



TREND ANALYSIS OF THE STOCK PRICE BY USING TREND LINE AND COUNT BACK LINE

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Abstract

To find out demand and supply of the stock Technical Analysis study is very use full to the investor and trader. Any investor or trader must consider the Technical Analysis tool whether to buy or sell the stock at particular point of time. Technical Analysis does not give absolute prediction about the future stock price movement but it gives only possibility what is going to happen to the price over a period of time. Trend Line and Count Back Line is an important tool to predicting stock price and it also help to early entry point in new trend of stock price.

Keywords: Trend Line, Count Back Line, Technical Analysis.

INTRODUCTION

The art of technical analysis, for it is an art, is to identify trend changes at an early stage and to maintain an investment or trading posture until the weight of the evidence indicates that the trend has reversed. That means that Technical analysis deals in probabilities, never certainties.

The most important concept in technical analysis is trend. Trend refers to the direction that price moving up, down, or sideways. An uptrend refers to a stock that is moving up in price over time. It indicates that market participants are becoming more favorably disposed toward that stock and are willing to pay more favorable disposed toward that stock. The reverse is true for downtrends. A stock may also remain in a tight sideways price range for some time. Some time it is also possible that a price chart can look completely random.

In this research paper researcher used trend analysis tools like trend line and count back line to find out stock price trend reversal and early entry and exit price for the new trend to gain short term trading profit.

REVIEW OF LITERATURE

“Stock Market and Factors affecting trading volume”-Sapna and Dr.Vinit Dani at International Journal of Advance Research in Computer Science and Management Studies, in their research paper researcher studies that relationship between the stock price and trading volume of BSE index. In this study researcher found that price and volume cannot explain each other. This is because each variable is working in many other market forces.

“Technical analysis on selected stocks of energy sector” – R. Chitra. studies says that trends and patterns in share price movement by using 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 find out the risk factor of that stock.

“To Study the Trend and Behavior Analysis of Indian Equity Market Using Elliott Wave ,Principle and Fibonacci sequence” - Dr. Pooja Talreja their research paper studies that wave principle gives a fair idea about direction of trend reversal with target prices if combined with Fibonacci.

“A study on analysis of equity share price behavior of the selected industries” – Mrs.Vimala.S, Mrs.Saranya P.B., Ms Saranya. R. their study says that in spite of volatility high still investor has chance to make comfortable profits with the help of moving averages, trend line and relative strength index trend line.

OBJECTIVE

1. Technical Analysis on selected stock and interpret whether buy or sell.
2. To find out the current trend of the stock by using Technical analysis tool, Trend Line and Count Back line.
3. Finding entry point and exit point of stock price.

HYPOTHESIS

H0: Trend Line and Count Back Line gives early entry point in new trend of stock price.

H1: Trend Line and Count Back Line not gives early entry point in new trend of stock price.

PRACTICAL SIGNIFICANCE

- Traders use these tools to find out stock price for early entry of the new trend and early exit.
- Traders also earn good amount of profit by using technical analysis tool like trend line and count back line.

LIMITATIONS

1. For doing this research the researcher has taken into consider only limited tool of technical analysis
2. Only Technical analysis tool is used.
3. The study is constrained to limited stock only.
4. This study is based on secondary data only and not on primary data.

RESEARCH METHODOLOGY

The data collected for the study is secondary in nature. The objective of the study is to find out the new trend of the stock price and to find out early entry and exit of the current trend and make trading profit.

The study period is different for different stock depends upon the trading parameters. For Technical Analysis the daily share price movements of the selected companies are taken.

CONCEPTUAL FRAMEWORK

Trend Lines

Trend lines are an easy tool to understand, but should be used with a strong dose of common sense. It required experimentation and practice before the art of interpreting. In an uptrend, the traders and investors should attempt to earn profit on a long trade and in a downtrend the traders and investors should attempt to earn profit on a short trade so trend line is very important tool for technical analysis. A Trend line is a straight line connecting, a series of ascending bottoms in a rising market or the tops of a descending series of rally peaks. Those joining the lows are call up trend lines and those connecting the tops are referred to as down trend lines.

Count Back Line

Count Back Line is a trend following tool which is designed to confirm the reversal of a short term trend and the continuation of an existing trend.

Count Back Line has some entry rules:

- Use latest pivot point low as start point
- Ignore lower highs as you count back
- Draw entry line at 3 highs up
- Include high of start point and gaps
- Enter above downtrend line day and after closes above 3 day CBL
- Stop loss is 3 days count back from recent peak after pivot low

DATA ANALYSIS & INTERPRETATION

Chart No.: 1



Chart No.: 2



Chart No.: 3



Chart No.: 4



Above Chart No.1 if you see that down trend line Escorts stock price was decreasing but when that down trend line cuts that is the first trigger for change in trend. Now Chart No.2 when Escorts stock price move above the three count back line that is the second trigger point of the new trend started. Then Chart No.3 if you see that new up trend is start and Chart No. 4 gives exit price of that new uptrend. Now if you observed that new uptrend entry price is around Rs.115 (Chart No. 2) and exit price is around Rs.150 (Chart No.4) that is 30.43% trading profit for the trader.

Chart No.: 1



Chart No.: 2



Chart No.: 3



Chart No.: 4



Above Chart No.1 if you see that down trend line Bajaj Holding stock price was decreasing but when that down trend line cuts the is the first trigger for change in trend. Now Chart No.2 when Bajaj Holding stock price move above the three count back line that is the second trigger point of the new trend started. Then Chart No.3 if you see that new up trend is start and Chart No. 4 gives exit price of that new uptrend. Now if you observed that new uptrend entry price is around Rs.1340 (Chart No.2) and exit price is around Rs.1620 (Chart no.4) that is 20.89% trading profit for the trader.

CONCLUSION

Trend line and count back line is the excellent technical analysis tool to find out the new trend of the stock price and early entry and exit point in that new trend.

The present studies investigated that by using Trend line and Count back line trader can predict the new trend starting point for that in this research paper researcher shows two companies (Escorts and Bajaj holding) stock price and there price movement by way of chart.

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