Technical Analysis in Indian Stock Market with the special focus on Automobile Sector

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ABSTRACT
Every investor always wishes to have a decent return on his/her investments because they invest the part of their income. Among the various schemes of investment, equity is considered the most rewarding even though it involves higher risk. In order to mitigate the risk and increase the return, investor need to get involved in analyzing the stocks on the basis of either technical or fundamental analysis. In this research, a study has been undertaken to analyze the equity shares of companies on the basis of technical analysis. By using the techniques appropriately, potential investors can take informed and rational investment decision. This study is conducted on the sample companies of automobile sector. Candlestick pattern and strategies are being explained in the research to help the potential investors.

Keywords:- Risk, return, candlestick pattern

I. INTRODUCTION
Most of the investors commonly make poor investment decisions by mental health and biasness. They invest in the market but are not aware about when to take entry and exit from the market. All the investors invest to increase their wealth. Investing in stock market increases the wealth but it also involves high risk. In order to mitigate the risk, investors need to do equity analysis. There are two categories to take investment decision. It involves, technical analysis and fundamental analysis. The main focus of research is on technical analysis. Technical analysis uses various candlestick patterns and strategies to purchase the shares of the company.

In this background, research has been administered to review the equity shares of sample companies in industry in Indian stock exchange. The contribution of the automobile sector to the overall GDP of India stands at 7.1 per cent and 49 per cent of the manufacturing GDP and it has strong export growth presumption in the near future. The main company that are present in Indian Stock Market include Mahindra and Mahindra Limited, Tata Motor Limited, TVS motor Limited, Maruti Suzuki Limited, Eicher Motors Limited, Bajaj Auto Limited and Hero MotoCorp Limited, etc.

II. REVIEW OF LITERATURE
systems are government, private and banking institution. The RBI controlling body of banking sector in India. It has changes the banking business after 1969 and the demand got increased on the customer value and customer based.

Christopher Neely and Paul Weller 2002: The study is analysed or estimates the profitability through trading in exchange rate market. To identify the profitability has used the statistical tool for predict the issues regarding stock. These
help the investor to analyse the price of share in market.

Aronson, David R 2006: The study on approach of simple testing to determine the historical price of the industry and also their strategy to adapt to measuring their forecasting of statistics. The analysis is take by specialists should focus on unbiased of price pattern and strategies that can be tested.

Lukas Menkhoff, Mark P Taylor 2006: This study are set up on the facts which used to analysis both Indian and foreign exchange market for the constant period of time for estimate positive returns on their stocks.

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- Deepti Narwhal 2007: The study is concerned about both fundamental and technical analysis of the stock price. Both the fundamental and technical analysis provides details about the sell and buy signal to calculate profitability decision in trade market. In technical analysis has focus on the short term investment.

- Suresh A.S 2010: The study that researcher are finding the way of identify stock which are suitable for investment decision. This research used different type of analysis which is required to make investment. It will analysis the pattern of volume and the strategy of the investor to gain more return.

- Matthew C. Roberts 2010: It research that supports the usefulness of technical analysis and the stock market that spread across the Indian markets. They are mechanically generated from simple arithmetic operators; they are free of the data snooping bias common in technical analysis research. It may capable of strong and weak significant analysis of market through the economic analysis of investor.

- Asifullah Khan and Dr.Bhupesh 2011: Selections of stocks that are suitable for investment are always a complex task. The main aim of every investor is to identify a stock that has potential to go up so that the investor can maximize possible returns on investment. There are many conventional techniques being used and these include technical and fundamental analysis. The main issue with any approach is the proper weighting of criteria to obtain a list of stocks that are suitable for investments.

- R Chitra2011: The study of research are made on analysis the technical basis of stock market which help to understand value of share which shows the undervalue and overvalue indicator. The investor will able to analyse the turning point in which stage it be invest.

- Venkatesh&Tyagi 2011: The study is based on both technical and fundamental analysis which helps the investor to predict the stock market in future forecasting and changes happens in market on the price at particular time where future price movement are shown.

- Dr. Ayyappan& Mr. Sakhithadivel, 2012: The study is on the private investment sector are increasing their service area and product into different part of country and there are actual competition to public sector bank. The study analysed that development and movement of certain financial parameter of public and private bank sector.

- Sudheer V, 2012:The technical analysis is study of forecasting the price of securities for the future the main objective of technical analysis is to produce incomes by letting
person decide when to enter and exit the security market. When bottom line represent buying signal and high peak line represent selling and considerable amount of profit.

- **Varathan N & Tamilenth, 2012**: The study is concerned about the analysis of past present and future price of market condition through technical analysis. It shows clear picture about the future gain and losses effect closer to make control on the trading activities. The main aim to reduce the risk in long term investment which can make more profit and return.

- **Archana Mishra, 2012**: It would be depend on both fundamental and technical analysis which indicates the trading and other one indicate the technique adapted to analysis of their trading stocks. It has used diverse method of techniques to measure the value in this research paper.

- **Mohd Naved, 2012**: The study has been used to analyse the technical analysis to evaluate the market nifty stock of India, they are used to examine the average moving of stocks in nifty market to know profit from their trading. The measures which have been used in this study are Moving Averages, Moving Averages cross rules and Moving Averages Convergence/Divergence. Later this study also includes the usage and application of Moving Average on Nifty stocks.

- **Hemalatha, 2013**: The study is conducted about the equity holding in canara bank. To know the price movement in market they were used future analysis trend which may collect data from secondary information. The research analysis the price movement of company and compare between the market price in future.

- **Jayakumar & Sumathi, 2013**: In this research the banking company are spread across the country to make their affects the share market. It will analysis the share price through trend analysis for price movement and also gives information about the trend.

- **Rajat Singla, 2014**: In this study the researcher was use two different tools are relative strength index and exponential moving average and then there was take decision regarding market stocks. Conclusion of the study claims that the markets can be predicted if proper and timely decisions are taken by using EMA and RSI.

- **Sahana Jaen, Afghan Jabeen, 2017**: The main objective of this paper is to identify the performance of pharmaceuticals’s stock which is listed in National Stock Exchange (NSE) and risk involvement has been predicted on account of applied technical indicators. It would be researcher who make analysis of day to day earn if their potential investor which the price factors are fluctuate day to day in the market. This attempt to know each stock in NSE and their average moving price per day.

**Research Methodology**

- There are various methods which I’ve use while making the company’s technical analysis for the Futures. Those Methods are Listed Below:
  - Hammer Candlestick
  - Shooting Star Candlestick
  - Bullish Engulfing and Bearish Engulfing
  - Morning Star and Evening Star Candlestick Pattern
  - Double top Strategy
  - Moving Average Convergence Divergence (MACD)
  - Weekly Breakout Strategy
  - These are the 7 Major Methods which are used for analysis in the report.
  - For analysis, Experimental Design is the Research Design I’ve used in this report.
  - The primary sources of collection of the data would be from National Stock Exchange (NSE)
  - Study the emergence of stock market method of trading in the world and in India.
  - Studying the impact of stock market trading on the Indian Financial.

**Selection of Sample Companies**

1. Tata Motor Ltd
2. Mahindra and Mahindra Ltd.
3. Bharat Forge Ltd.
4. TVS Motor Co
5. Maruti Suzuki
6. Hero MotoCorp
7. Force Motor Ltd
8. MRF Ltd.
9. Bajaj Auto Ltd.
10. Eicher Motors
11. Force Motor Ltd.

**Limitations of the Study**

Like other studies, this study also has its own limitations,
1. The analysis is completely based on secondary data. Charts are being collected from tradingview.com, so the analysis of the study depends on the accuracy of data.
2. Different experts have different opinions to analyze the equity shares, therefore the view used in this study can’t be taken as the perfect and absolute study.

III. DATA INTERPRETATION AND FINDINGS

Hammer Pattern Candlestick
Interpretation
1. We take the buying decision using this candlestick pattern when price is in downtrend and post that hammer is formed which is double of candle body.
2. After hammer candlestick is formed, post that one bullish candlestick is formed in the gap up.
3. Gap up candle formation with high volume from the previous day gives us the confirmation of uptrend.
4. We can hold the share in short term basis.
**Interpretation**

1. We take the decision to short sell using this candlestick pattern.
2. This candlestick pattern is formed when the market is in uptrend and post the shooting star is formed, downtrend starts.
3. Upper wick of the candle is 2x of the body of candle.
4. Using this candlestick, investor firstly sells then buys the shares.
Bullish Engulfing
Interpretation:

1. We take the buying decision using this candlestick pattern.
2. This candlestick is formed when the market is in downtrend and post the candlestick is formed, the uptrend starts.
3. Investors take entry in the market once the bullish candle completely engulfs the body of bearish candle and the bullish candle is closed.
4. Using the MACD indicator we take the buying confirmation
5. In the MACD indicator, when blue line cuts yellow line from behind its giving a buying confirmation and when blue line cuts yellow line from above it’s a sell signal
6. Stop loss is the low of candle which is just above the sell signal.

**Bearish Engulfing**
**Interpretation**

1. This candlestick pattern is used to sell the shares.
2. This candlestick is formed when the market is in uptrend and post the candlestick is formed, downtrend starts.
3. Downtrend starts when bearish candle completely engulfs the body of bullish candle.
4. Stop loss is high of bearish candle.
Morning Star Candlestick Pattern
Interpretation
1. Morning Star candlestick is used to buy the stocks.
2. This candlestick is formed when market is in downtrend and post its formation uptrend starts.
3. There is 95% chances of uptrend when this candlestick is formed.

Evening Star Candlestick Pattern
Interpretation
1. Evening Star is used to sell the stocks.
2. Price is in uptrend before the formation of candle and after the candle is formed, downtrend starts.
Double Top Strategy
Interpretation

1. Double top Strategy is used to sell the stocks.
2. When the support level is broken, it's known as breakdown and we sell the stocks.

Higher High, Higher Low Strategy
**Interpretation**

1. We use this pattern to buy the stocks.
2. When higher highs are made with higher lows, we should purchase the stocks.
Weekly Breakout Strategy

![Chart 1: Weekly Breakout Strategy](Image)

![Chart 2: Weekly Breakout Strategy](Image)
Interpretation
1. When the resistance and support level is broken with high volume, breakout takes place.
2. MACD indicator is also used as a confirmation to buy the stock. When blue line cuts yellow line from below then MACD indicator gives a buying signal and when the blue line cuts yellow line from above, then it’s a sell signal.

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