"APPLICATION OF TECHNICAL ANALYSIS OF EQUITY SHARE WITH RELEVANCE CHARTS AND PATTERNS"

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Abstract:

Technical Analysis is often outlined because the art and science of prediction of future costs supported an examination of the past value movements, it's supported by analyzing the present demand-supply of commodities, stocks, indices, futures, or any tradable instrument, and its includes costs, volumes, and open interest on a line chart and applying varied patterns. in this study charts and patterns of the 5 selected sectors firms that are pharmaceutical company, Technology, Banking, Energy, and Infrastructure and to produce appropriate suggestions and direction to the investors, buyers, and sellers, For this purpose, descriptive analysis style and secondary information assortment methodology is employed. the knowledge is collected through the website of icharts. For concluding the study fifteen firms are taken from the 5 completely different sectors throughout the year 2021-22. For this analysis, random a sampling technique is used. From the above we conclude that the share value shows an upward trend, that provides shopping-for the signal to shop for the shares, If the share value shown downtrend, then, it provides a signal to the vendor throughout an amount.

Key Words:

Technical analysis, Share, Signal, Price, charts and patterns, Stock, Market.

INTRODUCTION:

Technical Analysis could be a methodology of the study employed by investors and traders to predict costs and take selections consequently. It are often outlined as art and science of prediction future costs supported an analysis or study of the past value movements. Technical analysis isn't pseudoscience for predicting costs. Technical analysis relies on analyzing current demand-supply of commodities, stocks, indices, futures or any tradable instrument and it involves swing stock data like costs, volumes, and open interest on a chart and applying varied patterns so as to assess the long-run value movements. The time frame during which technical analysis is applied could vary from intraday (5-minute, 10-minutes, 15-minutes, 30-minutes or hourly), daily, weekly, or monthly value information to several years. There are

primarily 2 strategies for analyzing investment opportunities within the security market viz basic analysis and technical analysis. basic data like money and nonmoney aspects of the corporate or technical data that ignore fundamentals and focus on actual value movements are also used. The technical analyst assumes that it's ninety percentage psychological and ten percentage logical. Technical analysis could be a methodology for evaluating securities by analyzing the statistics generated by market activity, like past costs and volume. Technical analysts don't decide to live a security intrinsic worth, however, instead use charts and different tools to spot patterns that will counsel future activity. The study on technical analysis of elite firms supported sampling technique is critical because it helps to spot the charts and patterns of the chosen firms, more it helps in understanding the value behavior of the shares, the signals given by them, and therefore the major turning points of the market value. The idea of study comes into the image once a call should be created on selecting a selected company's shares for investment. Technical analysis could be a security analysis technique that claims the power to forecast the long-run direction {of values of costs} through the study of past market information primarily price and volume.

LITERATURE REVIEW

Aman Bhatia (2021) have conducted a study on "Technical analysis and its use within the stock markets". The study is aimed to grasp whether or not the charting patterns (Japanese candlesticks and classical worth patterns) work for the charts of little cap and midcap corporations. 3 corporations from each, midcap and tiny cap classes were thought of because of the sample of the study and therefore the main objective is to search out the relevance of the theory of charting patterns in observation. The period of knowledge used for the aim of this study was six (6) months. Systematic sampling was chosen. Upon analysis, it had been found that the sixteen patterns (11 Japanese candle holder patterns and five classical worth patterns) existed within the sample thought of for the aim of the study.

P.Venkatesh, Krishna Sudheer, and Senthilmurugan Paramasivan(2021) did a study on "Technical analysis victimization candle holder pattern of select corp stock listed in national securities market (NSE), India concerning steel sector". To research the performance of choosing steel sector and to forecast long-run trends within the share costs through technical analysis and to, give appropriate suggestions to the investors. Here, the secondary information area is not used. The sampling technique is a stratified sampling techne is employed for analysis. The study covers an amount of 3 years from thirty-first March 2016 to thirty-first March 2019. The sample unit covers five Indian steel corporations out of forty-six corporations listed in NSE. on the idea of the analysis, we tend to find that the technical analysis offers capitalists a more robust understanding of the stocks and conjointly offers them the right direction to travel on additional to shop for or sell the stocks.

Dr. Asha E. Thomas (2014) has done A Study "on Technical Analysis and its quality in the Indian stock exchange". This study aims to judge technical analysis from an Indian perspective and to search out its quality in the Indian stock exchange. There area unit essentially 2 approaches employed in analyzing the share worth movements. they're elementary approach and technical approach. The studies on the certainty of equity returns from past returns counsel that this conclusion might need been premature. The study amount was from 2to 007-2012. The sample size was twenty-nine corporation shares taken for the study. we tend to found that here India had a progress that was abundant quicker than

several different rising countries and Its market infrastructure has adult to international standards during this short span of your time.

William Leigh, military service Modani, Russell Purvis, and Tom Roberts (2002) created the analysis on "The stock exchange commerce rule discovery victimization technical charting heuristics". The goal of the study is to forecast long-run run trends within the share costs through technical analysis and to supply appropriate suggestions to the investors we tend to determine a heuristic from a website of professional information, devise laptop algorithms for implementation, determine a performance criterion, et sample information and validate employing a check sample.

Gordon Scott, CM, T, and Michael Carr, CMT & Cremonie, CMT (2016) haveanalyan study on "Technical Analysis: fashionable view study aims the is to understand the technical analysis provides a framework for informing investment management choices by applying a provide and demand methodology to promote costs". we tend to analysis has confirmed the worth of different technical tools, as well as pattern analysis, moving averages, and indicators. A recent analysis (Northington and Dahlberg 2016) identifies a technical indicator referred to as volatility-based support resistance (VBSR). Support and resistance area unit necessary ideas from chart-based pattern analysis.

 Marc Velay and Fabrice Daniel's (2008) Study on "Stocks charts and pattern reorganization with deep learning." the most issue encountered was the standard of the info used. there have been no pre-existing datasets with tagged patterns that might be found and had to form. This study evaluated the performances of CNN and LSTM for recognizing common chart patterns in an exceedingly stock historical information. It presents 2 common patterns, the strategy wont to build the coaching set, the neural network architectures, and therefore the accuracies obtained. The conclusion of this study was the 1D and second CNN models weren't ready to reach high accuracy levels and will thus not be compared to the hard-coded algorithmic program to judge their generalization potential.

VINOD G. KOLHE (2014) Study on "Technical analysis with the assistance OF candle holder chart in equity". The objective of this paper was to review technical analysis with the assistance of the Equity market, to review this behaviour & predicting the long-run behaviour of the equity available market. Collected info from primary & secondary supplies. The conclusion of this paper was the most information that they have to perform their studies was the value histories of the instruments, alongside time and volume information.

 Geoffrey C. Friesen, Paul A. Weller, and Lee M. Dunham (2008) analysis on "Piece trends and patterns in technical analysis: a theoretical and empirical examination." the rationale for this analysis to gift a theoretical model that has a proof for the discovered autocorrelation patterns in quality returns and the documented success of each trend-following and pattern-based technical mercantilism rules. the info were was selected from the NYSE's Trade and Quote (TAQ) information for the six-year sample amount Jan one, 1999–December thirty-one 2005, victimization solely quotes from the securities market, Curb, and NASDAQ exchanges. The conclusion of this study was they used the bid-centimeter for every dealing to mitigate bid-ask bounce, and additionally apply many filters to eliminate inaccurate observations. This paper developed a theoretical framework that will account for the apparent success of each trend-following and pattern primarily based on technical mercantilism rules.

RESEARCH METHODOLOGY:

Objective:
- To identify the charts and patterns of the five selected sectors companies that are Pharma, Information Technology, Banking, Energy, and Infrastructure.
- To generate buying and selling signal to the investors, buyers, and sellers.

In the present study as a sample 15 companies are taken. The descriptive research design has used for this research. The secondary data collection technique is used in this research. The data is collected through iChat website. Random sampling method is used. By using line and candlestick charts and patterns of the selected companies the data analysis is done. From the above we conclude that the share value shows an upward trend, that provides buy signal to investors, buyers for the shares, If the share value shown downtrend, then, it provides a signal to the vendor throughout an amount. Further, it will help to understanding the price movements of the shares. The signal represents the major turning point to the market price of the share.

DATA ANALYSIS AND INTERPRETATION:

The above table represent a red marabozu is formed. From the above chart, we can see that the opened at Rs. 820 and closing price is Rs.800 and then falling in downside. From the above chart, we can interpret that after the red marabozu candlestick the next candle confirms the seller. A red marabozu indicates that sellers controlled the price from the opening bell to the close of the day and is considered very bearish. This shows that the seller is in total control of the market, there is so much selling pressure on the stock the participants of the market are willing to sell the stock at any point during the trading session.

We can observe in this chart that a bullish engulfing pattern is a small red candlestick followed the next day by a large green candlestick, the body of which completely overlaps or engulfs the body of the previous day's candlestick. Here we can see that a bullish engulfing pattern is found at a bottom of the downtrend which means its gives signals an uptrend reversal. Overlaps or engulfs the body of the previous day's candlestick. Here we can see that a bullish engulfing pattern is found at a bottom of the downtrend which means its gives signals and

Uptrend reversal.

In the above chart, we can analyze that at the end of the uptrend a Doji is formed in January 2022, 2022,which indicates that the ongoing trend has become certain. Here, we can see in this candlestick pattern that the opening price is Rs.5100 and the closing price is Rs.5100 both are equal or the same that is Rs.5100. A Doji indicates that the buyers are gaining, it means that it gives a sign or direction to the seller to take an position in an market.

This chart represents the rounded top and bottom are reversal patterns designed to catch the end of a trend and signal a potential reversal point on a price chart. From the above graph, we can see the rounding top pattern starting with Rs.1800 and the round top price is Rs.1900in the month of December to January then after it goes downtrend trend. The rounded top pattern appears as an inverted 'U' shape and is often referred to as an 'inverse saucer' in some technical analysis books. It signals the end of an uptrend and the possible start of a downtrend. This means that the rounded top can indicate an opportunity to go short. From the above chart, we can see the rounded bottom price started with Rs1680 and the bottom top is Rs 1650, then it goes up trend.

 It signals the end of a downtrend and the possible start of an uptrend. This means that the rounded bottom can indicate an opportunity to go long.

From the above chart we can see that Rs. 1100 support level in February to March and then after it break the level and goes upward. It is the point where buying pressure is more than the selling pressure or you can say demand is greater than the supply. The support occurs in this share because the downtrend is expected to pause due to a concentration of demand. As the price of assets or securities drops, demand for shares increases, thus forming the support line. Support results from the inability to break are prior lows. This chart represents the resistance that occurred between Rs. 1900 to Rs. 2100 in January to march. Then After the resistance level, it goes downside. Resistance occurred when an uptrend is expected to pause temporarily, due to a concentration of supply. Here, we can see that the three-resistance level occurred at Rs. 1300, rs.1350 and from December 2021 to March 2022. From the above chart, we can interpret that after the level of resistance the trend is going downward.

the rounded bottom can indicate an opportunity to go long. The rounded top can indicate an opportunity to go short and the rounded bottom can indicate an opportunity to go long.

In this chart, Pfizer's shares have experienced a series of lower highs that is 4800rs, 4600rs, 4400rs, etc. and a series of horizontal lows, which created a descending triangle chart pattern. Traders would look for a definitive breakdown from the lower trend line support on the high volume before taking a short position in the stock. If a breakdown did occur, the price target would be set to the difference between the upper and lower trend. A falling price combined with increasing supply is very bearish, and shows really strong selling pressure and triangle is a signal for traders to take a short position to accelerate a breakdown.

From the above chart we can see the horizontal price movement of stock between resistance and support levels that occurred when the forces of supply and demand are balanced it is known as the side wave trend. This chart represents the side wave trend between December 2021 to March 2022, the movement of price between Rs.950 to1100 in four months that is December 2021 to March 2022. Traders can profit from sideways trends in several ways, from looking for confirmations of a breakout or breakdown to using stock options to placing stop-loss orders when the price nears resistance levels.

Conclusion

From the research we conclude that the energy sectors companies has been found the bull and bearish engulfing, morning star candlestick pattern and other trend line that is double top, resistance level and rounding top. In cement sectors companies found the various candlestick patterns that is Hammer, red marabozu candlestick pattern and other trend line pattern that is side waves and support level. Whereas, in IT sector companies founds various candlestick patterns as well as trend line patterns like; Doji, marabozu and descending line, resistance level, rounding top etc. Pharma sectors companies found Hammer, Doji in candlestick pattern and downtrend, rounding top, support and resistance level in an line chart of the share. In the last banking sector of the research we found Hammer, Marabozu, Bullish engulfing and in trend line double top and support level etc.

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