

Study on Investment Strategies Stipulated on Technical Analysis: Reference to Indian Pharmaceutical Stocks

Dr.Kshitiz Maharshi

Assistant Professor,
Department of Business Finance
and Economics,
Jai Narain Vyas (State) University,
Jodhpur, India

Pooja Chaudhary

Research Scholar
Department of Business Finance and Economics
Jai Narain Vyas University, Jodhpur

Swati Vashisth

Research Scholar
Department of Business Administration
Jai Narain Vyas University, Jodhpur

Neelam Shekhawat

Research Scholar
Department of Accounting
Jai Narain Vyas University, Jodhpur

Abstract

Predicting in stocks is very difficult task. Especially when the stocks are highly volatile. Volatility stops people from investing as possibility of failure is very large. So here question arises, is buying and selling of stock fruitless attempt. For such question the answer is very much “no” because we have an alternative to it that is “reaction”. Reaction is buying and selling of stock which takes place in 3 steps 1. Setup (Stock identification) 2. Trigger and 3. Action. Reaction is based on stock prices and company data. Stock prices and company data can be analysed with two techniques, namely fundamental and technical analysis. Fundamental analysis is for investor to understand whether the stocks are undervalued or overvalued in comparison to stock price in stock market. For that purpose, we analyze company performance, economy, and the industry. Economic indicators such as GDP, employment, budget, tax, money supply etc., helps to access general situation in nation. Industry analyses determine the position of industry in industry cycle, classify industry, and determine forces driving industry competition. To determine the financial performance, check out income statement, look into cash flows, and analyze Balance sheet of the companies. To derive meaning of information collected comparison is made between the ratios of the companies selected on basis on rank and score. Technical analysis on the other hand provides current data and accurate stock prices for each day. Price fluctuations can be seen and analysed for every trade taken place within the day, which is essential at the time of trading as well as investing. Investor's main goal is to gain maximum returns from investment that can be possible when the stocks are purchased at minimum price and sold at maximum. Hence entry and exit are essential, although fundamental analysis helps to understand value of stocks but entry and exit time can only be analysed through technical analysis. Therefore, this study is conducted to analyse the stock prices of some selected pharmaceutical companies on basis of technical analysis. Technical analyses with the help of tools and indicators help to determine the trends, to precipitate buy and sell indication, and to forecast the future direction of prices. Tools and indicators used in this study are candle stick chart (used for recognising patterns in stock prices), price-volume trend (effect of volume of shares on the prices), exponential moving average (change in price momentum), moving average convergence divergence (leg indicator), and relative strength index (recognises overbought and oversold situation).

Key Words: Stock Market, Investment Decision, Technical Analysis, Pharmaceutical Sector

Introduction

What is technical analysis? Technical analysis is all about prices of stocks. According to Technical analysts “prices movement are never random”. Hence with the help of past price movements we forecast the future prices of stocks. Prices of stocks changes in short period due to imbalance of demand and supply. Under technical analysis with price-volume analysts identify trends in stock prices, turning point, breakout and trading ranges. Higher and lower movement of prices are trends. These movements occur for a period of time, analysts identify beginning and end of trend. Technical analysis is used to find short-term trend range and long-term trend range. An analysis can differ on basis of time period, price could be observed for days-9 or 15, weeks and months. Point-and-figure charts, candlestick charts, and bar charts are used to identify trend patterns for stocks, bonds, futures, indexes etc. Charting is a visual methodology used for seeking opportunities in trend. An upward trend, as long as the pattern of higher highs and higher lows continues. On other hand lower highs and lower lows is indicator of a downward trend.

What is the significance of technical analysis? Technical analysis is serviceable for individual traders, investors, investment advisors and brokerage houses. Individual traders are those who handle securities round-the-clock to make profits. Traders mostly make decision after examining the price/volume of stocks presented in charts of exchange markets or any financial market. They do not carry out fundamental analysis. On other hand individual investors are those who buy and keep holding stocks, waiting for appraisal in their value. Investor's purpose is to make enormous profits; hence they look for fundamentally strong companies for long-term investment. Although, they do not consider the short-term fluctuation in stock prices, but technical analysis helps them in appraising their current stock. Brokerage houses have various stock brokers under them who help their clients in generating their wealth while buying and selling shares on their behalf. They use both technical and fundamental analysis of companies to maintain portfolio. Technical analysis allows brokers to understand when to enter and exit in stock market in order to make most profits.

Objectives

To understand the stock price momentums of the selected pharmaceutical sector stocks with the help of chart and indicators.

To recommend the investment strategy to the investors

Literature Review

William Brock, Josef Lakonishok and Blake Lebaron

(1992)¹: the objective of research was to to test technical strategies given by Dow Jones. Reachers have used moving averages, trading range break and bootstrap technique. The result showed that methodology used does not provide result, which is in agreement with the random walk and GARCH Model. Conclusion made is that it is more profitable to buy than sell securities as returns on buying signal are less volatile in comparison to selling signals. Venkatesh, C.V. (2013)²: used both fundamental and technical analysis in his study, Dowl method, F-score and G-score methods used for analysis. Concluded that investors use technical analyses in bull market and fundamental analysis in bearish market. Uses technical analysis in case companies lies in large and small cap, while fundamental in mid cap. Fundamental analysis is widely used in banking, refineries, pharma, steel and fertilizers. C. Boobalan (2014)³: in his study researcher have used different techniques and indicators for analysing and interpreting the stock prices of the selected companies in the Indian stock market. Time period taken is 3 years. HCL, SBI, WIPRO, GAIL, and ITC are the companies taken from different sectors of Indian market for evaluating stocks. He concluded that each chart patterns indicates different future trend of these companies. Technical analysis helps investors to form an appropriate strategy for maximising profits in the stocks. Mohd Naved (2015)⁴: study emphases on various technical indicators used while doing technical analysis in Indian financial stock market. The researcher has used simple moving average, Exponential moving average, moving average price crossovers, and Moving average convergence and divergence. Researcher concluded that technical analysis is very subjective way of analysis with various variation in indicators of technical analysis. It is rule based techniques which have very little scope of personal judgement. Isaac Kofi Nti, Adebayo Felix Adekoya (2019)⁵: the research paper is based on literature review. One hundred and twenty-two (122), literature review of fundamental and technical analysis had been included in research paper. The focus of study was more inclined towards technical analysis. Literature review includes the studies done between time period of 2007-2018. Authors had included all the literature review that could help in assessment of price movement and prediction of stock prices. Literature review collected was mostly from Asian and European market. To derive conclusion, parameter set were according to methods and sources of data collected, period of study, machine-learning algorithm, comparison on basis of accuracy, errors, software used for modelling. It was concluded that SMA, EMA, MACD, RSI, ROC are commonly used indicators for technical analysis. Among machine-learning algorithm ANN and SVM are most

commonly used for predicting stocks.

Research Methodology

Our study is based on performing technical analyses, for that purpose the high, low, open and close price momentum of selected companies are analysed. This study is categorised as explorative, descriptive and analytical research. Explorative because gives new insight on specific moments of stock price. Descriptive because gives answers to investors such as, trends, and pattern. Analytic research because mainly concerned with statistics and data analysis. The data considered for analyses is for the 3 years i.e., 01-MAY-2018 to 07-JUNE-2021. Data collected is secondary in nature. Data collected are the records of the trade in NSE stock market. We have selected pharmaceutical sector for the study purpose. 10 Companies registered on National stock exchange and Bombay stock exchange of India will be considered. Companies Covered are Divi's Laboratories, Sun Pharmaceutical Industries, Lupin, Dr Reddy's Laboratories, Aurobindo Pharma, Torrent Pharmaceuticals, Alkem, Cipla, Cadila Health, and Biocon. Tools and indicators used in this study are candle stick chart (used for recognising patterns in stock prices), price-volume trend (effect of volume of shares on the prices), exponential moving average (change in price momentum), moving average convergence divergence (leg indicator), and relative strength index (recognises overbought and oversold situation).

Explanation of tools and techniques of technical analysis:

Charting: under technical analysis charts of stock price shows current price towards right side. Vertical axis represents price and is shown toward right of the chart. Horizontal axis represents time that is latest towards right side. Candle stick charts used for analysing price pattern and trend. A chart can be an intraday chart which shows changeover a trading day or a chart can be daily or weekly chart which shows prices for days or weeks respectively. The format of the price bar is the same. Each bar constitutes of low (lowest price of trade), high (highest price of the trade), open (price of the first trade) and close (price of last trade) prices for the period. Period can be of a minute; 5, 10, 15, 60 minutes; daily bar; weekly bar; or monthly bar. In candlestick chart, red colour represents down movement, whereas green represents up movement in the prices of the stocks. It helps to define whether the stock is bullish or bearish. Bull is when the buyers are willing to buy at the high price and bear is when the buyer and seller negotiate and due to some reason, the seller is in hurry to sell the shares. So, in the market we need to observe the behaviour of seller and buyer, in a rising market, buyers must continue bidding

prices higher to convince sellers to part with their shares. Rising prices attract additional buyers, who must continue to bid prices higher to convince even more reluctant sellers to part with their shares.

Charts patterns: patterns are distinguished into two categories that are continuous pattern and reversal pattern. Reversal pattern includes head and shoulder pattern, inverted head-shoulder, rising wedge, falling wedge, double top, triple top, double bottom, triple bottom, round top, and round bottom. Continuation pattern includes symmetric triangle, ascending triangle, flag pattern, inverted flag pattern, bullish rectangle, bearish rectangle, price channel, and cup-handle pattern.

Price- Volume: volume is the number of shares traded by the buyers and sellers in the given time period. When chart is made on daily basis, the volume represents the total number of shares traded throughout the day, it can change several times in a day increase, decrease, or be constant. Volume (the number of shares sold) is used as a confirming indicator. In other words, if a price bar shows bullish activity, that bullishness is confirmed by a higher-than-average trading volume. However, that bullish indication may diminish if trading volume is lower than average. There are two kinds of position for price volume; they are liquidation position and accumulating position of the stock. Accumulating position is said to be when there is rise in prices and volume traded is strong. Liquidation position is when there is fall in the prices of stocks and volume of shares traded is high, such position is also regarded as a bearish development. Low-volume price changes are less meaningful, at least from a technical perspective, than high-volume changes. That's why technicians say, "Volume confirms price."

Moving Average: It's a technical analysis indicator simple and easy to use. It is very aggressively used in share market, commodity market, forex market, and future market. It is useful for both short-term and long-term investors. Moving average is trend following indicator, based on price momentum. Moving average moves along with the move in stock prices and according to the closing prices in the candlestick chart. It's an average for a last some closing prices of some days. It can be of 3, 5, 9, 50, 200, or 600 days. Moving average is of 2 kinds simple moving average and exponential moving average.

The simple moving average (SMA or MA) is the sum of prices taken for a particular period divided by the period taken, where new figure replaces old figure with new span of time. For example, for calculating 10-day moving average, the average price over the last 10 days is required.

$$SMA = (P1 + P2 + P3 + \dots P10) \div 10$$

P is the average of closing price. The average is recomputed each day by dropping the oldest observation and adding the newest.

Bullish signal is when the stock prices below the moving average crosses the moving average with rise in stock prices. Whereas, bearish signal when the stock prices above the moving average falls and crosses the moving average. Resistance and support of the trend line helps the investors to make decision regarding selling and buying. Positive situation is when resistance becomes support in moving average. Investor should buy at the support of moving average and sell at the resistance.

Exponential Moving Average: $EMA\ today = (Price\ today \times K) + (EMA\ yesterday \times (1 - K))$

Where: N = the length of the EMA $K = 2 \div (N + 1)$

Price today = the current closing price
EMA yesterday = the previous EMA value
EMA today = the now current EMA value

Buy when the moving average slopes upward and the closing price crosses above the moving average. Close the position when the price closes below the moving average. Sell short when the moving average slopes downward and the closing price crosses below the moving average. Close the short position when the price closes above the moving average.

Moving Average Convergence Divergence: invented by Gerald Appel in the 1960s. The moving average convergence divergence indicator (MACD) is a trend following momentum indicator. MACD is designed to generate trend-following trading signals based on moving average crossovers while overcoming problems associated with many other trend-following indicators. MACD also acts as a momentum oscillator, showing when a trend is gaining strength or losing momentum as it cycles above and below a centre zero line. MACD is an excellent indicator and an integral part of our trading toolset.

It uses a histogram to show the difference between the MACD line and the signal line. The histogram is plotted above the zero line when the MACD line is above the signal line, below the zero line when the signal line is above MACD, and at zero when they cross.

An uptrend when the MACD line crosses above the centreline. A downtrend when the MACD line crosses below the centre line. Some short-term traders use the signal

line to trigger. Buy signals when the MACD line crosses above the signal line. Sell signals when the MACD line crosses below the signal line.

Relative Strength Index: To know whether the shares have outperformed or under-performed relative strength index is used. The market can be measured as a whole or for particular industry. Relative strength is computed by calculating the ratio of the price of the security to a price index for the industry. Ratios are 7, 5, and 3; upper band is 70, lower band is 30, and medium band is 50. Trend line above upper band is situation of overbought and trend line below lower band is situation of oversold. Investors can buy when lines cross lower band and investors can sell when lines cross upper band.

Analysis And Interpretation

Dr. Reddy's Laboratories was established in 1984 by D. Anji Reddy. The current chairman of the company is K Satish Reddy. It provides more than 200 generic versions of expensive medicines to 80 countries. Other than generic formulation it is involved in the business of gastrointestinal ailments, cardiovascular disease, pain management, oncology, anti-infective, paediatrics, and dermatology; whereas the largest part of the business includes tablets, capsules, and topical cream.

CHART-1: Shows Moving Average and Price- Volume trend of Dr.Reddy's Lab.

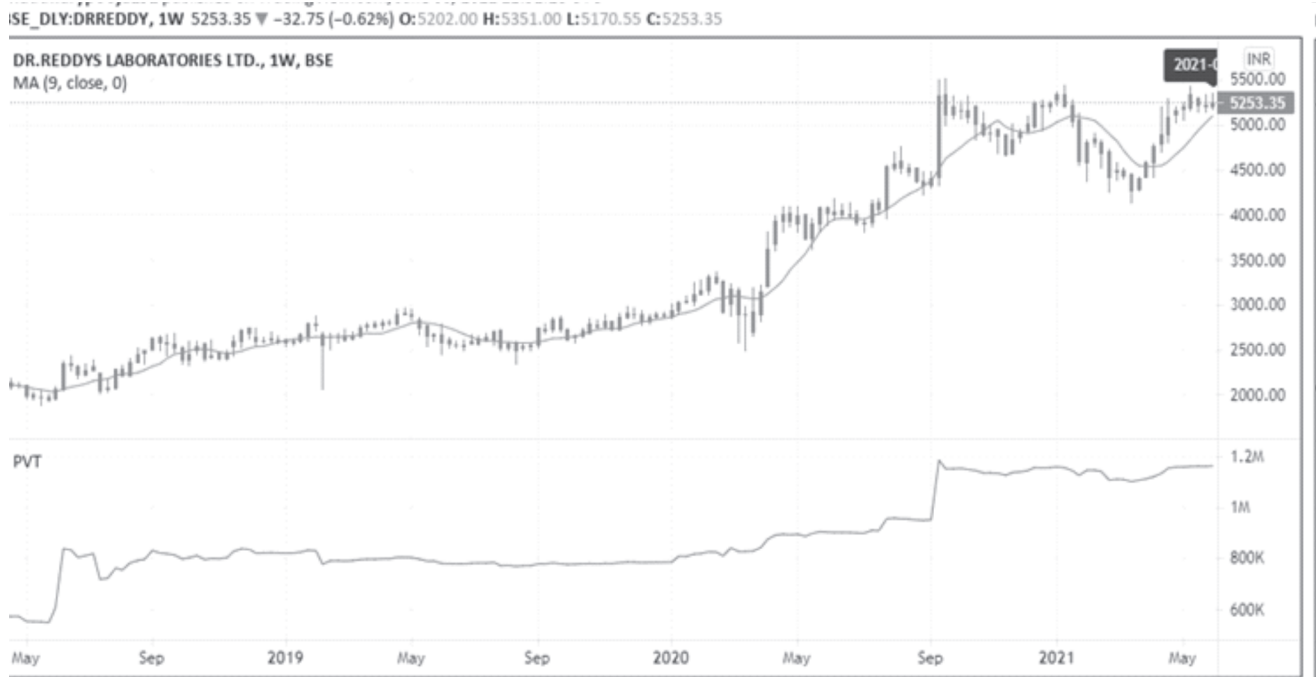


CHART-2: Shows Volume, Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Dr. Reddy's Lab.



Interpretation: Chart 1 and 2 shows that the price movements of Dr. Reddy Lab is above moving average. Moving average is moving upwards with the help of support, which indicates the bullish trend continuation till January 2021. It shows buying signals. September 2020 to April 2021 a double top reversal pattern. Before double top pattern, from May 2020 to September 2020 the candlestick chart is in rising wedge pattern. Hence the stock is in bullish.

RSI crossed upper band in Feb 2020 and in September 2020, stocks can be sold at that time, as MACD line has been also crossed by signal line.

Recommendation: Buy at price below 427 and sell at above 540.

Divi's Laboratories Ltd is engaged in the manufacture of

Active Pharma Ingredients (APIs) and intermediates. The company in a matter of short time expanded its breadth of operations to provide complete turnkey solutions to the domestic Indian pharmaceutical industry. They are actively involved in developing alternate, patent non-infringing processes for APIs, for the inventors to manage late life cycle, and leading generic drug manufacturers. The company's product range includes Bupropion Hbr, Bupropion HCL, Capecitabine, Carbidopa, Desloratadine, Dexlansoprazole /(R)- Lansoprazole, Irbesartan, Levodopa, Niacin, Sibutramine HCL, Valacyclovir HCL, Valsartan, Venlafaxine HCL, VerapamiL HCL, Vigabatrin, Zolpidem Tartrate, etc.

CHART-3:Shows Volume (Vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Divis Lab.



CHART-4: Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Divis Lab.



Interpretation: From the chart 3 and 4 moving average is below stock price, showing buying signals. Chart shows pattern of continuation of price channel. Price are expected to increase, the chart shows bullish trend for Divis Lab.

RSI and MACD both show strong bullish trend for short-term period.

Recommendation: short-term buy at price 3673.

sell at point HH and buy at HL. Sell above the price 450.

Sun Pharmaceutical Inds. Ltd is an international

specialty pharma company. The company also makes active pharmaceutical ingredients. In branded markets, their products are prescribed in chronic therapy areas like cardiology, psychiatry, neurology, gastroenterology, diabetology, and respiratory. The company is engaged in manufacturing the product in the following therapy areas: CNS disorders, Cardiology, Diabetes, and Metabolic disorders, Gastroenterology, Ophthalmology, Oncology, Pain, Allergy, Asthma and Inflammation, and Gynaecological, Israel Makov is the current chairman.

CHART-5: Shows Volume (vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Sun Pharma.



CHART-6:shows moving average (MA), momentum (MOM), and price-volume trend (PVT) of Sun Pharma.

Interpretation: From the chart 5 and 6, the chart stocks of Sun Pharma is in bullish, the price are above moving average. Chart shows triple bottom pattern, Stocks can be bought at the price 460 after breakout point. RSI and MACD shows even trend.

Recommendation: sell when RSI crosses upper band.

Short-term and medium-term investment recommended.

Lupin Limited was founded by Dr. Deshbandhu Gupta in 1938. The current chairman is Manju D Gupta. Business is

concentrated on five therapies, cardiology, anti-diabetes, respiratory, anti-infective, and gastrointestinal. In India it has manufacturing companies in Aurangabad, Ankleshwar, Dabhasa, Goa, Indore, Jammu, Mandideep, Nagpur, Pune, Sikkim, Tarapur & Vizag. Other than India it has manufacturing companies in the U.S (New Jersey), Mexico, and Brazil. Cipla has research institutes in India in Pune and Aurangabad, as well as in New Jersey, Florida, Mexico, Brazil. Lupin has also developed in Netherlands Market. It has Corporate Development with more than 20 offices across the globe.

CHART-7: Shows Volume (Vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Lupin Limited.

CHART-8:Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Lupin Limited.



Interpretation: Chart 7 and 8 shows, from April 2020 to June 2021 the price are above moving average, shows continuous to move in upward trend. Charts forms symmetrical triangular pattern. Good for entry into stock. Buy at price 1060. Previous year RSI and MACD in even position.

Recommendation: For short and medium investment purpose.

Buy the shares.

Cipla was established in 1935 and today it is 3rd largest pharma company in India. Founded by K A Hamled with consideration that “India should not starve for essential

drugs”. The current chairman is Mr. Y. K. Hamled. Cipla has the global foothold focused on the growth of complex generics and deepening portfolio in markets of India, South Africa, and North America, as well as key regulated and emerging markets. They have a successful business in the respiratory, anti-retroviral, urology, cardiology, anti-infective, and CNS as well as other key therapeutic segments are well-known. It has 46 manufacturing sites around the world that produce more than 50 dosage forms and 1,500 plus products using cutting-edge technology platforms to cater to more than 80 markets.

CHART-9:Shows Volume (Vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Cipla.



CHART-10:Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Cipla.



Interpretation: Chart 9 and 10 show, from April 2018 to April 2020 the price momentum is downward, forming falling wedge reversal pattern and from may the price break out and continues to rise upward in price channel pattern from May 2020 to June 2021.

RSI and MACD shows strong positive trend.

Recommendation: Risky trade, but at support and sell at resistant.

Alkem was established in 1973 by two brothers Mr. Samprada Singh and Mr. Basudeo Singh. It has various manufacturing and research development facilities in India and the USA. It has 4 manufacturing facilities in Baddi, 7 in Sikkim, 4 in Daman, 1 in Mandva, 1 in Ankleshwar, 1 in Indore, 1 in Pune. Manufacturing facilities are involved in the formulation of tablets, injectables, dry syrup, capsules, APIs, and Biosimilars. In the US it has 1 unit in California that produces APIs and 1 in St. Louis that formulates liquids, nasal sprays, semi-solids, and solids.

CHART-11: shows moving average (MA), momentum (MOM), and price-volume trend (PVT) of Alkem.



CHART-12: shows Volume (Vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Alkem.



Interpretation: Chart 11 and 12 shows up reversal pattern September 2018 to January 2020, best for buying after break out. From January 2020 the price are above moving average and in upward trend forming double top pattern. Breakout in August 2020 happened because of increase in volume of shares.

RSI and MACD are in weak trend.

Recommendation: Possibility of forming triple top pattern, buy when the prices fall upto Rs. 2700 and sell at Rs. 3111 price.

Short and medium term investment could be fruitful.

Torrent is a leading pharma company in India established in the 70's by the late Shri U N Mehta. Under the current chairmanship of Mr. Samir Mehta, it has a turnover of Rs

7939Cr. It has a global corporation with 40 countries, having the highest market share in Brazil and Germany. Torrent was the first company to start a niche market and successfully developed in the cardiovascular, central nervous system, gastrointestinal, and women's healthcare. It has also made achievements in pain management, gynaecology, oncology, diabetology, and anti-infective. It has manufacturing factories in Indra, Dahej, Baldi, Sikkim Unit, Vizag, Pithampur, Levittown Pennsylvania. In the India it has 22 sales divisions, 59000 retailers, and 5000 plus stockiest.

CHART-13: Shows Volume (Vol), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Torrent.



CHART-14: Shows Moving Average (MA), Momentum (MOM), and Price-Volume Trend (PVT) of Torrent.



Interpretation: From chart 13 and 14, the charts shows current trend is bullish. Pattern recognised can be double top bottom or rectangular bullish because the price movement are in between 232 and 290 from august 2020 to june 2021.

MACD to Moving average, Sell at resisitant and but at support.

RSI to MACD is in similar postion. Sell at the price 2824.

Recommendation: risky trade, avoid short-term investment.

Long-term or Medium-term investment can be benefecial.

Aurobindo Pharma Ltd is engaged in manufacturing semi-synthetic penicillin (SSPs). The company has a product presence in key therapeutic segments like SSPs, cephalosporins, antivirals, CNS, cardiovascular, gastroenterology, etc. They are the market leader in semi-synthetic penicillin drugs. The company's product range includes Formulation- In this segment they manufacture formulation for cardiovascular, central nervous system, gastroenterological, anti-retroviral and anti-infectives. They have developed formulations namely Trandolapril, Captopril, Benazepril Hydrochloride.

CHART-15:Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Aurobindo.



CHART-16:Shows Exponential Moving Average (EMA), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Aurobindo.



Interpretation: From the charts 15 and 16, the candle was in triple top reversal pattern from September 2018 to April 2019, then the volume of shares in market decreased and the trend fall into bear prices. With increase in volume of shares in April 2020, the prices breakout and became bullish. Currently shows double top pattern and moving

average is less than the prices of Aurobindo stock.

RSI and MACD moments are downwards.

Recommend: no selling and buying, risky trade.

Biocon Limited publicly listed in 2004, is an innovation-led global biopharmaceuticals company committed to

enhancing affordable access to complex therapies for chronic conditions like diabetes, cancer, and autoimmune. It has developed and commercialized 9 novel biologics, biosimilars, and complex small molecule APIs in India and

several key global markets as well as generic formulations in the US and Europe. It also has a pipeline of promising novel assets in immunotherapy under development.

CHART-17: Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Biocon.



CHART-18: Shows Exponential Moving Average (EMA), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Biocon.



Interpretation: From the chart 17 and 18 the price moment is in cup and handle pattern; this pattern is seen in from May 2019 to May 2020. After the break down in May, the chart pattern turns into triple top reverse pattern from May 2020 to January 2021. Currently the moving average is above the price of stock.

MACD and RSI are in strong trend towards downwards.

Recommendation: should sell the stocks before the trend follows downward.

Cadila Healthcare was founded in 1926 by Indravadan Ambalal Modi. Currently under the chairmanship of Rajiv I. Modi. Throughout the world capital is number 1 in

manufacturing API (Active Pharmaceutical Ingredients), its manufacturing companies are in Ankleshwar, Gujrat. It provides over 38 APIs in more than 90 countries. It has 31 drug master files and 12 certificates of suitability. Another venture of Cadila is in finished dosage formulation, it has created more than 850 products. In Dholka, Gujrat; Cadila has its Contract research Operation Business (CRO) which provides pre-clinical and clinical trials for drug development that covers 45 therapeutic categories, namely cardiovascular, gastrointestinal, analgesics, haematinics, anti-infectives, antibiotics, respiratory, anti-diabetics, and immunological. Up till now, Cadila has conducted over 1000 pre-clinical studies, 390 BA-BE studies, and 28 clinical trials.

CHART-19: Shows Moving Average (MA), Momentum (MOM), and Price- Volume Trend (PVT) of Cadila.



CHART-20: Shows Exponential Moving Average (EMA), Moving Average Convergence Divergence (MACD), and Relative Strength Index (RSI) of Cadila.



Interpretation: From the chart 19 and 20, the candlestick chart from April 2019 to April 2020 is in continuous bear pattern, in may price breakout with increase in volume of shares, forming upward price channel. Moving average of last two months is below the stock price.

RSI and MACD is in strong momentum towards up.

Recommendation: sell when RSI falls to 75.

Sell the shares. Suitable for short-term investment.

Conclusion

Technical analysis helps us to recognise trend through tools and indicators. Every indicator individually helps to understand the price momentum in the stocks, but it is very satisfactory and confirming when two or more indicators are used to perceive the price momentum. When using technical analysis always refer to more indicators. Technical analysis is only useful when investment is made for the short-term or the medium-term. The long-term investment requires thorough understanding of fundamentals of the company; hence it becomes necessity for investors to perform technical as well as fundamental analysis.

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