Technical Analysis of Selected Scrips of Public and Private Sector Bank

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ABSTRACT
Technical Analysis is the forecasting of future financial price movements based on an examination of past price movements. Like weather forecasting, technical analysis does not result in absolute predictions about the future. Instead, technical analysis can help investors anticipate what is "likely" to happen to prices over time. Technical analysis uses a wide variety of charts that show price over time. This study is based on the analysis of four banks namely , Canara bank, HDFC bank, State Bank of India and ICICI . Technical indicators such as Exponential Moving Average (EMA), Rate of Change (ROC), Relative Strength Index(RSI) and Moving Average Convergence & Divergence (MACD). are used in the study. This paper aims at carrying out Technical Analysis of the securities of the selected banking in india

Keywords: Technical analysis, Price movements, financial forecasting

I. INTRODUCTION

Shares are the one of the best saving instruments to get maximum returns in future when compared to any other instrument like Bank deposits. Debenture and Gold, but shares have high risk involved. Most of the investor's fear about stock market because they don't know the full-fledged knowledge in stock market. In share market. investments are doubled or tripled within a short period when compared to other instruments.

The Indian economy is emerging as one of the strongest economies in the world. This has given a great support for the development of banking industry in the country. Due to globalization, competition among the banks has drastically been increased. As India has a substantial upper and middle-class income, the banks have immense opportunities to increase their market shares. The consumer being on the receiving end is in a comfortable position but the banks trying to increase their market share have to continuously add value for consumers in order to increase market share and sustain their growth.

Technical analysis is a tool to analyse and hint about the market movements and help the investors to decide when to buy and when to sell based on various tools, chart and graphs. It is a tool to be applied on the data and statistics provided by the past price and volume behaviour of the stocks. One of the tools that helps to study market action is technical analysis which, primarily uses Chart No.s, for the purpose of forecasting future price trends.

Technical analysis uses historical stock statistics, usually price and volume data, to forecast future prices. A technical analyst finds a pattern in a stock's data, makes the assumption that the pattern is going to repeat into the foreseeable future, and accordingly places his/her trade in the direction signalled by the pattern. Technical indicators are frequently used by technical analysts to help make their trading decisions. Technical analysts essentially look for trends in the market. Their basic assumption is that price of a stock already has all information priced into it and that a stock is either always 'trending' up, down, or sideways. Prices move in patterns and price action repeats itself. Charts are frequently used by technical analysts to help make their trading decisions.

The study entitled to "TECHNICAL ANALYSIS OF SELECTED SCRIPS OF PUBLIC AND PRIVATE SECTOR BANK", aims at studying the movement of scrip prices of 2 Public sector and 2 private sector banks by using technical analysis tools, Exponential Moving Average (EMA), Rate of Change (ROC), Relative Strength Index(RSI) and Moving Average Convergence &

Divergence (MACD).

Significance of the study

The study of technical analysis of selected companies is significant as it helps in understanding the intrinsic values of shares and to know whether the shares are undervalued or correctly priced. It becomes essential to know the performance of the company so that the investment will be duly giving returns and this ensures safety of investment. Further it helps in understanding the price behaviour of the shares, the signals given by them and the major turning points of the market price. The technical analysis concentrates on plotting the price movements of stocks, drawing inferences from the price movements in the market. It is an approach by prediction of future prices through the future like supply and demand. It is very much useful for a speculator who aims at profit margins.

Scope of the study

Technical analysis is very much needed to cope up with the moment change of market fluctuations in the expected direction to earn desired profits. This study helps to acquire knowledge regarding various technical aspects of investing the most liquid and hard-earned money not only in profitable stocks but also at the right time and at the right price. The scope of the study is limited to 4 banks comprising of private and public sector.

Objecives of the study

* To know the movements of stock prices of selected banks
* To analyse and understand trends and patterns in stock price movements
* To understand the various indicators used in technical analysis

II.   REVIEW OF LITERATURE

Venkatesh.C.K and Madhu Tyagi said that the fundamental analysis as a method of share evaluation in comparison with Technical analysis ounds that most of the investors rely upon both fundamental analysis and technical analysis for predicting future price movements at different time horizons. When the market is bullish, participants rely more upon technical analysis and when the market is Bearish, it is the other way around, the participants rely upon the fundamental analysis.

Acccording to Chitra, the study of the stock market relating to factors affecting the supply and demand of stocks and also helps in understanding the intrinsic value of shares and to know whether the shares are undervalued or overvalued.

As per Gajera Alpeshkumar, the return on assets is high in private sector banks while return on equity is high in public sector banks which indicate that private sector banks have optimum utilization of their assets.

According to T.Deva Prasad, C.Chaitanya, A.Thulasi Kumar, they state that result that technical indicator can play useful role in the timing stock market entry and exit. By applying technical tools brokers or investors enjoy substantial profit. Shares volatility of banking sectors differ from other sectors because banking share volatility depends upon RBI decision.

III.   DATA ANALYSIS AND INTERPRETATION

Exponential Moving Average
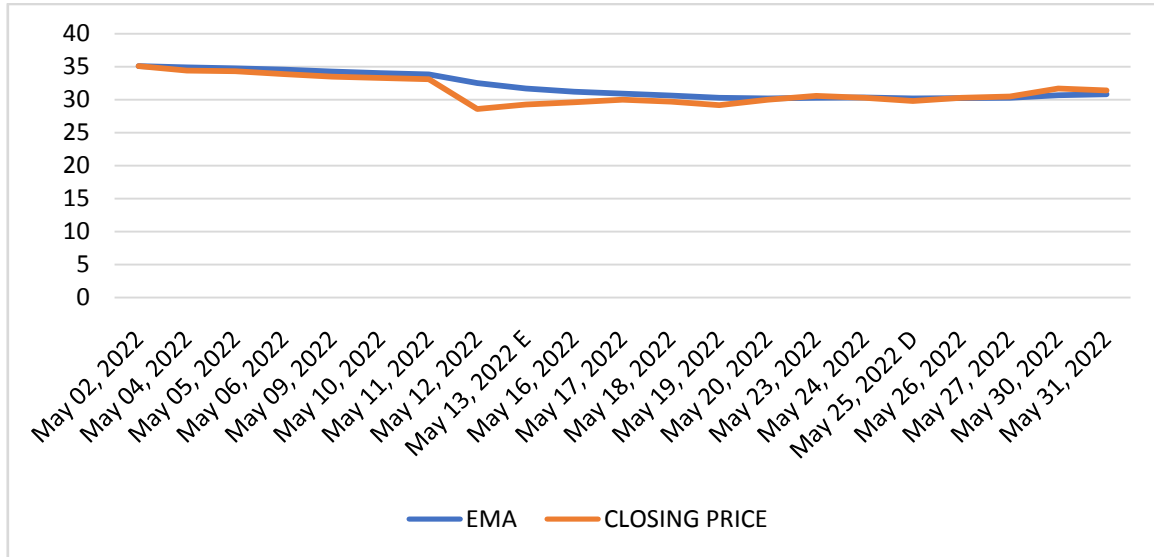**1. Chart showing 7 day EMA of SBI Bank**
SBI
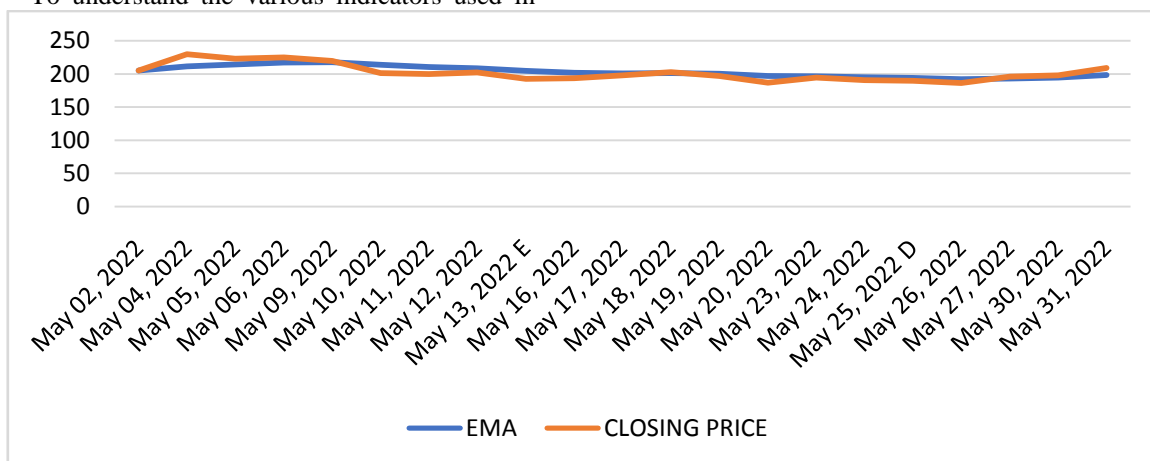
Source: Secondary Data

Interpretation
The above chart shows the comparison of closing price and 7-day EMA. In this graph, the closing price is declining and at the end it slowly rises.

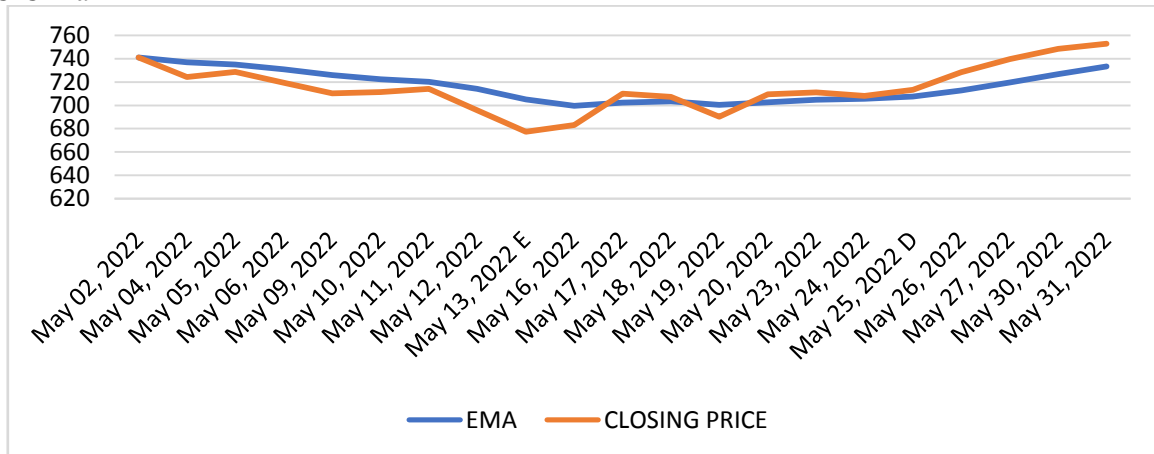**2. Chart showing 7 day EMA of Canara Bank**
Canara Bank

Source: Secondary Data

Interpretation
The above chart shows the comparison of closing price and 7-day EMA. In this graph, closing price and EMA moves at same trend.
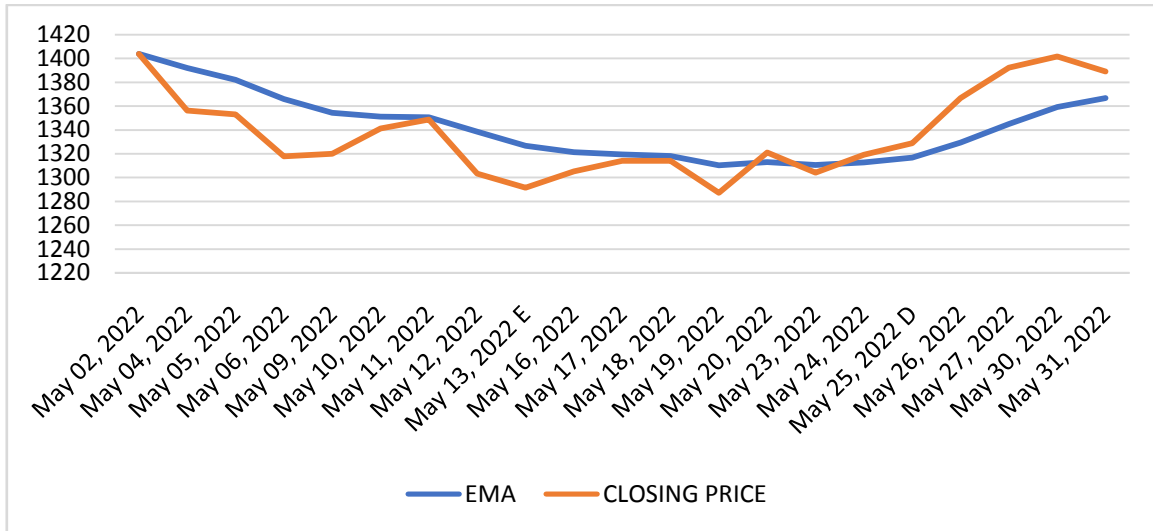
3. Chart showing 7 day EMA of ICICI Bank
ICICI Bank

Source: Secondary Data

Interpretation
The above chart shows the comparison of closing price and 7-day EMA. In this graph, the closing price is slightly declining and at the end it rises slowly.

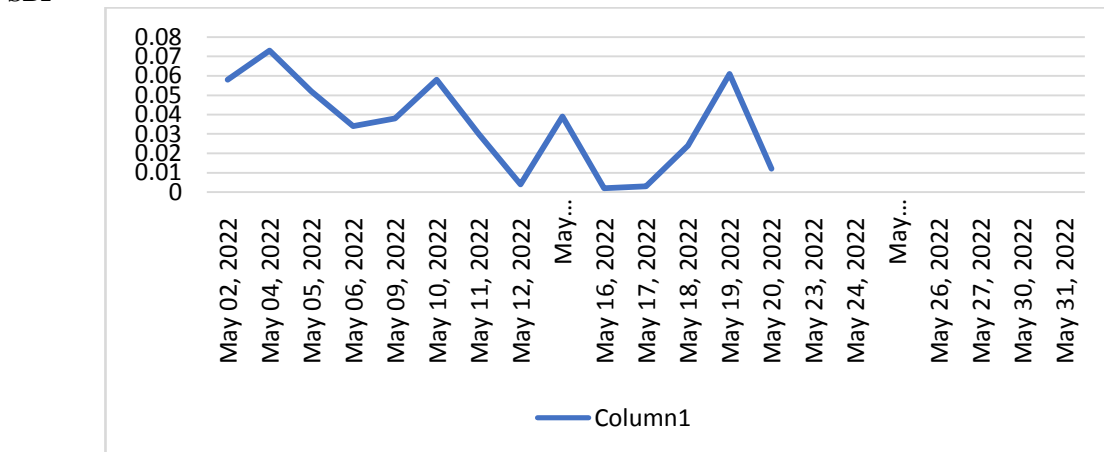**4. Chart showing 7 day EMA of HDFC Bank**
HDFC Bank

Source: Secondary Data

Interpretation
The above chart shows the comparison of closing price and 7-day EMA. In this graph, the closing price is slightly declining and at the end it rises slowly.

Rate Of Change
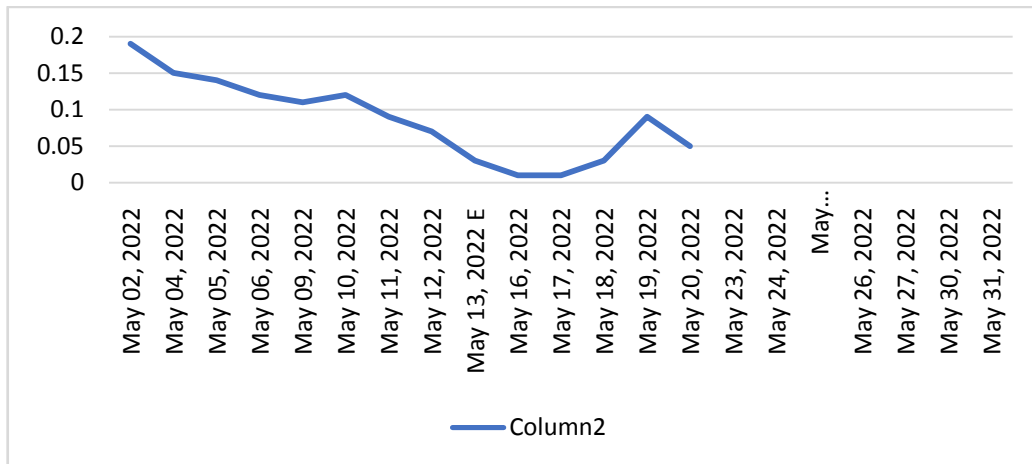**5. Chart showing ROC of SBI**
SBI

Source: Secondary Data

Interpretation
Above chart shows, Rate of change of SBI. This chart shows a bearish trend; therefore, it is better to sell the shares.

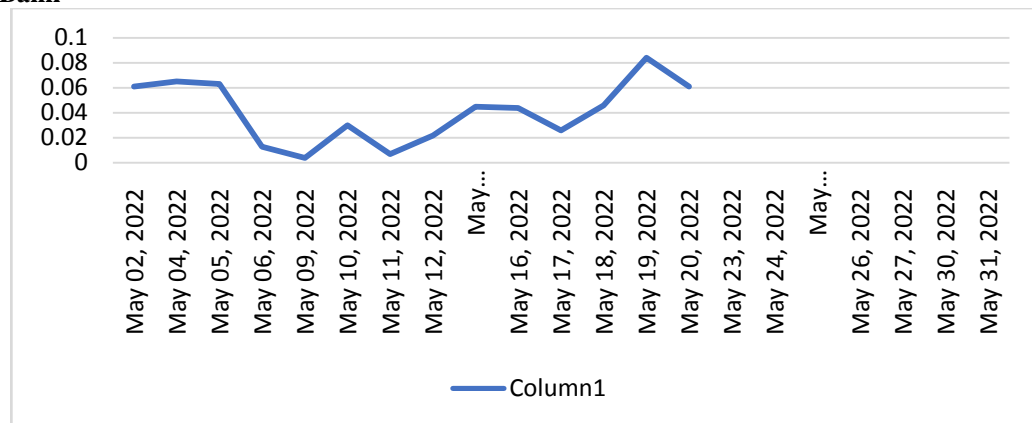**6. Chart showing ROC of Canara Bank**
Canara Bank

Source: Secondary Data

Interpretation
Above chart shows Rate of change of Canara bank. This chart shows a bearish trend for the beginning and slightly showing bullish towards the end.

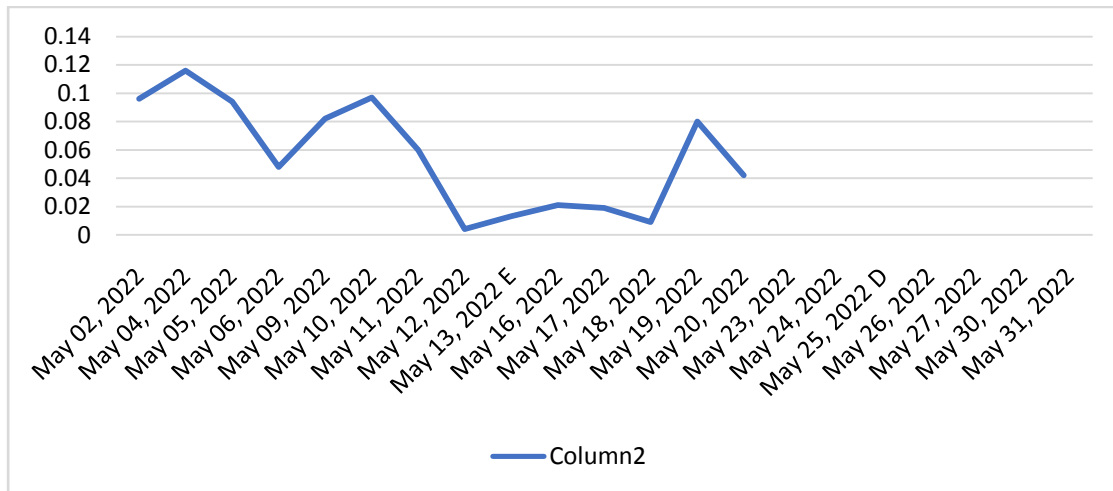**7. Chart showing ROC of ICIC Bank**
ICICI Bank

Source: Secondary Data

Interpretation
Above chart shows Rate of change of ICICI bank. This chart shows a bullish trend; therefore, it is better to buy the shares.
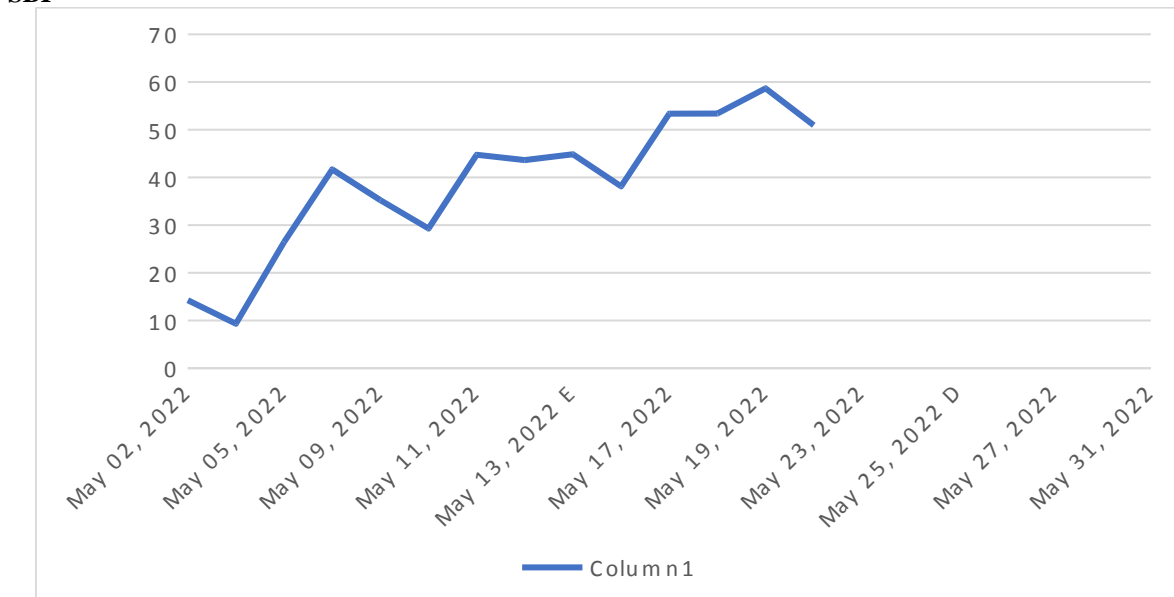
8. Chart showing ROC of HDFC Bank
HDFC Bank

Source: Secondary Data

Interpretation
Above chart shows Rate of change of HDFC bank. This chart shows a bullish trend; therefore, it is better to buy the shares.

Relative Strength Index
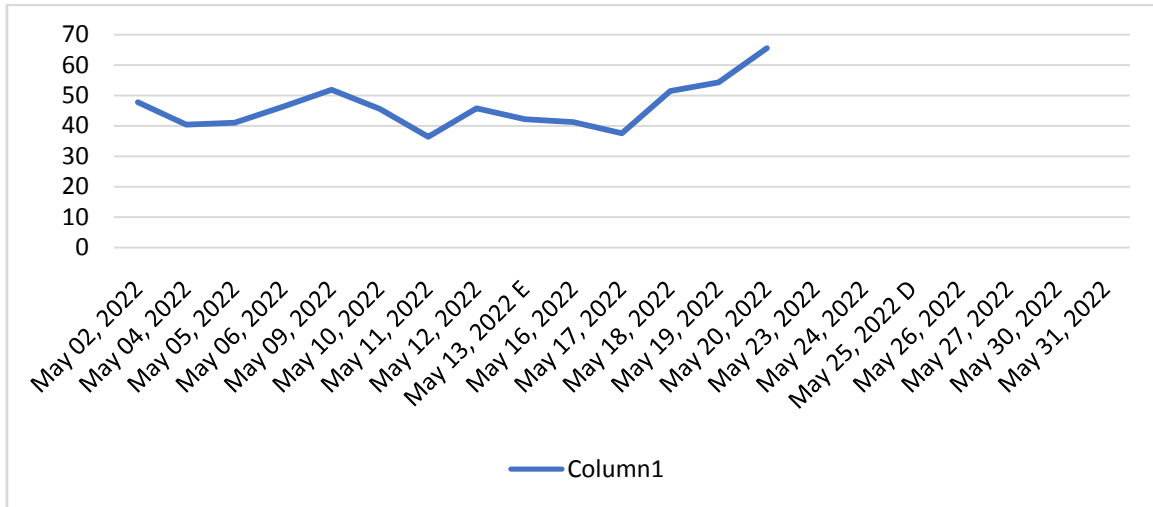**9. Chart showing RSI of SBI**
SBI

Source: Secondary Data

Interpretation
        The above figure shows Relative Strength Index of SBI. RSI is between 30 and 70 indicating that the stock is neither over brought nor oversold. This can be interpreted as a hold signal or sell signal because RSI line is coming near to 30.
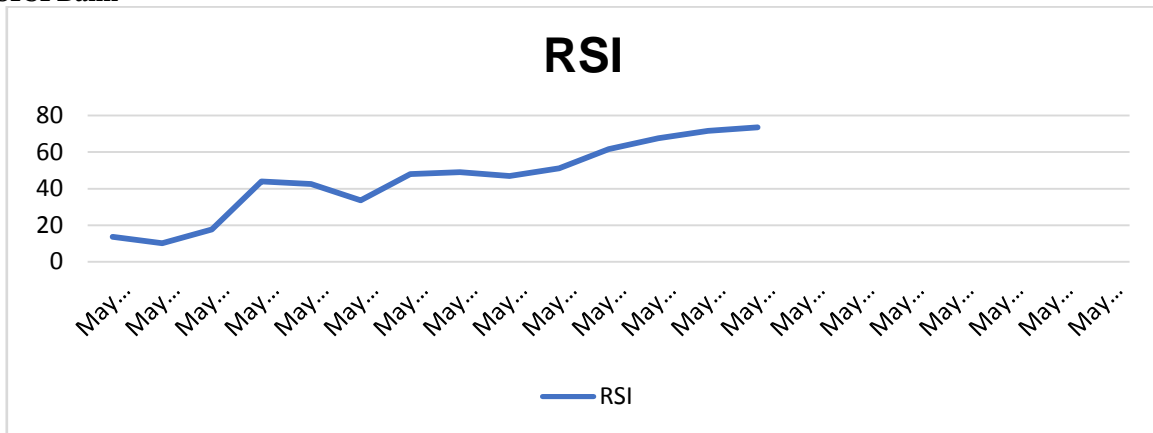
10. Chart showing RSI of Canara Bank
Canara Bank

Source: Secondary Data

Interpretation
The above figure shows Relative Strength Index of SBI. RSI is between 30 and 70 indicating that the stock is neither over brought nor oversold.

11. Chart showing RSI of ICICI Bank
ICICI Bank

Source: Secondary Data

Interpretation
The above figure shows Relative Strength Index of ICICI Bank. RSI is above 70 and this can be interpreted as buy signal.

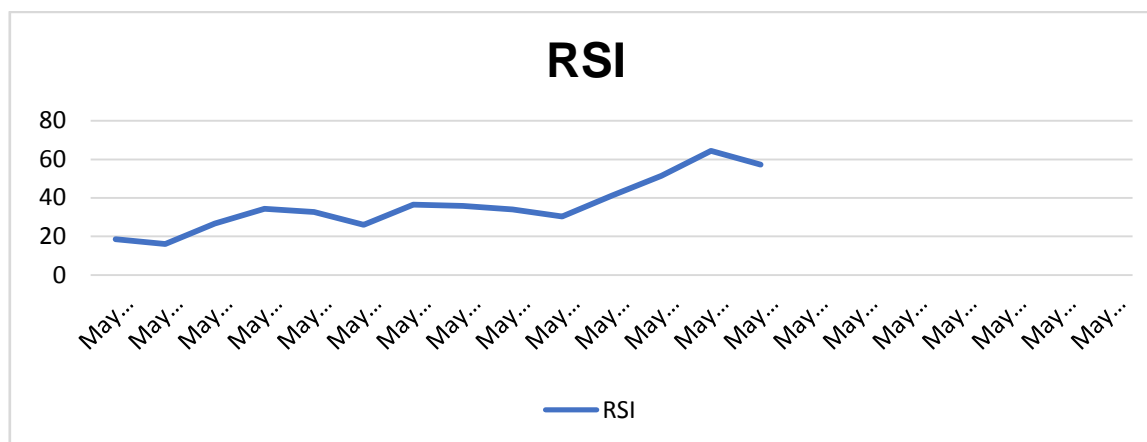**12. Chart showing RSI of HDFC Bank**
HDFC Bank

Source: Secondary Data

Interpretation
The above figure shows Relative Strength Index of HDFC Bank. RSI is above 70 and this can be interpreted as buy signal

IV.   FINDINGS

1. It is found that while comparing the closing price and 7 day EMA, SBI has less volatility.
2. It is found that while comparing the closing price and 7 day EMA, Canara bank has less volatility.
3. It is found that while comparing the closing price and 7 day EMA, ICICI has high volatility.
4. It is found that while comparing the closing price and 7 day EMA, HDFC has high volatility.
5. It is found that while comparing the closing price and 7 day EMA, the closing stock of private sector banks are more volatile compared to public sector banks.
6. The ROC graph of SBI and Canara Bank shows negative momentum whereas ICICI and HDFC Bank show positive movement.
7. Relative Strength Index of ICICI and HDFC generate buy signal, SBIand Canara Bank have Hold or Sell signal.
8. MACD of SBI shows buy signal. Canara Bank shows a sell signal at the beginning and buy signal from end and ICICI and HDFC bank shows buy signal in the beginning and sell signal at the end.

V.   CONCLUSION

From the study it is clear that understanding the share price movement is very crucial for making good investment option. It is evident that the stock price does not move too high or too low and even when it goes high it will come down in the same manner. When the scrip follows a bullish trend, it is advisable to buy the share, if it follows a bearish trend then it better to sell and if it is showing a stable / flat movement, then there is no other means but to hold them and wait for better movement in future. It can be concluded that in the public sector SBI is the leading player whereas HDFC leads in the private sector.

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