



“A STUDY ON TECHNICAL ANALYSIS WITH SPECIAL PREFERENCE TO INSURANCE SECTOR COMPANIES WITH THE HELP OF MACD AND RSI”

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ABSTRACT

Technical analysts believe that the historical performance of stock & markets are indicators for the performance of future. Technical Analysis a process of identifying trend reversals at an early stage to formulate the buying strategies and selling strategies. Technical Analysis is the forecasting of future financial price movements based on an examination of the movement of past price. Technical analysis does not conclude in wholly forecast about the future with regard to forecasting. Technical analysis is study of predicting prices of securities for future the main aim of technical analysis is to generate the returns by charter person decide when to enter and when to exit in the security. A significant technical analysis of selected insurance companies which helps to understand the price behaviour of the shares, the signals given by them and the major turning points of the market price. This paper is aims at carrying out Technical Analysis of the securities of the selected insurance companies and to assist investment decisions. Analysis is based on the technical tools like Moving Average Convergence- Divergence and Relative Strength Index.

KEY WORDS

Technical Analysis, Forecasting, Price movement.

INTRODUCTION

Technical Analysis is the art of forecasting the price movement of future based on past price action, volume on a chart and applying various studies and indicators to it. Technical Analysis works across all timeframes (intraday – daily – weekly or even yearly) data and is applicable to stocks, indices, commodities, futures or any tradable instrument where the



price is governed by the forces of demand and supply. Technical analysis involves stock information like prices, volumes and open interest on a chart and applying various patterns and indicators to it in order to assess the price movement of future. The lapse of time in which technical analysis is applied may range from intraday (5-minute, 10-minutes, 15-minutes, 30-minutes or hourly), daily, weekly or monthly price data to many years.

Technical analysis can be applied to any market with a comprehensive price history. The premises of technical analysis were derived from empirical observations of financial markets over hundreds of years. Technical Analysis directed towards predicting the security price. The at which a buyer and seller settle a deal is considered to be the one precise figure which synthesis, weighs and finally expresses all factors, rational and irrational, quantifiable and non-quantifiable and is the only figure that counts. Thus, technical analysis provides a simplified and comprehensive picture of what is happening to the security price. Like a shadow or reflection, it shows the broad outline of the whole situation and it actually works in practice. Technical Analysis have basic assumptions like market discounted everything, price moves in trend and history trend repeat itself.

Objectives of Study

To know the performance of selected insurance sector companies through technical analysis.

To identify the buy signal & sell signals and identify which indicators is more profitable.

To know that how indicators of technical analysis are used to predict the price of future.

Limitations of the Study

Only 1 year daily closing data from 1 December 2017 to 31 November 2018 are used for the technical analysis and the result is declared based on technical analysis no other method is used in the study.

Review of Literature

R. Chitra (2011) conducted a research on Technical Analysis on Selected Stocks of Energy Sector. The objectives were to make a study on technical analysis on selected stocks & interpret on whether to buy or sell them. Secondary data was used in the study with sample size of 10 companies. The technique used in this study was Beta, RSI & Moving Average. It



was concluded that technical analysis gives investor a better understanding of the stocks & also gives them right direction to go on further to buy & sell the stock.

A. Jayakumar & K. Sumathi (2013) conducted a research on Technical Analysis of Share Price Movement with Special Reference to Public Sector Bank. The objectives of this study were to study trend analysis in public bank. Secondary data was used with sample size of 2 banks. A coefficient technique is used in this study. Banking sector results says that economic is growing after recession.

Rajat Singla (2015) conducted a research on Prediction from Technical Analysis- A Study of Indian Stock Market. The objectives were to use EMA and RSI as tools of Technical Analysis. Secondary data was used with the techniques like EMA & RSI. It can be concluded that Techniques of technical analysis can play the positive returns in Indian stock market. The transaction cost increases with the numbers of trades hence it may cut down the returns as earned by the investors.

Rahul Berry & Dr. Sulochna (2017) conducted a research on Study on Use of Technical Analysis in Forecasting Price Moments of Selected Companies of NSE & BSE. The objectives were to study pattern in stocks by using Technical Analysis. On the basis of analysis one can buy stock of Pharma Company, Bank and FMCG but have to take short or hold position in scrip of reality sector. It can be concluded that stock market is very volatile, with small change investor can lose large amount of savings and to minimize impact of risk technical analysis can be used as a tool to predict the direction of share prices with accuracy in future.

B. Nisha (2018) conducted a research on Equity Analysis of Banking Sector Listed in NSE. The objectives were to know Equity analysis of selected stocks listed in NSE. RSI method was used in the study with secondary data. It can be concluded that Technical Analysis is a technique which gives an idea about the future share prices of selected companies in which we invest. On the basis of the knowledge of technical analysis one can predict the perfect investment decision of the stock market. By using the technical indicators, the future market of securities would be known in which to invest.



Research Methodology

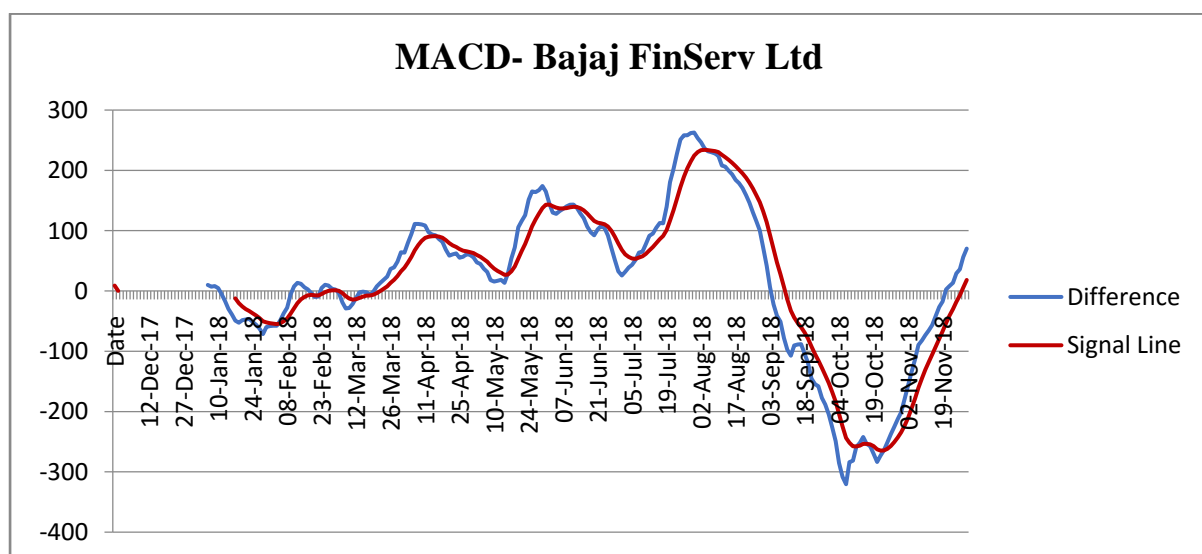
This is an analytical study based on the secondary data collected from BSE and NSE India of the five selected insurance companies based on the capitalization of market. The research design followed is descriptive in the study. For Technical Analysis, secondary data, the daily share price movements of the selected insurance companies in NSE and BSE were absorbed for the 1 years i.e. 01, December 2017 to 31, November 2018. The closing prices of share were taken and the price movement of future was analyzed using various tools. Data were collected from the trading of equity market in NSE and BSE India websites. The selected companies are:

1. SBI Life Insurance Co. Ltd
2. ICICI Prudential Life Insurance Co. Ltd
3. ICICI Lombard General Insurance Co. Ltd
4. Bajaj FinServ Ltd
5. Max Financial Service Ltd

Data Analysis and Interpretation

MACD-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return%
02-Nov-18	Buy	5525.3			



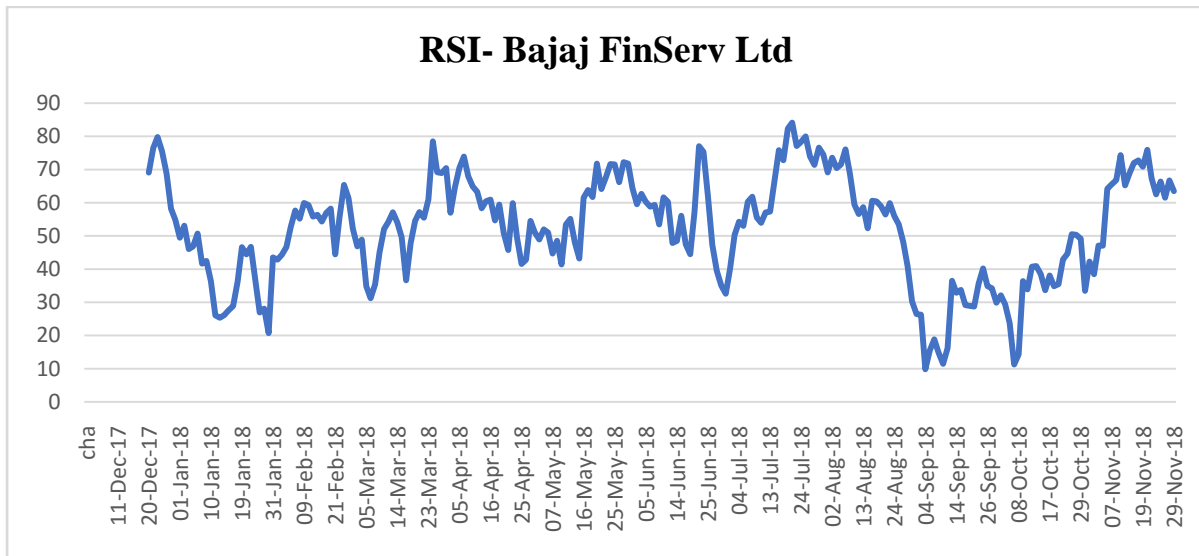


Interpretation

From the above graph, the downward trend shows the buying signal & upward trend shows the selling signals but at the end it goes increasing in positive. So, it is a bullish crossover of Bajaj Fin Serv Ltd. The total buying and selling signal got is 1 and 0 through MACD.

RSI-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return%
14-Jan-18	Buy	4964.9			
29-Jan-18	Buy	4912.4	4938.65		
02-Apr-18	Sell	5267.4			
09-Apr-18	Sell	5561.3			
30-May-18	Sell	5958.85			
21-Jun-18	Sell	6084.35			
18-Jul-18	Sell	6365.7			
25-Jul-18	Sell	6949.5			
30-Jul-18	Sell	6895.85			
08-Aug-18	Sell	7051.6	6266.81875	1328.16875	
05-Sep-18	Buy	6503.05			
11-Sep-18	Buy	6362.15			
04-Oct-18	Buy	5632.1	6165.766667		
19-Nov-18	Sell	5725.95		- 439.8166667	
			Total Profit	1767.985417	
			Total Return		20%
			Average Return		10%

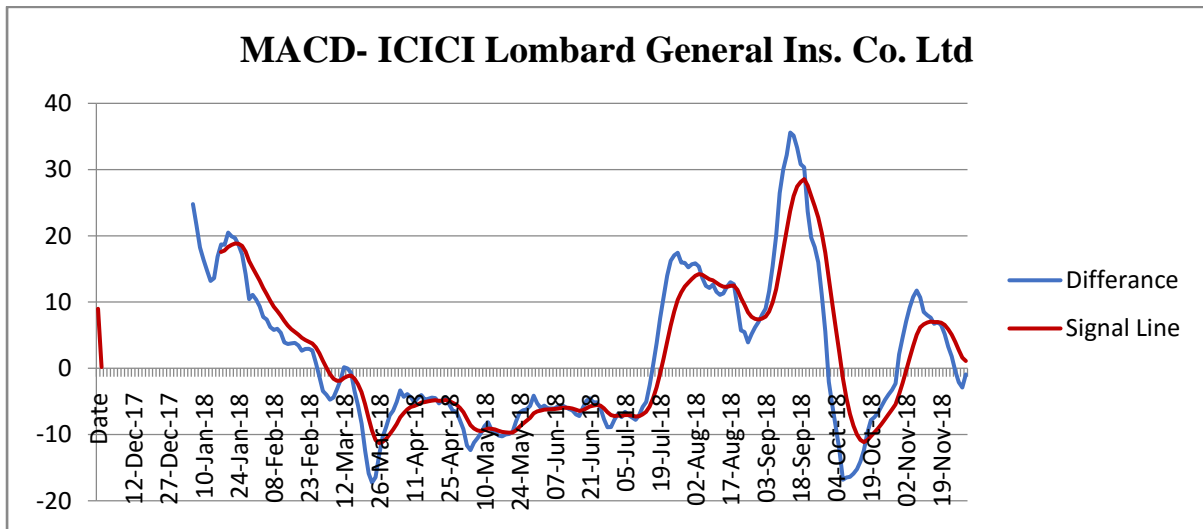


Interpretation

The above graph shows the RSI chart of Bajaj FinServ Ltd for 1 year from December 1, 2017 to November 31, 2018 with the profit earn of Rs. 1767.985417 and with 20% return. In the months of March to June there is selling pressure according to the value of RSI after that it changes into the buying pressure.

MACD-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return%
23-Mar-18	Buy	741.15			
21-Aug-18	Sell	793.45			
17-Sep-18	Sell	887.5	840.475	99.325	
12-Oct-18	Buy	779.1			
09-Nov-18	Sell	848.05		68.95	
			Total Profit	168.275	
			Total Return		22%
			Average Return		11%

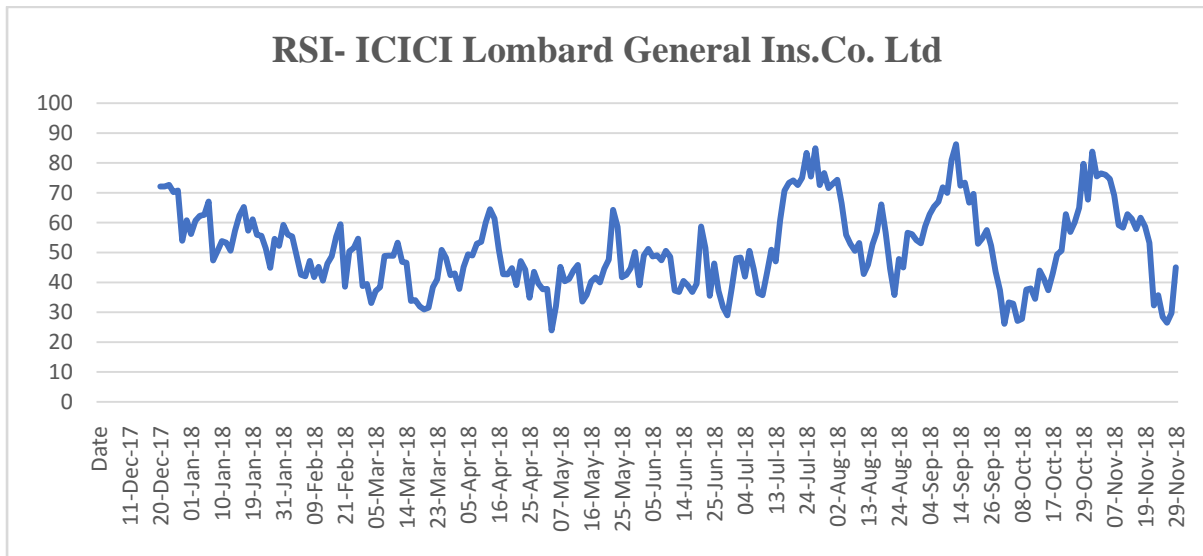


Interpretation

From the above graph, downward trend shows the buying signal & upward trend shows the selling signal but at the end it goes decreasing in negative. There is a bearish crossover of ICICI Lombard General Insurance Co. Ltd with total buying and selling signal is 2 and 3 through MACD with profit earn of Rs. 168.275 and 11% average return.

RSI-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
04-May-18	Buy	719.85			
28-Jun-18	Buy	696.9	708.375		
02-Aug-18	Sell	786.8			
17-Sep-18	Sell	887.5	837.15	128.775	18%
08-Oct-18	Buy	759.65			
06-Nov-18	Sell	849.15		89.5	12%
			Total Profit	218.275	
			Total Return		30%
			Average Return		15%



Interpretation

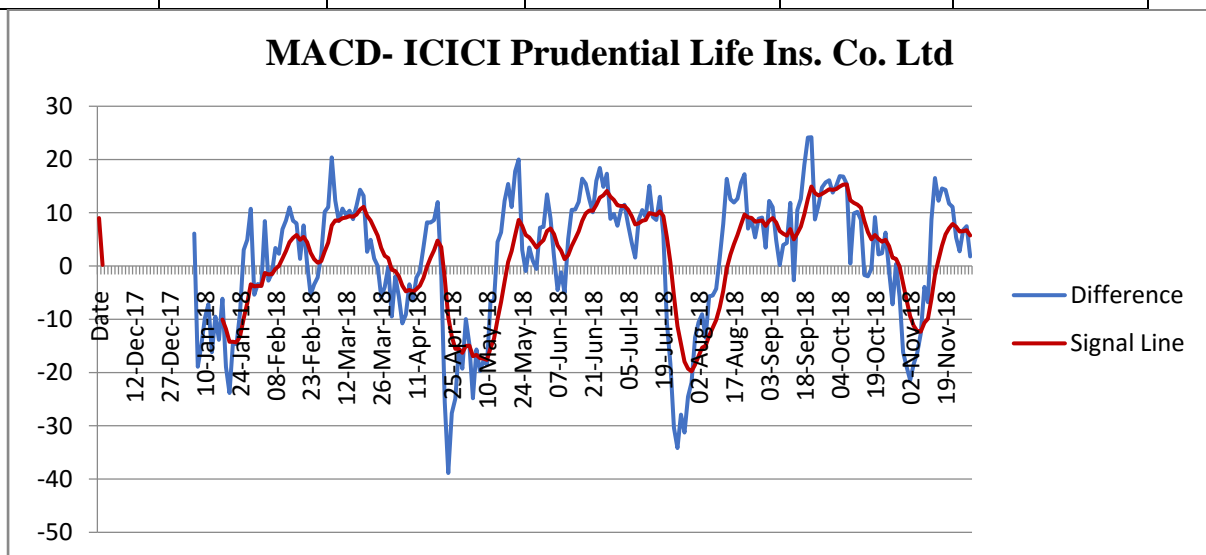
The above graph, there is a moderate fluctuation in the beginning & from July there is equal fluctuation & equally generated the buying & selling signal with profit earn of Rs. 218.275 and 30% total return.

MACD-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
25-Jan-18	Buy	429.9			
22-Feb-18	Sell	400.8			
21-Mar-18	Sell	381.75	391.275	-38.625	-9%
13-Apr-18	Buy	394.75			
20-Apr-18	Sell	374.1		-20.65	-5%
11-May-18	Buy	455.45			
25-May-18	Sell	420			
06-Jun-18	Sell	406.25			



14-Jun-18	Sell	403			
19-Jul-18	Sell	349.2	394.6125	455.45	100%
07-Aug-18	Buy	420.25			
17-Sep-18	Sell	362.45			
12-Oct-18	Sell	318.4			
25-Oct-18	Sell	317.7	332.85	-87.4	-21%
12-Nov-18	Buy	350.05			
29-Nov-18	Sell	319.6		-30.45	-9%
			Total Profit	278.325	
			Total Return		56%
			Average Return		11%



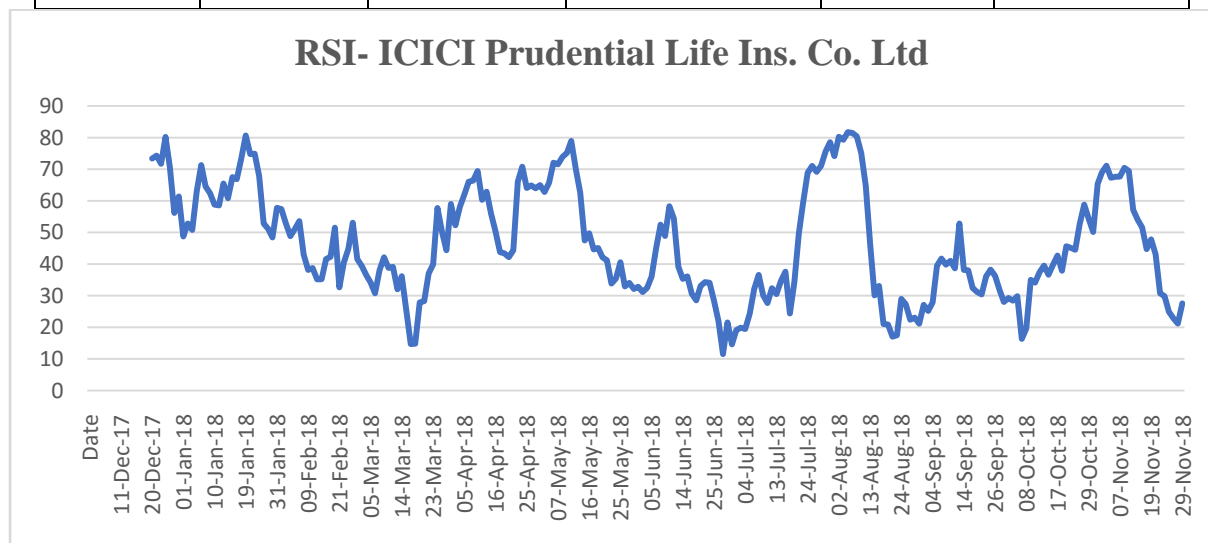
Interpretation

From the above graph, the downward trend shows the buying signal & upward trend shows the selling signal but at the end it goes decreasing in negative run. So, here we can say that it is a bearish crossover of ICICI Prudential Life Insurance Co. Ltd with the buying signal is 5 and selling signal is 11 with the profit earn of Rs. 278.325 and total return is 56%.



RSI-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
19-Mar-18	Buy	372.3			
09-May-18	Sell	450.1		77.8	21%
04-Jul-18	Buy	370.05			
08-Aug-18	Sell	412.95		42.9	12%
			Total Profit	120.7	
			Total Return		32%
			Average Return		16%



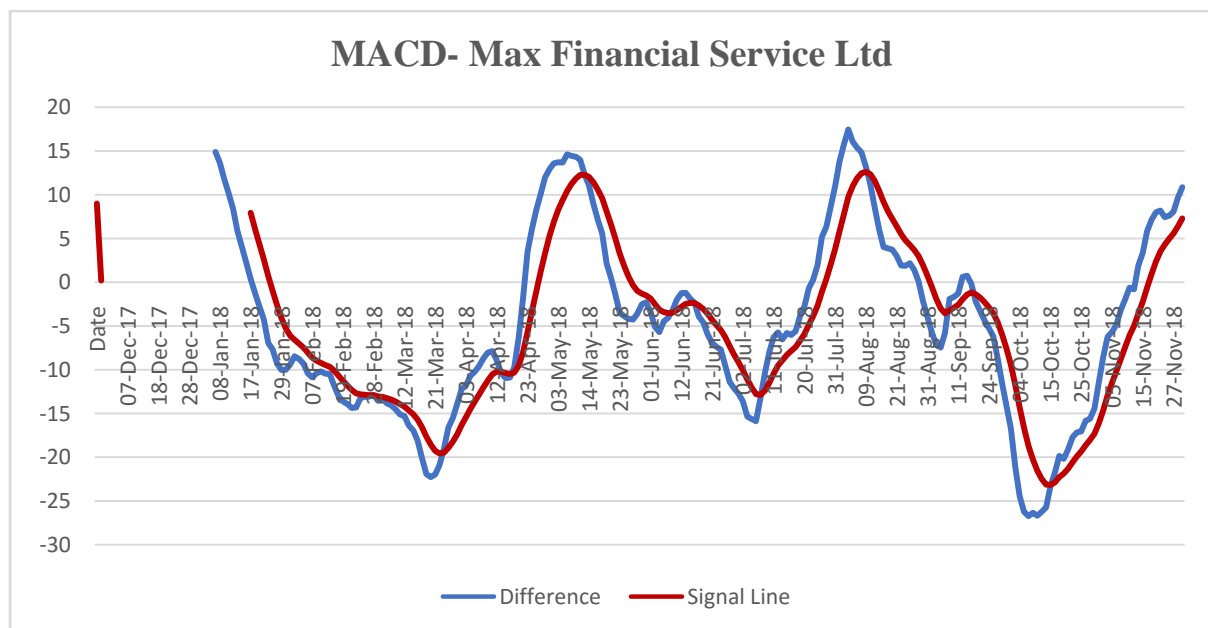
Interpretation

The above graph shows the RSI chart of ICICI Prudential Life Ins. Co. Ltd for 1 year from december 1, 2017 to November 31, 2018. In the month of August the price goes up, rises above 70 which is near to 80 which shows the point to where there will be down turn in price in the month of September RSI falls down and price moving up with profit earn of Rs. 120.7 and 32% total return.



MACD-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
26-Mar-18	Buy	456.65			
19-Apr-18	Buy	448.65	452.65		
14-May-18	Sell	498.85		46.2	10%
22-Jun-18	Buy	449.95			
10-Jul-18	Buy	457.05	453.5		
10-Aug-18	Sell	487.05		33.55	7%
			Total Profit	79.75	
			Total Return		18%
			Average Return		9%



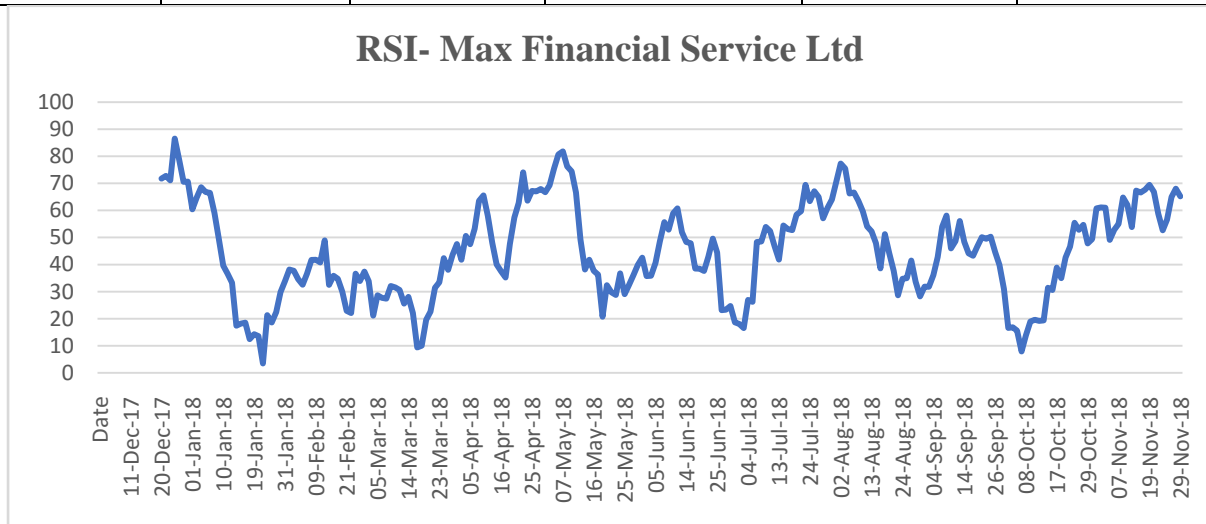
Interpretation

From the above graph, the value of MACD histogram is above than zero line then it generate a buy signal & the value of MACD histogram intersects the zero line downward with negative value then it generate a sell signal. Through MACD the total buy and sell signal is 4 and 2 with profit earn of Rs. 79.75 and total return is 18%.



RSI-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
22-Jan-18	Buy	544.35			
21-Feb-18	Buy	499.7			
01-Mar-18	Buy	494.95			
20-Mar-18	Buy	425.25	491.0625		
23-Apr-18	Sell	500.5			
09-May-18	Sell	514	507.25	16.1875	3%
23-May-18	Buy	466.25			
05-Jul-18	Buy	454.05	460.15		
03-Aug-18	Sell	518.75		58.6	13%
			Total Profit	74.7875	
			Total Return		16%
			Average Return		8%



Interpretation

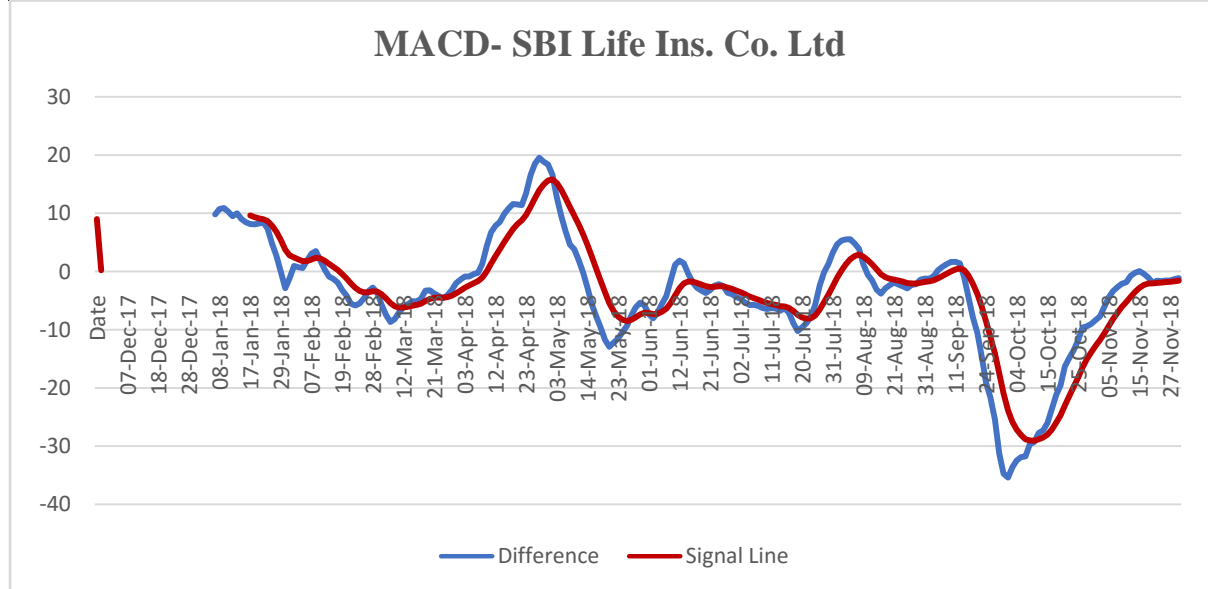
The above graph shows the equal buying & selling pressure & it is continuously fluctuation. In the month of December, the price goes up, rises above 70 which is near to 80 which shows



the point to where there will be down turn in price in the month of January RSI falls down and price moving up with the profit earn of Rs. 74.7875 and 16% total return.

MACD-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
09-Mar-18	Buy	670.3			
03-May-18	Sell	732		61.7	9%
29-May-18	Buy	695.3			
06-Jun-18	Buy	683.1	689.2		
09-Aug-18	Sell	673.4		-15.8	-2%
			Total Profit	45.9	
			Total Return		7%
			Average Return		3%



Interpretation

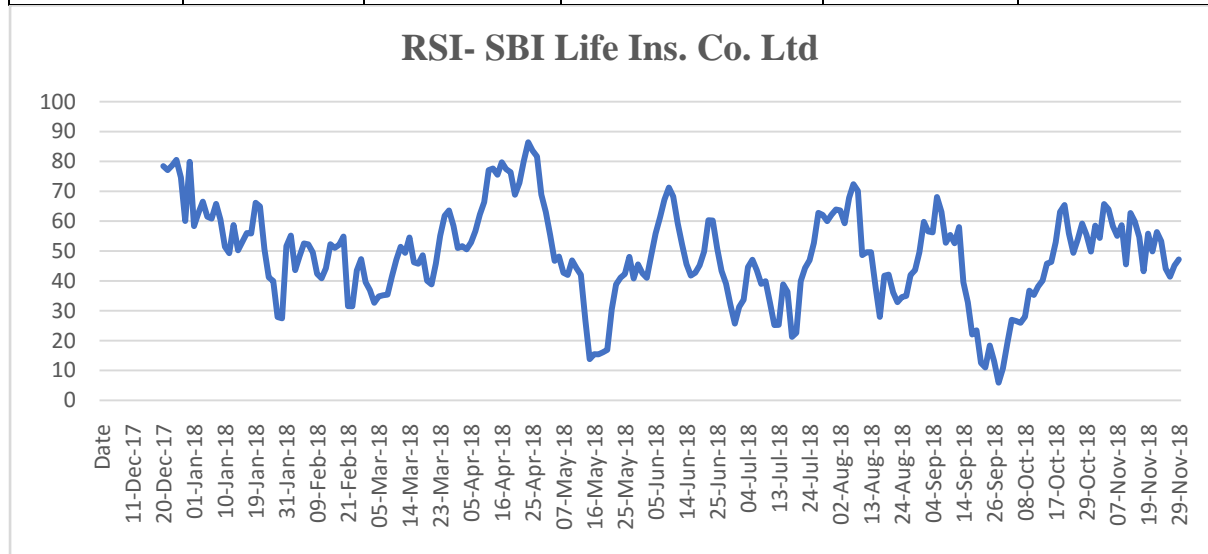
From the above graph, the value of MACD histogram is above than zero line then it generate a buy signal & the value of MACD histogram intersects the zero line downward



with negative value then it generate a sell signal. The total buy and sell signal is 3 and 2 with profit earn of Rs. 45.9 and 7% total return.

RSI-

Date	Signal	Close Price	Average Buy/Sell	Profit/Loss	Return %
30-Jan-18	Buy	667.9			
26-Apr-18	Sell	762.8		94.9	14%
21-May-18	Buy	655.2			
20-Jun-18	Buy	676.2	665.7		
08-Aug-18	Sell	677.2		11.5	2%
			Total Profit	106.4	
			Total Return		16%
			Average Return		8%



Interpretation

The above graph shows the equal buying pressure in the month of January to October. In the month of April, the price goes up, rises above 70 which is near to 80 which shows the point to where there will be a downturn in price in the month of May. RSI falls down and price moving up with the profit earn of Rs. 106.4 and 16% total return.



FINDINGS

Company	MACD	RSI
Bajaj FinServ Ltd	-	1767.985417
ICICI Lombard General Insurance Company Ltd	168.275	218.275
ICICI Prudential Life Insurance Company Ltd	278.325	120.7
Max Financial service Ltd	79.75	74.7875
SBI Life Insurance Company Ltd	45.9	106.4

Out of the two indicators, the highest profit was gain from RSI. According to MACD indicators, the highest profit was gain from ICICI Prudential Life Insurance Company Ltd while according to RSI indicators, the highest profit was gain from Bajaj FinServ Ltd. In Max Financial Service Ltd there are more buyers of the stock which lead to bullish market, in future this stock will make a new high price.

CONCLUSION

The present study had done with the technical analysis of five selected insurance companies with the use of technical tools like MACD and RSI. Among the two indicators MACD & RSI, MACD is the indicators which is proved to be very useful for the confirmation of trend. MACD is the easy indicator to predict the trend as it is the only matter of knowing the different between two moving average plotted against the centerline in histogram. The signal got from MACD is less as compare to RSI but provide more accurate & it conform the movements of trend.

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