Relevance of Technical Analysis on Selected Banks

[1]Dr. Chaitra K S, [2]Dr. Sujith Kumar S H

[1]Associate Professor, [2]Professor, [1,2]BIET – MBA Programme Davangere, Karnataka, India,

[1]chaitraks85@gmail.com, [2]shsujith@gmail.com

Abstract - Technical analysis focusing on what is occurrence, what has before occurring, and is so appropriate at any value point and technical analysis which is existing for buy and sell in capital market and also technical analysis to study the market price, stocks through chart and technical indicator to predict futures price movement. There are many tools to find out the price levels they are moving averages, relative strength index, momentum, support and resistance.

The objective behind this study that is to study the price movements of the selected bank nifty stocks and also to understand the trend of the stock bazaar for this study the data on selected bank nifty stocks was collected the chronological data of certain companies in bank nifty the period ranging from January 2018 to March 2018 (3 Months) the study is covered 7 bank nifty listed companies and the technical analysis are evaluate through using tools of technological examination, with the help of tools we understand that the investors when to buy shares and sell shares. And we know that in the selected companies which are in uptrend and which are in down trend. In selected companies some companies are overvalued and some are in undervalued.

The technical analysis is one of the art and science of chart patterns in order to true analyse and predict the cost. Technical analysis is one the important technique, it is used to analyse securities by analysing the price behaviour.

Key words – Technical Analysis, Moving Average, Relative Strength Index, Momentum, Uptrend, Downtrend.

I.   INTRODUCTION

Technical analysts consider previous business activity and cost changes of a security can be precious pointers of the safety's future cost actions. They may use technical analysis free to other study efforts or in mixture with some concepts of inherent worth considerations but most frequently.

It attempts to predict the cost movement & of almost any tradable/tool that is usually theme to services of supply and demand, stocks, bonds, futures and money pairs. In fact, some view technological analysis & simply the learning of supply and demand forces as replicate in the bazaar price activities of a safety. Technological investigation most commonly apply to price differences, but some forecaster trail information other just cost, such as trade quantity or open interest data.

All the business there are number of models and signs that have been improved by investigators to support technological analysis dealing. It have also improved many ways of trade system to help them project and trade on cost activities. Some/indicators are focused mostly on recognizing the present bazaar style, with supporting and confrontation areas, where other purposeful on identifying the power of a trend and the likelihood of its continuance.

II.   THEORITICAL FRAMEWORK

Technical analysis as we-know it today was first introduced by Charles dow & this Theory of Dow in the late 19th century. Several notable researchers with William P. Hamilton, Robert Rhea, serving to shape its source. In contemporary day, technological examination has evolved to incorporate 100s of models and signs improved through years of investigation.

Charles Dow/released a sequence of editorial column discussing technical analysis theory. His writings included 2 essential suppositions that have continued to form the structure for technical analysis trading.

1.   Marketplace are well-organized with principles expressing reasons that pressure a security price.

2.   Market/price activities are not solid random1but move in recognisable patterns trends that tend to repeat over time

Today, technical analysis is based on three main suppositions:

1: The Market/discounts the whole thing.

Many specialists criticize technical analysis since it only consider price movements and pay no attention to primary thing. Technical forecaster believes that the whole thing from a company's fundamentals to lane. This removes the need to consider the factors separately previous to building an investment choice. The merely obsession residual is the analysis of cost actions, which technical analysts view as the creation of supply and demand for an exacting collection in the market.

2: Price moves in-trends.

Technical analysts consider to costs go in small, middle, and durable term trend. In other words, a stock value more probably to carry on a previous trend than move randomly. Most technical trading plans are stand on this supposition.

3: The past tends to repeat itself.

Technical analysts believe that the past tends to do again itself. The cyclic environment of cost actions is regularly credited to marketplace expected stand on feeling like panic or enthusiasm. It utilizes graph model to analyse these feelings and following bazaar actions to be aware of trends. Whereas a lot of type of it has will used to more than a century, they are still supposed to be significant since they demonstrate models in cost activities that often do again.

Technical tools

Support: - this levels are where/demand is apparent to be strong sufficient to stop the cost from declining more.

We calculate support level to know, if a stock price starts to decrease, in that case what extend the price might decrease. Support stages are also being intended in 3 levels. Generally stock cost stays between Level 1 and 2 as confrontation level.

III. LITERATURE REVIEW

Dr. Pallavi, (2000) in her research found that, as far as the Indian banking is concerned it can be categorized in different modes such as government owned, private banking and specialized banking institution. In India Reserve Bank of India is the control body which works above to all Indian banks. Since from 1969 the public sectors banks has cover-up the decades to establish the Indian banking sector due to the demand of customer value and customer base.

Mitra (2011) made a study on profiting from Technical Analysis in Indian Stock Market State bank of India, and TISCO from the stock market published quotes during the period Dec, 1995 to Feb, 1999. Author used two tools for analysis purpose: (a) Moving average crossover (b) Use of filter rules. The trading tools or methods tested in the study were giving profitable results, which helps investor to

believe that making profit in stock market was not just a matter of chance.

Chitra (2011) examined stocks of energy sector with the help of technical analysis and Advised investors to buy the stocks of NTPC, GAIL CAIRN, ONGC, Power Grid Corporation of India, BPCL, Reliance Industries and Reliance Power because net profits of these companies were rising at a higher rate. It was suggested to sell the shares of Suzlon and consider number of factors like performance of company, political events, climate conditions etc. while planning to invest in the stocks of a company. Overall, Investors were recommended to analyse the stocks.

Sathya & Tamilenthi (2012) tested the stocks of ten companies of NIFTY i.e. ONGC, NTPC, Reliance Communication, SBI, Reliance, ICICI, L& T, SAIL, Bharti Airtel and BHEL to recognize the future price movements of the share price. Price movements of the three months were studied by technical analysis to estimate the signals of buy and sell for advising the right kind of strategies to the investors. Investment opportunities were recommended to long, medium & short term investors in case of Reliance, SBI and ONGC. NTPC, L & T were found to be suitable for long term investors. Reliance Communication, BHEL & Bharti Airtel were recommended suitable for medium and short-term investors. Long & medium-term investors were suggested to invest in SAIL & ICICI for better return.

Sangeetha & Jain (2013) in their research found that banking companies in the service sector exhibit the problem of distinct results in terms of efficiency. This problem is a cause of concern for many big organizations in the service sector like hotels, courier companies, hospitals, banks and so on. In particular, the last decade has observed continuous amendment in regulation, technology and competition in the global financial services industry, and Indian banks are no exception.

Vimala. S, Saranya P. B and Saranya R (2014) supported the use of technical analysis for forecasting stock price actions. According to them the investors have chances to make profits with the help of moving average trend line and the relative strength Index. This trend line helps the investors to decide on either to hold or to buy or to sell.

IV. RESEARCH DESIGN

STATEMENT OF THE PROBLEM

Technical analysis is the study of price movjent and trend in markets in order to forecast future prices. Investment timing plays a crucial role for trading in stock market trading. The investors face difficulty while identifying the opportunities. So this analysis is directed towards the use of different tools of technical analysis.

Which help the investor to identify and decide when to buy or sell.

NEED FOR THE STUDY

➢ To know what strategies the investor can adopt while trading in equity/cash market with the help of technical analysis

➢ Technical analysis is the upcoming tool and the investors who want to invest for short term period in the competitive world

➢ This study reveals the importance of technical analysis for the investment decisions, which acts as a guidance & helps them in decision making & predicts the future price of the script.

OBJECTIVES

➢ To find out the relevance of the tools used in technical analysis

➢ To study the/price moments of the selected bank nifty stocks.

➢ To understand the support and resistance level of the price.

➢ To understand the trend of the stock market

SCOPE OF THE STUDY

➢ The Study is aimed to understand the good Investment in short term and long term.

➢ The study would be helpful for investor for farming the strategies to earn short term and long term benefits.

➢ Firstly it is useful to study level of the Indian stock market.

➢ Secondly this study is based on daily closing price; further research work can be done on the high frequency data.

➢ Thirdly this study only restricted to banks in NSE stock exchange. A comparative study of market volatility between public and private banks can be undertaken for the future work.

V.   METHODOLOGY

1)   Simple Moving Average (MA) –

The market indices do not rise or fall in straight line. The upward and downward movements are interrupted by counter moves. The underlying trend can be studied by smoothening of the data. To smooth the data moving average technique is used. The moving averages are used to study the movement of the market as well as the individual scrip price. The moving average indicates the underlying trend in the scrip.

2)   Relative Strength Index (RSI) –

RSI = 100 - 100/ (1 + RS*) *Where RS = Average of x days' up closes / Average of x days' down closes

If the share price is falling and RSI is rising, a divergence is said to have occurred. Divergence indicates the turning point of the market. If the RSI is rising in the overbought zone, it would indicate the downfall of the price. If RSI falls in the overbought zone, it gives a clear signal of 'sell'. The term 'overbought' describes the price level at which momentum can no longer be maintained and the price has to go down. When the RSI is in the oversold region, it generates the buy signal. The term oversold is used to describe a security or market that has declined to an unreasonably low level. This condition is characterized by an increase in sales and excess of net declines.

DATA COLLECTION METHOD

Secondary data method has been used to collect the data. Stocks selected for analysis includes

• Axis bank
• ICICI bank
• HDFC bank
• Yes bank
• SBI
• Kotak bank
• IndusInd bank.

HYPOTHESES

H1: there is a significant relationship between price movement & bank nifty stocks.

H0: there is no relationship between price movement & bank nifty stocks.

LIMITATIONS

➢ Sample is restricted only to daily closing price of selected companies for a period of one year from 01/01/2018 to 31/12/2018

➢ Technical analysis only considers price movement

➢ The study ignores the fundamental/factors of the company

➢ The prices are believed to follow fluctuations

VI.   ANALYSIS AND INTERPRETATION

We have done the calculation of selected companies which was based on top weighted companies. We have done the calculations of support and resistance, simple moving average, exponential moving average, RSI and momentum of taking the historical data of the year 2018 But we take only RSI to draw a graph because remaining tools are little bit clumsy so we ignored that and we gone through RSI.

TABLE NO -1 THE BELOW TABLE SHOWS RSI FOR THE SELECTED COMPANIES ON MONTH OF JANUARY

JANUARY							
RSI							
MONTH	AXIS BANK	SBI	HDFC BANK	ICICI BANK	YES BANK	KOTAK BANK	INDUSIND BANK
19-Jan-18	70.85	52.38	69.16	87.33	81.013	79.22	61.99
22-Jan-18	80.79	53.68	71.93	85.13	83.981	81.10	58.48
23-Jan-18	82.48	63.78	61.18	86.38	83.981	83.56	68.05
24-Jan-18	69.91	67.40	62.72	75.62	84.919	84.00	64.28
25-Jan-18	71.27	54.47	63.73	79.75	75.785	85.21	57.66
29-Jan-18	68.74	54.11	63.65	76.40	70.300	87.20	55.66
30-Jan-18	61.99	56.04	60.54	73.84	60.526	73.04	52.74
31-Jan-18	63.24	58.25	61.19	74.10	62.920	79.11	54.55

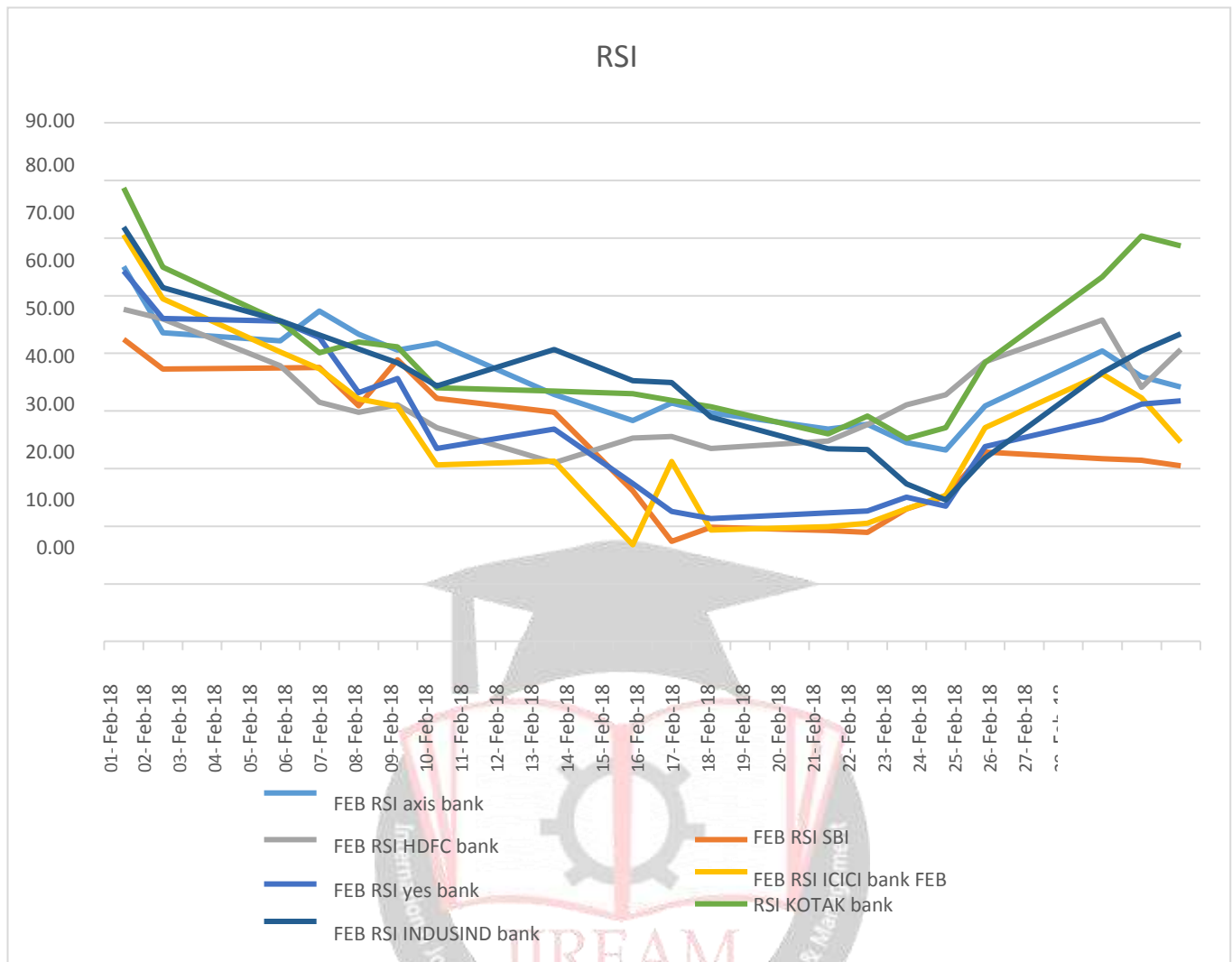**GRAPH NO – 1 RSI GRAPHICAL REPRESENTATION ON THE MONTH OF JANUARY**
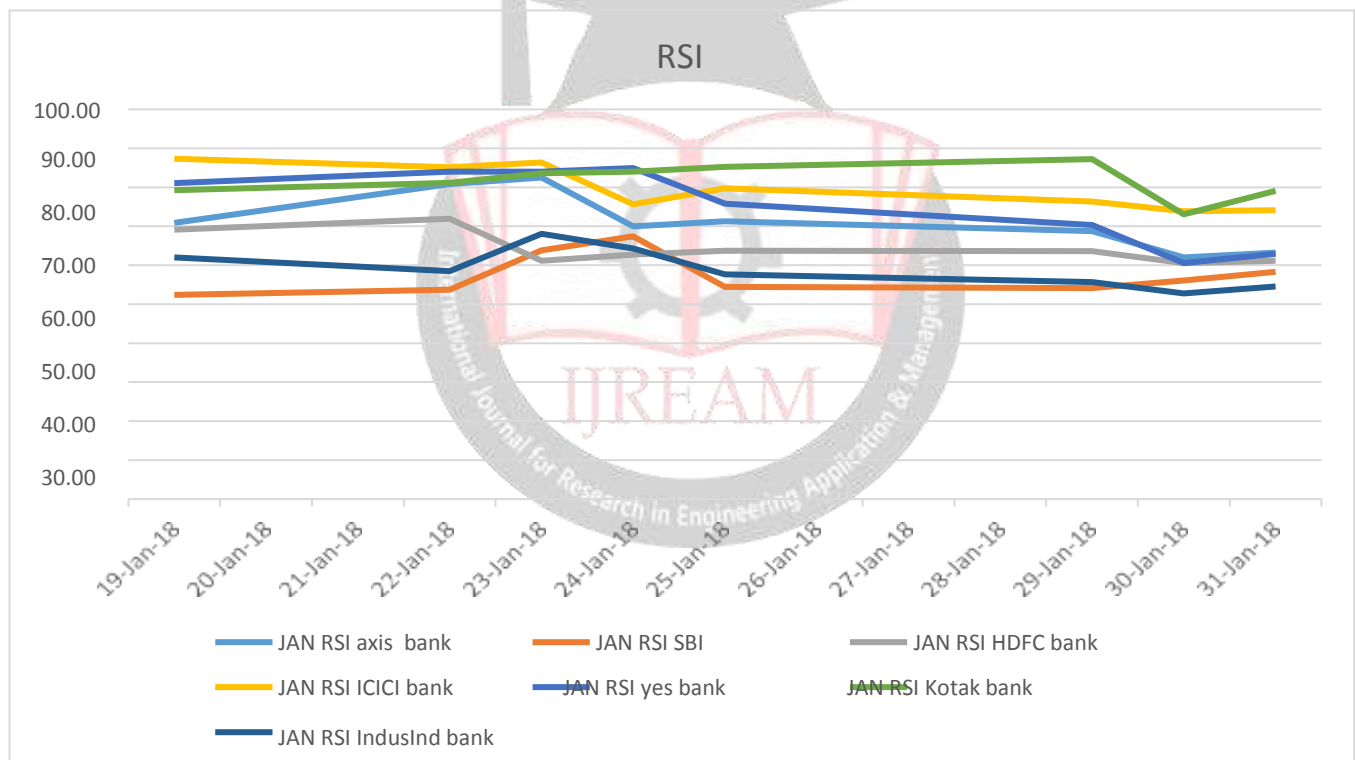
Interpretation:

From the above graph it is depicted that, when the RSI line crosses above 70 it indicates the sell signals for investors. And when the RSI line falls to 30 it indicates the buy signals for investors. On the month of jan-2018, the 1st Jan except SBI & IndusInd bank remaining all are reaches high point at above 70 that indicates to investors to sell signals and SBI & IndusInd bank are lot of corrections is happing in the market because RSI lies in between 40-50.

TABLE NO -2 THE BELOW TABLE SHOWS RSI FOR THE SELECTED COMPANIES ON MONTH OF FEBRUARY

FEB						
RSI						
MONTH	AXIS BANK	SBI	HDFC BANK	ICICI BANK	YES BANK	KOTAK BANK	INDUSIND BANK
01-Feb-18	65.06	52.41	57.63	70.57	64.28	78.71	71.89
02-Feb-18	53.57	47.23	55.99	59.45	56.06	64.96	61.37
05-Feb-18	52.14	47.42	47.83	50.23	55.60	55.48	55.63
06-Feb-18	57.33	47.50	41.51	47.29	52.73	50.11	53.21
07-Feb-18	53.30	40.85	39.73	42.07	43.19	51.94	50.72
08-Feb-18	50.57	48.88	41.06	40.79	45.62	51.12	48.38
09-Feb-18	51.80	42.15	37.08	30.62	33.47	44.04	44.34
12-Feb-18	42.85	39.77	31.00	31.32	36.85	43.42	50.68
14-Feb-18	38.36	26.11	35.26	16.78	27.39	43.01	45.27
15-Feb-18	41.36	17.35	35.52	31.24	22.56	41.81	44.94
16-Feb-18	39.67	19.80	33.51	19.34	21.31	40.73	38.93
19-Feb-18	36.86	19.21	34.79	19.89	22.30	36.02	33.44
20-Feb-18	37.69	18.87	37.65	20.49	22.66	39.11	33.31
21-Feb-18	34.49	22.95	41.04	23.00	25.04	35.22	27.3
22-Feb-18	33.23	25.17	42.78	25.32	23.45	37.10	24.55
23-Feb-18	40.83	32.85	48.54	37.10	33.80	48.42	31.80
26-Feb-18	50.39	31.68	55.76	46.40	38.56	63.27	46.64
27-Feb-18	45.97	31.41	44.07	42.30	41.18	70.38	50.39
28-Feb-18	44.16	30.47	50.66	34.58	41.76	68.66	53.36

GRAPH NO – 2 RSI GRAPHICAL REPRESENTATION ON THE MONTH OF FEBRAUARY

Interpretation:

From the above graph it is depicted that, when the RSI line crosses above 70 it indicates the sell signals for investors. And when the RSI line falls to 30 it indicates the buy signals for investors. On the month of feb-2018, the 1st Feb the Kotak, IndusInd & ICICI bank are reaches high point at above 70 that indicates to investors to sell signals and 14th Feb the SBI and ICICI banks are falls below 30 that indicates to investors buy signals and lot of corrections is happing in the market for remaining bank stocks because RSI lines in between 40-50.

TABLE NO -3 THE BELOW TABLE SHOWS RSI FOR THE SELECTED COMPANIES ON MONTH MARCH

MAR						
RSI						
MONTH	**AXISIS BANK**	**SBI**	**HDFC BANK**	**ICICI BANK**	**YES BANK**	**KOTAK BANK**	**INDUSIND BANK**
01-Mar-18	44.97	17.70	55.55	29.24	39.25	66.27	55.03
05-Mar-18	48.26	21.19	38.43	31.75	40.03	78.43	56.95
06-Mar-18	48.79	21.45	41.45	28.30	29.50	65.65	54.22
07-Mar-18	54.55	22.51	39.19	27.90	39.39	66.61	51.84
08-Mar-18	52.48	32.17	44.75	28.44	37.01	65.34	51.50
09-Mar-18	48.86	34.11	47.40	29.79	39.26	63.15	57.93

12-Mar-18	55.46	35.81	52.02	37.57	48.19	66.47	70.73
13-Mar-18	57.06	36.62	51.43	41.73	53.05	63.50	71.27
14-Mar-18	57.28	35.11	46.41	41.54	55.16	59.96	80.72
15-Mar-18	56.90	33.48	42.64	39.63	45.36	55.46	78.76
16-Mar-18	58.85	28.47	43.70	34.68	38.51	42.66	70.04
19-Mar-18	57.49	27.12	44.44	29.61	29.92	27.44	58.56
20-Mar-18	55.75	32.28	39.08	30.51	28.68	29.43	60.03
21-Mar-18	55.86	31.38	52.57	33.12	30.36	33.47	65.17
22-Mar-18	53.35	31.03	57.28	34.25	29.68	31.64	65.59
23-Mar-18	46.24	25.96	48.77	31.47	27.94	25.73	68.66
26-Mar-18	45.70	42.20	53.47	40.80	44.17	30.05	66.40
27-Mar-18	42.67	56.17	53.69	47.90	44.38	34.79	74.24
28-Mar-18	45.46	43.92	50.72	35.00	47.47	35.01	79.90

Interpretation:

From the above graph it is depicted that, when the RSI line crosses above 70 it indicates the sell signals for investors. And when the RSI line falls to 30 it indicates the buy signals for investors. On the month of mar-2018, the 1st mar the Kotak bank and 14th march IndusInd bank are reaches high point at above 70 that indicates to investors to sell signals and 1st march the SBI and ICICI banks and on 21st march Kotak and yes bank are falls below 30 that indicates to investors buy signals and lot of corrections is happing in the market for remaining bank stocks because RSI lines in between 40-50.

VII.   SUMMARY OF FINDINGS

The Main Findings of the study are as follows

- On top of the foundation of first objective we found that by calculating the technical tools such as RSI, Moving average, momentum and support and resistance. With these mentioned tools we have easily analyze that the selected stocks are gives income in stock market to investors.

- Second objective we found that the price moment of bank nifty stocks are fluctuating. How much fluctuating? What is its relevance?

- On The Basis of third Objective we found that in some stocks the "'buying pressure" exceeds selling pressure & the decline in price is halted, and also we found that the reaming stocks are "selling pressure" go beyond buying force and rally in stock price halted.

- On the basis of fourth objective we found that the trend value of stocks axis bank and IndusInd bank are in down trend, and SBI and Kotak bank are in uptrend

- **Axis bank:** In the Basis of result show by the all price movement respectively. It was fund that the RSI values are crosses Eighty during the month of Jan, it was downtrend and also many of the times the shares are reaches the 70 so it was over brought (overvalued) we find that the axis bank shares are in downtrend and it time to sell, the investors are better to sell the shares.

- **SBI:** In the basis of result shown by the all price movements respectively. It was fund that the RSI values are falls below 30 in many times in the year 2018 it was over sold (undervalued) and it was the time to pick up the scrip. The SBI shares are falls below 30 it was uptrend and it gives a buying signals to the investors.

- **HDFC:** In The Basis of result show by the all price movement respectively. It was found that the RSI values are lies between 70-30, but in some times it reaches 70 and also falls to 30. We have to always interpret for 70 & Ma30 so the HDFC shares are shows that it have to purchase or sale signals to the investors.

- **ICICI:** In The Basis of result show by the all price movement respectively. It was found that the RSI values are lies between 70-30, but in some times it reaches 70 and also falls to 30. We have to always interpret for 70&30 so the ICICI shares are shows that it have to purchase or sale signals to the investors.

- **Yes bank:** In the Basis of result show by the all price movement respectively. It Was Found that the RSI values are over brought in some months it went to downtrend and in some months it was over sold it went to uptrend, so the yes bank is in undervalued in Feb and March.

- **Kotak bank:** In the Basis of result show by the all price movement respectively. It Was Found that the RSI

values are falls below 30 in many times in the year 2018 so it shows that the Kotak bank shares are in the undervalued, so it was time to pick up the scrips and it was buying signals for the investors.

- **IndusInd bank:** In the Basis of result show by the all

price movement respectively. It was found that the RSI values are crosses 70 in many times in the year of 2018. It shows that the IndusInd bank shares are in overvalued, so it was over brought its time to sell.

GRAPH NO – 3 RSI GRAPHICAL REPRESENTATION ON THE MONTH OF MARCH
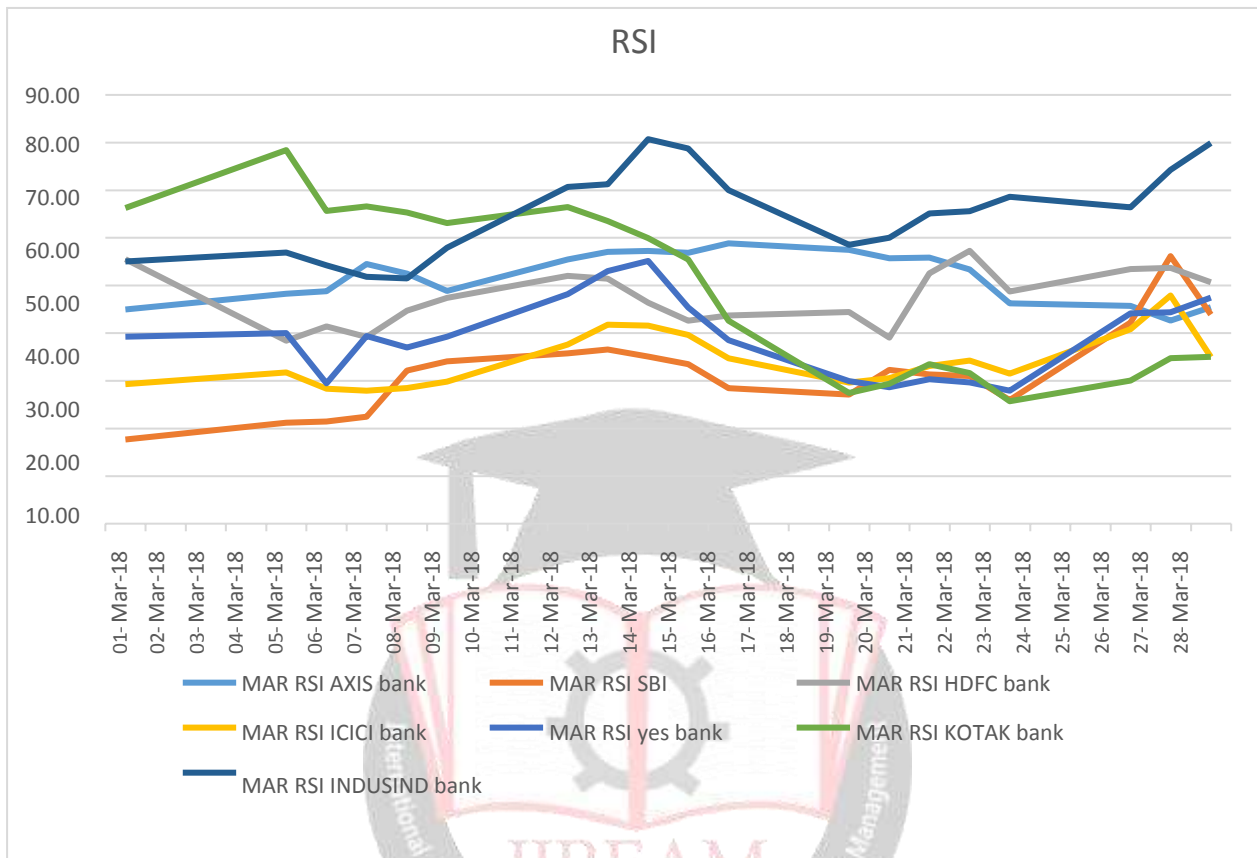
VIII.   SUGGESTIONS/ RECOMMENDATIONS

On top of the basis of my study, I would like to give suggestion like

- The investors should use more number of tools likewise charts, patterns and graphs; it will depict a true graphical presentation on the price behavior of the securities.

- We suggested that to know the daily live updates of stock prices the investors to stay tuned with the money control, nseindia.com.

- Those who want invest on stocks, and if they prefer to make a technical analysis, it is suggested that is better to use tool like RSI to make decision of purchase and sale compare to other indicators I have used, because it gives most of the positive result to investors analysis.

- The investors should analyze the historical price data in real time: the investor to plan your market strategy to make money, of upwards & downwards trending

through the markets so investor has to monitor the trend of the stocks before investing the money.

IX.   CONCLUSION

The technical analysis be one of the art and science of chart patterns in order to true analyze and predict the cost. Technical analysis is one the important technique, it is used to analyze securities by analyzing the price behavior. The current learning is to find out the trend level of HDFC, ICICI, AXIS, SBI, INDUSLAND, KOTAK and YES BANK banking price behavior. The trend be one of the mainly vital tools.

The moving average is mathematical tool and it showing the minimum and maximum price movement of the banking sector over a period for analyzing of the market and investment and secondly the technical analysts have to be trained and given there are better analyzing method and provide a better service. And the RSI is also one of the mainly vital tool it helps the investors when to buy or sell, technical analysis should manage risk and return, it will help to control them. Technical analysis is popular with the next generation. The technical analysis suggest, the shares

of axis bank and IndusInd bank are in down trend, so the investors are better to sell the share and SBI and Kotak bank are in uptrend so the investors are better to buy the shares and lot of corrections is happing in the market for reaming bank stocks because RSI lies in between 40-50.

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