A Study on Technical Analysis of Shares of ICICI and HDFC Bank

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ABSTRACT - So many studies have been done to evaluate the benefits of conducting the technical analysis of shares of ICICI and HDFC bank. Technical analysis has basically done on analysing the future direction of movement of shares. It mainly predicts the fluctuation of the shares so that the company can be selected for investment. This paper will study about the usage of technical analysis of shares of ICICI bank and HDFC bank and how it will be helpful for b predicting the future prices of shares. For the research, data has been taken of last 3 months. Prices have been compared by using RSI, MA, ROC and Line chart.

Keywords: technical analysis, RSI, MA, ROC and Line chart.

I.   INTRODUCTION

The method of studying is to analyse securities and investment decision will follows two categories: Fundamental analysis and technical analysis.   In fundamental analysis its analysis, the company value theoretically for the purpose of long-term investment and also analysis the economy, industry and company-based information in detail. But in technical analysis it will only studies the demand and supply in a market.   The main aim is studying the technical indicator by was various database. It focuses on short term investment as intraday trading where the trading should be done within a day. Technical analysis will use various tool to predict market activity and by the support of chart it will represent the data to identify the pattern of future activity. Technical analysis will help the investor to evaluate strength and weakness of the securities. (Park and Erwin, 2004)

Technical analysis of share prices of ICICI and HDFC bank and trade volume to check the near future price movement. Somewhere, it is a mix of psychological and logical, which means market is driven by the psychology of the investors in 90% of the times and for 10% of the times logical factors affect the market. Technological analysis is based on the belief that history repeats itself, means that price patterns and traded volume occur again and again over a period of time. This repetition of price and volume pattern helps in estimating the near future price movements.

Technical analysis is being used for different purposes like predicting overall market trend and making a prediction about individual shares. In this research paper researcher has tried to do technical analysis of shares.

Technical analysis indicators are price, value, volume and so on to decide the entry, hold and exit time and levels.

Charts form few activities to show the technical analysis of shares. It's a technique that claims the ability to forecast the future direction of prices through the study of past market data. The strength of analysis depends on how accurately the technical analysis of price movements are done.(C. Boobalan , 2014)

The study of technical analysis of selected companies will help to predict the future by understanding the intrinsic value of share. Further it will help in understanding the price behaviour of the shares. The signal represents the major turning point to the market price. (Pallavi, 2000).

II.   LITERATURE REVIEW

AUTHOR: S. P. Kothari, Jai Shanken and Sollen (1995)

FINDINGS: Shows that beta significantly explains cross sectional variation in average returns, but that size also has incremental explanatory power. The findings shown that statistically significant, the incremental benefit of size given beta is surprisingly small economically.

AUTHOR: Preethi Singh (1986)

FINDINGS: Studied the basic rule for selecting the company to invest in the stocks. The opinion and understanding that measures the return and risk is fundamental to the investment process. Most of the investors are risk aware and to get more returns the investors has to face greater risk. She concludes that the risk is fundamental to the process of investment. The investor should evaluate the financial statements with special references to solvency, profitability, EPS and efficiency of the company.

AUTHOR: Grewal S.S & Navjot Grewal (1984)

FINDINGS: Revealed some basic investment rules they warned the investors not to buy unlisted shares, as stock exchanges do not permit trading in unlisted shares. Another rule that they specify is not to buy inactive shares and the third rule according to them is not buy shares in closely held companies because these shares tend to do less active than the widely held ones since they have few number of shareholders.

AUTHOR: Dr. Pallavi, 2000

FINDIND: The study is concern to know the different systems are government, private and banking institution. The RBI controlling body of banking sector in India. It has changed the banking business after 1969 and the demand got increased on the customer value and customer based.

AUTHOR: Jelena Stankovic, Ivana Markovic, Milos Stoanovic (2015)

FINDING: The study revealed the efficiency of technical analysis and predictive modelling in defining the optimal strategy for investing in stock markets. The paper covers emerging market economies and uses technical indicators such as moving averages, MACD, RSI etc. it is based on least squares support vector machines model. The paper concludes that machine learning techniques capture nonlinear models adequately and this model outperforms buy and hold strategy in maximization of profitability on investment.

Objective of study

➢ To identify the trend of the stock prices of selected companies which are listed in NSE by using Technical Analysis.
➢ To analyse price movements using simple moving average.
➢ To analyse price movements using relative strength index.
➢ To analyse price movements using rate of change.

III.   RESEARCH METHODOLOGY

Secondary Research:

- Research papers
- Websites

SAMPLE: - For studying the objectives sample which consists of the daily closing values of the selected indices i.e., ICICI, HDFC been taken from 1st October 2021 to 31st December 2021.

SAMPLE SIZE: - Following table shows the details of sample size of each selected stock. The data are synchronized. The sample includes observations of daily closing values of individual stock of selected banks for 3 months. The study has considered the selected stocks as they are the mostly considered in many researches.

IV.   DATA ANALYSIS & INTERPRETATION

ICICI BANK'S SHARES

This is the data of October, November and December 2021 of ICICI bank's shares

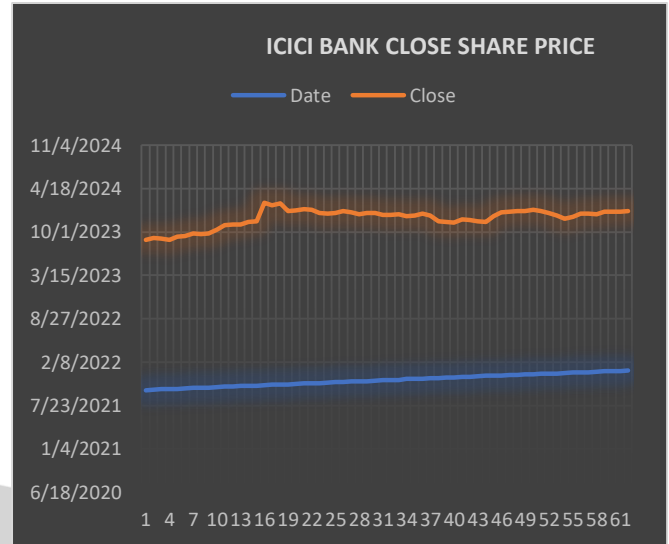### THE CLOSING PRICE OF ICICI BANK'S SHARES

Fig1. Closing price of ICICI share for Oct- Dec 2021

Analysis and Interpretation:

We have found the line pattern of the share with the help of closing price of the share.

By observing the closing price of the share of the last 3 months we can say that there is bullish phase as slight difference in the line can we seen and not a major change.

The line is moving up without a big difference in it. There is no reversal pattern being formed in the chart. The should should hold the share.

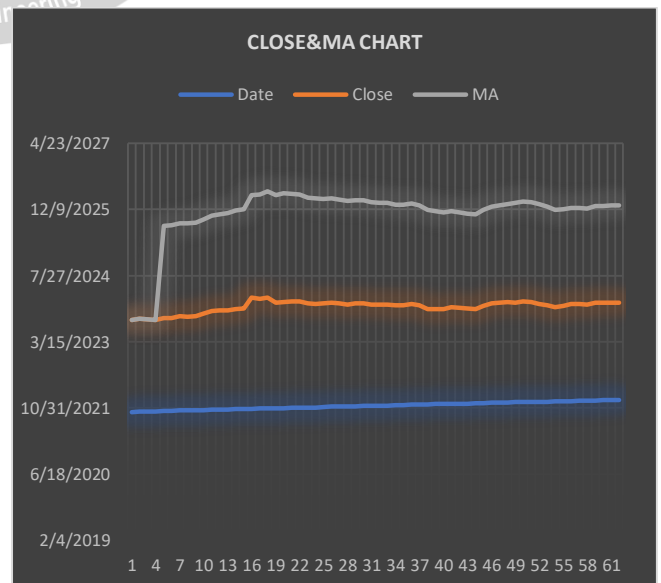### MOVING AVERAGE OF ICICI BANK'S SHARES

Fig2. Closing price and Moving Average of ICICI share for Oct- Dec 2021

Analysis and Interpretation:

In this chart we have calculated the moving average with the help of closing price of the last 3 months. Moving average shows the trend direction of the stock. There is a slight change in the moving line and we cannot say whether the line is going upwards or downwards. The Moving average and closing prices are not intersecting each other, hence no signal is indicated.

RSI (RELATIVE STRENGTH INDEX) OF ICICI BANK'S SHARES

FORMULA OF RSI:

RSI = 100-(100/(1+RS)

RS = RELATIVE STRENGTH

RS = AVERAGE GAIN/AVERAGE LOSS

INPUT PERIOD – 14 days Closing Price
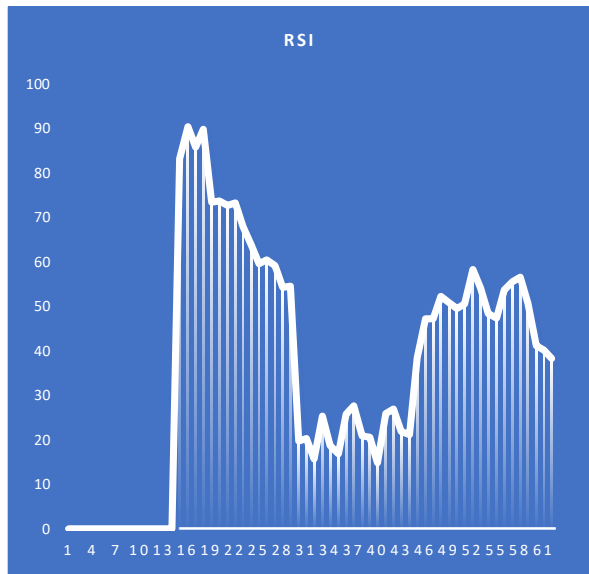
RSI LINE OF ICICI BANK'S SHARES

Fig3. RSI of ICICI share for Oct- Dec 2021

Analysis and Interpretation:

The relative strength index (RSI) is a momentum indicator used in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset.

We have calculated the RSI with the help of closing price of the last 3 months.

As indicated in the chart, the line is fluctuating between only 70 and 30. This line is indicating is not going into the over bought or oversold regions. Hence no signal is indicated.

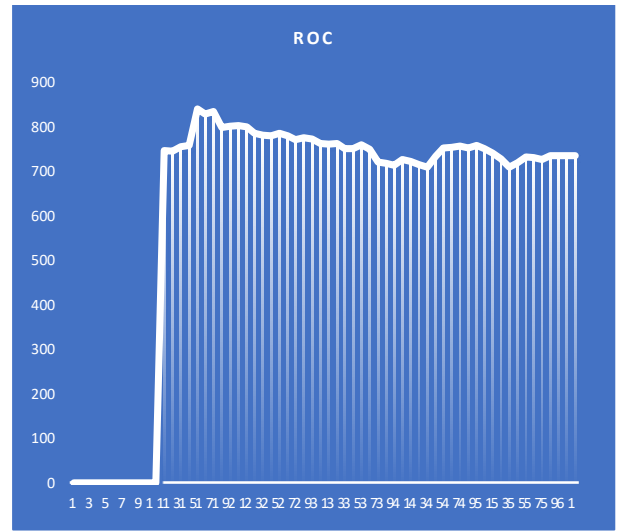## ROC (Rate of Change) OF ICICI BANK'S SHARES

Fig4. ROC of ICICI share for Oct- Dec 2021

Analysis and Interpretation:

The Rate-of-Change (ROC) indicator, which is also referred to as simply Momentum, is a pure momentum oscillator that measures the percent change in price from one period to the next.

ROC is a very simple strategy which states that whenever the Rate of Change goes above zero line from below, it states a positive momentum while when the ROC goes below zero line from above; it generates a negative momentum in the price.

We have calculated the ROC with the help of closing price of the last 3 months.

So, as you can see in the chart that the line is fluctuating but with slight change in the moving line. ROC is indicating the overbought region , hence investor should sell the share.

HDFC BANK'S SHARES

This is the data of October, November and December of ICICI bank's shares
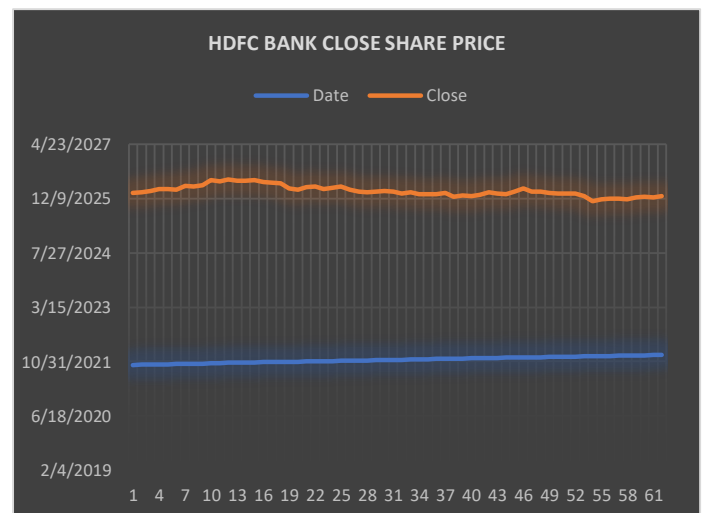
THE CLOSING PRICE OF HDFC BANK'S SHARES

Fig5. Closing price of HDFC share for Oct- Dec 2021

Analysis and Interpretation:

By observing the closing price of the share of the last 3 months we can't say that there is bullish or bearish phase as there is a slight difference between the months.

There is not a major change as the line is moving in a straight direction without any major ups or downs. There is no reversal pattern being formed in the chart.
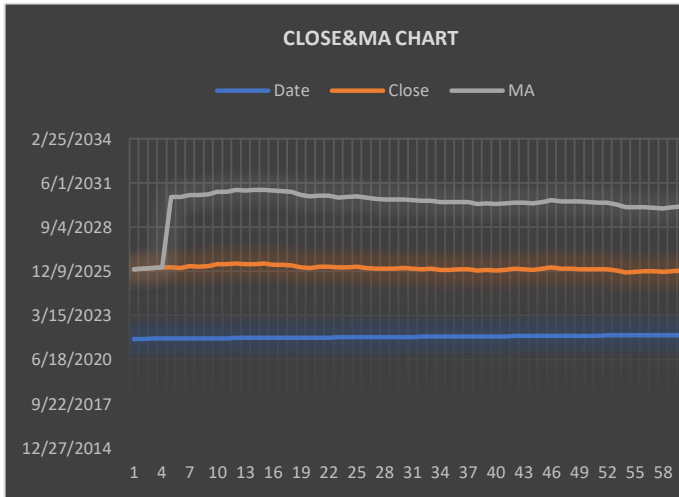
MOVING AVERAGE OF HDFC BANK'S SHARES

Fig6. Closing price and Moving Average of HDFC share for Oct- Dec 2021

Analysis and Interpretation:

In this chart we have calculated the moving average with the help of closing price of last 3 months. Moving average shows the trend direction of the stock, whether it is going upwards or downwards. The grey line is indicating the Moving average, which is moving in a straight direction without any major change. Hence investor should wait for the buy or sell signal.

RSI (RELATIVE STRENGTH INDEX) OF HDFC BANK'S SHARES

FORMULA OF RSI:

RSI = 100-(100/(1+RS)

RS = RELATIVE STRENGTH

RS = AVERAGE GAIN/AVERAGE LOSS

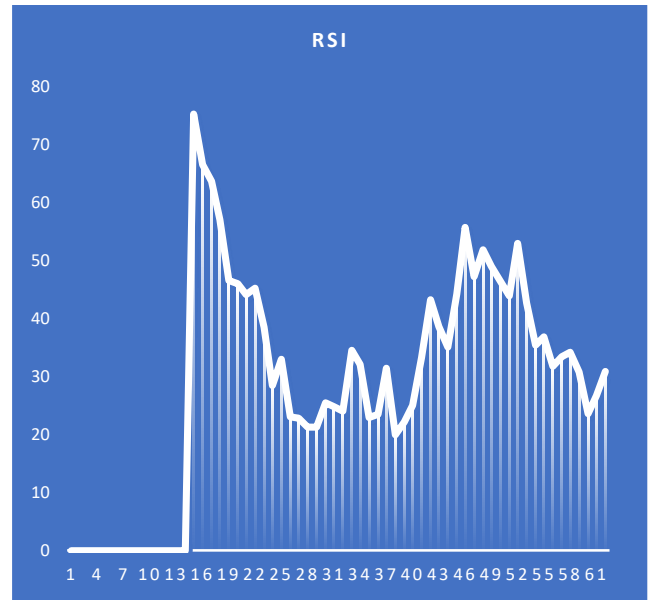INPUT PERIOD – 14

CLOSE

Fig7. RSI of HDFC share for Oct- Dec 2021

Analysis and Interpretation:

The relative strength index (RSI) is a momentum indicator used in technical analysis that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset. (Fischer et al, 2006)

We have calculated the RSI with the help of closing price of the last 3 months.

So, as indicated in the chart the line is fluctuating. This line is oscillating between 30 and 70, it means investor should hold the share as no signal is being indicated.
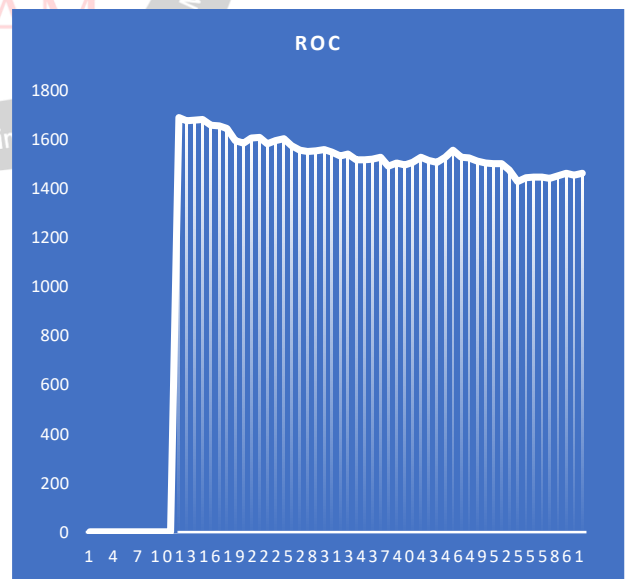
ROC (Rate of Change) OF HDFC BANK'S SHARES

Fig8. ROC of HDFC share for Oct- Dec 2021

Analysis and Interpretation:

The Rate-of-Change (ROC) indicator, which is also referred to as simply Momentum, is a pure momentum oscillator

that measures the percent change in price from one period to the next.

ROC is a very simple strategy which states that whenever the Rate of Change goes above zero line from below, it states a positive momentum while when the ROC goes below zero line from above; it generates a negative momentum in the price.

We have calculated the ROC with the help of closing price of the last 3 months. The values are lying in the overbought region, so investor should sell the shares.

V.   FINDINGS

➢ By the interpretation we have find out that there is not a bullish phase nor the bearish phase, only slight difference can be seen in the chart.

➢ The moving average of both the shares are indicating a hold signal, means one should wait for reversal pattern.

➢ The Relative Strength Index for both the shares is indicating a hold signal. Investor should wait for reversal signals.

➢ ROC of both the shares is lying in the overbought region, which means one should sell the shares if it is in the portfolio.

➢ The line chart is having a stable fluctuation which means there is no pattern formation for reversal signals.

➢ And nothing can be said about the upwards or downwards trend in the market.

➢ Hence a weak sell signal may be indicated for both the shares. This has to be cross checked by studying some market indicators.

VI.   CONCLUSION

The analysis has been done mainly by the use of three mathematical indicators called MOVING AVERAGE, RELATIVE STRENGTH INDEX and RATE OF CHANGE, which are leading indicators in technical analysis. (BV et al. 2017) An investor can identify oversold, overbought situation and to take right investment decisions at minimum level of risk. In ROC when the roc line is above the zero line the price is rising on the other hand when it below the zero line the price is falling. The research study has found that ROC is lying under oversold zone it means one should buy the share of the bank. In RSI when the value is above 70 i.e., overbought condition and if the value is below 30 i.e., oversold condition while researching on the 3 months data I found that here investor or one who should buy the share do not have to buy the share because the value is above 70.

Hence the study suggests that investor should wait for the strong buy or sell signal as the indicators are giving a weak sell signal. (Lo et al, 2007).

VII.   SCOPE OF STUDY

The fundamental analysis can complement the study (Park et al.2004). The future researchers may use both the analysis strategies to find out the proper investment decision. The time period of study is just three months which can be increased to 180 days for finding a strong signal

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