



## ANALYSIS ON NIFTY50 NSE INDEX BY USING PRICE CHANNEL LINE

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### Abstract

In today's world technical analysis is an important tool for investments and trading, so investors and traders cannot ignore these types of analysis. In technical analysis there are lots of tools are available where price channel is one of the tool and with this tool investors or traders get to know there risks and rewards. In this research paper researchers analyze that how price channel is an important tool for investments and trading by using NIFTY50 NSE INDEX weekly candle stick chart.

**Keywords:** Price Channel, Risk and Reward, Swing High and Low.

### Introduction

Technical analysis studies the act of the market rather than the goods in which market deals. Since the technical analysis method contains the study of psychology that is we are dealing with human nature too which is never constant. Technical analysis deals in probabilities, never certainties.

Price channel method is one of the tools of technical analysis. A price channel is defined as the zone between two equivalent trends line and it is frequently taken as a degree of trading range. Price Channel delivers us a clear, systematic way to trade. Infact this technical analysis tool shows when to buy and sell, where to place your stop loss and tack profit.

### Review of Literature

1. "A Study on Analysis of Equity Share Price Behavior of the Selected Industries"- Mrs. Vimala. S, Mrs. Saranya P.B. and Ms. Saranya. R. at **Global Journal for Research Analysis, April 2014, Volume 3, Issue 4, ISSN No 2277-8160** studies that the securities market is extremely volatile in nature. In spite of its volatility the investor has probability to make comfortable profits with the help of moving average, trend line and the relative strength Index trend lines.
2. "Technical analysis on selected stocks of energy sector"-R. Chitra at **International Journal of Management & Studies, March 2011, Volume 1, Issue 1, ISSN: 2330-9519 (Online), ISSN: 2231-2463 (Print)** researcher has studies that trends and patterns in share price movement via moving averages. By using technical analysis tools like Moving Averages and Relative Strength Index for interpreting buy and sell price of the stock and by using beta of the stock to discover the risk factor.
3. "To Study the Trend and Behavior Analysis of Indian Equity Market Using Elliott Wave Principle and Fibonacci sequence"- Dr. Pooja Talreja at **International Journal of Innovative Research in Science, Engineering and technology, June 2014, Volume 3, Issue 6, ISSN: 2319-8753** in this research paper researcher studies that wave principle gives a fair idea about direction of trend reversal with target prices if combined with Fibonacci.

### Objective

1. Technical Analysis on NIFTY50 NSE INDEX and interpret whether buy or sell.
2. To find out the current trend of the NIFTY50 NSE INDEX by using Technical analysis tool Weekly candle stick chart and price channel line.
3. Finding entry price and exit price of the NIFTY50 NSE INDEX.

### hypothesis

H0: Weekly Candlestick Chart and price Channel Line analysis gives correct entry price and exit price of the NIFTY50 NSE INDEX

H1: Weekly Candlestick Chart and price Channel Line analysis does not gives correct entry price and exit price of the NIFTY50 NSE INDEX

### Practical Significance

- Investors or Traders use this tools to find out the long term trend in NIFTY50 NSE INDEX
- Investors or Traders also earn good amount of profit by controlling their risk.

**Limitations**

- Only Technical analysis tool is used.
- The study is constrained to one NIFTY50 NSE INDEX only.
- This study is based on secondary data.

**Research Methodology**

The figures collected for the study is secondary in nature. The objective of the study is to interpreting the buy and sell price by using weekly candlestick chart and price channel line.

The study period is 1<sup>st</sup> January, 2010 to 28<sup>th</sup> February, 2017 (8 years and 2 months) and for technical analysis candlestick chart weekly price movement of NIFTY50 NSE INDEX is taken.

**Conceptual Framework**

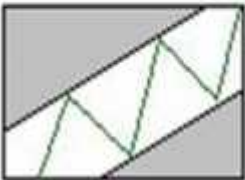
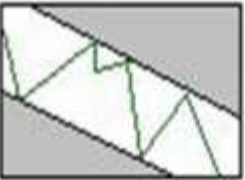
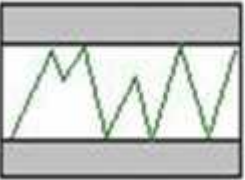
Price Channel line is distinct as the zone between two parallel trend lines and is frequently taken as a measure of a trading range. The upper trend line connects price peaks, and the lower trend line connects lows. The system frequently works best on stocks with a average amount of volatility.

**Rules to create channel**

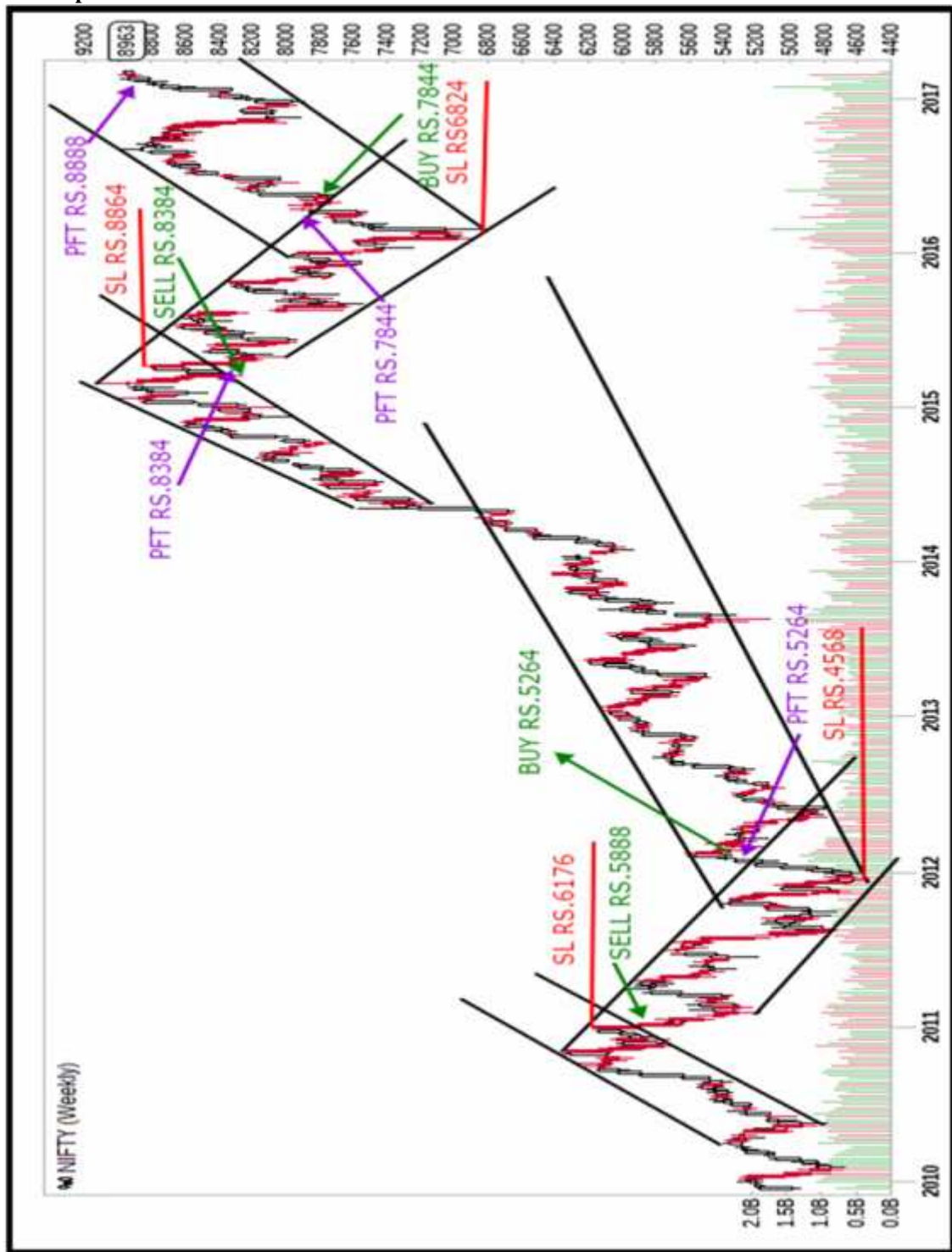
Find a comparative high and a comparative low in the past from which to initiate the price channel. Find another subsequent high and low that follows one of the three following patterns

- Ascending channel- higher high and higher low.
- Descending channel- lower low and lower high.
- Horizontal channel - horizontal highs and lows.

Draw two trend lines, one connecting the two highs, and one connecting the two lows. Note that these two lines should be near parallel. More contact points increase the reliability of the price channel.

Type	Pattern	Example
Ascending	Higher High, Higher Low	
Descending	Lower High, Lower Low	
Horizontal	Equal High, Equal Low	

Data Analysis & Interpretation



Above chart is the weekly price movement candlestick chart of the NIFTY50 NSE INDEX . If we observed the price channel line than investor or trader will get to know, when to enter and exit the trade. In 2010-11 uptrend price channel were continue which had been broken in the month of January 2011 around Rs.5888/- that indicates downtrendchannel is started so investor or trader has to take sell position by taking the stop loss of Rs. 6176/- (i.e. With` theRisk of Rs.288/-) which is last highest swing price. After that if we observed downtrend channel continued till January 2012 where downtrend channel ends and new uptrend channel is started it means that at this moment investors or traders have to take their profit which they sold

earlier and by buying it once again. Profit price is around Rs.5264/-(i.e.Rs.624/- gain). But at the same time investors or traders should also take new buying position because now past years i.e 2011-2012 downtrend channel is over and upsidechannel is broken out around Rs.5264/- by taking stop loss of Rs.4568/-(i.e. Risk of Rs.696/-) that is the last lowest swing price. After that we observed that new uptrend price channel is started and it ends in April 2015 where investors or traders has to take profit by selling earlier buy. Profit price is around Rs.8384/-(i.e.Rs.3120/- gain).Again in the month of April 2015 new downtrend price channel is started so investor/trader should take a new sell position around Rs.8384/- by taking the stop loss of Rs.8864/-(i.e. Risk Rs.480/-) previoushighs swing price. Now downtrend channel continues but in the month of April 2016 this downtrend price channel end around Rs.7844/- so investors or traders should take the profit around Rs.7844/-(i.e.Rs.540/- gain). Now new uptrend price channel is stated in the month of April 2016 so investors or trader should buy it around Rs.7844/- by taking the stop loss of Rs.6824/- that is last lowest swing price. Now in the month of February 2016 investors or traders have to sell that with the earlier buying position around Rs.8888/- and taking profit of Rs.1044/-.

### Conclusion

Price channel line and weekly candlestick chart is an important tool for investors and traders for their investments, and in this research paper researchers proved its importance i.e. how these instruments helps to investors and traders when to enter and when to exit from the trade.

This method gives a clear picture about downtrend and uptrend movements in price and this research had been conclude by following table.

#### NIFTY 50 NSE INDEX

DATE	SELL RATE	BUY RATE	STOP LOSS (SL)	PROFIT (PFT)	RISK	DATE	BUY RATE	SELL RATE	STOP LOSS (SL)	PROFIT (PFT)	RISK
03-Jan-11	5888	5264	6176	624	-288						
						30-Jan-12	5264	8384	4568	3120	-696
20-Apr-15	8384	7844	8864	540	-480						
						25-Apr-16	7844	8888	6824	1044	-1020

#### Bibliography/ References/ Website

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