



A Study on Technical Analysis of Selected Scrip's of Banking Stock Listed on BSE India

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CHAPTER I

INTRODUCTION

Bombay Stock Exchange

Bombay Stock Exchange The Bombay Stock Exchange (BSE) is the first and largest exchange in India and was established in 1875. Primarily based in Mumbai city, India, the BSE lists close to 6000 firms and it is the most important exchange in the world. The BSE has helped develop the country's capital markets, including the retail debt market and helped grow the Indian companies. BSE Sensex, otherwise referred to as the S&P BSE Sensex index, is that the benchmark or index of the Bombay Stock Exchange (BSE). Sensex includes thirty of the most important and most actively-traded stocks on the BSE, providing a correct gauge of India's economy. The index's composition is reviewed in June and December every year. Initially compiled in 1986, the sensex is the oldest stock index in India. Analysts and investors use the sensex to see the growth, development of specific industries and booms and busts of the Indian economy. Stock Exchange Sensitive Index (SENSEX) may be a index or benchmark used to measure the performance of top thirty firms listed in BSE. If the sensex goes up, it implies that the price of the shares of most of the main firms on the BSE have goes up. If the sensex goes down it mean that the prices have gone down. Securities market or equity market is a place where the shares of different companies are come to buy and sell. This is only place companies buy the shares and other securities and also the consumers and vendors can deal in shares or other forms of securities is called stock exchange. The stock exchange is the place of replace, stock dealers and investors are capable to purchase and sell equity shares, debentures and securities. Stock connections is also present services for problem and revival of securities and new financial instrument, and assets transactions mutually with the payment of income and dividends. Securities dealt on a stock exchange contain stock sold by purchased company, collective speculation securities of Stock exchangers frequently task as "nonstop sale" markets, with consumers and sellers consummate dealings at the location, as the type floor of exchange.

Technical Analysis

Technical Analysis is at the other end of the stock analysis spectrum. It uses charts instead of annual reports and charts and patterns instead of arriving at an intrinsic value. Stock market technical analysis does use the market price of the stock to predict future patterns and analyze historical ones but does not concern itself with analyzing factors affecting the market price. It studies trends in price, volumes, and moving averages over a period of time. Trends in the volume show how long such a trend in price will prevail. So if there is a downtrend in volume, this means that trends might not exist for a long time. Like price and volume, there are more indicators, charts of which are analyzed by technical analysts. Technical analysts, after finding out if there is an uptrend or a downtrend in the metric, find out how long the trend has been there and if there is a visible pattern historically to see if such a pattern may arise in the future. This analysis focuses on quick buying and selling and hence aids stock traders more. The maximum vitality is that there is a relevant area, very little for record maintenance, but the transaction volume is a lot lower because the cutting-edge market uses electronic networks, in an effort to give faster speeds and better transaction expenses. The change's trading sports are managed by the exchanges of investors and buyers. Investing in shares yields more return and undergo more risk also. Investment program need to start with clear objectives. Based on the objectives, investment alternative can be chosen. Choosing investment needs a careful analysis. There are two approaches followed in investment analysis, the fundamental and technical analysis. The former analyses the fundamental factors such as economic, industry and company analysis, whereas later uses some technical tools to analyse the trend and timing, buy signal and sell signal. Technical analysis is superior over the fundamental as it can pitch the exact picture on the trend, support level or resistance level.



History of stock market:

In the twentieth century in France, alternate dealers have been worried about overseeing and controlling agricultural groups' duties for the bank's interests. A representative query is that inside the late 13th century, the West Flanders Product Agents mentioned the area of a man named Van der Beurze, and in 1409 they modified the "Brugse Beurze". The hobby, the corporation of what's the pastime, till then, a informal birthday party, all matters considered, the Vander Beurze family who labored in Antwerp at that point had these social sports there; Van der Beurze owned Antwerp, which is the Most of the time the shipper's moat, as an crucial alternate sellers. This idea spread fast in Flanders and in the nearest country. "Birchan" is frequently open in Ghent and Rotterdam. Function and purpose of stock market: The inventory trading shape is one of the maximum serious approaches for groups to raise finances. At the identical time, it also has an duty market. But average, those markets are greater forcing, however they've no longer been publicly exchanged. It enables organizations to alternate inside the open market and to raise additional budgetary capital to expand via modern necessities for enterprise responsibility within the publishing marketplace.

Operational obligation for the liquidity of speculators allows their holders to provide securities quickly and easily. This is an thrilling detail of putting sources into stocks, compared to unique liquidity investments inclusive of belongings and different indivisible sources. A few organizations correctly growth liquidity by replacing their strict costs.

History has validated that the expenses of stocks and one-of-a-kind sources are an fundamental part of the monetary behavior procedure and can impact or turn out to be a image of social temperament. The rising inventory trade is thinking about turning into a great economic economic system.

The transaction additionally acts as a clearing residence for each trade, which means that they accumulate and offer securities and ensures to investors. This can keep away from the danger of an person purchaser or dealer that the counterparty may additionally breach.

CHAPTER II

REVIEW OF LITERATURE

Disasters frequently disturb behaviour of investors, which eventually can affect their decisions about stock. Fama et al. (1969) carried out an original event study which can be used to comprehend that volatility of stock prices are related to specific events. The main focus of existing literature was on natural disasters, terrorist attacks, political behaviour, financial crisis, which studied relationship between disasters and stock prices. The catastrophe of the Soviet nuclear power plant was studied by Kalra, Henderson, and Raines. The study conducted by Nikkinen et al. (2008) showed that the "911" incident created a significant impact on the global stock prices, but then improved.

The Mexican tequila crisis 1994, the Asian-Russian financial crisis from 1997 to 1998, the Iraq war in 2004, the financial crisis of 2005, and global financial crisis of 2008–2009 were studied by Al-Rjoub(2011) and Al Rjoub and Azzam (2012) These authors explored whether these periods have an impact on the stock compensation behaviour of the Jordan Stock Exchange.

Schwert. (2011) studied the fluctuation of US stock prices during the financial crisis. The impact of US hurricanes on stock returns studied by Lanfear, Lioui, and Siebert (2018) found that disasters affecting consumer growth can impact the stock market. The impact of the Sino-US trade war on the Chinese stock market was studied by Yin, Lu, and Pan (2020) and found that negative events have a longer-lasting impact on the stock market than positive events. COVID 19 has a enormous and continual negative influence on the global economy. (Iyke 2020). The effect of Covid 19 on the stock market and the responses of countries studied by Narayan and Phan (2020), There is limited research on the effect of COVID-19 on stock prices in the existing literature, and not much research available to show the impact of economic variables on the bank stock during the lockdown declared by government immediately during that period. Qin et al. (2020) studied the impact of the pandemic on oil markets.

Ali, Alam, and Rizvi (2020) studied the impact of COVID-19 on different financial securities and compared the situation of China and other countries. In this context, we investigated the different changes in the stock prices of banking sector during the pandemic period Sunil Rashinker (2014), analyzed the market risk associated with nationalized banking stocks. The findings of this paper proved that few stock prices of banks moved upwards during unfavourable conditions when the market was going down.



This raised the question that whether market conditions every time create same impact on the stock prices of the companies. Comparative analysis of risk and return for stock of CNX Nifty, studied by Shaini Naveen & T. Mallikarjunappa (2016) found that all banks have positive beta value and the stock prices of few banks moves in reverse direction and few move along with market.

CHAPTER III

PROFILE OF THE STUDY AREA

Significant of the study

The role of technical analysis has been mired in controversies since its beginning. Many studies have argued that it's not valid or helpful in the market. Friedman (1953), Cootner (1964) and Fama (1966, 1970) have done some vital studies on the viability of technical analysis and identified that technical analysis is vain. Murray (1964) explains that technical analyst will expect higher amount of cyclical sway in the market than that of capital market analyst. Grossman and Stiglitz (1980) have argued that since the knowledge is expensive, prices cannot perfectly reflect the available information. Brock et al (1992) justify that technical trading rule will outplay the market. Rodriguez Martel and Rivero (2000) have opined that easy technical trading rule is usually superior to a buy- and-hold strategy in the absence of trading costs. Wong, Manzur and Chew (2002) observe that member companies of the stock market create substantial profit by applying technical indicators.

The proposed study is important in the contemporary era of economic liberalization which has led to an increase within the number of trading activities within the market and multiplied the use of technical analysis in the monetary field. Moreover, the affordability of pc and internet facilities, increasing variety of technical software and the opportunity of technical analysis in each broking company have multiplied the scope and significance of technical analysis.

Work of the Study

The proposed study aims at analyzing the price movements of the shares of selected companies. The research type of this proposed study is analytical in nature. For technical analysis, secondary data the daily share price movements of the selected companies in BSE SENSEX were absorbed for the three years. The closing price of share prices was taken and also the future price movement was analyzed using important tools. Data were collected from BSE website, various books, journals, magazines and company websites and other websites.

Time Period of the Study The period of three years from 1- Feb- 2018 to 31- Jan- 2020 have been taken to carry out the present study.

Samples

Sectors	Companies
Banking	Axis Bank
	ICICI Bank
	HDFC Bank
	Kotak Mahindra Bank

Tools and Techniques of the Study

1. Candlestick Chart
2. Moving Average
3. Relative Strength Index (RSI)

Tools of Technical Analysis

Candlestick Chart

Another name of Candlestick chart is stock chart. Japanese candlestick charts form the basis of the oldest style of technical analysis. Candlestick chart provide the knowledge as namely open price, high price, low price and close price, however. Candlestick charting provide a visible indication of market science, market sentiment and potential weakness creating it a rather valuable trading tool.

Technical Indicators

Technical indicators are mathematical formulas that, once applied to security prices clearly flash either buy or sell signals. Price data comprise any combination of the open, high, low or close over a period of time and most of the indicators use solely the closing prices. Once shown in graphical form, an indicator will then be compared with the corresponding price chart of the securities. Technical indicators supply several uses such as

- a. To substantiate the trends
- b. To form buy or sell signals
- c. To forecast the direction of future prices

Moving Average

A moving average (MA) may be a widely used indicator in technical analysis that helps smooth out price action by filtering out of the noise from random short price variations. It is a trend-following indicator because it's based on past price movements. Commonly used moving averages are

- a. Simple Moving Average (SMA)
- b. Exponential Moving average (EMA)

Relative Strength Index (RSI)?

The relative strength index (RSI) is a momentum indicator used in technical analysis. RSI measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions in the price of that security.

The RSI is displayed as an oscillator (a line graph) on a scale of zero to 100. The indicator was developed by J. Welles Wilder Jr. and introduced in his seminal 1978 book, *New Concepts in*

Technical Trading Systems. How the Relative Strength Index (RSI) Works

As a momentum indicator, the relative strength index compares a security's strength on days when prices go up to its strength on days when prices go down. Relating the result of this comparison to price action can give traders an idea of how a security may perform. The RSI, used in conjunction with other technical indicators, can help traders make better-informed trading decisions.

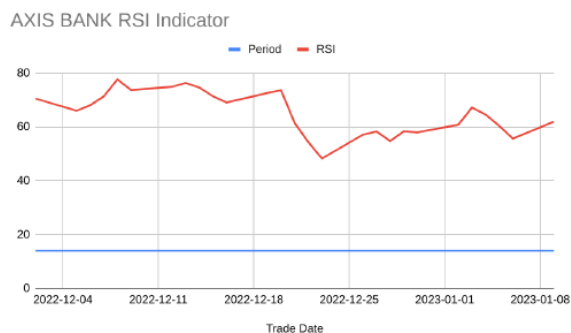
The average gain or loss used in this calculation is the average percentage gain or loss during a look-back period. The formula uses a positive value for the average loss. Periods with price losses are counted as zero in the calculations of average gain. Periods with price increases are counted as zero in the calculations of average loss. The standard number of periods used to calculate the initial RSI value is 14. For example, imagine the market closed higher seven out of the past 14 days with an average gain of 1%. The remaining seven days all closed lower with an average loss of -0.8%.

CHAPTER IV

DATA ANALYSIS AND INTERPRETATIONS

RSI of Axis Bank

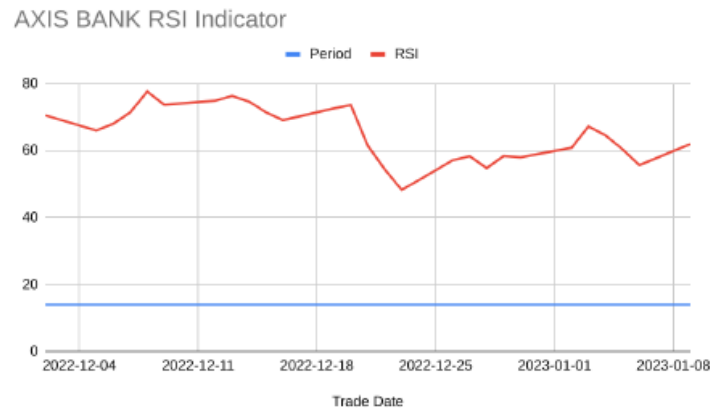
RSI of Axis Bank



Interpretation

The above chart shows the monthly to monthly calculation of RSI from the period 2-12-2022 to 9-1-2023. It indicates the company can have the huge volatility range 80 to 0 and my RSI is 40 to 50. So the volatility influences the investors to get more return on their investment.

RSI of Axis Bank



Interpretation

The above chart shows the monthly to monthly calculation of RSI from the period 02-12-2022 to 09-01-2023. It indicates the ICICI Bank volatility range is 59 to 0 and it resulted in 45 to 55. So volatility in more in short time it influence the investors to get more returns of their investment.

CHAPTER V

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDING

RSI are high volatility in every company. RSI are resulted in 35 to 45, 40 to 50, 45 to 55, 50 to 60. In every RSI chart it is close to zero which indicates buying signal in right time.

SUGGESTIONS

The investors may go for the buying decision because the prices are goes high in TVS Motor Company Ltd, Infosys, TCS, Crompton Greaves. The investor may go for the selling decision because the prices going down in Tata Motor, HCL, TVS, BEML, Canara. The investor may go for the holding decision M & M, SBI, ICICI, L & T Ltd. IX.

CONCLUSION

The entire market players have possibility to make the investment over the security. So, once they understand the market expertise it is going to support full to them to make the sufficient investment which will results in have longer returns to their investment. Consequently as investor and as a company it the exposure to recognizing the securities by using for the reason that the technical analysis. The investor have the huge opportunities to invest the investment in the banking and automobile and it will get the more earnings from this industry. In automobiles industries like TVS Motor Co., Ltd, M & M, and in Banking industry ICICI. So this all will be increase their annual profitability of the company. The investor who investing before they get to know the whether they are secured investor, aggressive investor, moderate investor. Because if they don't take the proper decision they will defiantly loss their investment its unnecessary investment. In this study had been considered the one year data and also weekly base price data of the 12 selected company of 4 different sectors. In research design using descriptive research, sampling size, statistical tools and to do the calculation using RSI.



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