

A STUDY ON TECHNICAL ANALYSIS ON SELECTED STOCKS OF PHARMACEUTICAL SECTOR

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Abstract

Technical analysis of chosen pharmaceutical stocks: The primary goal of the research is to ascertain the share price of the chosen firm over the preceding five years. Data that has been gathered is secondary data. The RSI displays the range of price volatility that influences investors' decisions to purchase, sell, and hold stocks. Thus, it illustrates which company is worth investing the money needed to purchase shares. Moving averages advise investors to monitor a security's price changes.. this study helps to get knowledge about when to enter and exit from the stock market. The technical skills are required to trade in the market to predict the price movements and determining the trends when to invest and when to exit the market all those things should be taken into consideration.

Key words: technical analysis, RSI, MOV AVG, VOLUME, TREND LINE.

Introduction

Technical analysis is learning of financial market moves. It's the process of looking at a stock's past price to estimate its future values. This was accomplished by comparing the current fee to similar past pricing in order to forecast future outcomes. While some might only say that we must learn from history, the pious technician describes this process as the reality that history repeats itself. Here, the economic market's price movements will be considered rather than the primary factors influencing the market.

Statement of the Problem

The study looks to offer useful insights into choosing suitable technical analysis-based trading strategies for investors. a cutting-edge instrument that enables traders to assess the stability of firms and supports those looking to make logical investment selections in a crowded market. Investors can evaluate a company's financial health and prospects by using technical analysis.

Objectives of the Study

- To examine the role of technical analysis in formulating effective trading strategies.
- To evaluate the overbought and oversold conditions of selected stocks through analysis.
- To gain a comprehensive understanding of the performance and trends in the pharmaceutical sector to help informed investment decision-making

Literature Review

Patil, Kadam (2022) conducted a study on technical analysis for gaining profitability on large cap stocks. In this literature with the use of technical indicators called Bollinger's band and momentum two well regarded indicators that when utilized simultaneously this study intends to concentrate on strategically deciding on buying and selling of growth-oriented stocks.

Dongery (2022) conducted a study on market indicators used for technical analysis. The purpose of this research is to demonstrate the value of using market indicators for technical analysis to forecast changes in the prices of large-, mid-, and small-cap stocks. The study uses moving average indicators, the stochastic oscillator, the relative strength index, and the MACD on the three banks to conduct technical analysis. The banks were chosen based on market capitalization and tool analyses that were successful for all three companies.

Ming, Jais (2022) Conducted a study on New approach for e-commerce stock prices prediction by combination of machine learning and technical analysis. In the paper In order to anticipate the stock price of the five largest market capitalization e-commerce stocks, this study integrated technical analysis with machine learning algorithms. For this investigation, four technical indicators were also used. Study also highlight how crucial it is to keep an eye on the signals sent by several technical indicators in order to predict stock prices more precisely.

Shabana (2021) Conducted a study on relevance of technical analysis as a predictive tool: an empirical study from Indian stock market. This study is analytical in nature and solely dependent on secondary information obtained through NSE. According to the study's significance, investors can make money on the Indian stock market by using technical trading indicators like the EMA and RSI.

Bhatia (2021) conducted a study on technical analysis and its use in stock markets. The aim of the study is to determine whether traditional price patterns and Japanese candlesticks are effective for small- and mid-cap company charts. Whether or not charting patterns may be used as a technical analysis tool is another important question. It says that the patterns (either Japanese candlestick patterns or traditional price patterns) have a success rate of 75%. Both greatly benefit especially.

Research Methodology

Research Type: Descriptive Research

Sources of Data: Secondary Data from Bombay Stock Exchange (BSE)

Sample Size: 5 Indian Pharmaceutical Companies

- LAURUS LABS LTD
- AUROBINDO PHARMA LTD
- SUN PHARMACEUTICAL INDUSTRIES
- LUPIN LTD
- ZYDUS LIFESCIENCES LTD

Period of the Study: From 1st APRIL 2018 to 31st MARCH 2023

Statistical Tools

- Graphs and Charts.
- Simple Moving average.
- Relative strength index (RSI).

Relative strength index (RSI): - it provides traders with a numerical measure to find when an asset is potentially overbought or oversold. it shows the strength of a trend in the price movements. Finds the potential market reversals through divergence, it is used in conjunction with support and resistance levels.

Moving Average: - it helps shareholders to decide the direction and strength of a price trends, which would generate crossover signals to buy or sell the stock. it acts as a signal for potential price reversals.

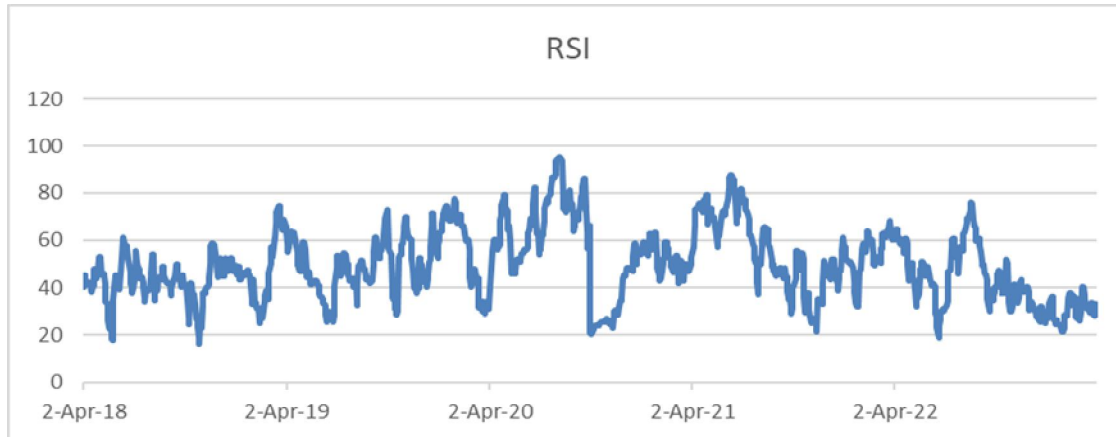
Limitations

- This study can be used only for short run decision making
- Technical analysis is undertaken for only five years
- Volatility in stock market is always subject to change

- The study is limited to only Pharmaceutical sector

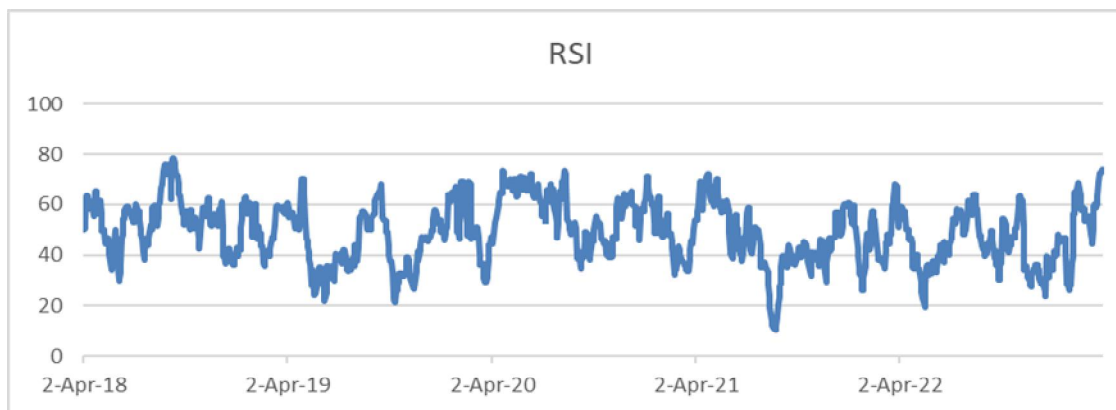
Data Analysis and Findings

RSI of Laurus Labs Ltd



From the above chart it shows from January 4, 2018, to March 31, 2023, are displayed in the above chart. It shows that the company may see extreme volatility, ranging from 98 to 17, and that the RSI will be between 35 and 60. The RSI is declining at 35, which indicates that investors would make less money on their investment, meaning that investors would receive minimum returns on their investment.

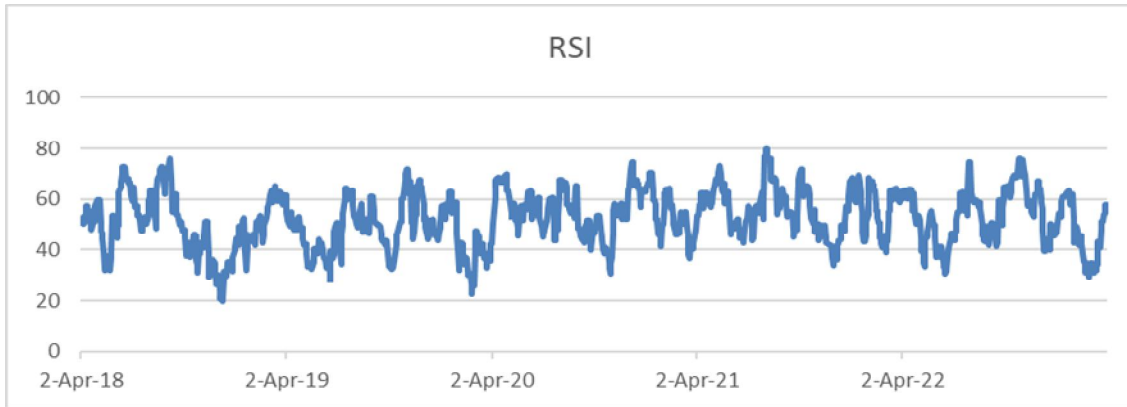
RSI of Aurobindo Pharma Ltd



From the above chart it displays the annual-to-annual RSI computations for the period of April 1, 2018, to March 31, 2023. It shows that the company's volatility can range greatly from 79 to 10, and the RSI shows a result of 40 to 60. The RSI is rising at 75, which indicates that investors would make the most money on their investments, meaning that investors

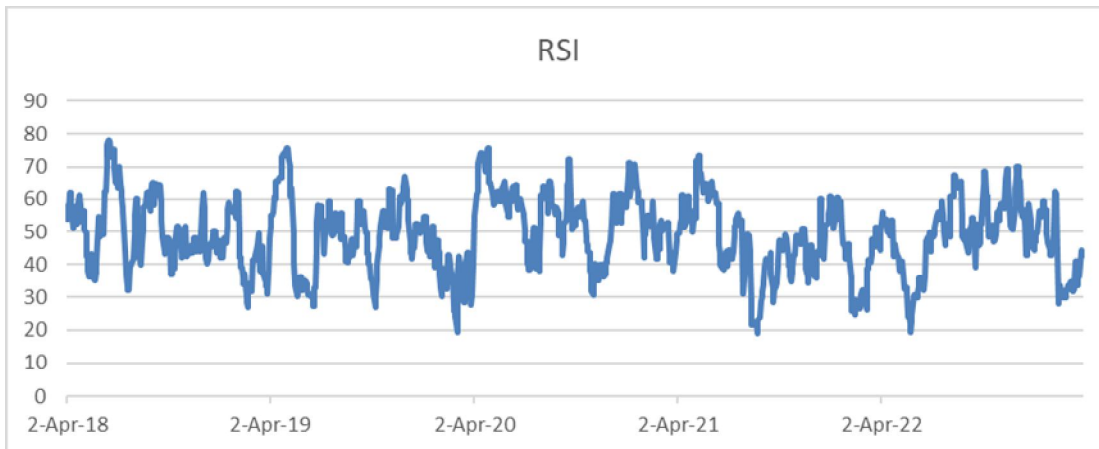
would receive higher returns on their investments.

RSI of Sun Pharmaceutical Industries



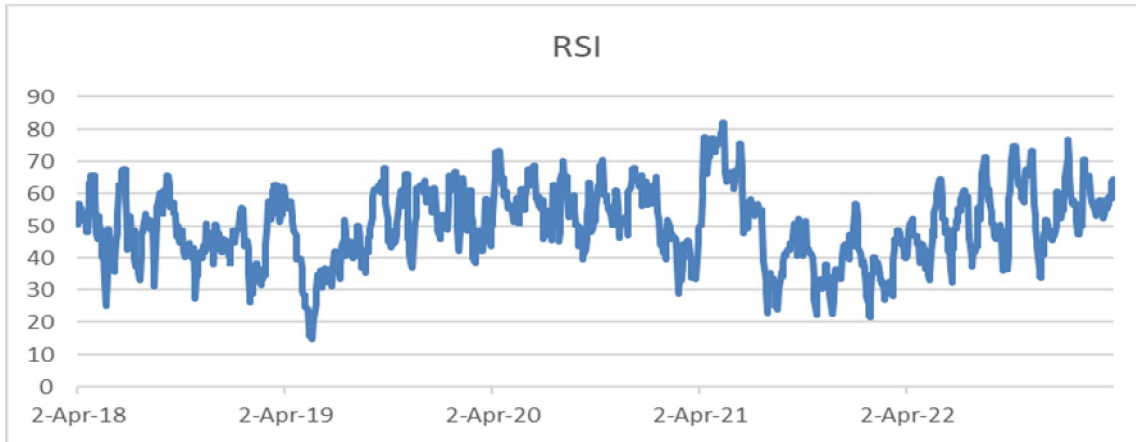
From the above chart it shows RSI yearly to yearly calculations from 01-04-2018 to 31-03-2023. It indicates that the company's volatility range is 80 to 20, and the RSI is 40 to 65. So it indicates that investors will earn higher returns on their investments. The RSI is increasing at 55, indicating that investors will earn the highest profits on their investments.

RSI OF LUPIN LTD.



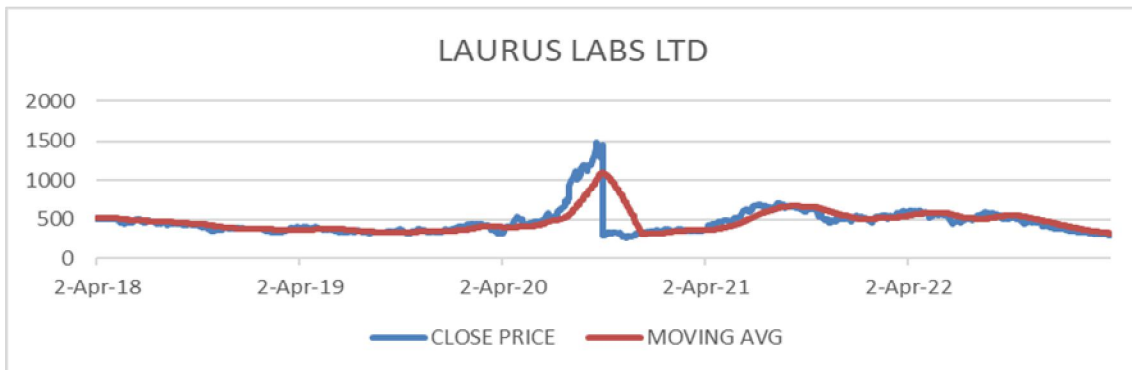
From the above chart it shows the yearly to yearly calculations of RSI from the period 01-04-2018 TO 31-03-2023. It indicates the company can have the huge volatility range 77 to 19 and RSI is resulted with 40 to 60. So it says that investors would earn more returns on their investment. . the RSI is increasing at 45 where the investors would make minimum profits on their investments.

RSI of Zydus Lifesciences Ltd



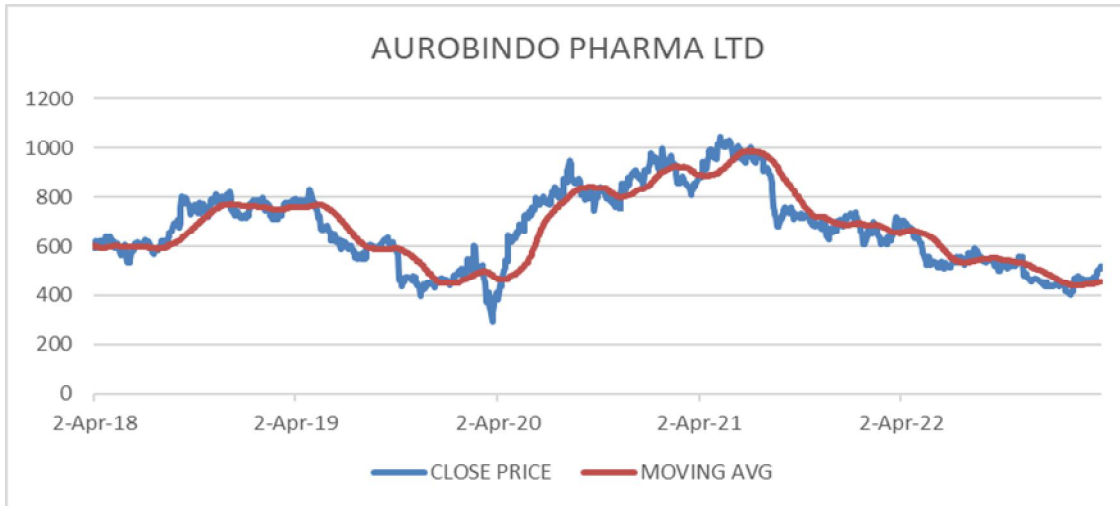
From the above chart it shows the annual to annual RSI computations from April 1, 2018, to March 31, 2023. It shows that the company's volatility can range greatly from 84 to 15, and the RSI shows a result of 40 to 50. As a result, it indicates that investors would receive higher returns on their investments. The RSI is rising to 65, which represents the point at which investors would profit the most from their investments.

DAY MOVING AVERAGE OF LAURUS LABS LTD



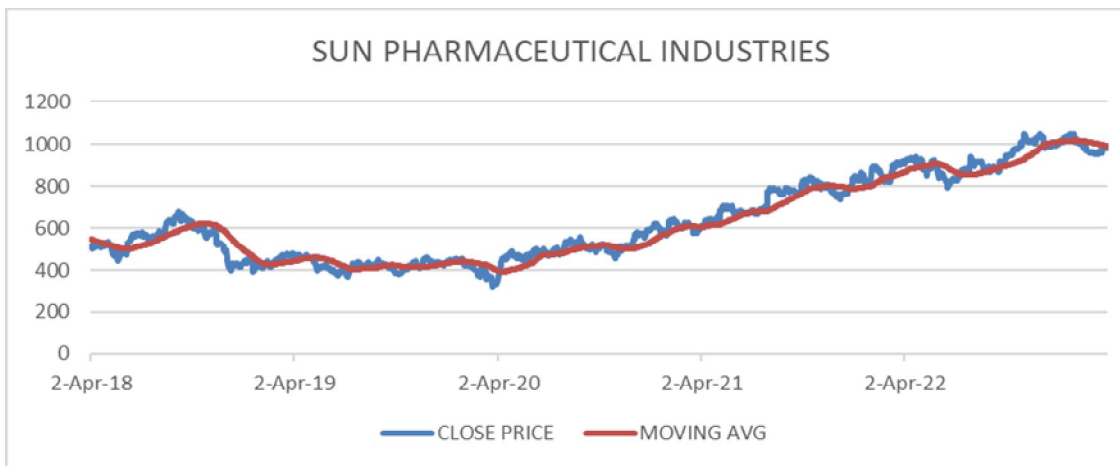
From the above chart it says that where moving average trend line is crossing the close price line from above during the year 01-04 -2018 it says that investors should sell the shares at that time. The moving average trend line is cutting the close price line from above during the year 01-04-2022 from there after the market is in downward trend where the investors would earn less returns on their investment.

DAY MOVING AVERAGE OF AUROBINDO PHARMA LTD



From the above chart it says that where moving average trend line is crossing the close price line from above during the year 01-04 -2018 it says that investors should sell the shares at that time. the moving average trend line is cutting the close price line from above during the year 01-04-2022 from there after the market is in downward trend where the investors would earn minimum returns on their investment.

DAY MOVING AVERAGE OF SUN PHARMACEUTICAL INDUSTRIES



From the above chart it says that where moving average trend line is crossing the close price line from above during the year 01-04 -2018 it says that investors should sell the shares at that time. the moving average trend line is cutting the close price line from below during the year 01-04-2020 from there after the market is in upward trend where the investors would

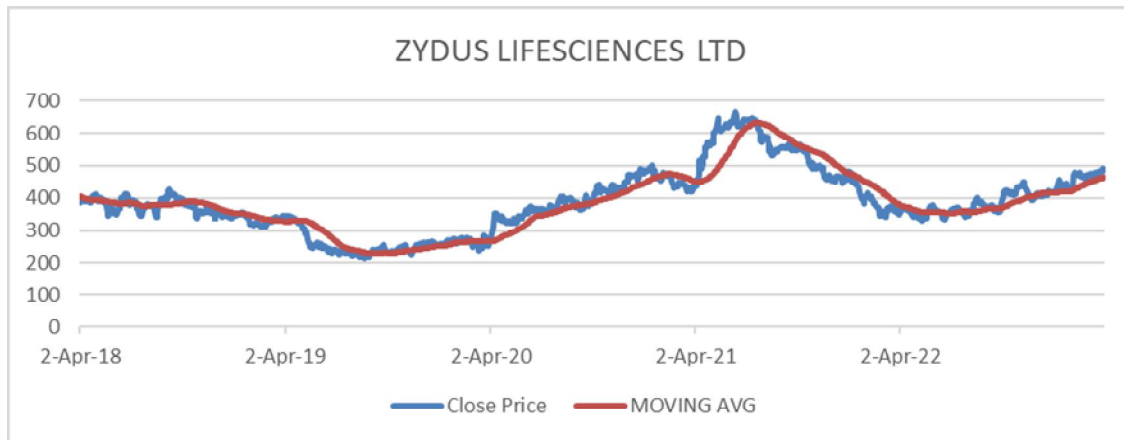
earn maximum returns on their investment.

DAY MOVING AVERAGE OF LUPIN LTD



From the above chart its says that where moving average trend line is crossing the close price line from above during the year 01-04 -2018 it says that investors should sell the shares at that time. the moving average trend line is cutting the close price line from below during the year 01-04-2022 from there after the market is in downward trend where the investors would earn minimum returns on their investment.

DAY Moving Average of Zydus Lifesciences Ltd



From the above chart its says that where moving average trend line is crossing the close price line from above during the year 01-04 -2018 it says that investors should sell the shares at that time. the moving average trend line is cutting the close price line from below during the year 01-10-2022 from there after the market is in upward trend where the investors would earn maximum returns on their investment.

Findings

1. Aurobindo Pharma have the huge volatility range 79 to 10 and RSI is resulted with 40 to 60. so it says that investors would earn more returns on their investment.
2. Laurus Labs Ltd have the huge volatility range 98 to 17 and RSI is resulted with 35 to 60. so it says that investors would earn minimum returns on their investment.
3. Sun Pharmaceutical Industries have the huge volatility range 80 to 20 and RSI is resulted with 40 to 65. so it says that investors would earn more returns on their investment.
4. Lupin Ltd can have the huge volatility range 77 to 19 and RSI is resulted with 40 to 60. so it says that investors would earn more returns on their investment. The RSI is increasing at 45 where the investors would make minimum profits on their investments.
5. Zydus Lifesciences Ltd can have the huge volatility range 84 to 15 and RSI is resulted with 40 to 50. so it says that investors would earn more returns on their investment.

Conclusion

Trading in the stock market is dependent upon the market risk where the individual who bears the risk and does trading in the stock market will have more returns, also many investors have lost the money in trading, where the technical skills are required to trade in the market to predict the price movements and determining the trends when to invest and when to exit the market all those things should be taken into consideration while trading investors should invest in automobile industry which would give more profits by investing in Aurobindo Pharma, Zydus Lifesciences Ltd, Astrazeneca Pharma India Ltd, Dr Reddys Laboratories Ltd, Cipla Ltd. Investors should know himself before investing as he would incur loss in unnecessary investments. In this study data has been collected for five years of ten pharma companies and research design is descriptive research and the analysis are made using RSI and moving averages. This study helps to get knowledge about when to enter and exit from the stock market.

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