ज्योति क्यापिटल लि.
JYOTI CAPITAL LTD

JYOTI WEEKLY OUTLOOK

14th DEC to 18th DEC, 2025

Review Period: 11th Dec to 18th Dec 2025

MARKET OVERVIEW

MACRO ECONOMIC UPDATE

NEWS UPDATE

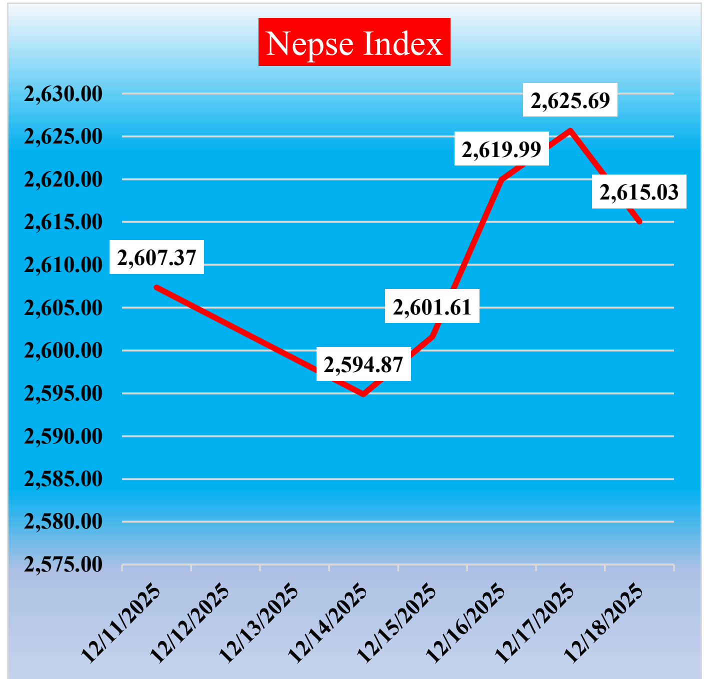
WEEKLY MARKET UPDATE

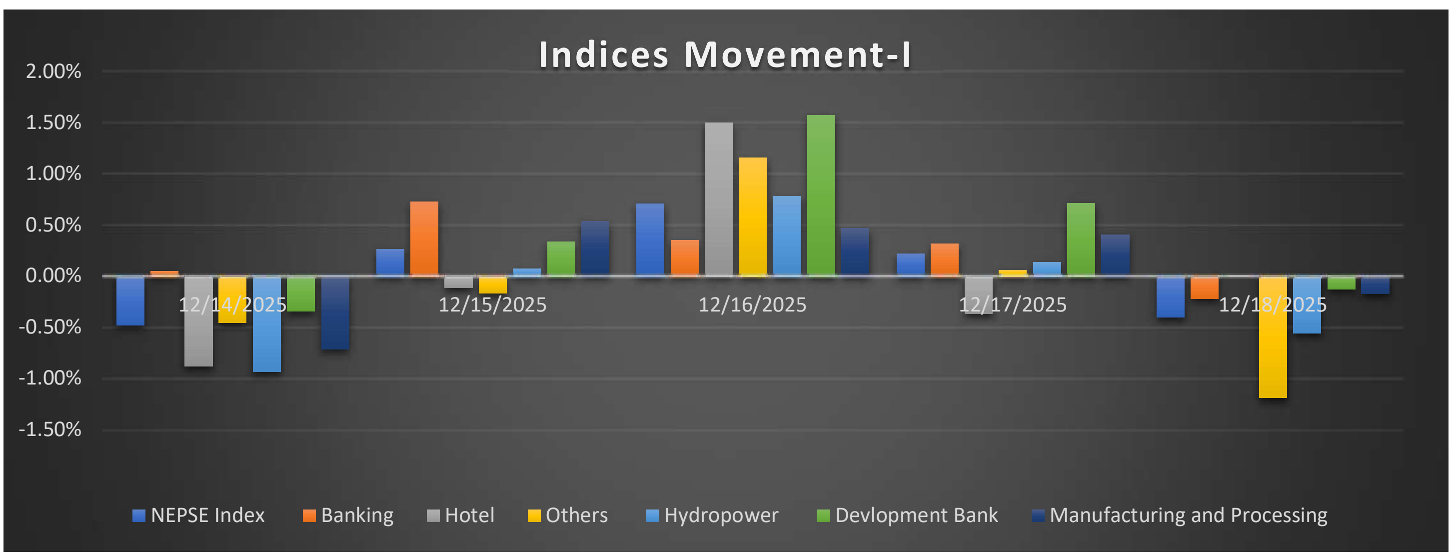
The NEPSE index posted a gain of 0.29% (7.66) points from 11th December to 18th December), closing at 2615.03 on the last trading day of the review period. Market conditions remained volatile throughout the week, with the index fluctuating between an intraday high of 2,632.81 and a low of 2,587.23. Trading activity showed an inverse relationship between price gains/losses.

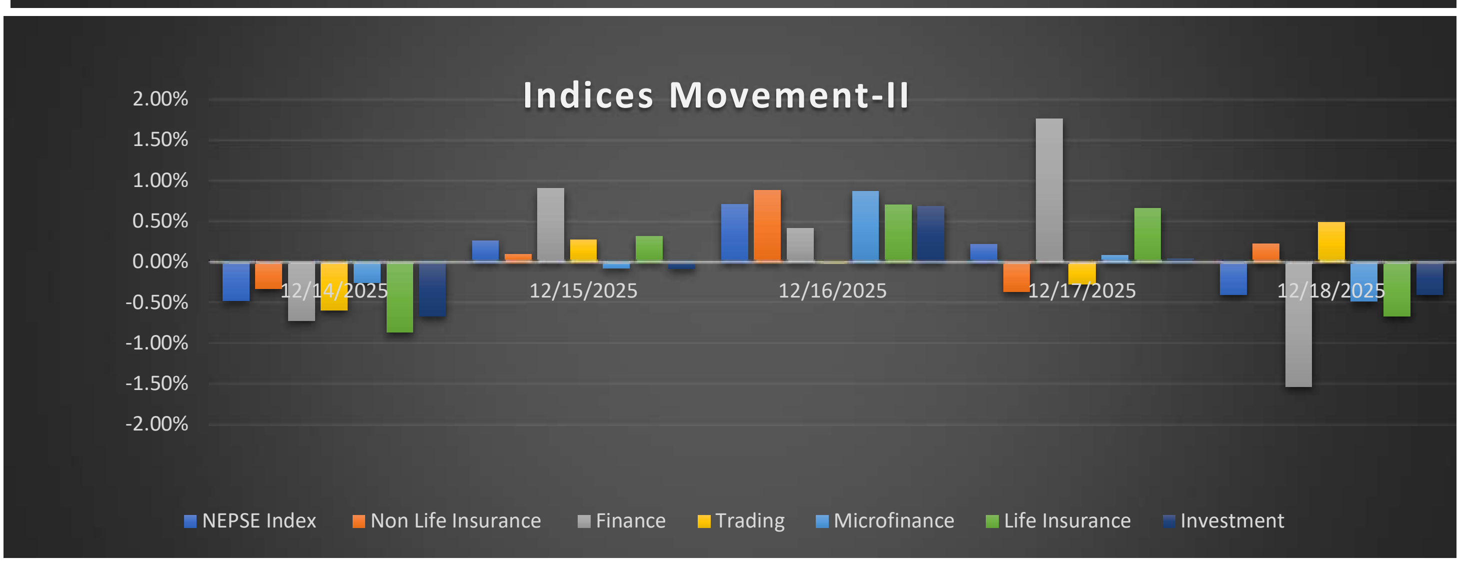
The price action seems to be reacting with the resistance level made by the trend line. The loss of 12.50 points on the second trading day made a receding move below the trend line.

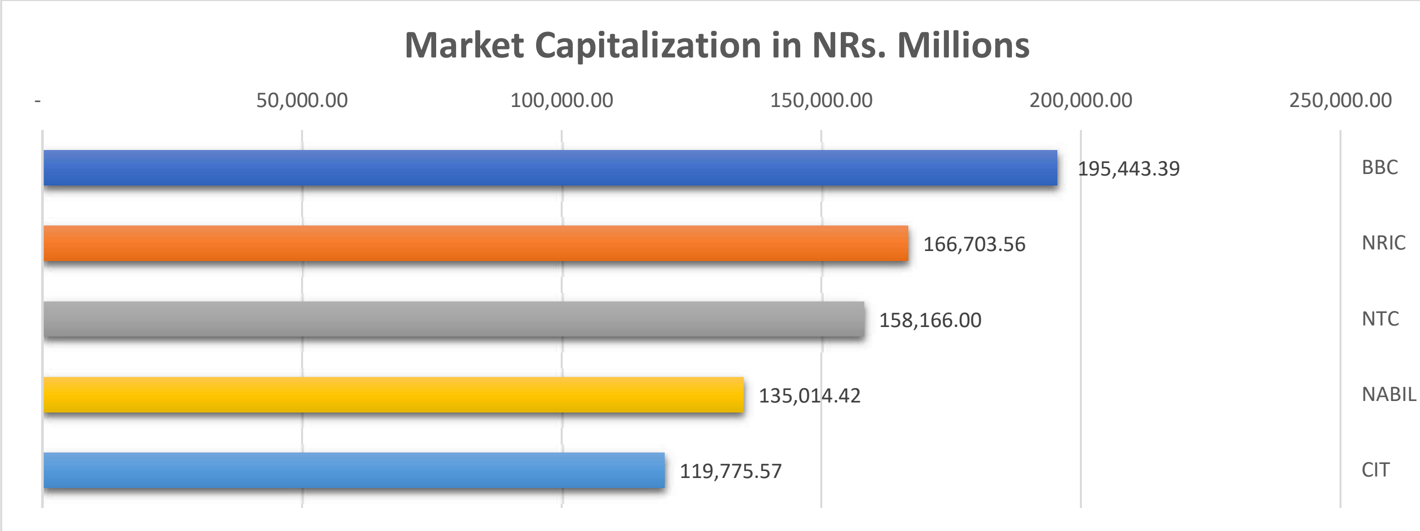
Especially, on last trading day, the price action also reacted to a resistance line at ~2630 level. This level is also a previous swing high.

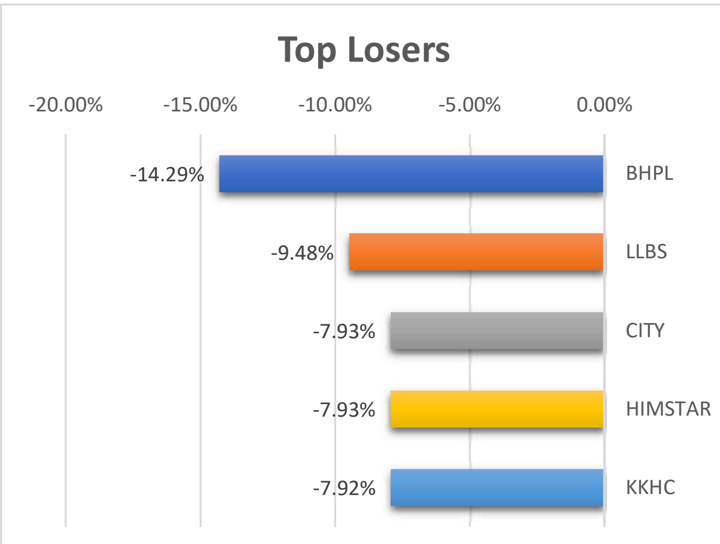
On weekly basis, the market is in indecisive mode due to occurrence of *Doji* like candle stick. Moreover, the market can anticipate a big move as price action is in early days of Bollinger Band squeeze.

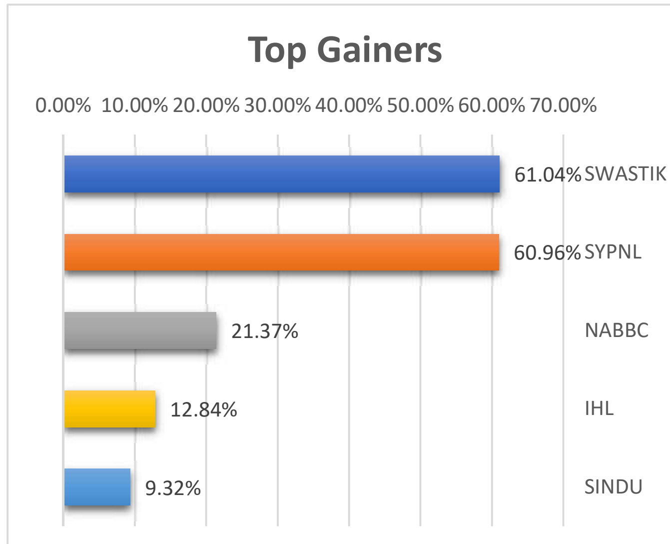












News:

Gold jumped to Rs 260,400 per tola, with silver also climbing – pointing to persistent investor caution and global price pressures.

Nepal Rastra Bank Governor urged the private sector to stay confident, push investment in energy & infrastructure, and not be swayed by negative narratives. New bond issuance discussions are underway with the private sector to support productive investment.

Government revenue grew ~10% over the past three months, hinting at recovery in productivity and industrial output.

Land revenue climbed to Rs 16.75B in five months – modest growth amid still-subdued transaction activity.

Nepal-Cambodia B2B event planned mid-January to build trade, tourism, tech links & entrepreneurship ties.

Salasungi Hydropower ended protests after agreeing to issue shares to local residents – boosting community benefit.

KMC to fence public land in all 32 wards to curb encroachment; procurement underway

Mahakali Bridge area gets urgent embankment orders to protect vital transport infrastructure.

MARKET OUTLOOK

NEPSE Technical Indicators - Detailed Analysis

On December 15th, 2025, price action formed a tweezer bottom candlestick pattern structure. This same pattern formed basis for a higher highs (HH) gain for next two trading sessions. However, the price action on the last trading day formed a Marabozu Red candle. The price reacted with previous swing high at ~ 2630 level as resistance. Price level at ~ 2590 can be regarded as a confluence support zone as price at this zone formed a decisive bullish reversal pattern with alignment of 50 days Moving Average. Moreover, on the resistance side, horizontal trendline at 2,630 level along with confluence of 20 days moving average (2,624) are jointly acting as key level. Further narrowing of Bollinger bands and price recently moving below the resistance is signifying for a major move.

Support and Resistance Levels:

The index is presently between the support zone of 2,440-2,485 and resistance zone of 2,660-2,700 levels. Moreover, from recent price action, low from *tweezer bottom* candle and 50 days moving average are acting as support. Moreover, horizontal trend line at ~ 2,630- and 20-Days Moving Average at 2,624 is taken as immediate resistance.

Bollinger Bands and Volume Behavior:

The price action of the index on last trading day shows the index level to be below the middle line of the Bollinger band. Price action in this week tried unsuccessfully to break above middle line /20 days moving average.

RSI (Relative Strength Index):

RSI was at 45.47 on the beginning of the week. Moreover, as market gained momentum, RSI stood at 54 on 17th December, 2025. However, on the last trading day, RSI receded back to 50 level.

Moving Averages:

All three major moving averages (MA-5, MA-50, MA-200) show mixed results.

MA-5	2,611.44
MA-50	2,591.54
MA-200	2687.05

We can expect a bullish move if the market moves beyond the 200 MA with aggressive momentum supported by volume

Technical Insights

On December 15, 2025, price action formed a tweezer bottom candlestick pattern, which subsequently laid the foundation for a higher-high (HH) move over the next two trading sessions. However, momentum weakened on the most recent trading day, as reflected by the formation of a bearish red Marubozu Candle. The price faced rejection near the previous swing high around the 2,630 level, confirming this zone as a strong resistance area. On the downside, the 2,590 level emerges as a key confluence support, where a decisive bullish reversal previously occurred in alignment with the 50-day moving average. On the resistance side, the horizontal resistance, reinforced by the 20-day moving average (2,624-2,630), continues to act as a critical supply zone. Additionally, the narrowing of Bollinger Bands, combined with price hovering below resistance, suggests an impending expansion in volatility. Increase in turnover on the last trading day provide a confirmation about seller mainly taking profits after a short price rally from past two trading days. Weekly price action pattern signifies end of retracement and further price rally but sharp loss (with increase in turnover) in last day of the week signifies indecisiveness and a discontinuation of the weekly pattern. We assume price to remain on sideways and within the newly found support and resistance

Monetary Policy Review for 1st quarter, 2082

Overview of Monetary Policy – First Quarter Review

- First Quarter Review of Monetary Policy for FY 2082/83 (2025/26).
- Focuses on macroeconomic conditions, financial sector performance, and policy direction.
- Views are personal and for educational purposes, not an official NRB communication.

Global Economic Backdrop

- Global economic growth remains moderate amid lingering uncertainties.
- Inflation is easing globally but still remains above comfort levels.
- Elevated geopolitical risks continue to pose downside risks.
- Major central banks are gradually shifting toward cautious monetary easing.
- Economic growth in India and China shows signs of moderation.

Inflation Dynamics in Nepal

- Average inflation stands at around 4.7 percent, within NRB's target ceiling of 5 percent.
- Food inflation remains relatively subdued.
- Services inflation continues to be sticky, limiting aggressive easing.
- Inflation trends provide room for cautious monetary policy easing.

External Sector Performance

- Exports have grown sharply by approximately 48.6 percent.
- Imports increased at a moderate pace of around 17.8 percent.
- Remittance inflows expanded by about 35.4 percent.
- Foreign exchange reserves are sufficient to cover more than 15 months of imports.
- Overall external sector stability remains strong.

Fiscal Position Assessment

- Government revenue growth recorded at around 7.3 percent.
- Expenditure growth remains higher at approximately 10.4 percent.
- Recurrent expenditure continues to dominate fiscal spending.
- Public debt levels are rising but remain manageable.
- Dependence on domestic borrowing remains relatively high.

Banking Sector

- Broad money supply expanded by around 12 percent.
- Private sector credit growth stood at approximately 11.5 percent.
- Deposit growth remains weak at about 3.9 percent.
- Non-performing loan (NPL) ratio increased to around 5.06 percent.
- Capital adequacy of banks remains above regulatory minimums.

Key Monetary Policy Decisions

- Policy rate reduced to 4.25 percent to support economic activity.
- Standing Liquidity Facility (SLF) rate lowered to 5.75 percent.
- Standing Deposit Facility (SDF) rate maintained at 2.75 percent.
- Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) kept unchanged.
- Policy actions aim to maintain a symmetric interest rate corridor.

Credit and Lending Measures

- Institutional deposit rate floor has been abolished.
- Personal overdraft limit increased to NPR 10 million.

- Microfinance collateral-based loan ceiling raised to NPR 1.5 million.
- Disaster-affected borrowers permitted loan restructuring.
- Repayment flexibility introduced for microfinance borrowers.

Structural and Governance Reforms

- BFIs allowed to consolidate branches in metropolitan areas.
- Expansion of digital payment systems encouraged.
- Anti-Bribery and Corruption Policy to be introduced.
- Focus placed on strengthening governance and transparency in the financial system.

Economic Implications of Policy Measures

- Lower interest rates expected to support investment activity.
- Small and medium enterprises (SMEs) and households likely to benefit from easier credit.
- Remittance inflows continue to anchor macroeconomic stability.
- Rising NPLs require closer supervisory oversight.
- Digital banking adoption expected to accelerate.

Financial Stability Outlook

- System-wide liquidity conditions remain comfortable.
- Credit risk is rising in stressed sectors.
- Loan restructuring measures may delay full NPL recognition.
- Strong and proactive supervision remains critical.
- Capital buffers in the banking system remain adequate.

Financial Inclusion and Microfinance Impact

- Higher loan ceilings expected to support rural demand.
- Repayment flexibility provides relief to vulnerable borrowers.
- Risk management challenges for microfinance institutions are increasing.
- Financial inclusion is expected to deepen further.

Strategic Outlook for FY 2082/83

- Economic growth projected to remain moderate.
- Inflation expected to stay within the target band.
- External sector outlook remains stable.
- Banking sector resilient but adopting a cautious stance.
- Overall policy direction remains growth-supportive yet prudent.

Key Takeaways

- NRB has adopted a calibrated monetary easing approach.
- Policy focus balances growth support with financial stability.
- Relief measures targeted toward households, SMEs, and disaster-affected sectors.
- Governance reforms and digital transformation are prioritized.
- Core macroeconomic fundamentals remain stable.

Our Take:

A notable structural feature of the current policy stance is the clear tilt toward retail and microcredit expansion. Enhancements in personal overdraft limits and microfinance collateral-based lending ceilings indicate a pragmatic preference for fast-circulating credit channels at a time when large-scale industrial investment remains hesitant. While this approach may support short-term consumption and working capital needs, it also increases exposure to household leverage and microcredit risk, necessitating stronger underwriting discipline and post-disbursement monitoring.Targeted restructuring measures and repayment flexibility for disaster-affected and vulnerable borrowers reflect a measured and empathetic policy response to income shocks and climate-related disruptions.

Lowering the policy rate & upper corridor: what is the intent?

When the central bank **cuts the policy rate** and **lowers the upper bound of the interest rate corridor**, it is essentially saying:

"We want borrowing to become cheaper in the economy."

- The **policy rate** is the main signal rate.
- The **upper corridor (SLF rate)** is the *maximum* cost at which banks can borrow short-term funds from the central bank.

By lowering these:

- Banks' **cost of funds declines**
- Lending rates are **guided downward**, even if slowly
- Credit demand is encouraged without forcing banks

At the same time, the **lower corridor (SDF rate)** is kept stable so that:

- Depositors still earn a reasonable return
- Sudden deposit outflows are avoided

This protects **financial confidence**, which is critical for stability.

Why narrow the interest rate corridor?

The **interest rate corridor** defines the range within which short-term market rates move.

When the corridor is **narrowed**:

- Interbank interest rates fluctuate less
- Banks can **predict funding costs more accurately**
- Monetary policy signals become **clearer and stronger**

From a central banker's view:

Stable and predictable short-term rates means better monetary transmission.

This helps policy rate cuts **actually reach borrowers**, instead of getting lost in market volatility.

Why keep CRR and SLR unchanged?

CRR and SLR are **quantity-based tools**:

- They directly control *how much* banks can lend

By **not changing them**, the central bank is saying:

"We do not want to shock the system by suddenly releasing or absorbing liquidity."

Instead, the central bank prefers **price-based tools**:

- Interest rates
- Corridor adjustments

This approach indicates:

- Confidence that banks already have enough liquidity
- Desire to influence **credit behavior smoothly**, not abruptly
- Preservation of **liquidity buffers** in case of stress

In short, NRB wants to guide behavior, and not force it.

Macro- Economic Bulletin Board

Particulars	Four Months, 2082	Four Months, 2081
Total Budget (In NRs. Billion)	1,964.11	1860.30
Total Capital Budget (In NRs. Billion)	407.89	352.35
Total Recurrent Budget (In NRs. Billion)	1,180.98	1,140.66
Total Budget Utilization	23.87%	22.31%
Total Capital Budget Utilization	6.21%	9.8%
Total Recurrent Budget Utilization	27.18%	25.65%
Cash Balance of Government (In NRs. Billion)	202.98	216.31
Imports (In NRs. Billions)	609.50	513.40
Exports (In NRs. Billions)	93.50	52.70
Gross Forex Reserves (In US Dollar. Million)	21,517.70	16,701.30
Import Capacity (in Months)	17.40	15.10
Current Account Surplus (In NRs. Billions)	147.80	279.70
Balance of Payment (In NRs. Billions)	318.40	205.80
Remittance (In NRs. Billions)	687.10	523.10
Foreign Direct Investment (In NRs. Billions)	2.49	5.76
Commercial Average Base Rate	5.44	7.02
Commercial Interbank Rates	2.75	2.99
Inflation (CPI)	1.11	5.60
Inflation (WPI)	2.65	5.16
Total Loans and Advances (In NRs. Billions)	5,643.63	5,285.06
Total Deposits (In NRs. Billions)	7,520.46	6,642.80
Commercial Bank Weighted Average Lending Rate	7.38	9.33
Commercial Bank Weighted Average Deposit Rate	3.74	5.24
No. of Tourist Arrivals (July to November, 2025)	482,580	472,517
No. of Workers for Foreign Employment (New entry and Renewals)	273,810.00	241,583.00

Overall, the macroeconomic indicators point to a stable but demand-constrained economic environment. CPI-based inflation remaining at 1.11 percent reflects subdued price pressures and provides sufficient room for an accommodative monetary stance, though persistently low inflation also signals weak domestic demand.

The strong external sector position, evidenced by robust foreign exchange reserves covering 17.4 months of imports and sizeable current account and balance of payments surpluses, underscores near-term external resilience; however, this strength is largely remittance-driven rather than export-led, highlighting underlying structural dependence on labor income inflows.

While exports recorded a sharp increase, the magnitude of growth should be interpreted cautiously given possible base effects, whereas moderate import growth aligns with muted consumption and investment activity.
On the fiscal side, the gap between government expenditure and revenue mobilization indicates continued fiscal pressures, which may influence domestic liquidity conditions.

In the monetary sector, broad money growth remains healthy, but the relatively weak expansion of private sector credit compared to deposit growth suggests risk aversion among banks and subdued private investment appetite despite excess liquidity. This is further reinforced by low interbank and Treasury bill rates, indicating surplus liquidity in the banking system, while the wide spread between deposit and lending rates reflects banks' preference to protect margins rather than aggressively expand credit in a low-demand environment.

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