Manufacturing And Processing	9,106.27	9,638.43	5.84%
Finance Index	2,456.78	2,597.18	5.71%
HydroPower Index	3,593.05	3,779.53	5.19%
Non Life Insurance	10,989.78	11,507.16	4.71%
Hotels And Tourism	7,214.45	7,501.65	3.98%
Microfinance Index	4,868.13	5,057.41	3.89%
Others Index	2,317.58	2,385.87	2.95%
Mutual Fund	21.30	21.87	2.68%
Trading Index	3,758.09	3,722.05	-0.96%

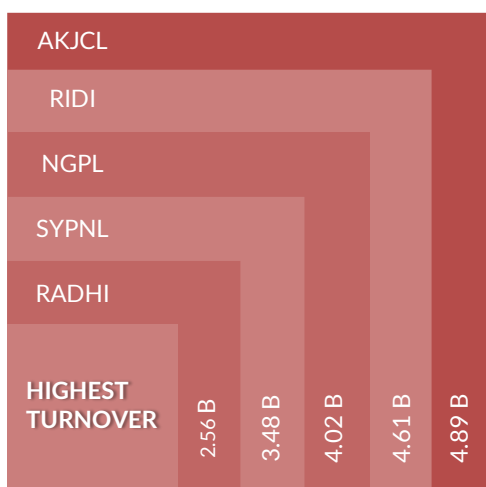
Major Movers

SABBL	216.20%	 GAIN  LOSS	SMH	-22.39%
RSML	197.77%		SPL	-6.62%
NHPC	23.71%		NRN	-4.28%
KBL	18.62%		AHL	-3.81%
BNHC	18.17%		UNHPL	-3.76%

Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	7.73 B	7.90 B	2.15%
Tradings	0.02 B	0.03 B	70.74%
Commercial Banks	0.44 B	0.58 B	31.05%
Hydro Power	3.97 B	4.52 B	13.83%
Investment	0.30 B	0.34 B	13.74%
Non Life Insurance	0.13 B	0.12 B	-8.98%
Life Insurance	0.27 B	0.23 B	-13.59%
Microfinance	0.31 B	0.27 B	-14.04%
Manufacturing And Processing	0.81 B	0.69 B	-15.11%
Others	0.36 B	0.26 B	-28.06%
Development Banks	0.43 B	0.30 B	-28.30%
Finance	0.39 B	0.28 B	-28.31%
Mutual Fund	0.01 B	0.01 B	-33.47%
Hotels And Tourism	0.20 B	0.13 B	-36.74%
Bond and Debenture	0.01 B	0.00 B	-66.03%

Highest Turnover



Highest Volume



NEPSE Outlook

Current Overview



- In the latest trading session, the NEPSE index closed at approximately 2,851.09, posting a modest gain and maintaining its position above the 2,800 level, which reflects continued resilience following the recent upward move. The index has recently tested higher levels near the 2,900 zone before witnessing a mild pullback, suggesting short-term profit booking near resistance. Despite this, the broader price action indicates that the market remains in a constructive recovery phase, with buyers still active on dips, although a decisive breakout above the immediate resistance band is required to confirm continuation of the upward trend.
- Market participation remained relatively healthy, with total turnover around NPR 11.1 billion. The improvement in trading activity compared to earlier consolidation phases suggests renewed investor engagement, particularly during upward moves. However, the absence of consistent volume expansion near resistance indicates that strong breakout conviction is still developing.
- From a technical standpoint, the index is currently trading between the 0.618 (2,815) and 0.786 (2,905) Fibonacci retracement levels. This zone represents a critical resistance band, where multiple rejections have been observed. Sustaining above 2,815 supports the ongoing bullish structure, while a decisive breakout above 2,900–2,905 would strengthen the case for further upside. Conversely, failure to hold above the 0.618 level could trigger a short-term pullback toward the 0.5 retracement (2,751).
- RSI (Relative Strength Index), which measures the strength and momentum of price movements, is currently around 54.8, indicating moderately positive but neutralizing momentum. The recent dip from higher levels suggests some loss of short-term strength, although the indicator remains above the 50 mark, keeping the broader bias slightly positive.

- MACD, derived from the interaction of short- and long-term moving averages, shows that the MACD line remains above the signal line but is beginning to flatten, with the histogram showing signs of weakening momentum. This suggests that while bullish momentum is still present, it is losing intensity, and a stronger move above the zero line would be required to confirm renewed upside strength.
- Looking ahead, immediate support levels are identified at (S1) 2,815 and (S2) 2,750, while near-term resistance levels are placed at (R1) 2,905 and (R2) 3,000. Sustained trading above 2,815 would help maintain the short-term bullish structure and support further attempts toward resistance levels. However, repeated rejection near 2,900 combined with weakening momentum indicators could lead to range-bound consolidation or a mild corrective phase toward lower support zones before the next directional move.

Long-Term Overview



- On a long-term (weekly) chart, the NEPSE Index is currently trading around the 2,800–2,900 range and continues to move within a broad consolidation structure, rather than a confirmed long-term uptrend. Over the past several years, the market has consistently attracted buying interest in the 2,450–2,500 demand zone, while upward attempts have faced persistent selling pressure near the 2,900–3,050 supply zone. The recent recovery from lower levels, along with the continued hold above a rising weekly support trendline, suggests that buyers remain active on declines, thereby preserving the overall range-bound structure.
- The previous major upward move was largely driven by improving liquidity conditions and strengthening investor sentiment, which enabled the index to rebound from its cyclical lows and reclaim mid-range levels around 2,600–2,700. However, the rally lost momentum as it approached the upper resistance band, indicating that the move continues to resemble a recovery within a broader consolidation phase, rather than the beginning of a structural bull market. In essence, while sentiment has improved, the market has yet to demonstrate the sustained strength and follow-through buying required to decisively break long-term resistance.

- Momentum indicators broadly support this interpretation. The weekly RSI (14) is currently around 60, reflecting moderately positive momentum but still below the levels typically associated with strong breakout conditions. Meanwhile, the MACD remains slightly above the signal line with a marginally positive histogram, but continues to hover near the zero line, suggesting that long-term momentum is stabilizing and gradually rebuilding, rather than entering a strong bullish expansion phase.
- Key technical levels remain well defined within the weekly structure. On the downside, a decisive weekly break below the 2,500–2,450 demand zone would weaken the current structure, invalidate the rising support trendline, and increase the risk of a deeper retracement toward earlier base levels. On the upside, a meaningful bullish shift would require a clear weekly close above the 2,900–3,000 resistance region, followed by the ability to sustain above that zone with stronger participation and improving momentum ideally accompanied by RSI strengthening into the 60–65 range, signaling a transition from a range-bound recovery to a more established upward trend.
- Looking ahead, NEPSE’s long-term trajectory is now best understood within a tightening structural range, defined by a descending resistance trendline and a rising support trendline, forming a symmetrical triangle near the critical 2,850–2,900 zone. This structure reflects a clear shift from a broad sideways market to a late-stage compression phase, where volatility is declining but the probability of a sharp directional move is increasing. The recent rejection from the upper trendline, combined with a weekly decline, reinforces that selling pressure remains dominant at higher levels, suggesting that rallies toward resistance are still being used for distribution rather than sustained accumulation. While underlying macro conditions, liquidity support, and policy stability provide a base, recent political and regulatory developments have introduced fragility into investor sentiment, limiting the market’s ability to decisively break higher. In this context, even if liquidity remains supportive, any move toward the 2,900–3,000 resistance band is likely to face increasing supply and fading follow-through, unless accompanied by a strong expansion in volume and participation. Conversely, the rising trendline continues to act as dynamic support; however, as the range tightens, a breakdown below this support could trigger a faster and more aggressive downside move, potentially pulling the index toward the 2,450–2,500 demand zone or lower.

SCRIP ANALYSIS

Hotel Forest Inn Limited (HFIN)

A. About the Company

Hotel Forest Inn Limited (HFIN), established on November 22, 2010, is a premier hospitality company that owns and operates a luxury five-star property in Budhanilkantha, Kathmandu, under the internationally renowned "Holiday Inn Resort" brand. Spanning 1.24 hectares with a total of 104 keys, the resort is strategically positioned near natural reserves and cultural landmarks to attract both leisure and corporate clientele. The company commenced partial commercial operations in July 2024 and is currently in a strategic ramp-up phase, leveraging its hotel management agreement with InterContinental Hotels Group (IHG) to access global marketing, technology, and operational expertise. Led by Chairperson Ms. Binita Thapa and a seasoned management team with decades of industry experience, HFIN is focused on stabilizing its occupancy which averaged 26% in FY25 and utilizing IPO proceeds for debt repayment to improve its financial position and transition toward long-term profitability.

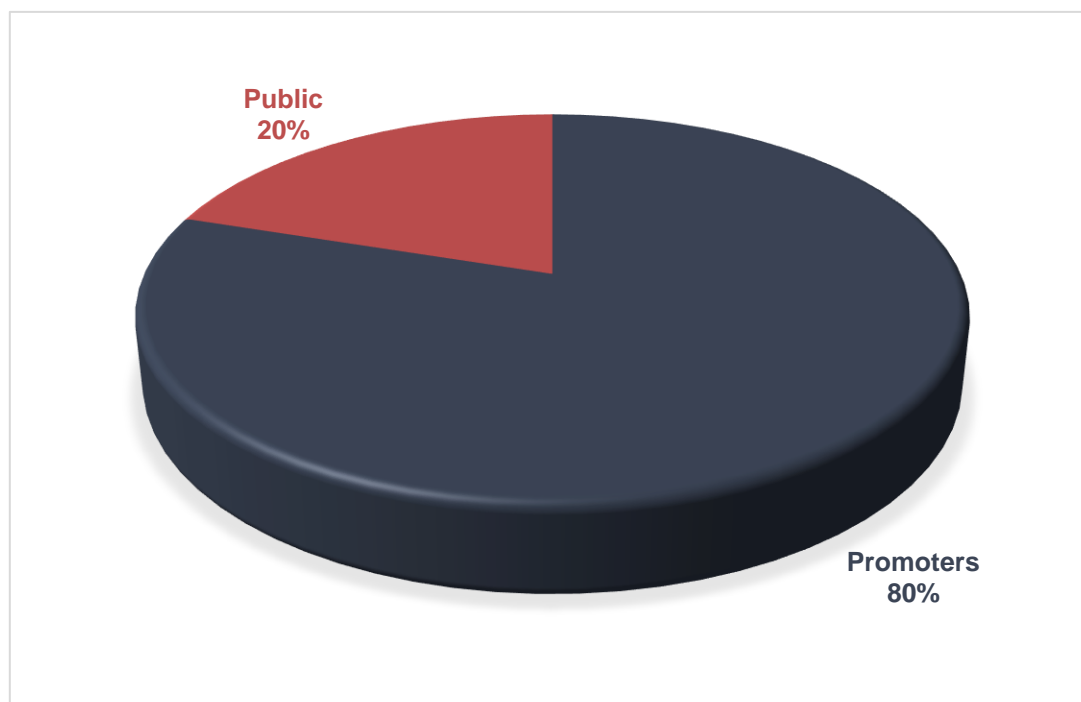


Figure: Shareholding pattern of the Hotel Forest Inn Limited.

B. Swot Analysis

The SWOT analysis of Hotel Forest Inn Limited (HFIN) reflects its position as an early-stage hospitality asset in the process of operational stabilization. Backed by its affiliation with the globally recognized InterContinental Hotels Group, the hotel benefits from strong brand visibility and distribution support, which helps mitigate initial ramp-up risks. However, low occupancy levels and ongoing operating losses highlight near-term profitability challenges and underutilization of capacity. Going forward, HFIN’s performance will largely depend on its ability to improve occupancy, enhance operating efficiency, and manage financing costs, while navigating competitive pressures and demand volatility in the hospitality sector.



D. Valuation of the Company

We have adopted a dual-valuation approach to estimate the fair value of Hotel Forest Inn Limited (HFIN). By combining the Discounted Cash Flow (DCF) method, which captures intrinsic value of a company based on its expected future cash flows, with relative valuation, the target price reflects both the company's fundamentals and prevailing market sentiment.

Discounted Cashflow Method (DCF)

This approach estimates the company's intrinsic value by projecting future free cash flows and discounting them back to their present value using an appropriate cost of capital. The DCF method is well-suited for operating businesses as it focuses on core cash-generating ability and long-term profitability, making it less influenced by short-term market fluctuations.

That said, the DCF method is inherently sensitive to assumptions regarding revenue growth, operating margins, capital expenditure, working capital requirements, and the discount rate, all of which can materially impact the valuation outcome. However, it remains a widely used approach as it captures the firm's underlying cash generation potential, incorporates the time value of money, and provides a transparent view of key value drivers such as growth, efficiency, and capital allocation.

Key Valuation Assumptions

Particular's	Value	Remarks
Adjusted Beta (β)	0.94	The adjusted beta for the company has been calculated by considering the beta of NEPSE with the Development Bank Index from the beginning of December 2018 to the beginning of February 2026.
Market rate of return (Rm)	11.11%	The market rate of return is taken considering the CAGR of NEPSE from the end of FY 2001/02 to the end of February FY 2025/26.
Risk free rate (Rf)	3.26%	The latest development bond rate, namely "2089", with the rate 3.47%, and the final value is taken after adjusting for a 6% of tax rate.
Terminal Growth rate (g)	4.43%	Average Real GDP growth rate of the last 10 years.
Cost of Equity (Ke)	10.77%	As per the CAPM Model.
Cost of Debt (Kd)	10.57%	The cost of debt has been calculated as 10.57%, which is the average of the

		weighted average lending rates of commercial banks from mid-February 2014 to mid-February 2025.
Weighted Average Cost of Capital (WACC)	9.65% to 10.67%	The discount factor, WACC of 10.67%, 10.16%, and 9.65% (after tax) for Year 1 - Year 4, Year 5 - Year 7, and Year 8 onwards respectively which accounts for different tax rates during the life of the project, has been taken considering debt and equity structure of the company (48.30% debt and 51.70% equity) as post IPO.
Tax Rate	0% to 20%	As per the Income Tax Act.

Other Assumptions

- F&B revenue has been assumed at 110% of room revenue, while banquet hall revenue is projected at NPR 20 lakh per month for the first year, increasing to NPR 20.5 lakh per month thereafter; other ancillary revenues (including swimming pool and spa) are estimated at NPR 14 lakh per month with an annual escalation of 2.5%, and casino rental income is assumed at a fixed NPR 30 lakh per month.
- Total room revenue has been estimated based on average room rates of USD 85, USD 95, USD 75, and USD 105 for deluxe, suite, single, and presidential suite rooms, respectively, converted at an exchange rate of NPR 151/USD; occupancy is assumed at 50% in FY 2082/83, increasing to 51% in FY 2083/84 and stabilizing at 52% thereafter, while room rates are assumed to be revised upward after the first three years of operation and subsequently increased by 3% every two years.
- Direct operating costs have been estimated assuming cleaning, upkeep, and maintenance expenses at USD 4 per room per day for 104 rooms over 360 operating days, converted at an exchange rate of NPR 151/USD, while complimentary breakfast costs are assumed at NPR 500 per room per day over the same operating capacity.
- Food and beverage costs are projected at 30% of total F&B revenue, and banquet-related costs are assumed at 30% of banquet revenue, reflecting standard cost structures in the hospitality sector.
- Additionally, promotional and marketing expenses are estimated at 8% of total room revenue, aligned with the company's strategy to support occupancy ramp-up and brand positioning during the stabilization phase.

The final valuation of Hotel Forest Inn Limited based on the DCF Method has been computed and tabulated below.

Method	Valuation Per Share in NPR
DCF	152.22

Relative Valuation Method

The Relative Valuation approach estimates the value of Hotel Forest Inn Limited (HFIN) by comparing its market pricing with that of similar listed hospitality companies. This method assumes that comparable hotel businesses are valued consistently relative to their underlying financial and asset bases. By applying the average Market Price-to-Book Value (P/B) ratio of selected peers to HFIN’s book value, we derive an implied market price.

While the P/B ratio provides a useful reference point, particularly given the asset-intensive nature of hotel businesses and HFIN’s early stage of operations, it may not fully capture differences in operating performance, occupancy levels, and location advantages across peers. As such, this approach remains sensitive to market sentiment, industry cycles, and peer selection, and is best interpreted alongside other valuation methods.

Peer Group Comparison Table

To determine the appropriate multiple, We analyzed all the hotel listed in Nepal Stock Exchange:

Companies	Market Price (NPR)	Book Value Per Share (NPR)	P/B Ratio
Bandipur Cable Car and Tourism Limited	922.10	92.47	9.97
Chandragiri Hills Limited	840.00	103.02	8.15
City Hotel Limited	491.00	98.53	4.98
Oriental Hotels Limited	725.00	328.33	2.21
Soaltee Hotel Limited	504.10	28.57	17.64
Taragaon Regency Hotel Limited	771.10	150.05	5.14
Average			8.02

The final valuation based on the Relative Valuation approach is computed and tabulated below:

Company	Book Value per Share (NPR)	Average P/B	Expected Price
Hotel Forest Inn Limited	90.65	8.02	726.72

Final Stock Valuation

The final intrinsic value of Hotel Forest Inn Limited is derived by averaging the outcomes of the fundamental Discounted Cashflow Method and the Market-based Relative Valuation approach.

Valuation Method	Value per share
Discounted Cash Flow Method	152.22
Relative Valuation Method	726.72
Average	439.47

H. Conclusion and Recommendation

Hotel Forest Inn Limited operates as an early-stage luxury hospitality asset in strategic ramp-up phase, leveraging the globally recognized Holiday Inn Resort brand under IHG's management agreement. While the company benefits from strong brand positioning, a strategically located property in Budhanilkantha, and experienced management leadership, its near- to medium-term investment profile remains constrained by low occupancy levels, ongoing operating losses, and elevated financial leverage.

HFIN's long-term franchise strength is supported by its strong affiliation with InterContinental Hotels Group, providing access to global marketing networks, technology platforms, and operational expertise. The 1.24-hectare property proximate to natural reserves and cultural landmarks offers inherent location advantages for both leisure and corporate clientele. Led by experienced management with decades of industry expertise, the company possesses institutional capability to execute operational stabilization and long-term value creation. The property operates at only 26% occupancy with significant capacity unutilized, offering substantial upside potential as occupancy normalizes toward industry standards.

However, HFIN's near- to medium-term investment profile is constrained by weak profitability, low occupancy levels, and relatively elevated financial leverage. Despite possessing a premium asset and strong brand backing, the company has not yet been able to efficiently achieve operational efficiency and deploy capital into profit-generating activities, as reflected in current 26% occupancy and ongoing operating losses. Asset quality monitoring and continued improvement in occupancy ramp-up remain critical priorities. The company's limited operational scale, extended pre-profitability timeline (5-8+ years), and exposure to competitive pressures from emerging hospitality entrants in Kathmandu further constrain near-term performance visibility.

From a valuation perspective, The dual-valuation approach estimates an intrinsic value of NPR 439.47 per share, derived from the Discounted Cashflow Method (NPR 152.22) and Relative Valuation approach (NPR 726.72). This blended

valuation reflects both the company's fundamental cash-generation potential and prevailing market sentiment within the hospitality sector.

Fundamentally, Hotel Forest Inn Limited shows strong brand affiliation with InterContinental Hotels Group, strategic asset positioning in a premium location, and experienced management leadership, which provide operational foundation and room for future occupancy growth. However, the company continues to face weak profitability, low occupancy levels, and elevated financial leverage, which constrain near-term performance. Overall, the company presents a balanced risk-return profile, and a neutral investment stance is appropriate, with investors advised to monitor improvements in occupancy growth, operating efficiency, and earnings stability before reassessing the stock's long-term potential.

ISSUE OF THE MONTH

Gambler's Fallacy and Poor Investment Decisions

"Nobody can predict interest rates, the future direction of the economy, or the stock market. Dismiss all such forecasts and concentrate on what's actually happening to the companies in which you've invested." - Peter Lynch

The assumption that previous conduct predicts future behavior is known as the Gambler's Fallacy. It's a useful tactic in everyday life since events in the past might influence happenings in the future in a variety of ways. When gamblers use that concept in a casino, things soon deteriorate. At the very least, individuals suffer; the casino may profit from that cognitive prejudice, as it did on August 18th, 1913, at the Monte Carlo Casino. It was an average night until someone observed that the roulette ball had been on black for an extended period of time. People became curious when it continued to fall. Then they began putting money on the table.

The reasoning process was that the ball had hit black so many times that it had to hit red shortly. For some reason, the ball was quite tenacious, and it continued to fall on the black pockets for the following few rounds, much to the shock and bewilderment of the gamblers. As the ball continued to land in the black pockets, the gamblers increased their bets on the red pockets, expecting that the ball would land in a red pocket shortly. The ball did indeed land on a red on the 27th spin of the roulette wheel. So, while the ones who bet on a red in the 27th spin won big, a considerably larger number of others lost big because of the extended run of blacks. This occurrence was genuinely spectacular, which is why the gambler's fallacy is also known as the Monte Carlo fallacy.

What Happened?

We can readily anticipate that on the first spin, the ball has a 50 percent chance of falling on a black pocket and a 50 percent chance of landing on a red pocket. The misapprehension issue or error, however, began with the second spin. Most people assumed that because the first spin resulted in a black, the likelihood of the second spin being black was 50 percent multiplied by 50 percent, or half multiplied by half, which came to 1 by 4 or 25 percent. This meant that the majority of participants assessed the likelihood of the second spin being a red as 1 minus 25%, or 75%. This was the issue since spin 1 and spin 2 were two fully independent occurrences, much like spin 3, spin 4, spin 5, and so on.

This meant that the likelihood of the ball landing in a black or red pocket was the same in any spin, which was 50% or 1 by 2. In the example of the 1913 game, the real likelihood of obtaining a red on the sixth spin was actually 50%, but due to the gambler's fallacy, the casino assessed the probability of a red as 98.43 percent.

Similarly, during the 15th spin, the incorrect likelihood of a red was 99.996 percent, while the true probability was still 50%. And, on the disastrous 27th spin, the gamblers who bet on red were certain that the ball would land in a red pocket as its probability was 99.9999993 percent. It implies that the gamblers who bet on red evaluated the chance of the ball dropping into yet another black pocket to be just 0.0000007 percent. This is a one-in-133 million probabilities.

The right probability, however, was one out of two. The gambler's fallacy is, however, not limited to coin tosses or the roulette table; it occurs in a variety of other situations and in the most casual manner. For example, we may say, "It hasn't rained in a few days, therefore it seems like it will rain in a day or two."

Consider a series of 20-coin flips that all landed with the "heads" side up. According to the gambler's fallacy, a person can anticipate that the following coin flip would land with the "tails" side up. Because the chance of a fair coin landing on heads is always 50%, this line of thought demonstrates an incorrect grasp of probability. Because each coin flip is an autonomous event, prior flips have no influence on future flips.

People's relationships with slot machines are another typical illustration of the gambler's fallacy. We've all heard of folks who sit for hours at a time at a single machine. Most of these folks feel that every lost draw brings them closer to winning the jackpot. What these gamblers don't grasp is that the odds of winning a jackpot from a slot machine are identical with every draw (just like flipping a coin), thus it doesn't matter if you play with a machine that just struck the jackpot or one that hasn't recently paid out.

A. Gambler's Fallacy in Investing

It is easy to see how, in some situations, investors may succumb to the gambler's fallacy. We all know that trading choices based on "gut feelings" are foolish. However, many traders make unsafe and unsuccessful trading decisions as a result of such erroneous assumptions. The problem is that our brain is highly adept at drawing conclusions. We collect items, combine them, connect them, and draw conclusions. A probabilistic strategy, on the other hand, does not always succeed. Simply put, our brain can detect patterns that do not exist in reality.

A typical illustration of the gambler's fallacy in investing may be discovered when investors begin to liquidate their positions in an asset that is constantly setting new highs because they do not believe the position will continue to rise. Other investors, on the other hand, may continue to hold a stock that has declined in many sessions because they believe future drops are "improbable." Just because a stock has risen in six consecutive trading sessions does not imply it will rise in the following session.

A succession of past occurrences has no bearing on the likelihood of a specific event occurring in the future. The same is true for your transactions: your previous trades do not match to your future trades. Each transaction is self-contained. Rather than purchasing or selling a company because you believe the long-term trend will

reverse at any time, you should base your trading decisions on rigorous fundamental and technical research. This will provide you with far more accurate knowledge on what will happen with the asset's trend.

The famous British economist and mathematician John Maynard Keynes once said: "The market can stay irrational longer than you can stay solvent."

B. Avoiding Gambler's Fallacy











It is critical to realize that in the case of independent occurrences, the odds of any certain outcome occurring on the next chance stay constant regardless of what came before it. The same rationale applies to the level of noise in the stock market: Purchasing a stock because you expect the long-term trend may reverse at any time is illogical. Rather, investors should make judgments based on basic evidence-based research.











One should not seek out the best-performing mutual fund or buy equities just because they are trading around their 52-week low. Allow evidence and rationale to guide your financial decisions rather than your apparent forecasting talent.

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HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR			PAST 3		
TICKER	TOTAL RETURN	TICKER	CAGR		
 RADHI	119.89%	 BNL	91.04%		
 BPCL	86.11%	 NABBC	83.36%		
 AKJCL	75.29%	 CORBL	75.63%		
 NGPL	72.82%	 NRN	69.02%		
 NABBC	56.87%	 RADHI	55.02%		

PAST 5			PAST 10		
TICKER	CAGR	TICKER	CAGR		
 BNL	53.30%	 STC	62.66%		
 GRDBL	50.98%	 HDL	39.31%		
 NABBC	49.84%	 JSLBB	34.27%		
 RADHI	43.62%	 GILB	32.16%		
 NRN	40.02%	 CORBL	31.73%		

Key Dates

Scrip	Issue Type	Quantity	From (AD)	To (AD)	Issue Manager
RIDGE	IPO-General Public	1,180,260	2/11/2026	2/16/2026	Prabhu Capital Limited
SKHL	IPO-General Public	1,286,500	2/17/2026	2/23/2026	Nabil Investment Banking Limited
PALPA	IPO-General Public	4,500,000	2/24/2026	2/27/2026	Nabil Investment Banking Limited
SPDPL	IPO-General Public	1,842,600	3/1/2026	3/10/2026	Global IME Capital Limited
APPOLO	IPO-Local	470,000	2/23/2026	3/13/2026	Himalayan Capital Limited
KHPL	IPO-Local	550,000	2/25/2026	3/13/2026	RBB Merchant Banking Limited
ICFCD	Bond and Debenture	500,000	2/23/2026	2/26/2026	Kumari Capital Limited

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