

The Pulse

Market Growth, Risks and Outlook

Chaitra 2082

Inside This Edition

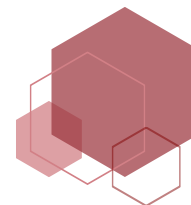
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Himalayan Capital

A Subsidiary of Himalayan Bank Limited



Global Market

€	1.17 \$ (1.82%)	S&P 500	6,886.23 (3.83%)
£	1.34 \$ (1.35%)	BSE SENSEX	76,847.57 (3.06%)
₹	94.33* (1.93%)	NIKKEI 225	57,618.00 (8.44%)
¥	159.72* (-0.02%)	FTSE 100	10,612.00 (3.66%)
A\$	0.70 \$ (0.52%)	DAX	23,742.44 (1.26%)
C\$	0.72 \$ (-1.02%)	CAC 40	8,235.98 (4.10%)
		HANG SENG	25,660.85 (0.77%)
		SSE COMPOSITE	3,988.56 (-2.61%)

*Values Per 1 \$



Gold (\$) Per Oz.
4,741.03 (-5.57%)



Bitcoin(\$)
74,407.29 (4.48%)



Brent Crude(\$)
Per Barrell
94.71 (-8.83%)



Ethereum(\$)
2,370.70 (13.07%)

#All Changes are in MoM basis.

Global Market Trends

The Chaitra snapshot suggests a modest improvement in global market sentiment following the sharper risk-off environment observed in Falgun, although overall investor positioning remained measured and selective. Currency movements indicate that the U.S. dollar continued to hold relative strength during the period, suggesting that investors maintained a preference for dollar-denominated assets even as immediate geopolitical concerns eased somewhat. The euro, pound, and Indian rupee softened against the dollar, indicating that defensive positioning was only partially unwound. The Japanese yen remained broadly stable, while commodity-linked currencies showed mixed performance, with the Australian dollar easing modestly alongside softer commodity sentiment, while the Canadian dollar showed relative strength. For Nepal, the continued softness in the Indian rupee remains relevant. Given the Nepalese rupee's peg to the INR, this implies some continued pressure on the Nepalese rupee against the U.S. dollar, which may keep imported inflation and external payment conditions moderately sensitive.

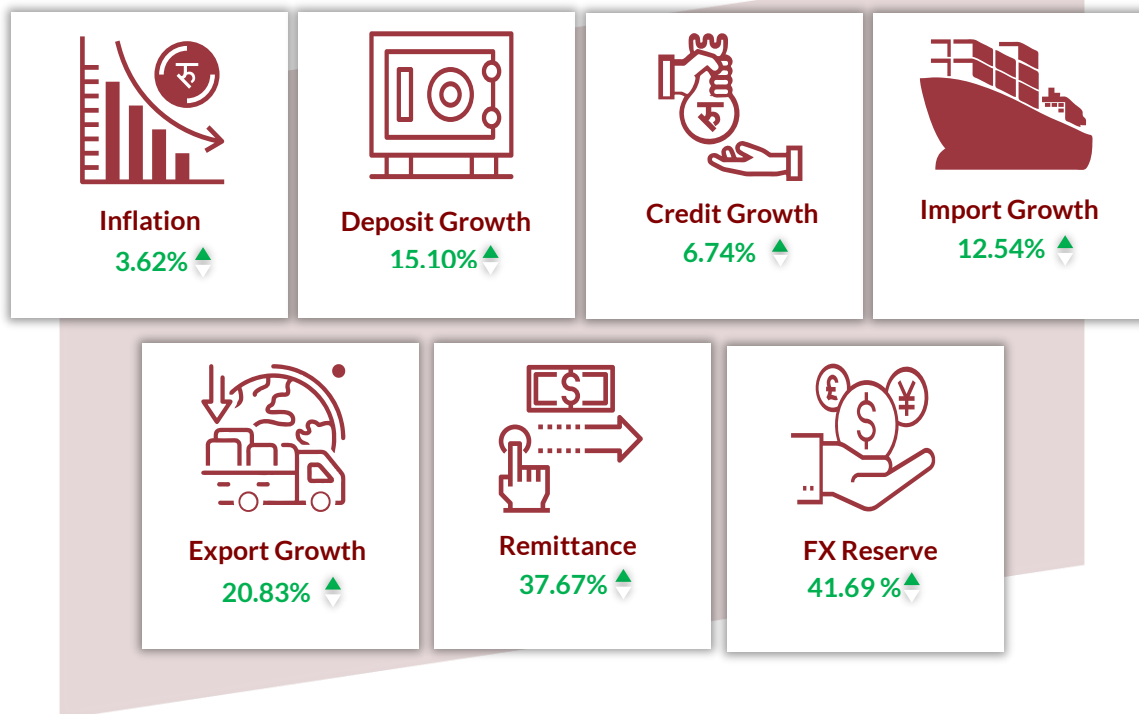
Equity markets showed some recovery during Chaitra, though the improvement remained concentrated in select regions. The U.S. and Indian markets performed relatively well, supported by stable earnings expectations, improving sentiment, and stronger domestic fundamentals. In the U.S., gains were largely supported by continued strength in large-cap growth sectors, while India remained comparatively resilient due to stronger domestic demand and continued investor interest. European markets also improved, though the recovery was more moderate and less broad-based. In contrast, China remained comparatively soft, reflecting continued caution around domestic demand, the property sector, and policy transmission. Overall, this suggests that the recovery in equities was more selective than broad, with investor preference remaining tilted toward relatively stronger and more stable markets.

Commodity markets showed signs of easing from the elevated stress seen in the previous month. Crude oil prices moderated as concerns around immediate supply disruptions in the Middle East softened, helping reduce some pressure on inflation expectations and providing modest relief for oil-importing economies such as India and Nepal. Gold prices also eased during the period as some safe-haven positioning was reduced. These moves suggest that market stress moderated during Chaitra, although they do not necessarily indicate a strong improvement in underlying global demand conditions.

Digital assets performed relatively well during the period, supported by improved liquidity conditions and a gradual return in risk appetite. Gains in Bitcoin and Ethereum suggest that investors were somewhat more willing to re-engage in higher-risk assets as immediate uncertainty eased. However, this appears to reflect a modest improvement in sentiment rather than a broad shift in macroeconomic confidence.

Overall, the Chaitra data points to a gradual normalization in global markets following the heightened uncertainty seen in Falgun. Market conditions appeared more stable, supported by easing geopolitical concerns, softer commodity prices, and selective recovery in risk assets. That said, the improvement remained uneven across regions and asset classes, suggesting that investor sentiment, while improved, remained cautious. For Nepal, softer oil prices offer some near-term support, though continued INR weakness and external uncertainty suggest that inflation and external sector conditions may remain moderately sensitive in the near term.

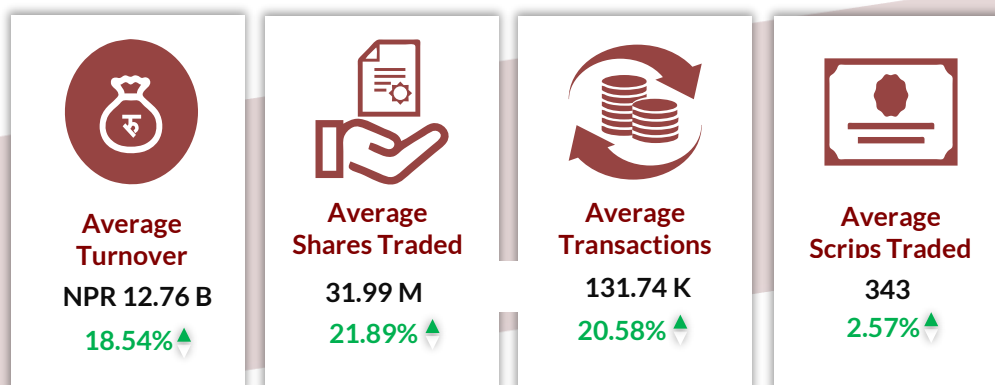
Macroeconomic



*Growth refers to the change between eight-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		
	Falgun-81	Magh-82	Falgun-82	Baisakh 11	Baisakh 18	YOY	MOM	WOW
Wt.Avg 28 Days TB rate (%)	2.95	1.65	0.00	1.65	1.65	-2.95	-1.65	0.00
Wt.Avg 91 Days TB rate (%)	2.93	2.45	2.47	2.62	2.62	-0.46	0.02	0.00
Wt.Avg 364 Days TB rate (%)	3.00	2.65	2.59	2.71	2.71	-0.41	-0.06	0.00
Wt. Avg Interbank Rate (%)	3.00	2.75	2.68	2.68	2.68	-0.32	-0.07	0.00
CapEx (In Billion NPR)	82.34	63.73	78.49	103.07	106.07	-3.85	14.76	3.00

B. BFI Statistics

Description	Value As On					Change		
	Falgun-81	Magh-82	Falgun-82	Baisakh 11	Baisakh 18	YOY	MOM	WOW
Wt. Avg Deposit Rate (%)	4.54	3.51	3.45	3.45	3.45	-1.09	-0.06	0.00
Wt. Avg Lending Rate (%)	8.40	7.00	6.90	6.90	6.90	-1.50	-0.10	0.00
Base Rate (%)	6.34	5.12	5.10	5.10	5.10	-1.24	-0.02	0.00
CD Ratio (%)	79.47	74.34	74.07	73.66	73.46	-5.40	-0.27	-0.20
Fixed Deposits/Total Deposits (%)	51.37	41.41	39.92	39.92	39.92	-11.45	-1.49	0.00
Total Liquid Assets/Total Deposits (%)	26.50	23.58	35.32	35.32	35.32	8.82	11.74	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	Baishak 15	500.00	0.00	21	49	4.43	500.00	2.37	2.51	2.55
364 Days	Baishak 15	200.00	0.00	13	25	6.15	200.00	2.58	2.58	2.58

*Figures are in 10 million NPR

Sectoral Movement

Index	Falgun 28, 2082	Chaitra 30, 2082	Change
NEPSE	2,820.44	2,833.60	0.47%
Manufacturing And Processing	9,638.43	11,689.89	21.28%
HydroPower Index	3,779.53	4,042.84	6.97%
Hotels And Tourism	7,501.65	7,953.24	6.02%
Trading Index	3,722.05	3,792.16	1.88%
Mutual Fund	21.87	21.95	0.37%
Development Bank Index	6,040.19	5,999.85	-0.67%
Banking SubIndex	1,484.57	1,468.90	-1.06%
Microfinance Index	5,057.41	4,945.92	-2.20%
Non Life Insurance	11,507.16	11,245.96	-2.27%
Investment	111.11	106.77	-3.91%
Finance Index	2,597.18	2,478.96	-4.55%
Life Insurance	13,508.36	12,840.53	-4.94%
Others Index	2,385.87	2,112.45	-11.46%

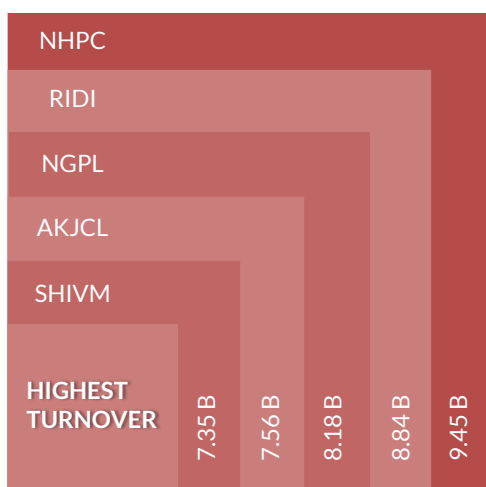
Major Movers

HFIN	637.21%	 GAIN  LOSS	NABBC	-25.52%
RSML	437.22%		DHEL	-20.12%
BJHL	359.09%		UNLB	-19.08%
SKHL	279.53%		NRIC	-18.89%
RLEL	213.67%		HRL	-16.44%

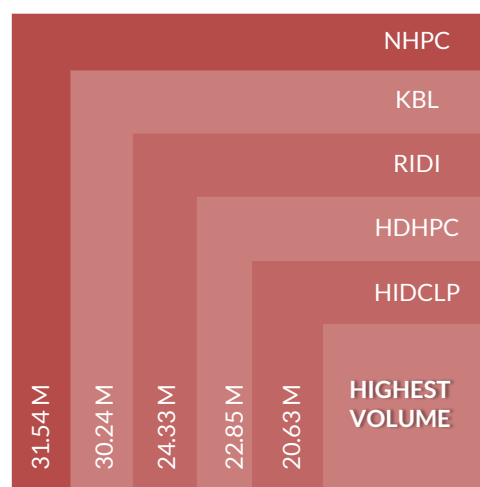
Sectoral Divergence-Turnover

Sectors	Last Three Month's avg	Monthly Avg	Divergence
NEPSE	10.77 B	12.76 B	18.54%
Commercial Banks	0.80 B	1.28 B	59.57%
Investment	0.49 B	0.66 B	35.23%
Microfinance	0.39 B	0.51 B	31.10%
Development Banks	0.57 B	0.68 B	19.09%
Manufacturing And Processing	1.04 B	1.22 B	17.55%
Tradings	0.02 B	0.03 B	16.26%
Hydro Power	5.77 B	6.68 B	15.70%
Mutual Fund	0.02 B	0.02 B	15.19%
Life Insurance	0.30 B	0.33 B	11.98%
Others	0.43 B	0.48 B	10.21%
Non Life Insurance	0.16 B	0.16 B	1.25%
Finance	0.41 B	0.33 B	-20.82%
Hotels And Tourism	0.21 B	0.16 B	-23.63%
Bond and Debenture	0.01 B	0.00 B	-53.17%

Highest Turnover



Highest Volume



NEPSE Outlook

Current Overview



- As on 30, April, 2026, the NEPSE index closed at 2,738.72, declining 5.73 points (-0.21%), extending the weak consolidation seen in recent sessions. The index has now slipped below the 2,750 level, indicating that sellers are gradually gaining control and the market is losing the support base that had previously held the recent range-bound structure intact.
- Market participation remained subdued, with total turnover falling further to around NPR 4.92 billion. The continued decline in turnover reflects weakening investor conviction and limited buying support, reinforcing the cautious tone seen in recent sessions. The softer volume profile suggests the market lacks the participation needed for a meaningful recovery and remains vulnerable to further downside pressure.
- From a technical standpoint, the index has now broken below the 0.5 Fibonacci retracement level (2,749) and is drifting toward the 0.382 retracement zone (2,684), confirming further deterioration in near-term structure. The inability to reclaim the 0.618 Fibonacci level (2,815) and repeated rejection below that zone continue to reinforce a weakening technical setup. The broader range remains intact, but price action has now shifted decisively toward the lower end of the 2,680-2,900-consolidation band.
- RSI (Relative Strength Index), which measures the strength and momentum of price movements, is currently around 40.46, indicating fading momentum and increasing downside bias. This suggests buying strength has continued to deteriorate, with the market now approaching weaker momentum conditions and lacking signs of immediate reversal strength.
- MACD, derived from the interaction of short- and long-term moving averages, which is negative, with the MACD line staying below the signal line and the histogram continuing in weak territory. This confirms that bearish momentum

remains intact and the market is still in a consolidation-to-corrective phase, with no clear indication of bullish reversal yet emerging.

- Looking ahead, the NEPSE index's immediate support levels are identified as (S1) 2,684 and (S2) 2,602, while immediate resistance levels are seen at (R1) 2,750 and (R2) 2,815. The breakdown below 2,750 weakens the near-term structure and makes 2,684 the next key support to watch. A failure to hold this level could deepen the correction toward 2,602, while any recovery attempt must first reclaim 2,750 and then 2,815 to stabilize sentiment. Overall, the market continues to exhibit weakening momentum with a growing downside bias, suggesting the corrective phase remains active unless stronger support emerges near lower levels.

Long-Term Overview



- On the long-term (weekly) chart, the NEPSE Index is currently trading near 2,700 and continues to trade within a broad consolidation range, rather than showing a clear long-term uptrend. Over the past few years, the index has repeatedly found support in the 2,450–2,550 zone, while rallies have consistently faced selling pressure in the 2,900–3,000 range. The latest pullback from the upper end of this range, along with rejection near the falling resistance trendline, suggests the market remains in a sideways structure and sellers continue to dominate near upper resistance levels.
- The index briefly climbed toward the 2,950 level during Chaitra, supported by stronger retail participation, improving liquidity, and a short-term rise in investor confidence following the by-election results. The outcome initially improved sentiment and raised expectations of greater political stability and better governance, helping push the market closer to the upper resistance zone. However, the rally quickly lost momentum after the new administration took office, as stricter regulatory action, rising policy uncertainty, and renewed concerns over governance standards and financial transparency weakened investor confidence. High-profile investigations into major business groups and financial dealings further increased concerns around regulatory risk and corporate credibility, reducing risk appetite and dragging the index back from

higher levels. As a result, the failure to break above the 2,900–3,000 range reinforces that upside remains capped and the broader market continues to trade within a consolidation phase.

- Momentum indicators now point to a weaker technical setup. The weekly RSI (14) has slipped to around 48 after failing to hold above the 50–55 zone, indicating that bullish momentum has faded and buying strength is no longer strong enough to support further upside. This move back below the neutral level suggests the recent recovery has lost traction and momentum is shifting back toward neutral-to-bearish territory. At the same time, the MACD remains marginally positive but has flattened near the zero line, while the histogram has turned slightly negative. This indicates that upward momentum is fading, trend strength remains weak, and directional follow-through is still lacking.
- Key technical levels remain important. On the downside, the rising weekly support trendline near 2,620–2,650 is now the first key support area. A clear weekly break below this level would weaken the current setup and expose the index to a deeper pullback toward the 2,450–2,550 support zone. On the upside, a meaningful bullish breakout would require a clear weekly close above the 2,900–3,000 resistance zone, followed by sustained strength above that level with stronger volume and improving momentum. Until then, the market is likely to remain under pressure near resistance.
- Looking ahead, NEPSE is trading within a tightening range, with a falling resistance trendline above and a rising support trendline below, forming a symmetrical triangle. This structure suggests the market is moving toward a stronger directional move as volatility continues to narrow. The recent rejection near the upper trendline and the latest weekly decline indicate that sellers remain active at higher levels, while the market still lacks the strength needed for a clean breakout. Although liquidity conditions and broader economic stability continue to offer support, weaker momentum and repeated rejection near resistance suggest upside may remain limited in the near term. As this range tightens further, directional risk is increasing and the next confirmed breakout or breakdown will likely define the market's medium-term trend.

SCRIP ANALYSIS

Prabhu Bank Limited (PRVU)

A. About the Company

Prabhu Bank Limited, established in 2001 and operating as a Class 'A' commercial bank licensed by Nepal Rastra Bank (NRB), is one of Nepal's established private-sector commercial banks with a nationwide banking franchise and diversified lending and deposit base. Originally incorporated as Kist Bank, the institution was later restructured as Prabhu Bank following a series of strategic mergers, including the integration of Prabhu Bikash Bank, Zenith Finance, Gaurishankar Development Bank, and the acquisition of Century Commercial Bank in 2023, which materially expanded its scale and market presence. As of Q3 FY2082/83, the bank operates through 312 branches across Nepal and maintains a balance sheet of NPR 335.5bn in deposits and NPR 221.9bn in gross loans, positioning it among the larger private commercial banks in the country. The bank's funding profile remains supported by an improving CASA base of 46.22%, while its lending portfolio remains weighted toward corporate and commercial exposures. Prabhu Bank is currently navigating a balance sheet normalization phase, marked by elevated asset quality stress, modest profitability, and thin capital buffers, alongside governance concerns following reported fraud investigations involving senior management. Going forward, the bank remains focused on improving recoveries, stabilizing asset quality, strengthening capital adequacy, and restoring operational and governance confidence to support sustainable long-term profitability.

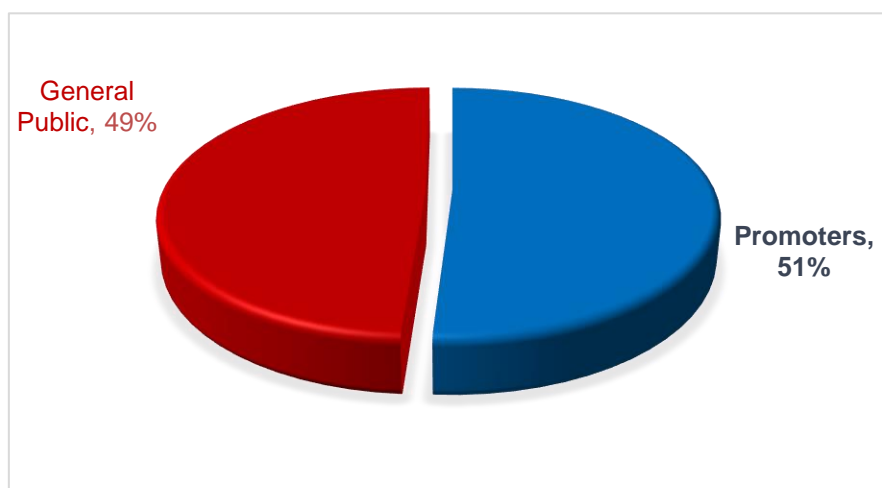


Figure: Shareholding pattern of the Prabhu Bank Limited.

B. Swot Analysis

The SWOT analysis of Prabhu Bank Limited reflects its position as a scaled private-sector commercial bank operating through a broad national franchise but facing elevated balance sheet and governance pressures. The bank benefits from its established market presence, wide branch network, improving CASA base, and large operating scale, which continue to support franchise stability and funding resilience. However, elevated asset quality stress, thin capital buffers, weak profitability, and recent governance concerns involving senior management continue to weigh on earnings quality and investor confidence. Going forward, Prabhu Bank’s performance will largely depend on its ability to improve recoveries, stabilize asset quality, rebuild capital buffers, and restore governance credibility while navigating excess system liquidity, regulatory tightening, and an increasingly competitive banking environment.



C. Valuation of the Company

We have valued Prabhu Bank Limited using the Residual Income (RI) approach, which is more suitable for banks given the limited relevance of conventional free cash flow-based valuation in financial institutions. The RI method estimates intrinsic value by combining current book value with the present value of future excess returns above the cost of equity, directly linking valuation to profitability, capital strength, and return efficiency. This is particularly relevant for Prabhu Bank, where earnings quality, capital adequacy, and ROE remain the key drivers of shareholder value. While the model is sensitive to assumptions around ROE, cost of equity, book value growth, and terminal value, it remains well-suited for bank valuation as it explicitly captures value creation above the required equity return and provides a transparent framework for assessing long-term shareholder value.

Key Valuation Assumptions

Particular's	Value	Remarks
Adjusted Beta (β)	1.05	The Beta has been calculated using the price of Prabhu Bank Limited and NEPSE for the past 46 months.
Market rate of return (R_m)	11.28%	The market rate of return is taken considering the CAGR of NEPSE from the end of FY 2001/02 to the end of Chaitra end FY 2025/26.
Risk free rate (R_f)	3.06%	The latest development bond rate, namely "2088", with the rate 3.25%, and the final value is taken after adjusting for a 6% of tax rate.
Terminal Growth rate (g)	3.40%	Terminal Growth rate is Assumed 70% of the sustainable growth rate (SGR). SGR is taken as the average of the last five years.
Cost of Equity (K_e)	12.16%	Cost of equity is calculated by increasing the additional 7% on the equity calculated using the CAPM model because of poor management quality.
Tax Rate	30.00%	As per the Income Tax Act.

Other Assumptions

- Loan growth is projected at 13.12%, based on the bank's five-year historical loan CAGR, reflecting gradual credit expansion supported by balance sheet scale, while remaining conservative amid weak system-wide credit demand and elevated liquidity.
- Net interest income is driven by stable lending yields and normalized funding costs, with average loan yield assumed at 11.31% and interest expense maintained at 65.07% of interest income, in line with the bank's five-year historical average and prevailing margin structure.

- Non-interest income is assumed to normalize over the forecast period, with fee and commission income projected to grow at 23.35% during the initial high-growth period and taper to 4.85% in the terminal phase, reflecting early operating normalization followed by mature-state growth.
- Asset quality assumptions remain conservative, with NPL assumed at 3.52% and impairment charges projected at 28.84% of stressed assets, incorporating continued provisioning pressure and a gradual recovery in credit costs over the forecast horizon.
- A 10.0% valuation haircut has been applied to contingent liabilities, incorporating governance, legal, and reputational risks associated with recent fraud allegations and management-related uncertainties.

The final valuation of Prabhu Bank Limited based on the RI Method has been computed and tabulated below.

Method	Valuation Per Share in NPR
RI	116.9

D. Technical Analysis



- Based on the weekly chart (long-term view), PRVU is currently trading in a broad consolidation phase within a medium-term neutral structure. Price action remains compressed near the narrowing end of a multi-month symmetrical triangle, with the stock currently hovering around the NPR 194–196 zone. This level is technically significant as it aligns with both the lower end of the current consolidation range and the 0.618 Fibonacci retracement,

making it the immediate support pivot. As long as price holds above the rising trendline support near NPR 190, the broader structure remains intact.

- Recent weekly price action suggests that PRVU is testing a critical decision zone, with buyers attempting to defend the NPR 190–194 support band. This range remains the key structural support in the current setup; sustained holding above it preserves the consolidation structure and keeps the possibility of a rebound intact, while a decisive weekly breakdown below NPR 190 would weaken the setup and expose downside risk toward the next major support near NPR 167.
- On the upside, the immediate resistance zone is placed around NPR 214–215, which has capped recent recovery attempts and remains the key breakout trigger for near-term strength. A sustained weekly close above this level would improve momentum and could open the path toward NPR 233, while the NPR 255–260 range represents the major medium-term resistance zone and would likely require stronger market participation to be retested.
- Overall, from a technical perspective, PRVU remains in a range-bound consolidation phase, with downside risk defined near NPR 190 support and upside potential dependent on a decisive breakout above NPR 214–215. Until such confirmation emerges, the stock is likely to remain range-bound with a cautious near-term bias, favoring a wait-for-breakout approach over aggressive positioning.

E. Conclusion and Recommendation

Prabhu Bank Limited remains a fundamentally scaled private-sector commercial bank with a stable domestic franchise, supported by its nationwide branch network, improving CASA mix, and large operating base. However, the bank remains constrained by elevated asset quality stress, thin capital buffers, weak profitability, and governance concerns, which continue to pressure earnings quality and investor confidence.

The bank is currently in a balance sheet repair phase, where earnings recovery will depend primarily on improving recoveries, containing fresh slippages, and rebuilding capital rather than aggressive balance sheet growth. This remains challenging amid excess system liquidity, weak credit demand, margin compression, and tighter regulatory oversight, all of which continue to weigh on sector profitability.

Based on the Residual Income (RI) approach, Prabhu Bank's fair value is estimated at NPR 116.90 per share, implying the stock is currently trading above its fundamental value at the prevailing market price of NPR 196. While the bank retains long-term franchise value, current market pricing appears to overstate near-term recovery potential given persistent pressure on asset quality, capital strength, and governance. Overall, a cautious stance remains warranted until clearer improvement emerges in earnings quality, balance sheet strength, and management credibility.

ISSUE OF THE MONTH

Momentum Effect in Stock Market

A. Introduction

The momentum effect in the stock market refers to the phenomenon where stocks that have performed well in the recent past continue to outperform, while stocks that have performed poorly continue to underperform in the near future. It is based on the assumption that there is persistence in stock price movements over a certain time period.

The presence of the momentum effect in the stock market can be attributed to a combination of behavioral biases, market inefficiencies, and information diffusion processes. Here are some rationales that help explain the existence of the momentum effect:

- **Investor Herding and Behavioral Biases:** Investors are prone to behavioral biases such as herd behavior, anchoring, and confirmation bias. These biases can cause market participants to follow the crowd and chase stocks that have shown positive momentum, leading to further price increases. Additionally, investors may anchor their expectations to past prices, which can contribute to the persistence of momentum.
- **Delayed Information Processing:** It takes time for market participants to process and react to new information. As a result, stock prices may not fully reflect all available information immediately. This delayed information processing can create momentum as the market gradually incorporates new information into stock prices, leading to trends that persist over time.
- **Underreaction and Overreaction:** Research has shown that investors tend to underreact to new information initially and then overreact later. This can create momentum in stock prices as the market gradually adjusts to new information. Investors may initially underestimate the impact of positive news or earnings surprises, leading to a gradual increase in stock prices as the information is more widely recognized.
- **Investor Risk Aversion:** Investors often exhibit risk aversion and prefer to invest in assets that have shown recent positive performance. This preference for winners can create momentum as investors allocate their capital to stocks with positive momentum, driving prices higher.
- **Limits to Arbitrage:** The presence of transaction costs, short-sale restrictions, and other market frictions can limit the ability of arbitrageurs to exploit

mispricing in the market. These limitations prevent arbitrageurs from quickly correcting mispricing caused by momentum, allowing the momentum effect to persist.

B. Momentum Effect and Efficient Market Hypothesis

The momentum effect contradicts the efficient market hypothesis, which suggests that stock prices fully reflect all available information and follow a random walk pattern. According to the efficient market hypothesis, it should not be possible to consistently profit from momentum strategies.

However, empirical studies have shown that the momentum effect exists and can persist over medium to long-term horizons, typically spanning several months to a year. Investors and traders have observed that stocks that have exhibited positive price momentum in the recent past tend to continue their upward trend, while stocks with negative momentum continue to decline.

Momentum strategies can be implemented in various ways, such as buying stocks that have shown positive price momentum and selling stocks with negative momentum. However, it is important to note that momentum investing carries risks, and past performance is not always indicative of future results. It is essential for investors to conduct thorough research and analysis before making investment decisions. When utilizing the momentum effect in the stock market, there are several strategies that investors and traders can employ. Here are some common approaches:

- **Trend Following:** This strategy involves identifying stocks or other financial instruments that are in a clear uptrend and investing in them. Traders using this strategy may use technical analysis tools like moving averages, trendlines, or price patterns to identify stocks with positive momentum. They aim to ride the trend until there are signs of a reversal.
- **Relative Strength Investing:** With this strategy, investors compare the performance of different stocks or sectors and allocate their investments to those with the strongest relative strength. This involves identifying stocks that have outperformed their peers over a specific time period. The idea is to capitalize on the continued outperformance of these stocks.
- **Momentum Rotation:** This strategy involves rotating investments among different assets or sectors based on their recent performance. Investors periodically review the performance of various assets or sectors and allocate their investments to those that have exhibited the strongest momentum. The rotation can occur on a monthly, quarterly, or yearly basis.
- **Breakout Trading:** This strategy involves identifying stocks that have recently broken out of a well-defined trading range or chart pattern. Traders look for stocks that have experienced a significant price move with high trading volume,

indicating a potential momentum breakout. They aim to enter positions as the stock price breaks out and continues its upward movement.

- **Systematic Momentum Investing:** This strategy involves building a systematic approach to capture momentum across a broad set of stocks or assets. It typically involves using quantitative models and algorithms to identify stocks with positive momentum based on predefined criteria. Systematic momentum strategies can be implemented through rules-based investment strategies or quantitative funds.
- **Risk Management:** Regardless of the specific momentum strategy employed, risk management is crucial. Setting clear entry and exit points, using stop-loss orders, and managing position sizes are essential to mitigate potential losses. Additionally, diversification across different stocks or asset classes can help spread risk and reduce the impact of any individual stock's performance.

C. Risks associated with Momentum Effect

While applying the momentum effect in investing can potentially lead to profits, it also carries certain risks. Here are some risks associated with momentum investing:

- **Reversals and Price Volatility:** Momentum strategies rely on the continuation of price trends. However, stock prices can reverse abruptly, and trends can quickly change direction. Sudden market shifts or unexpected news can cause significant price volatility and result in losses for momentum investors.
- **Overvaluation and Market Bubbles:** Momentum strategies may lead to overvaluation of certain stocks or sectors. As more investors chase stocks with positive momentum, prices can become disconnected from their underlying fundamentals. This can create market bubbles, which are vulnerable to sharp corrections when the momentum subsides.
- **Limited Diversification:** Momentum strategies often concentrate investments in a subset of stocks or sectors that have exhibited strong momentum. This concentration can increase the risk of portfolio losses if the momentum reverses or specific sectors underperform.
- **Transaction Costs:** Frequent buying and selling of stocks in a momentum strategy can generate higher transaction costs, including brokerage fees, spreads, and taxes. These costs can erode the overall returns of the strategy, especially when trading in smaller or less liquid stocks.
- **Behavioral Biases and Timing**
- **Risks:** Applying momentum strategies requires disciplined adherence to predetermined rules and overcoming behavioral biases such as chasing past performance. Timing the entry and exit points for stocks based on momentum

can be challenging, as momentum can fade quickly or persist longer than expected.

- **Data Mining and False Signals:** The process of identifying and selecting stocks based on historical momentum can be susceptible to data mining biases. Historical performance may not reliably predict future performance, and false signals can lead to poor investment decisions. Underperformance in
- **Sideways or Trendless Markets:** Momentum strategies rely on the presence of trends in the market. In sideways or trendless markets, where prices fluctuate within a narrow range, momentum strategies may underperform as there is insufficient sustained momentum for profitable trades.

It's important for investors to carefully assess these risks, conduct thorough research, and consider risk management techniques when implementing momentum strategies. Diversification, setting clear exit criteria, and having a well-defined investment plan can help mitigate some of these risks.

D. How Investors can correctly utilize momentum effect?

To utilize momentum effect effectively in the stock market, investors should follow a disciplined approach. Firstly, they should identify and measure momentum by analyzing past price performance and using indicators to quantify momentum. It is crucial to confirm the fundamental strength of the stocks or sectors exhibiting momentum, considering factors such as positive earnings growth, strong financials, and favorable industry trends. This combination of momentum and fundamental analysis helps identify stocks with sustainable momentum.





















Implementing risk management is essential to mitigate potential losses. Investors should establish clear entry and exit criteria, set stop-loss levels to limit downside risk, and diversify their portfolio across multiple stocks or sectors. Continuously monitoring momentum is key, staying updated with relevant news, market trends, and changes in company fundamentals. Being prepared to adjust positions or exit trades if momentum weakens or market conditions change is crucial for successful momentum investing.

Combining momentum with other complementary strategies, such as value investing or trend following, provides diversification and adaptability to different market conditions. Maintaining discipline and overcoming behavioral biases, such as chasing past performance, is essential. Adhering to predetermined rules and a well-defined investment plan helps in executing momentum-based strategies effectively. Lastly, investors should continuously learn, adapt, and stay informed about research and market developments to refine and improve their momentum strategies over time. Thorough research, risk management, and a disciplined approach are vital for utilizing the momentum effect while being mindful of the associated risks.

This article was previously published in the Jestha, 2080 edition of The Pulse.

HISTORICAL RETURNS

TOP PERFORMING NEPSE STOCKS

PAST 1 YEAR			PAST 3 YEARS		
TICKER	CAGR		TICKER	CAGR	
 CREST	287.44%		 BNL	92.13%	
 NMIC	197.09%		 CORBL	78.08%	
 AKJCL	99.03%		 GRDBL	70.09%	
 BPCL	78.22%		 NRN	68.30%	
 RIDI	72.40%		 NABBC	65.56%	
PAST 5 YEARS			PAST 10 YEARS		
TICKER	CAGR		TICKER	CAGR	
 BNL	53.82%		 STC	61.74%	
 GRDBL	46.58%		 HDL	38.93%	
 CORBL	42.89%		 CORBL	33.07%	
 NABBC	39.29%		 GILB	31.53%	
 NRN	37.54%		 JSLBB	30.69%	

*Returns are dividend-adjusted on a year-over-year (YoY) basis. Past performance should not be interpreted as indicative of future results. * CAGR means annual growth rate of an investment over specified time period.

Key Dates

Scrip	Issue Type	Quantity	From (AD)	To (AD)	Issue Manager
KHPL	IPO- General Public	684,750	4/5/2026	4/8/2026	RBB Merchant Banking Ltd
APPOLO	IPO- General Public	780,200	4/9/2026	4/15/2026	Himalayan Capital Limited
BNHC	Right Share	40,00,000	4/5/2026	4/26/2026	NIC Asia Capital Limited
UAIL	Right Share	2,310,000	4/9/2026	4/29/2026	Laxmi Sunrise Capital Limited
SGHL	IPO- Local	2,850,000	3/22/2026	4/8/2026	Laxmi Sunrise Capital Limited
KHL	IPO- Local	1,400,000	3/24/2026	4/7/2026	Sanima Capital Limited
YAMBALING	IPO- Local	700,000	3/22/2026	4/6/2026	Muktinath Capital Limited
SRL	IPO- Local	937,500	3/23/2026	4/6/2026	Sanima Capital Limited
BENI	IPO- Local	1,040,000	3/15/2026	3/29/2026	NMB Capital Limited
TAKSAR	IPO- Local	1,200,000	3/11/2026	3/25/2026	Prabhu Capital Limited

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