

Direction to collect CGT rights, bonus shares on par value hits market

The sole equity market of Nepal came under pressure throughout the trading session on Sunday. The Nepal Stock Exchange (Nepse) index fell sharply on the first hour of trading and declined further after it failed its attempt to pullback mid-day. Eventually, the index lost 33.71 points, or 2.58 percent, to end the day at 1,273.95 points.

Stock prices fell on the back of a circular issued by Internal Revenue Department (IRD) to Securities Board of Nepal (Sebon), Nepal Stock Exchange (Nepse) and CDS & Clearing Ltd (CDSC) amending the base rate provision in secondary market transactions. As per the circular, profit made by selling bonus and right shares will be calculated with par value of stocks as the base rate for transactions. As a result, higher capital gains will be documented and investors will now be liable to pay more Capital Gains Tax (CGT). Total turnover increased to Rs 546 million as the market witnessed high selling pressure because of the circular.

All major sectors followed the benchmark index's slump. Insurance sub-index lost the most and was down by 4.25 percent. Similarly, sub-indices of Microfinance and Hotels shed 3.13 percent each. Banking Sub-index also dropped 2.35 percent. Only Manufacturing & Processing Sub-index ended the day in green.

Rastriya Beema Company Ltd (Promoter Shares) was the most active stock on Sunday, logging Rs 37 million worth of transactions. Other active stocks on the day include ordinary shares of Nepal Bank Ltd, Rastriya Beema Company Ltd, Premier Insurance Company Ltd and Nepal Life Insurance Company Ltd.

Out of 155 scrips traded on Sunday, prices of only six went up. Shares of Uniliver Nepal Ltd was the top performing stock, gaining 4.04 percent on its price. Shares of Unnati Microfinance Bittiya Sanstha Ltd, Lalitpur Finance Company and Pokhara Finance Ltd also gained over 1

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percent each. Sunday was the last trading day for shares of Lalitpur Finance Ltd prior to its book closure on June 4.

Conversely, shares of Mega Bank Ltd tumbled for fifth straight day, losing the highest 9.71 percent. Further, both promoter shares and ordinary shares of Rastriya Beema Company Ltd declined over 8 percent each. Janaki Finance Ltd also saw its share price dip by more than 7 percent.

ARKS technical analysis model indicates a bearish Marubozu candlestick formation on daily timeframe as a result of sustained sell-off witnessed during Sunday's trading. Hence, the index closed below the crucial support level of 1,300 points. The index also dropped below the 50-day moving average (MA) indicating another possible short-term downtrend. An immediate support lies at the 1,370-point mark.

Relative Strength Index (RSI) is sloped toward the oversold zone and Moving Average Convergence/Divergence (MACD) is slightly tilted down from the neutral line. Both indicate that the bearish momentum is persisting in the market. Hence, no environment conducive to enter the market can be seen in the current scenario.

Source: MyRepublica, 4th June 2018