



“AN ANALYTICAL STUDY ON TOP 5 SCRIPTS OF BSE”

Mohnish Kapadi

MBA 2nd Year, Financial Management, SSR Institute of Management & Research, Affiliated to Savitribai Phule Pune University, Pune.

Abstract

“An analytical study on top 5 scripts of BSE” talks about analysis of top 5 scripts i.e. Tata Consultancy Services Ltd., Reliance Industries Ltd., HDFC Bank Ltd. ITC Ltd., Oil and Natural Gas Corporation Ltd. which consists of various technical analysis tools like simple average, RSI (Relative strength Index), ROC (Rate of Change) Indicators and stock prices presented in candle stick chart. Purpose of carrying out the research was to know the operation of BSE and to analyse the stocks of the scripts and to know the movement of prices as it consist of huge investments and a high amount of risk is associated while investing in stocks. The research will help the investors in future to take necessary decision regarding the movement of shares.

Keywords: Scripts, BSE, Technical Analysis.

Introduction

The Study on “Analysis of top 5 scripts of BSE” focuses on response of investors towards finance market volatility considering the top 5 companies of Bombay Stock Exchange which is one of well-known stock exchange of the country. Investing is the act of committing money or capital to an endeavour with the expectation of obtaining an additional income or profit.

Top 5 Scripts of BSE (As on 26/10/2016)

1. Tata Consultancy Services Ltd.
2. Reliance Industries Ltd.
3. HDFC Bank Ltd.
4. ITC Ltd.
5. Oil and Natural Gas Corporation Ltd.

Introduction to BSE

BSE (formerly known as Bombay Stock Exchange Ltd.), is Asia's first & the Fastest Stock Exchange in world with the speed of 6 micro seconds and one of India's leading exchange groups. Over the past 140 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital-raising platform.

Objectives of the Study

The researcher has come up with following objectives:

- To study the function of Stock Market in India
- To analyse the performance of top 5 companies (as on 26/10/2016) of BSE
- To assist the investors in making investment decision regarding the scrips under study

Rationale and Significance of the Study

The study consist of analysing the top 5 scrips of BSE (Bombay Stock Exchange) it talks about the patterns and movement of the scrips selected for the study for the duration of 2 months, the scrips selected in study are also known as blue chip companies, the market capitalisation of which contributes to the BSE index i.e. Sensex. More than 5000 companies are been listed in BSE with the total market cap of 1.43 trillion \$. Data analysed in the study gives a proper scenario of the working of stock exchange and the movement of stocks of the scrips which would help to predict the future prices of the scrips.

Research Methodology

The present study is an **Analytical Research** conducted by the Researcher in the field of Stock Market. The study aims at analysing the price movements of selected company's scrip. The Technical Analysis was conducted by the help of Secondary Data in the form of the daily share price movements of the selected companies in BSE for the 2 months i.e. Nov- 2016 to Dec 2016. The closing prices of share prices were taken and the future price movement was analysed using various tools. Data were collected from trading of equity market in BSE, various books, journals, magazines and websites.

The major Tools and Techniques used in this study are:

1. Stock (Candlestick) charts
2. Line Charts
3. Relative strength index (RSI)

Literature Review

Several studies have been carried out to apply Technical Analysis in practice in various financial markets and check the validity of results for making rational investment choices. A few of them are referred for the study.

1. Sane, Sandip (2011) in the article Investing Strategy Using Technical Analysis: A case of Infosys published in has suggested that Buying or selling of stocks is a complex and challenging issue. It is the price at which one person agrees to buy and another, sell. It has been found that sentiments play a very important role in determining a stock's price. If we all were totally logical, and could separate our emotions from our investment decisions-the fundamental analysis, the determination of prices based on future earning would work magnificently.

However, it doesn't happen that way. There are plenty of examples where we have seen altogether different trends, even though the company is doing well and has generated positive result. However, it also has to be understood that technical analysis does not confirm 100% accuracy in analysing future trend. But even if an investors is able to predict the correct trends and the expected target 70% of the time, it will guarantee him consistent returns in the stock market. (Sandeep, 2011)

2. Hemal Pandya Associate Professor, S. D. School of Commerce, Gujarat University, Ahmedabad, Gujarat, India (2012) in article Investing Strategy using Technical Analysis for Selected Companies of Indian IT Sector published in has suggested that the market technicians have a perfect knowledge of the pattern, trend by which the investment decision of stock prices of selected companies can be taken. The technical analysts believe that share prices show identifiable trade situation that can be exploited by investors. (Pandya, 2012)

3. Mr. Suresh A.S Assistant Professor, Mba Department, Pes Institute Of Technology, Bangalore South Campus, 1km Before Electronic City, Hosur Road, Bangalore (2013) in article Investing Strategy using a study on fundamental and technical analysis published in International Journal of Marketing, Financial Services & Management Research (ISSN 2277-3622) Vol.2, No. 5, May (2013) has suggested that Investment is a financial activity that involves risk. It is the commitment of funds for a return expected to be realised in the future. Investments may be made in financial assets or physical assets. In either case there is the possibility that the actual return may vary from the expected return. That possibility is the risk involved in the investment. Risk and Return are the two most important characteristics of any investment. Safety and liquidity are also important for an investor. The objective of an investor is specified as maximisation of return and minimisation of risk. (a study on fundamental and technical analysis, 2013)

4. Venkatalashmi M., Sindhu C.M. (2009) in article Investing Strategy using A Study On Technical Analysis Of Equity Shares Of Tata Motors For The Period From November 2008 To April 2009" published in 4, Issue 5 has suggested that a stock market is a public market for the trading of a company's stocks and derivatives at an agreed price; these are securities listed on a stock exchange as well as those only traded privately. Tata Motors, the first company from India's engineering sector to be listed in the New York stock exchange, (September 2004) has also emerged as an international automobile company. The study is concerned with the technical analysis of equity shares of Tata Motors for the period from November 2008 to April 2009 with a view to analyse and understand the equity shares of the Tata Motors. The study is fully based on the secondary data which have been collected from the company reports and websites. (Venkatalashmi, 2009)

5. Keerti Gururaj Kulkarni, 2Gururaj Anand Kulkarni 1Gogte Institute of Technology, Belgaum 2 S.D.M.C.E.T., Dharwad) (2009) in article Investing Strategy using A Study On Technical Analysis Of Fundamental Analysis Vs. Technical Analysis: A Choice Of Sectoral Analysis published in International Journal of Engineering and Management Sciences has suggested that Fundamental and Technical analysis of five sectoral stocks have been carried out. Interpretation of the secondary data clearly indicates Fundamental analysis to be the most preferred analysis in choosing stocks to get higher returns. This is supported by the fact that investors are aware, and are more oriented towards the Fundamental analysis as depicted from the analysis and interpretation of the primary data. Also, Real estate stocks have emerged as the most preferred stocks among the five sectorial stocks chosen for the cause. This clearly indicates the investors strongly believe in the company's past performance, and its true value.

6. Prity Prasad, SSR IMR (2016): In dissertation project analysed the Top IT companies listed on stock exchange i.e. HCL, Wipro, TCS and Tech Mahindra the study consist of technical analysis of stock prices for past 1 year which would help the researcher to know the various trend and patterns of IT stocks and to give necessary recommendations regarding the period of when to hold the stocks and when to sell off IT stocks.

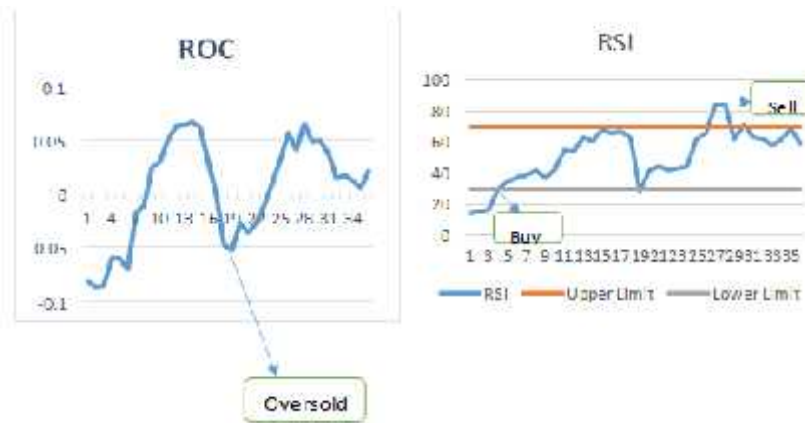
Data Analysis and Interpretation

(Source - Secondary Data sourced from BSE website)



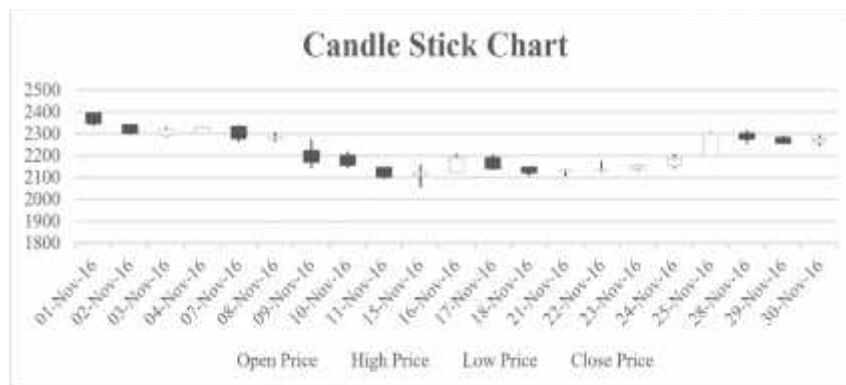
Interpretation

- Simple Average consist of average of 5 Days of close price of the respective scrip, which in the chart shows a constant fluctuation and lowest between 15th nov to 22 Nov.
- Exponential Moving Averages is a part of moving average an uptrend shows the prices are rising whereas down trend shows that the prices on average are decreasing .



Interpretation

- ROC shows the rate at which the price of current trading day changes compared to past day.
- RSI is a momentum oscillator that measures the speed and change of price movements over a period of time.
- Oversold Position of ROC is at -0.05 whereas overbought position is at 0.06.



Interpretation

- The Candle stick chart represents the most of the days the close price of most of the day was lower than the opening price indicating a bearish trend.

2. Reliance Industries Limited



Interpretation

- ROC on 7th day showed an oversold position resulting in increased prices of share and on 26th showed an overbought solution which resulted in bearish trend as shares were over bought the prices showed a bearish trend.
- Relative strength Index the prices on 13th indicates a buy position of shares and on 11th and 19th day shows sell position of shares.

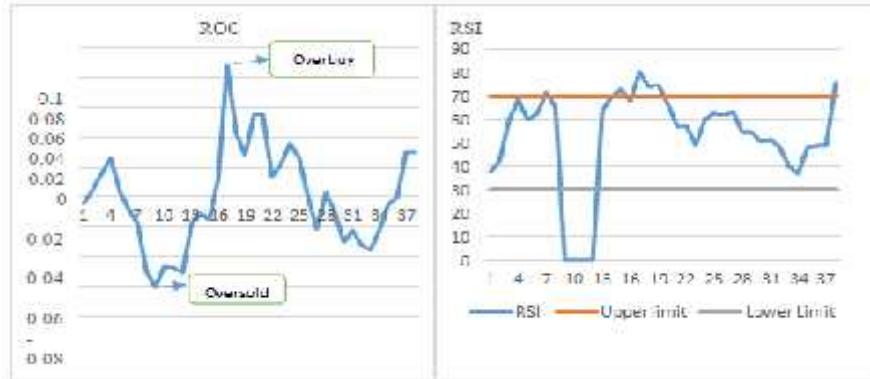


Interpretation

- The Candlestick chart represents that on 9th Nov. The price fluctuation of prices was more and on most of the days the close price of shares of RIL was less than the opening price.

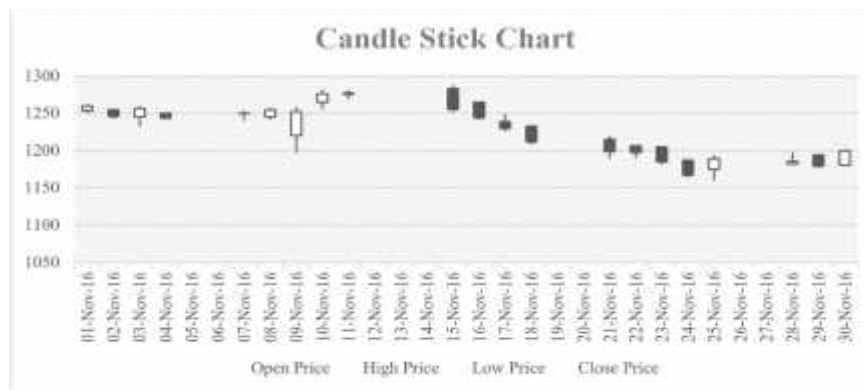
3. HDFC (Housing Development Fund Corporation)





Interpretation

- Roc on 9th day Showed an oversold position which resulted in bullish trend of HDFC and on 17th day the stock was on overbuy position due to rise in prices which resulted in fall of prices, in whole November month the prices were fluctuating more frequently.
- RSI for 3 consecutive days was at 0 which addressed that the prices of share were continually falling .
- Which started to rise on 15th day and indicated a buy signal and the next day it showed a sell indication, during November market was kind of more uncertain regarding HDFC shares.

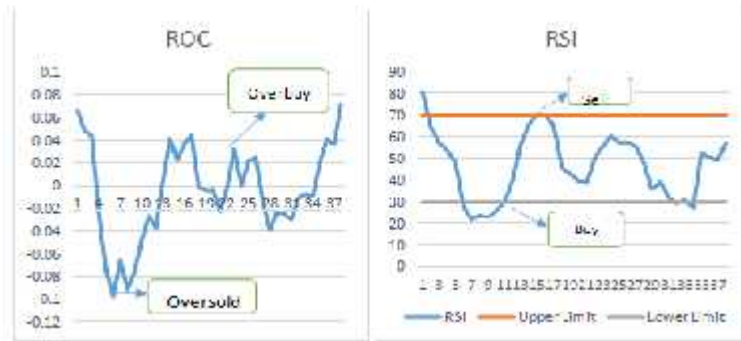


Interpretation

- The Candlestick chart represents that the price fluctuation of prices was more and on most of the days the close price of shares of shares was less than the opening price. Whereas on 9th November the close price of shares was maximum than the open price throughout the month.
- On very few days the closing price of shares was higher than the opening price which is represented through white candle stick

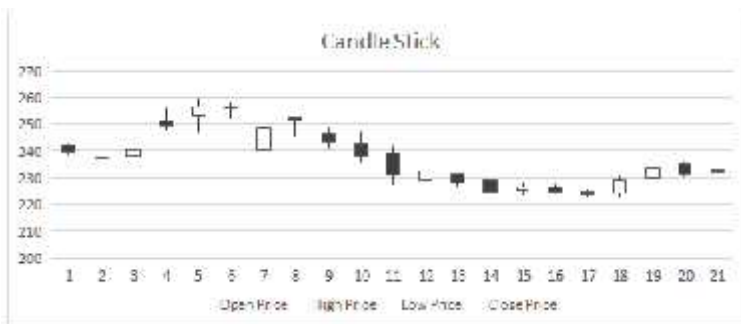
4. ITC





Interpretation

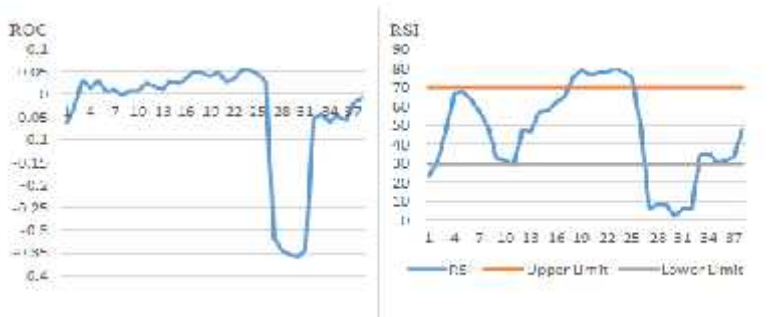
- The shares of ITC limited showed an oversold position on 5th trading day whereas on 17th day it shows an overbuy position. RSI on 11th day indicated a buy signal as prices are expected to rise and 15th day it indicated a sell signal as the prices there after are falling.



Interpretation

- The Candlestick chart represents that the price fluctuation of prices was more and on most of the days the close price of shares of shares was less than the opening price. White candle stick represents that on a particular day the closing price was higher than the opening prices.

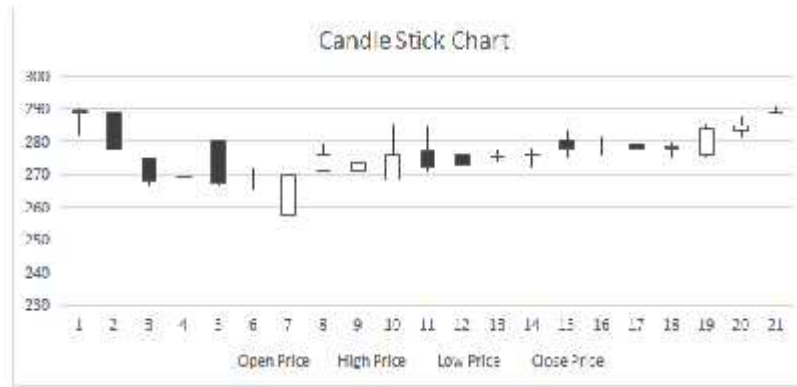
5. ONGC (Oil and Natural Gas Corporation)



Interpretation

- ROC shows a constant fall from 25th day to 29th day as after it started rising the ROC was least to -0.4 as after 33rd day the prices of shares were increasing but at a lower rate.
- RSI is for HDFC indicated a buy signal at 11th day after which the prices of the shares were increasing and on 25th day RSI was down indicating a sell situation

As prices were constantly falling.



Interpretation

- The candle stick chart implies that most of the days the close price of the shares was less than the opening price of the shares.

Conclusion

As per the study carried out on “An analytical Study on top 5 scripts of BSE” the researcher concludes that

1. The researcher got to know about patterns of stocks which are presented via charts. Trends of top 5 scripts which would help in projecting the future prices of the stocks and to come up with suggestion regarding buying, selling or holding of stock.
2. Researcher also learned about various terminologies used in stock market and studied about the stock markets operating in India.
3. The Researcher also got to understand the various assumptions of financial markets.
4. The main tool used in the study was technical analysis which runs of certain assumption and even many of the analysts have commented upon technical analysis that it is a tool used just as a prediction of stocks the actual and projected results may vary.

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