

## A Study on Technical Analysis of Stocks

**Dr. Prapti Naik**

Assistant Professor, VIVA Institute of Management & Research  
prapti.naik@gmail.com

**Mr. Prashant Mohite**

VIVA Institute of Management & Research  
prashantmohite043@gmail.com

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### **Abstract:**

This research paper investigates the efficacy of technical analysis in the stock market and its potential to guide investment decisions. Technical analysis encompasses a variety of charting tools and indicators to forecast future price movements based on historical data. This study assesses the reliability of commonly used such techniques. Through a comprehensive review of existing literature and case studies of specific stocks, the research aims to evaluate how technical analysis can be applied in practice to enhance investment strategies and risk management. By scrutinizing past performance and comparing it with real-time market data, the paper provides insights into the strengths and limitations of technical analysis as an investment tool, offering recommendations for its optimal use in portfolio management.

**Key words:** technical analysis, investment decisions

### **Introduction:**

Technical analysis involves the study of stock price movements in the securities market. If there is up trend in price movement then the trader purchases the stock. With the onset of fall price, he may sell it and move the stock. Technical analysis is a trading tool that analyses securities and attempts to predict future trends by analysing statistics collected from trading activities, such as price changes and trading volumes.

Technical analyst studies the behaviour of the price of stock to determine the future prices the main goal of technical analysis is to be able to profit from trading by observing market patterns and statistics, to know when to enter and exit a stock, especially when it starts to shift, and to not let emotions impact on trading decisions.

Technical analysis is based on price and transaction volume transformation implementation models and trading rules, such as relative strength index, moving averages, price action, inter market and intra market price correlation, cycle or usually by identifying chart patterns. Technical analysis is a method used by traders to assess investments and recognize trading prospects by examining price movements, trends, and patterns observed in charts.

### **Literature review:**

Schiff and William (2004) in focus on technical analysis have uncovered that technical analysis is a strategy which accesses securities by breaking down and past cost volume design in the

graph shown future.

Dukes and John A (2012) in Is gainful for individual money dealers have commented that the technical related with execution is negative in the event that the individual cash dealers utilize technical analysis will experience the ill effects of the poor execution.

Claude and penny m (1995) in the article Regular stock determination with an accentuation on mispriced resources: confirm from technical analysis says that technical analysis has conquered the customary scholastic position. It helps a person which stocks to purchase and RSI helps in deciding the real qualities and shortcoming of stocks

Rattiner and Jeffery (2002) in “birds eye contributing: technical analysis is incredible twofold check to principal investigation when arranging or rebalancing customer portfolios” concluded that technical analysis is not just use to decide the future pattern by utilizing past information however it proposes before putting resources into the securities and furthermore gives the flag when whether to purchase, hold rebalancing customer.

### **Research methodology:**

Sample size chosen for the study is stocks of 10 companies namely,

1. Zomato ltd.
2. PVR ltd.
3. Eicher motors
4. Persistent ltd
5. SBIN
6. HUL
7. Bosch
8. Maruti Suzuki
9. ITC
10. Restaurant brand India.

### **Objective of the study:**

- To study the stock performance after technical analysis.
- To identify trends in market and chart pattern and share movements in market.
- To study the price action of stocks.

### **Technical analysis of stocks:**

Technical analysis is based on the previous price changes to predict future price movement. Just like whether forecast, the technical analysis does not predict an absolute future. Alternatively, technical analysis aids investors in forecasting potential future price movements for various assets, including stocks, indices, commodities, futures contracts, and other tradable securities influenced by supply and demand dynamics.

Before analysis share movement

After analysis share movement

### **Zomato ltd**



The above figure shows chart of Zomato stock, one-day time frame when researcher analysed that time the stock had taken support thrice and fourth time it broke the support. On setting the target of 50 and stoploss near the support level, the target was achieved after some time.

## PVR ltd



The above figure describes the movement of stock of PVR Ltd., for one-day time frame when researcher analysed the stock it was showing flag pattern at that time. On setting target of 2000 and stop loss of 1750 level, the stock is been seen performing very well and achieved target within one month.

## Eicher motors



The above chart is showing the progress of Eicher Motors, the box pattern breakout in daily time frame. After analysis of the stock, the target of 3000 and stoploss 2770 is set. After some trading session the stock retested the support at box level and then met the target of 3000 within 4 to 5 days.

## Persistent ltd



This is a chart of persistent system ltd. showing the inverted hammer candlestick pattern in daily time frame. At that time, it was showing inverted hammer which was bearish candlestick

pattern, the researcher analysed the pattern and set the target of 3400. After some trading sessions stock price hit the target of 3400.

## SBIN



This is chart of state bank of India, in daily time frame chart it shows the descending triangle pattern. Observing this at that time the target of its previous highs was set, first target of 520 and second target 540 and the stoploss was below the support level. Within the one month both the targets were achieved.

## HUL



This is one-day time frame chart of HUL it shows the trend line breakout near the price level of 2200 and targeted previous high of 2376 and stoploss was 2150 support level of stock. After 10 days stock price hit decided target and then it gave upside movement.

## Bosch Ltd.



When analysed the chart at that time, the channel pattern breakout was observed. On setting the first target of 15182; second target of 16500 price level and the stoploss below the support level, in next three days the first target was achieved and after some trading sessions second target was also achieved.

## Maruti Suzuki



At the time of analysis, the stock price was at resistance level five times and then it gave the breakout on sixth time. When researcher set the target of its previous high 8734 and stoploss near resistance level, within few days stock price hit the decided target of 8734.

## ITC



Above figure shows ITC stock on daily time frame where the flag pattern breakout could be seen and resistance breakout was also at price level of 270 at that time. On setting the target of 310, stoploss near support level, after one month the stock price hit the 310 price level and achieved the target.

## Restaurant brand India



The above chart shows the symmetrical triangle pattern on daily time frame where the breakout of symmetrical triangle pattern can be seen. On setting the target of 120 and stoploss below the support line of triangle pattern; after some trading sessions stock price hit decided target of 120.

### Findings:

Through the above analysis it is clearly visible that

- ✓ The technical analysis helped to find out the stock performance with the help of trend: for e.g., uptrend, down trend & sideways in market.
- ✓ pattern: which pattern and what to do after the pattern forming was helpful for traders to make decisions.
- ✓ Technical analysis helped to take trade with the help of support & resistance as seen in Zomato stock based on how the stock was performing after the analysis.

- ✓ Technical analysis helped to trader to take decision when to buy, sell & hold the stock

### **Suggestion:**

Technical analysis of stocks is based on the idea that each stock chart has its own unique trend. The price moves only within this trend. Technical analysis does not provide explanations for why a price decline occurs but about the fall to face so to prepare for it accordingly.

### **Conclusion:**

This study on the technical analysis of stocks provides a comprehensive examination of its methodologies and effectiveness in predicting market trends. While technical analysis offers valuable insights and can enhance investment strategies, its reliance on historical patterns means it may not fully account for sudden market changes or unforeseen events. Therefore, it is crucial for investors to integrate technical analysis with fundamental analysis and other market indicators to make well-rounded decisions. Overall, while technical analysis is a useful tool in the investor's arsenal, it should be applied judiciously and in conjunction with other strategies for optimal results.

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