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**A Study of Principle of Technical Analysis and Its Application in Stock Market At  
Mudrabiz Finance Company. At Pune**

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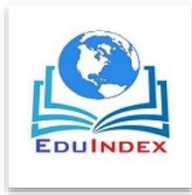
RMD Sinhgad School of Management Studies, Pune

**Abstract:**

Mudrabiz is India's premier "Finance Services" Company, with over years of experience in helping people, protect and grow their wealth. The study of technical analysis is helpful for an investor who, wants to invest in a stock market. The investor want to reduce the risk of capital investment and technical analysis help to investor for increasing profitability in stock market. The research work is useful for the clients and helps to minimize the losses and increasing the profitability of the clients. The objective of research work is to provide right time for entry & exit in the market. The primary Data is collected from discussion with branch manager, questionnaires for investors also from live market trading. The secondary data collected from annual report, company manual and online database etc. Major findings of the study shows that technical analysis traps the market opportunities with the help of charts analysis, volume and trend analysis etc. effectively and efficiently. The indicators are support to the technical analysis for predicting better market future potential. The study is limited to strategies of market which are not hundred percent sure and investor may faces losses in stock market. The lot of affords are taken for strategy generation and technical analysis is lengthy work. The research work was done in order to understand and study various trading and investment strategies used in stock market. The accuracy of technical analysis work is eighty to eighty five percent and fifteen percent related to market condition

**Introduction**

Mudrabiz is India's premier "Finance Services" Company, with over years of experience in helping people, protect and grow their wealth. The company started its working in 2014 and completed 5 years as a financial service provider. It provides



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services of stock broking (Equity, Mutual Fund, Currency, Commodity and Derivatives), advisory, education and placement.

Technical analysis is the study of collective market sentiment, as expressed in buying and selling of assets. It is based on the idea that prices are determined by the interaction of supply and demand. Technical analysts believe investor behavior is reflected in trends and patterns that tend to repeat and can be identified and used for forecasting prices.

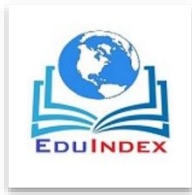
### **Technical and Fundamental Analysis**

The essentially two methods of analysing investment opportunities in the security market are fundamental analysis and technical analysis. Technical analysis and fundamental analysis are both valid and useful, but they approach the market in different ways. Technicians focus solely on analysing markets and the trading of financial instruments. Fundamental analysis is a much wider field, encompassing financial and economic analysis as well as analysis of societal and political trends. Technicians analyse the result of this extensive fundamental analysis in terms of how it affects market prices. A technical analysis is derived solely from price and volume data, whereas a fundamental equity analyst analyses a company and incorporates data that are external to the market and then uses this analysis to predict security price movements.

The chart is primarily used by technical analysts of price and volume to analyses asset prices and overall market movement. Most of the charts have time on the horizontal axis. The time interval chosen (monthly, weekly, daily, or intraday periods) reflects the trading horizon of interest to the analyst. A technical analyst is generally started by observing longer-term trends on monthly and weekly charts, then look at to recent trends on daily or intraday charts.

### **Need of the Study**

The study of technical analysis is helpful for an investor who, wants to invest in a stock market. The investor want to reduce the risk of capital investment and technical analysis help to investor for increasing profitability in stock market. The capital market is risky if, customer invests capital without knowledge and information. The securities of capital market purchase on fundamental and technical analysis but, people don't know about financials and unable understand financial statements of the companies. The technical analysis isn't only used for short term investment but, also useful for long term investment decision. The capital market is good and perfect in terms of returns but, depends on risk taking and reward expecting by an investor. Although technical analysis doesn't make accurate predictions, but it helps investors for anticipate the future.



### **Scope of the Study**

The research work is useful to the researcher to understand trends in capital market by using various indicators. The future stocks price anticipation is done easily with the help of research. The buying and selling points are decided with price through analysis candlestick pattern chart. The research also helps to researcher for sustain the clients and adding value by generating perfect strategies for the organization.

The research work is useful to the organization for providing efficient trade strategies to their clients. The sustainability of organization is depends on research work and its aid to anticipate market in a better way. The research work is useful for the clients and helps to minimize the losses and increasing the profitability of the clients. The research provides right time for entry & exit in the market. The hedging strategies are decided by the help of research work and losses of clients managed through strategies.

### **Objectives**

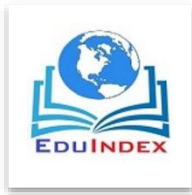
- To take profitable trade by observing market patterns and statistics
- To determine trend, strength and direction of the market using technical analysis
- To minimize losses by showing stop loss point and determine profit margin in a particular trade.
- To anticipate perfect timing for entry & exit in a market and reduce risk in trade position by tactics of hedging

### **Literature Review**

According to (Dr. Asha E. Thomas, 2014)<sup>1</sup>, Technical analysis is the process of identifying trend reversal at an early stage and to ride the trend until the weight of evidence suggests that the trend has reversed the directions. The first task of a technical analyst is to ascertain the change in the direction of trend. Trend or direction of price movement is studied with the help of historic price and volume of data. Majority of the technical analysts monitor the price movement on either a daily, weekly or monthly basis.

(Sudheer V., August 2015)<sup>2</sup>, reported that, Market indicators are the technical tools, which was designed to help an investor gauge changes in all shares within the stock market and other markets. It adds significant depth to technical analysis, because they contain much more information than price and volume.

(David Oyewola, March 2019)<sup>3</sup>, stated that, RSI is a mainstream momentum indicator which decides if the stock is overbought or on the other oversold. A stock is said to be overbought when the demand outlandishly pushes the price upwards. This condition is commonly translated as a sign that the stock is overvalued and the price is probably going to go down. A stock is said to be oversold when the price goes down strongly to a level below its actual value. This is a result caused because of panic selling.



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According to (Mohd Naved, February 2015)<sup>4</sup>, The MACD is a better tool too to identify the direction of the market. The whole technique is based on momentum. If price changes suddenly and violently in one direction a swing low or high momentum is created (Boris Schlossberg). A sudden price movement may be by bull and bearish movement of the market. They may be early sellers and buyers who don't think about the movement of price in one direction substantially.

(Sameer Yadav, 2017)<sup>5</sup>, the faster information is disseminated, the quicker markets can react to both negative and positive news. Improved trading technology makes it easier to take advantage of arbitrage opportunities, and the resulting price alignment arbitrage causes. Finally, more kinds of financial instruments allow investors more opportunity to move their money to more kinds of investment positions when conditions change.

### **Research Methodology**

The research is a practical activity intended to find out things in a systematic and a logical way. The research methodology is a way to systematically solve the research problem. There are two ways to collect the data viz. Primary Data, Secondary Data. The primary Data is collected from discussion with branch manager, questionnaires for investors also from live market trading. The secondary data collected from annual report, company manual and online database etc.

### **Research Analysis:-**

The collected is compiled and analyzed using technical analysis method. To understand how technical analysis is used for accurate stock market prediction, the sample technical analysis with one client is shown here.

The name of the client isn't disclosed as per the company's rules and regulation

Client Name: - XYZ

Investment: - 50,000 Thousand Rupees

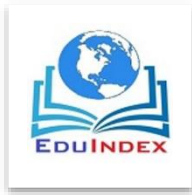
Margins Provided: - Equity Intraday – 10 Times, Writing on Expiry – 7 Times

**Trade: - 1<sup>st</sup>**

Date: - 24/06/2019

Stock Name: - Kotak Mahindra Bank Ltd (Intraday)

Sell @ 1480.40

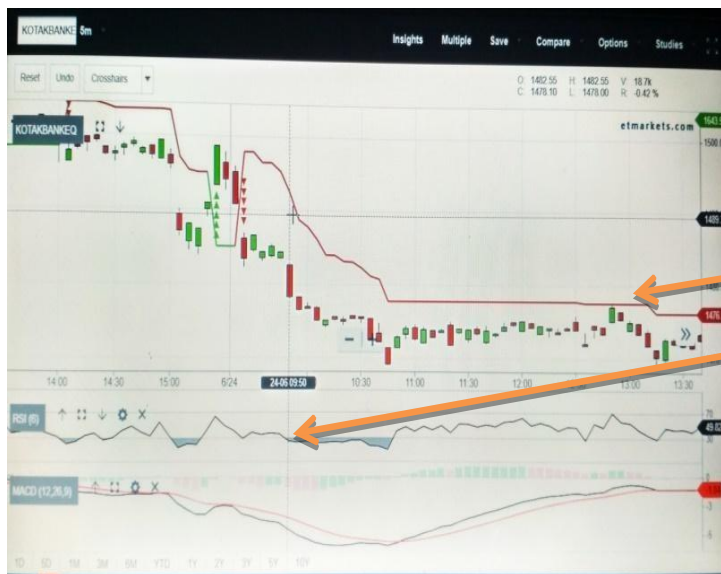


|                   |
|-------------------|
| Cash Quantity 200 |
| Stop Loss 1495    |
| Target 1 :-1470   |
| Target 2:- 1464   |
| Target 3:- 1458   |

The sell call is generate through technical analysis strategy

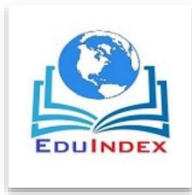
The Super trend, RSI and MACD all three indicator show selling pressure on stock.  
The Super Trend line is red and RSI below 30 shows in black shaded portion in chart.

### 5Min Candlestick Chart

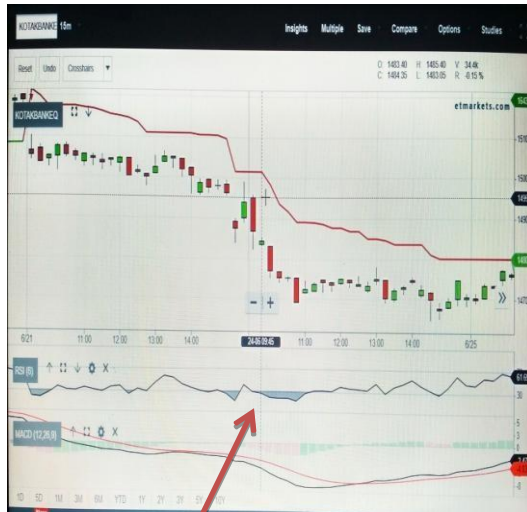


**Super Trend (Red Line)**

**RSI below 30 in shaded  
portion**

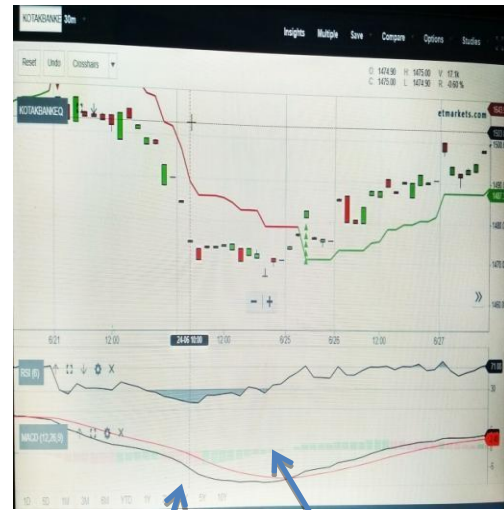


**15Min Candlestick Chart**



**RSI**

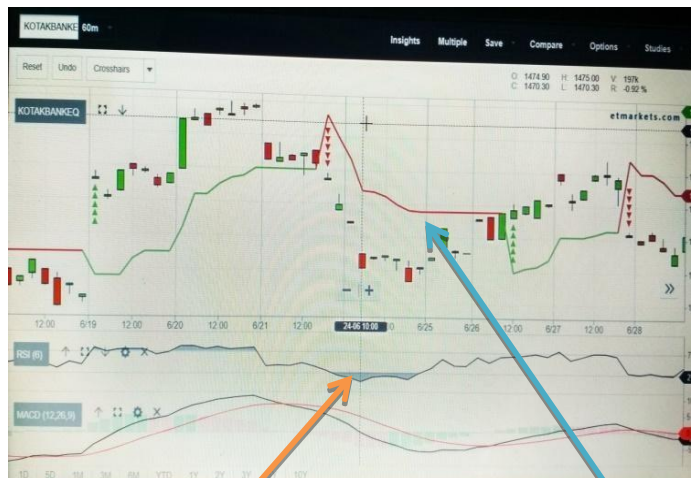
**30Min Candlestick Chart**



**MACD 0 Line of MACD**

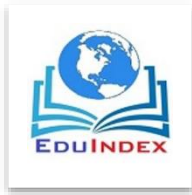
The trend follows in 5 minute as well as 15 minute charts and gives selling signal.

**60 Min Candlestick Chart**



The high selling pressure is seen on Kotak Mahindra Bank Stock in all time frames. The bears are more aggressive on bulls and trend of 60 minute is showed in chart





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**RSI Below 30 in shaded portion      Super Trend (Red Line)**

Profit from Trade: - 1<sup>st</sup> target hit 1470  $(10.40 \times 200) = 2080$

Brokerage Charge: - Selling  $(1480.4 \times 200 \times 0.01\%) = 29.61$   
Buying  $(1470 \times 200 \times 0.01\%) = 29.40$

The brokerage charges for intraday cash is 0.01% . The total brokerage charges for trade is  $(29.61 + 29.40) = 59.01$

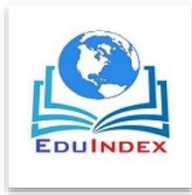
**Trade 2<sup>th</sup>:-**

Date:- 26/06/2019

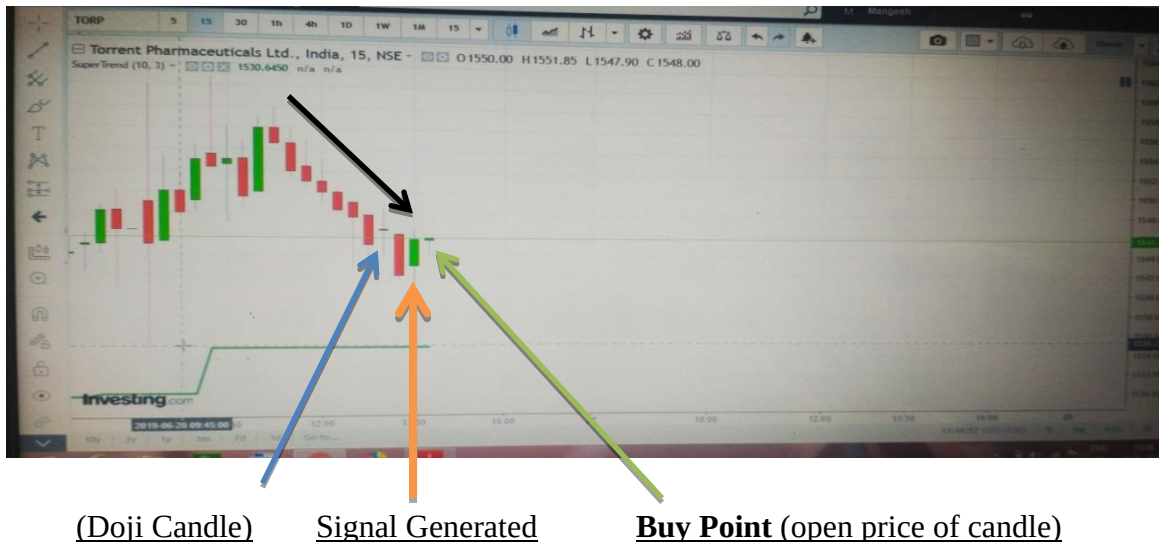
|                                        |
|----------------------------------------|
| Stock Name:- Torrent Pharma (Intraday) |
|----------------------------------------|

|                   |
|-------------------|
| Buy @ 1545        |
| Cash Quantity 300 |
| Stop Loss 1539    |
| Target 1 :- 1552  |
| Target 2:- 1555   |
| Target 3:- 1557   |

The buy call is generated through technical analysis strategy.

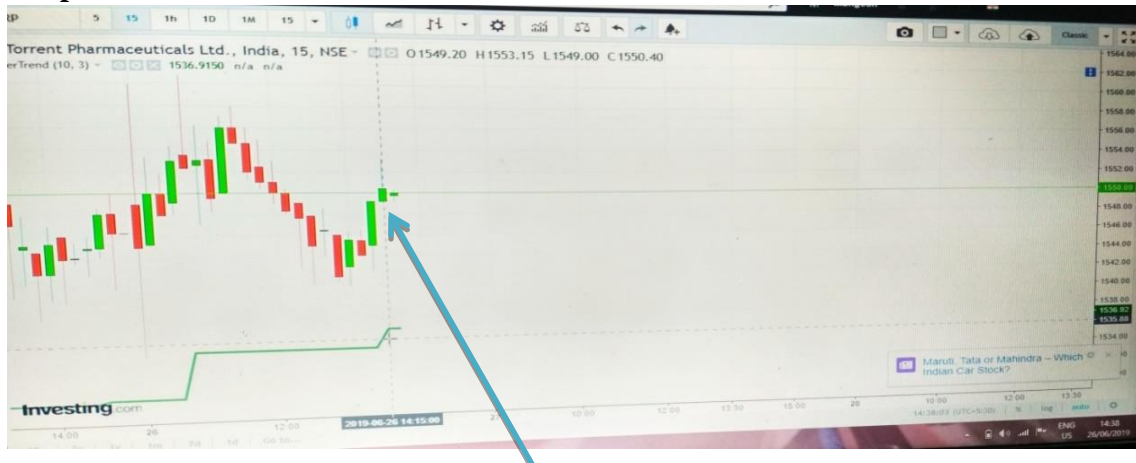


Graph No.1

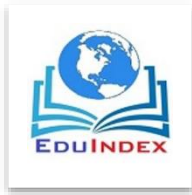


The candlestick pattern and 15 minute time frame are used for technical analysis. The black arrow is showing continuous downtrend in Torrent Pharma Stock and high selling pressure. The bears are more aggressive in trades and biting to bulls very badly. The downtrend is followed up to seven candles of 15 minute and eight number candle is formed of Doji Pattern. The Doji candle doesn't give any signal and wait for next candle. The next candle again formed in red colour. After one DOJI and eight red candle, green candle of buying signal is generated.

Graph No.2







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### **Candle High (1553.15)**

The bulls are come up with full aggression after, green candle. The green candle shows bullish trend after, high sell in stock. The green candle shows that, market trend is changed and bulls are come in market for buying stock. The stock shows bears power after buy point but, bulls sustain the market. The stock make high of 1,553.15 rupees. The second target is achieved in stock by understand the sentiments of market. The investor is earned profit of rupees 2,100 in trade.

Profit From Trade:- 1<sup>st</sup> hit 1552 ( $7 \times 300$ ) = **2,100**

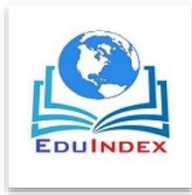
Brokerage Charge:- Buying( $1545 \times 300 \times 0.01\%$ ) = 46.35  
Selling ( $1552 \times 300 \times 0.01\%$ )= 46.56

The brokerage charges for intraday cash is 0.01% . The total brokerage charges for trade is ( $46.35 + 46.56$ ) = 92.91

### **Findings:-**

- The market is very cautious about global as well as domestic factors relating to the stocks. The global factors also affect Indian Stock Market.
- The stop loss is aid to reduce maximum losses into minimum and increased profitability of the investor.
- The aftermarket study and study of current market condition increase the profitability of investor and help to taking trades in the stock market.
- The sentiments of market participant especially Foreign Portfolio Investor and brokerage houses are very dynamic and react on small corporate action. The participant fluctuate market positively or negatively as per their perception and because of their high volume.
- The technical analysis traps the market opportunities with the help of charts analysis, volume and trend analysis etc. effectively and efficiently. The indicators are support to the technical analysis for predicting better market future potential.
- The technical analysis is affected by the live market action like news, government policies, corporate results etc. The market is maintained volatility and high volume is seen in such type period and its affect technical analysis.

### **Suggestion**



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**To the Investor:-**

- The timing is very important in market and more for the investor. The timing is everything but longer the investor time horizon, the less important is timing in trade. The investor should keep match on market indices and observed whole market sentiment.
- The investor should be cautious about the stop loss in trade and not change the stop loss again and again, if market is going negative after giving positive trend and investor has already taken a trade in market then, needn't to change or increase the stop loss.
- The investor should avoid the volatile market and more fluctuated market. The risk of huge losses is arises when market volume is high. The investor wants to take trade in volatile market then; investor can take both Call and Put Option and hedge their investment.
- The investor can exit on any target is given by the technical analyst, but sometimes market change their trend after hitting first target, so better for investor to exit on first target.
- The fundamental basis news always comes on market and especially on business news portal, the investor takes trade in stock on the basis of news but, investor should confirm the news and then can take position in stock otherwise avoid the position in news related stock.

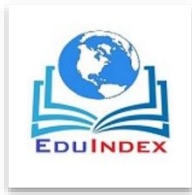
**Limitation:-**

The market is unpredictable and market news affects the stock market. The live market result and government polices mainly affected the stock market. The strategies of market are not hundred percent sure and investor may faces losses in stock market. The lot of affords are taken for strategy generation and technical analysis is lengthy work.

**Conclusion:-**

The research work was done in order to understand and study various trading and investment strategies used in stock market. It concluded the study of various instrument like equity, derivatives and commodity.

- The market moves reversal and not follows technical analysis in some cases due to live market news, corporate result etc. The trades risk is increased in volatile market and high volume of trades and investor are seen in expiry of contract of trades.
- The market reacts on long term as well as short term perspective of



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government and corporate policies. The government policies mostly affected the stock market.

- The technical analysis is not perfect and do not give hundred percent surety to the investor. The accuracy of technical analysis work is eighty to eighty five percent and fifteen percent related to market condition.

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