

TECHNICAL ANALYSIS OF SELECTED COMPANIES IN INDIA

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ABSTRACT

Technical analysis is the forecasting of future financial price movements based on an examination of past price movements. Technical analysis does not result in absolute predictions about the future with regard to forecasting. Instead, technical analysis can help investors anticipate what is “possible” to happen to prices over time. Technical analysis is the study of predicting prices of securities for future. The main aim is to generate returns by deciding when to enter and when to exit in the security. Technical analysis is related to the stock market considering factors affecting the supply and demand of stocks. It helps in understanding the intrinsic value of shares and knowing whether shares are undervalued or overvalued. The stock market indicators would help the investors to identify major market turning points. This is a significant part of technical analysis of companies which helps to understand the behavior of the shares, the signals given by them and the major turning points of the market price. This report aims at carrying out technical analysis of the securities of the selected companies and to assist investment decisions in the Indian market.

Keywords: Technical Analysis, Financial Performance, Price Movement

INTRODUCTION

Technical analysis can be defined as an art and science of forecasting future prices based on an examination of the past prices movements. Technical analysis is not astrology for predicting prices, it is based on analyzing current demand supply of commodities, stocks, indices, futures, or any tradable instrument. Technical analysis involves putting stock information like prices, volumes and open interest on a chart and applying various patterns and indicators to it; in order to access the future price movements. The time frame in which technical analysis is applied may range from intraday, daily, weekly, or monthly price data to many years. There are essentially two methods of analyzing investment opportunities in the security market; through fundamental analysis and technical analysis. Fundamental analysis uses information of financial and non-financial aspects of the company, while technical analysis uses information which ignores

fundamentals and focuses on actual price movements. Technical analysis assumes that price fluctuations are 90 percent psychological and 10 percent logical.

LITERATURE REVIEW

Several studies have been carried out to apply technical analysis in various financial markets

Kavajecz & odders white (2004) shows that support and resistance levels coincide with peaks in depth on the limit order book 1 and moving average forecasts reveal information about the relative position of depth on the book. They also show that these relationships stem from technical rules locating depth already in place on the order limit order book. Frankel and Froot (1990) analyzed technical analysis in forecasting the market. The guiding principle of technical analysis is to identify and go along with the trend. When there is a trend, whether started by random or fundamental factors, technical factors will tend to generate signals in the same direction. This reinforces the original trend, especially when many investors rely on the technical indicators. Thus, even if the original trend were a random occurrence, the subsequent prediction made by the technical indicator could be self-fulfilling. This nature leads to the formation of speculative bubbles. Lui & Mole (1998) examined fundamental and technical analysis by foreign exchange dealers in Hong Kong. They found that over 85% of the respondents rely on both methods and again technical analysis was more popular at shorter time horizons.

OBJECTIVES

- To study the relevance of technical analysis in Indian capital market.
- To analyze the performance of selected companies in Indian stock market and to predict the future trends in the share prices through technical analysis.
- To find out risk and return for selected securities.
- To study technical analysis of selected stocks and interpret on whether to buy or sell.
- To aid the investors in making investment decision in selected stock.

RESEARCH METHODOLOGY

The study aims at analyzing the price movements of selected company's scrip. As the study describes the existing facts and figures given in the financial statements and the price movements of the selected companies, the research design followed is descriptive and analytical in nature. The selected companies are: TATA STEEL ITC, GAIL, VEDANTA, YES BANK, ONGC, NTPC, POWER GRID, SBI, LARSEN AND TOUBRO, IOC, MASS FINANCIAL SERVICES, WIPRO, INFOSYS, SUN PHARMA. The period of the study is taken from October 2017 to April 2018. The major tools and techniques used in this study are: Volume, Stock (candle stick)

chart, Exponential moving average, Moving average convergence divergence, Relative strength index

SOURCES OF DATA

The data is collected from secondary sources which includes the records and published annual reports of the company, web sites, journals etc.

LIMITATIONS

- For doing this analysis, we have taken into consideration only limited parameters. These may not be enough to predict the future price movements.
- Technical analysis only for six months is undertaken; from this data we cannot predict prices accurately.
- This study can be used only for short term decision making.

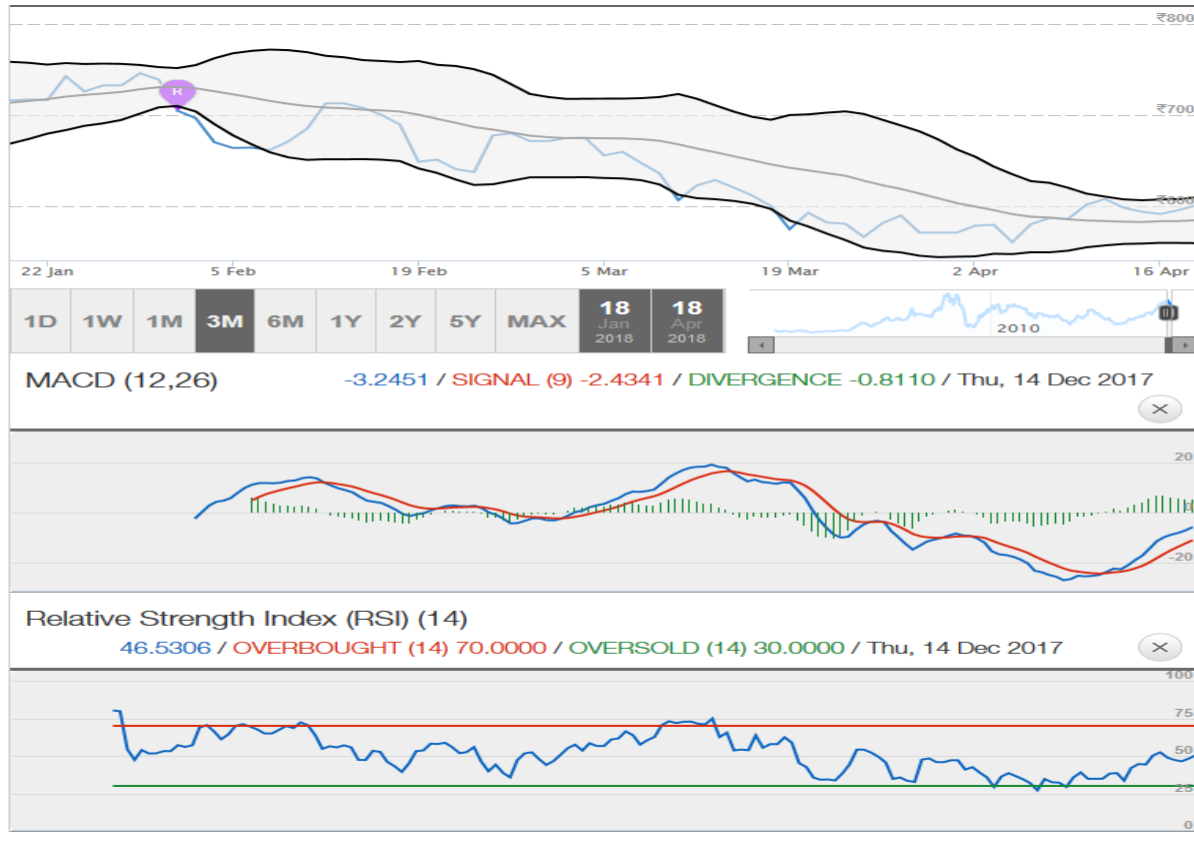
Chart Analysis & Interpretations: -

Candlestick chart and Line chart have been developed to analyze the fifteen selected companies with regard to their fluctuations and their connotation to the investors.

TATA STEEL

Tata Steel with its global presence in the steel Industry across 5 continents, has been recognized as one of the largest steel manufacturers and suppliers of steel products.

Chart 1: STOCK PRICE MOVEMENT OF TATA STEEL

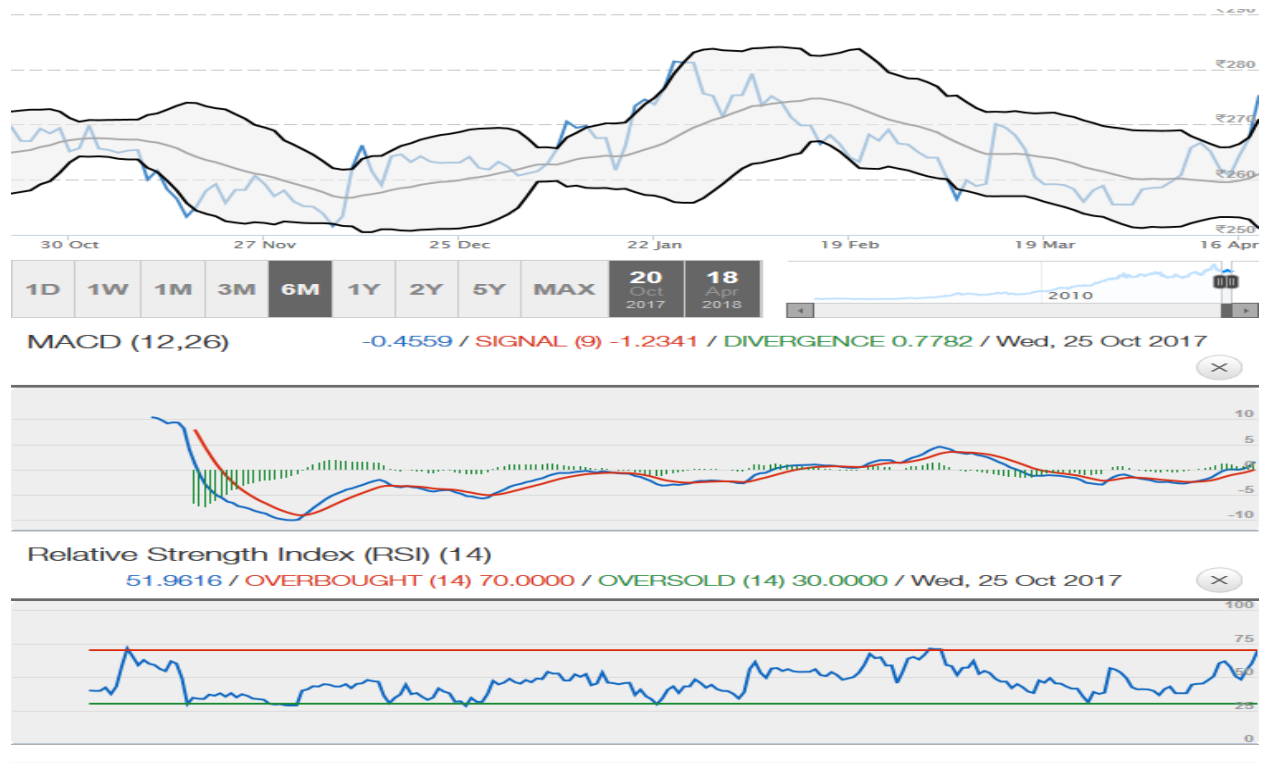


In the above chart, the price is located above the 12 & 26 days MACD. The chart represents the variation in different price such as open, high, low and close in respect to weeks which had been taken into consideration, from last 3 months. This chart shows RSI is 46.53. According to RSI analysis, Tata steel just got above its resistance level and is showing good signal. MACD is -3.2451 and Signal Line is -2.4341. So, according to MACD analysis, Tata steel is fair valued.

Recommendations: - Short Term Bullish.

ITC: *-ITC* Limited, a multi-business conglomerate, has diversified presence in FMCG, Hotels, Paperboards and Packaging, Agri-Business and Information Technology. The FMCG portfolio includes Packaged Foods, Branded Apparel, Personal Care, Education, Stationery and other FMCG products.

CHART 2: STOCK PRICE VARIATION OF ITC



From the above chart, we can see the price variation of stock of ITC. According to simple moving average analysis, ITC is in an uptrend. Support level is at 272. According to Bollinger bands, ITC has hit the upper band which is a positive signal. The MACD is -0.4559 and Signal Line is -1.2341. According to MACD analysis, ITC is undervalued.

Recommendations: - Short and medium term Bullish.

GAIL: -

Gail (India) Limited (GAIL) (formerly known as **Gas Authority of India Limited**) is the largest state-owned natural gas processing and distribution company in India. It is headquartered in New Delhi. It has the following business segments: natural gas, liquid hydrocarbon, liquefied petroleum gas transmission, petrochemical, city gas distribution, exploration and production, GAILTEL and electricity generation.

CHART 3: STOCK PRICE VARIATION OF GAIL



From the above chart, we can see the price variations of stock of GAIL. The candle stick chart of GAIL shows long term bullish trend. Bollinger band shows that the price level of the stock has crossed the median level so this is good time to purchase the stock. Trade volume is consistent from the last month, so it also supports the price of stock. But the RSI is 51.96. So, GAIL is technically weak. So, it is suggested for an investor to wait for some time.

Recommendations: -

Wait up to 1 to 2 weeks, then take decision to buy for short time.

VEDANTA: -

Vedanta Limited, formerly known as **Sesa Sterlite/Sesa Goa Limited**. Vedanta Group of companies is one of the world's largest global diversified natural resource majors, with operations across zinc-lead-silver, oil & gas, iron ore, copper, aluminum and commercial power.

CHART 4: STOCK PRICE VARIATION OF VEDANTA



From the above chart, we can see the open, high, low, close price of this stock.

RSI is 28.285. So, according to RSI analysis, Vedanta just got above its resistance level and is showing good signal. Volume is also supporting the price movement of this particular stock, so it is good sign to buy this stock.

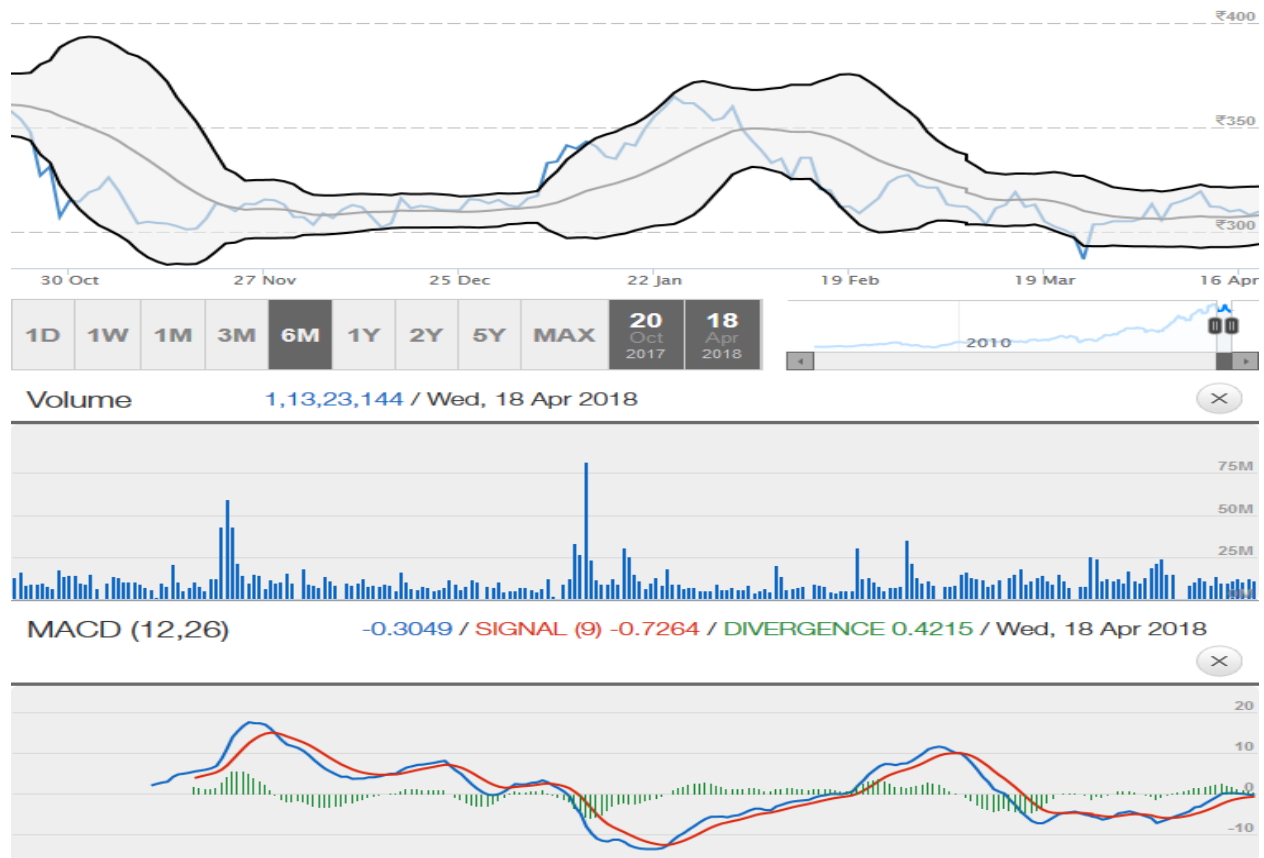
Bollinger bandwidth suggests that a squeeze has ended and a breakout above the upper band has happened which is a positive signal. %b is 1.04. According to Bollinger bands, Vedanta has hit the upper band which is a positive signal.

Recommendations: - Short and long term Bullish.

YES BANK: -

YES BANK offers personal banking, corporate banking & internet banking services including accounts, deposits, credit cards, home loan, personal loans, insurance, etc.

CHART 5: STOCK PRICE VARIATION OF YES BANK



From the above chart, we can say that the current price of the stock has crossed the medium limit of six months' periods. Volume is also supporting the price of the stock.

Recommendations: - Short Term Bullish.

ONGC: -

Oil and Natural Gas Corporation Limited (ONGC) is an Indian multinational oil and gas company headquartered in Dehradun, Uttarakhand, India. It is a Public Sector Undertaking (PSU) of the Government of India, under the administrative control of the Ministry of Petroleum and Natural Gas. It is India's largest oil and gas exploration and production company. It produces around 77% of India's crude oil (equivalent to around 30% of the country's total demand) and around 62% of its natural gas.

CHART 6: STOCK PRICE VARIATION OF ONGC



From the above chart, we can say that price just got above its 14-day simple moving average which is a positive signal. According to Bollinger Bands, ONGC is technically strong. RSI is 52.341 so, according to RSI analysis, ONGC is marginally strong.

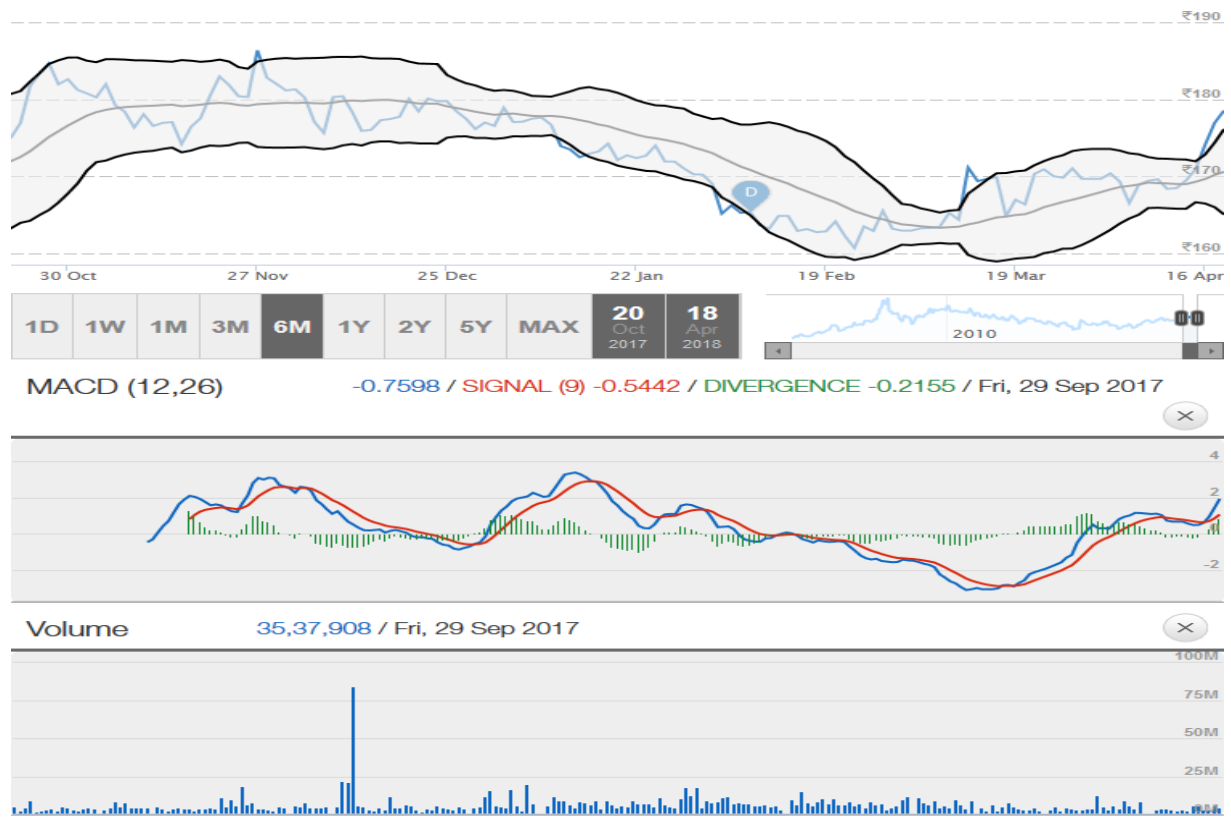
Recommendations: - Long term Bullish.

NTPC:-

NTPC Ltd., formerly known as **National Thermal Power Corporation Limited**, is an Indian Public Sector Undertaking, engaged in the business of generation of electricity and allied activities. It is a company incorporated under the Companies Act 1956 and a "Government Company" within the meaning of the act. The headquarters of the company is situated at New Delhi. NTPC's core business is generation and sale of electricity to state-owned power distribution companies and State Electricity Boards in India. The company also undertakes

consultancy and turnkey project contracts that involve engineering, project management, construction management and operation and management of power plants

CHART 7: STOCK PRICE VARIATION OF NTPC



From the above chart, we can see that the price of the stock has just crossed the resistance line, so the stock may perform well in near future.

MACD shows that the price of the stock is under the 14 days and 26 days moving average line.so its good time to buy it for short time.

Recommendations: - Short Term Bullish.

POWER GRID

The Power Grid Corporation of India Limited, is an Indian state-owned electric utilities company headquartered in Gurugram, India. POWER GRID transmits about 50% of the total power generated in India on its transmission network.

CHART 8: STOCK PRICE VARIATION OF POWER GRID



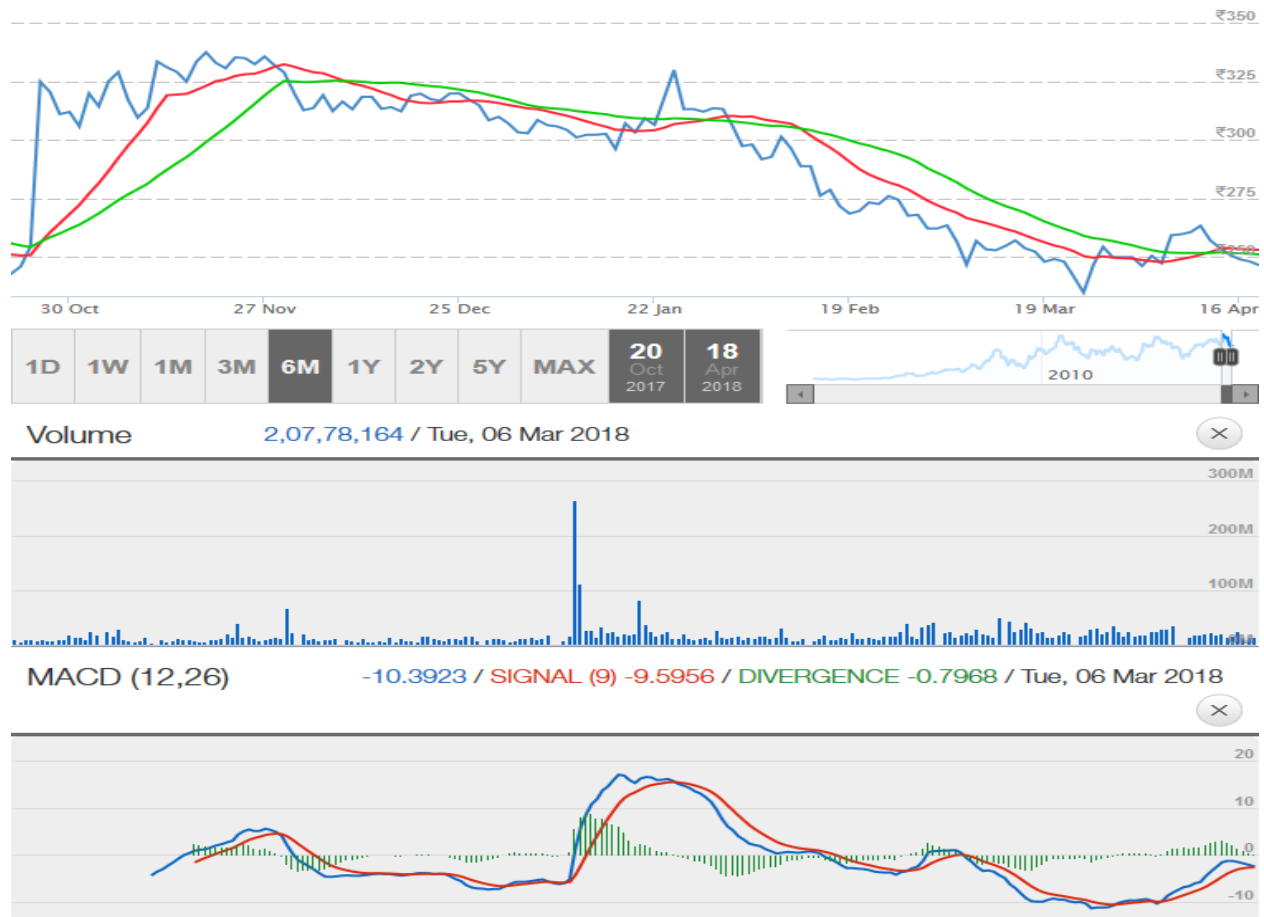
From the above chart, we can see that the RSI is 70.915, it is technically strong stock. But, the volume is not supporting the trend of the stock price.

Recommendations: - Short Term Bearish.

SBI:-

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. On April 1, 2017, the State Bank of India, which was India's largest bank, merged with five of its associate banks (State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore), and with the Bharatiya Mahila Bank. This was the first ever large scale consolidation in the Indian banking industry. With the merger, SBI became one of the 50 largest banks in the world (balance sheet size of ₹33 trillion, 278,000 employees, 420 million customers, and more than 24,000 branches and 59,000 ATMs).

CHART 9: STOCK PRICE VARIATION OF SBI



From the above chart, we can see that there is high volatility in this stock due to various other factors. So it is advisable to avoid this stock.

Recommendations: - Uncertainty for shorter period of time.

LARSEN & TOUBRO: -

Larsen & Toubro Limited, commonly known as **L&T**, is the biggest Indian multi-national, firm headquartered in Mumbai, Maharashtra, India. It was founded by two Danish engineers taking refuge in India. The company has business interests in engineering, construction, manufacturing goods, information technology, and financial services, and has offices worldwide.

CHART 10: STOCK PRICE VARIATION OF L&T



From the above chart, we can conclude that volume factor is supporting the stock price uptrend. Bollinger Band suggests the price of the stock decreasing, due to poor resistance level.

Recommendations: - Short Term Bearish.

IOC: -

Indian Oil Corporation Limited (IOCL) (NSE: IOC, BSE: 530965) commonly known as **Indian Oil** is an Indian state owned oil and gas company with registered office at Mumbai and primarily headquartered in New Delhi. It is the largest commercial enterprise in the country, with a net profit of INR 19,106 crore (USD 2,848 million) for the financial year 2016–17. It is ranked 1st in Fortune India 500 list for year 2016 and 168th in Fortune's 'Global 500' list of world's largest companies in the year 2017. As of 31st March, 2017 Indian Oil's employee strength is 33,135, out of which 16,545 are in the officer cadre.

CHART 11: STOCK PRICE VARIATION OF IOC



From the above chart, we can say that the stock price of the stock has made the support at 161. So, the price is increasing from that, but the volume does not support the increasing trend of the stock. MACD also shows higher volatility for this stock.

Recommendations: - Short Term Bearish.

MASS FINANCIAL SERVICES: -

MAS Financial Services Limited is leading Financial Services Company in India, which offers Loans without/less Documents for Businessman.

CHART 12: STOCK PRICE VARIATION OF IOC



From the above chart, we can say that the company is consistently performing well for a long period of time, but the volume is very low, so the prices may go down.

Recommendations: - Short Term Bearish.

WIPRO: -

Wipro Limited is an Indian Information Technology Services corporation headquartered in Bengaluru, India. In 2013, Wipro demerged its non-IT businesses into separate companies to bring in more focus on independent businesses.

CHART 13: STOCK PRICE VARIATION OF IOC



From the above chart, we can see that the RSI is 54.769, which shows that the company is marginally strong. The volume is also constant, but the price of the stock is at the median, so after this anything could happen.

Recommendations: - Buy if the price level crosses 290 for a long period of time.

SUN PHARMA: -

Sun Pharmaceutical Industries Limited (NSE: SUNPHARMA, BSE: 524715) is an Indian multinational pharmaceutical company headquartered in Mumbai, Maharashtra that manufactures and sells pharmaceutical formulations and active pharmaceutical ingredients (APIs) primarily in India and the United States. The company offers formulations in various therapeutic areas, such as cardiology, psychiatry, neurology, gastroenterology and dialeptology. It also provides APIs such as warfarin, carbamazepine, etodolac, and clorazepate, as well as anticancer, steroids, peptides, sex hormones, and controlled substances.

CHART 14: STOCK PRICE VARIATION OF SUN PHARMA

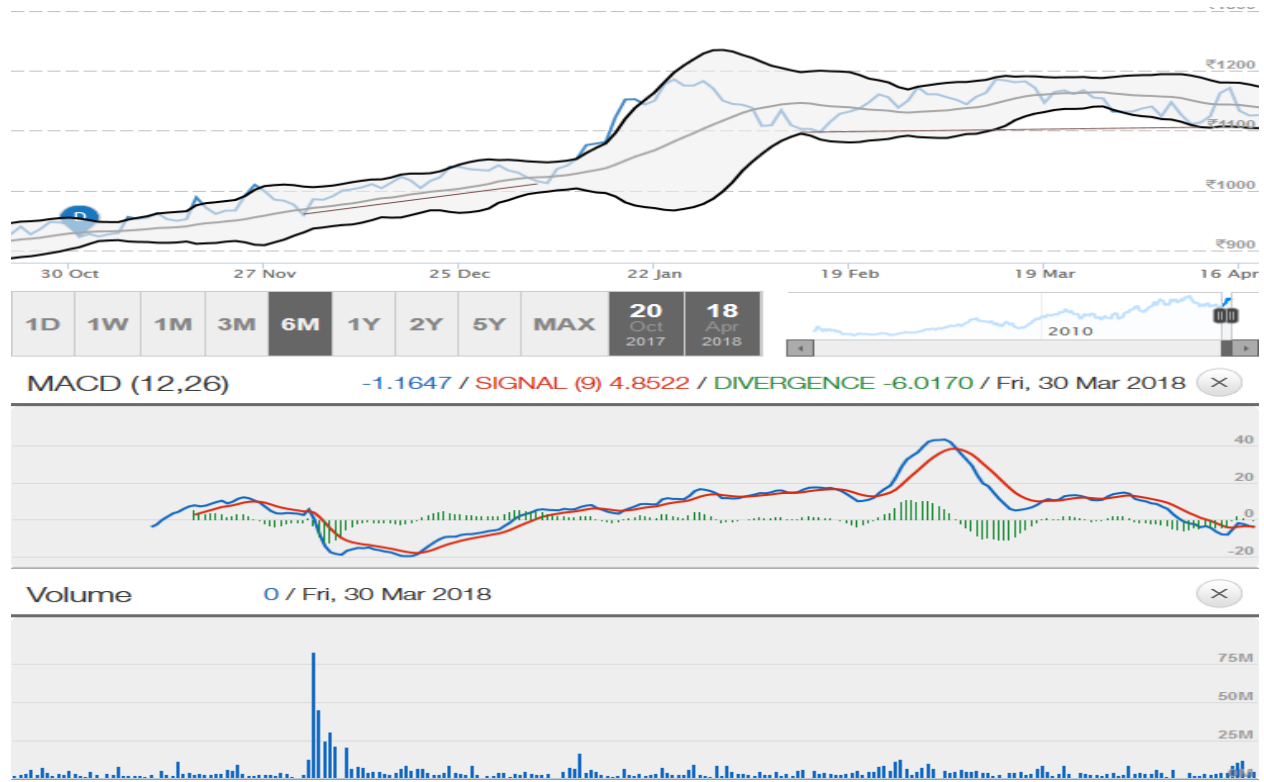
From the above chart, we can see that there is volatility in volume, so trend cannot be predicted. Stock price has also crossed the median of the Bollinger band, so it shows that it is the right time to buy this stock

Recommendations: - Long Term Bullish.

INFOSYS: -

Infosys Limited (formerly **Infosys Technologies Limited**) is an Indian multinational corporation that provides business consulting, information technology and outsourcing services. It has its headquarters in Bengaluru, Karnataka, India. Infosys is the second-largest Indian IT company by 2017 revenues and 596th largest public company in world in terms of revenue. On June 30, 2017, its market capitalization was \$34.33 billion. The credit rating of the company is A- (rating by Standard & Poor's).

CHART 15: STOCK PRICE VARIATION OF INFOSYS



From the above chart, we can see that the current price is under the median of the Bollinger band. The volume is also consistently increasing, so it is on the positive side for this stock and it has just crossed the 14 and 26 days MACD, and started an uptrend.

Recommendations: - Long Term Bullish.

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