



Equity Research of ICICI Bank Using Technical Analysis with respect to RSI, ROC and SMA in the Year 2014

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Abstract

This study conducts an equity research of ICICI Bank using technical analysis with respect to the Relative Strength Index (RSI) for the year 2014. The study aims to evaluate the effectiveness of RSI in identifying potential buying and selling opportunities in ICICI Bank's stock. The study uses historical price data of ICICI Bank's stock for the year 2014 to calculate RSI values and identify overbought and oversold conditions. The findings of the study suggest that RSI can be a useful tool for investors and traders looking to make informed decisions about ICICI Bank's stock. The study also highlights the importance of combining RSI with other technical indicators to form a comprehensive view of the stock's performance.

Keywords: Equity, Relative Strength Index, Buying, Selling

INTRODUCTION

Technical analysis is a method of evaluating market activity that relies on past price and volume data to forecast future price changes. This strategy assumes that market trends and patterns repeat themselves, allowing investors to make sound decisions. Technical analysts can forecast future market patterns by evaluating historical price movements. This study uses technical analysis on certain firms to better understand their intrinsic value and price behaviour. The findings can assist investors identify important market turning points, allowing them to make more strategic investment decisions.

RELATIVE STRENGTH INDEX

The Relative Strength Index (RSI) is a momentum oscillator created by J. Welles Wilder Jr. in 1978. It calculates the velocity and size of price fluctuations to identify overbought and oversold levels in financial markets. The RSI scale runs from 0 to 100, with readings above 70 indicating overbought and levels below 30 indicating oversold conditions. Traders use RSI to produce buy and sell signals, making it a popular technical analysis tool.

Overbought and Oversold Levels

When an asset's trading value exceeds its fair or intrinsic worth, it is said to be overbought. An item that is overbought usually indicates recent or transient price changes. As a result, it is anticipated that the market will soon witness a price correction. Generally speaking, overbought assets are deemed eligible for sale. However, the definition of oversold varies depending on the source. When an asset's price falls below its fair or intrinsic worth, fundamental traders consider it to be oversold. As a result, they trade below their estimated value. Technical analysts, who concentrate on price and historical data rather than the asset's worth, feel that oversold assets are those that hit a specific level on a technical indicator.

How Relative Strength Index (RSI) Works

- The RSI is a line graph that fluctuates on a chart between 0 and 100.
- A neutral level is indicated by a value of 50.
- An asset is overbought if the reading is greater than 70.
- An asset is oversold if the reading is less than thirty.
- The slope of the RSI shows how quickly prices are changing.
- The size of the price movement is shown by the RSI's distance travelled.



REVIEW OF LITERATURE

Dr. Pallavi, (2000) The study is concerned with understanding the various systems of government, private, and banking institutions. The RBI is the controlling authority for India's banking system. Following 1969, the banking industry underwent significant changes, with an increased emphasis on client value and customer-centricity.

In 2010, Matthew C. Roberts conducted study on the application of technical analysis in Indian stock markets. They are mechanically generated using simple arithmetic operators and are free of the data snooping bias that is frequent in technical analysis studies. It may be capable of doing both strong and weak important market analyses using investor economic analysis.

Naved Mohd 2012 The study's technical analysis has been utilized to assess the Indian Nifty stock market. It looks at the average movement of stocks in the Nifty market to determine trading profits. Moving averages, moving averages cross-rules, and moving averages convergence/divergence are the metrics that were employed in this investigation. Later on in the study, the application and use of moving averages on Nifty stocks is also covered.

Sumathi and Jayakumar(2013) The banking companies included in this study are dispersed throughout the nation in order to influence the share market. In addition to providing information about the trend, it will analyze the share price using trend analysis for price movement.

RESEARCH METHODOLOGY

Problem Statement:

The study is entitled to **EQUITY RESEARCH OF ICICI BANK USING TECHNICAL ANALYSIS WITH RESPECT TO RSI, ROC AND SMA IN THE YEAR 2014**

Objective of Study:

This study aims to evaluate the performance of ICICI Bank's stock using Relative Strength Index (RSI) technical analysis for the year 2014. The study seeks to identify potential buying and selling opportunities by analyzing the stock's price movements and RSI values.

Importance of Study:

This study involves technical analysis method to analyze the stock, with the help of technical tool are simple moving average like 7days and 12days and also ROC, RSI it will help to analysis the day trader and short-term investor to make right decision to invest the money in stock which is comparing the price movement with the help of above technique. These tools are used to check daily price movement in stock market.

Variable consider for the study:

In this study daily closing price of the selected ICICI as banking sector has been taken.

Research design:

Descriptive research design has been used in this research work.

Data collection:

In this study Secondary data have been used which are taken from the authentic website.

Sampling Plan:

From all the company, One registered company in stock market has been selected for the study. ICICI BANK has been selected based on their contribution to GDP in the economy.

Period of the study:

The secondary data are taken from 1-1-2014 to 31-12-2014



Tools of analysis:

The data have been analysis through SMA 7 days, SAM 12 days, ROC, RSI

DATA ANALYSIS

Table No.1: Closing Price, SMA, ROI and RSI

DATE	CLOSING PRICE	SMA 7DAYS	SMA 12DAYS	ROC	RSI
1-1-14	158.35	183.40	183.80	-10.11	47.27
1-2-14	167.35	182.50	183.20	5.69	49.76
1-3-14	199.61	186.30	185.40	19.27	57.51
1-4-14	199.34	191.30	191.30	-0.13	57.77
1-5-14	227.34	203.60	203.40	14.05	63.66
1-6-14	234.68	214.80	213.40	1.60	63.50
1-7-14	243.46	221.30	222.20	3.74	65.05
1-8-14	257.62	231.40	231.40	-7.91	67.80
1-9-14	237.22	237.70	239.10	13.47	61.03
1-10-14	269.18	251.60	250.40	5.18	66.40
1-11-14	290.32	263.70	277.90	7.85	69.35
1-12-14	292.16	275.90	281.10	0.63	69.89

CHART NO.1: CLOSING PRICE, SMA 7DAYS & SMA 12DAYS

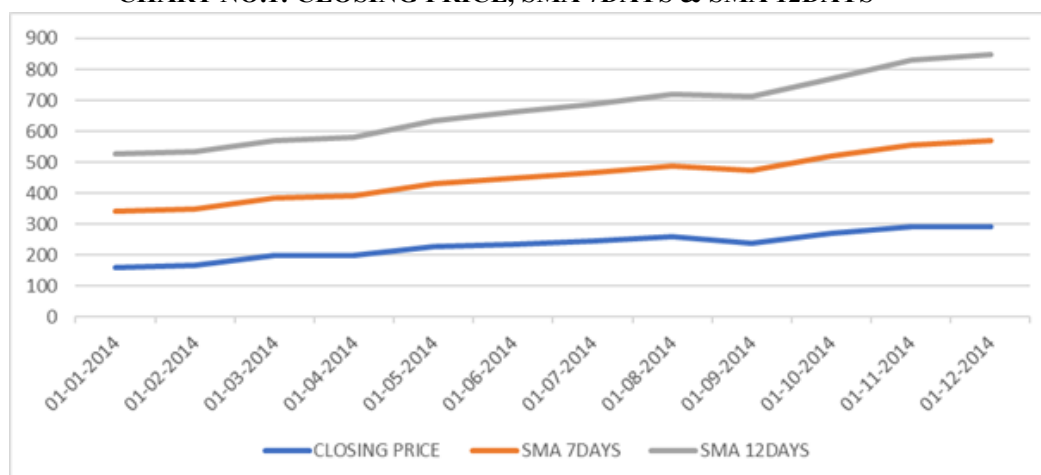


CHART NO.2: ROC

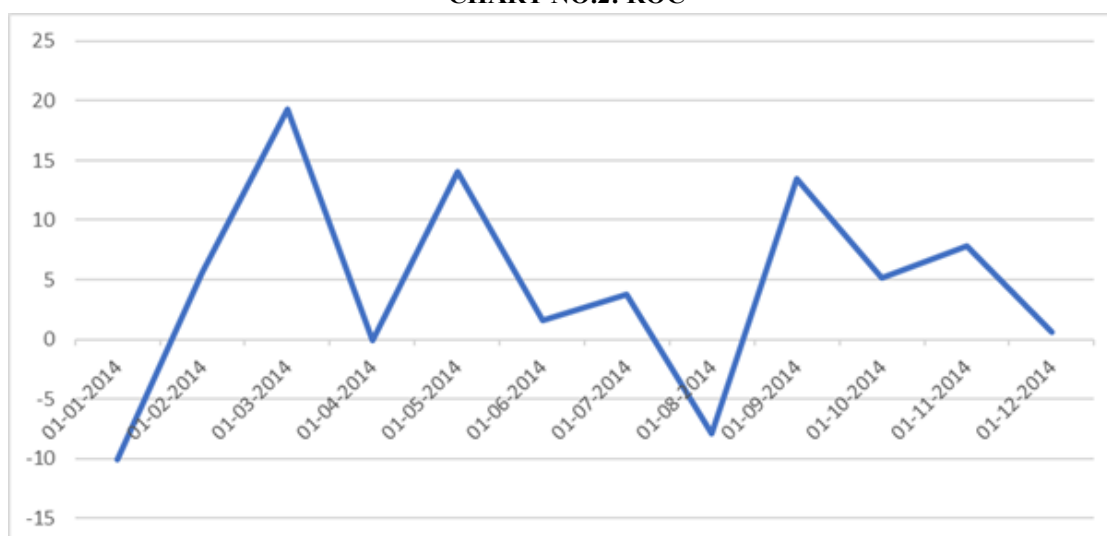
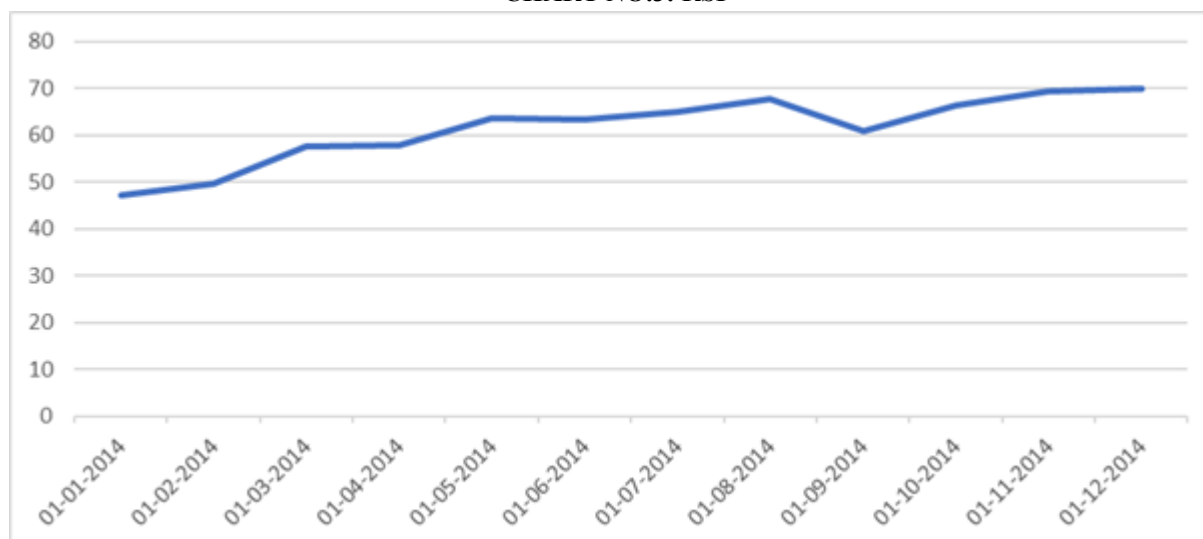


CHART NO.3: RSI



INTERPRITATION

- SMA analyzes buying and selling signals using 7- and 12-day moving averages. If 7 days moving average is across the above the 12 days it is buying signal and below signifies selling signal. This 7-day moving average is higher than the 12-day average from March, June, and October, indicating a purchasing signal. In the preceding chart, the 7-day SMA has not crossed below the 12-day SMA over the entire period, indicating that the stock will be retained for the time being.
- ROC indicates overbought and oversold regions. The ROC chart shows that January is an oversold month, whereas March, May, and September are overbought months.
- In RSI research, a board rule states that securities should be purchased if the RSI is below 30 and sold if it exceeds 70. The RSI is above 70 in December, indicating that it is time to sell. The RSI price has increased in all months, thus there is no reason to acquire equities.

FINDING

1. It is recommended to purchase shares during a period if the price of the shares exhibits an increasing tendency. In the banking industry, ICIC is exhibiting dynamic patterns of swift expansion.
2. Technical analysis gives traders a clear picture of stock movement so they can decide how to make money. Investors can consider both short-term and long-term market investments by analyzing the chart line.
3. A higher number of buyers indicates a high demand for the stock and a potential increase in price, while a correspondingly large number of sellers indicates a potential decrease in price.

CONCLUSION

According to the study's findings, traders and investors wishing to make well-informed judgments on ICICI Bank's stock may find that technical analysis employing RSI is a useful tool. Investors may be able to increase their profits and reduce their losses by examining RSI levels and spotting possible buying and selling opportunities.

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