Forecast Share Price Using Technical analysis Tool

*Dr.S.Saravanan[1], *U D Gokul[2]

Department of management studies, Anna university, Trichy, Tamilnadu, India
[1]saravanan@aubit.edu.in, [2]udgokul1402@gmail.com

Abstract: In recent years many of us have been interesting in investing in the share market. This study focuses on the prediction of share price using a technical analysis tool (candlestick chart). In this study we use 30 companies' one-year data of share prices, top companies of the individual sector in NSE (National Stock Exchange) to forecast the share prices. The sample charts are taken from moneycontrol.com. In this study, we predict the share price using the previous price changes in the share market. Compare them with an actual price, find how many decisions are correct, how many decisions are wrong.
Keywords: Technical analysis tool, Candlestick charts, Data prediction, Forecast share price.

Introduction

This study refers to technical analysis. Technical analysis is a tool used for the prediction of the future share price. This study explains, that how past and present price action in a market and help to determine its future direction. There are a lot of tools under the technical analysis. In this study, we used a candlestick chart to predict the share prices. Candlestick chart is a chart it describes the share price moving clearly. The goal behind the technical analysis is usually to identify trading opportunities and capitalize on them. The objective of the study is to collect data on share prices, formulate candlestick charts, and forecast share prices. In this study we use 30 companies' one-year data of share prices, top companies of the individual sector in NSE (National Stock Exchange) to forecast the share prices. NSE is one of the big stock exchange platform in India.

2 Review of Literature

Saravanan S & Vidhyadharan R (2020) a study on performance evaluation of NSE financial expert around the world have developed numerous approaches to estimate the expected return of stock. Speculation made on securities dominatingly expanding with developing enthusiasm on savings and their requirement for an extra income. Financial specialist are prepared to invest on securities to create exceptional yield [1], yet the vulnerability in the financial exchange is being an obstacle for them to do as such. Zurich (2019) defined Technical analysis "Technical analysis is the study of financial market action. The technician looks at price changes that occur on a day-to-day or week-to-week basis or over any other constant time period displayed in graphic form, called charts. Hence the name chart analysis[2]." Plindia (2013) Defined Technical analysis "Technical analysis is a method of forecasting the future movement of share prices by studying past market activity like prices and volumes, using charts and other financial tools. Technical analysis follows the philosophy that past market activity indicates future market activity [3]. There are several benefits of using technical analysis." Anne Sraders (2019) Defined Technical analysis "Technical analysis is the process of examining a stock or security's price movements, trading volume and trends to determine how or when to trade it and predict its price movements. Murphy & John (1999) Defined Technical analysis "Technical analysis is the study of market action, primarily through the use of charts, for the purpose of forecasting future price trends" [4].

3 Research Methodology

Sample Design

Sample Size

30 companies 1 year data of share prices,
Top companies of individual sector in NSE (National Stock Exchange)

Source: Samples are collected from Moneycontrol.com website.

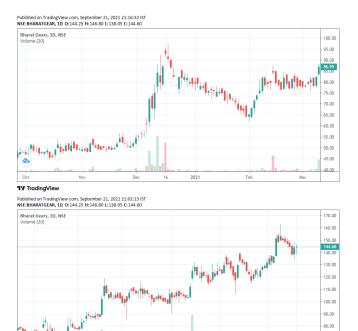## 4 Data analysis and Interpretation

Figure 2. Bharat Gears April 2021 – September 2021

The above candlestick charts of Bharat Gears (October 2020-April2021) Trend lines are as
Follows:
October to December 4 – Flat trend
December 5 to December 14 – Up trend
December 15 to February 1 – Down trend
February 2 to September - Uptrend
The above candlestick charts ends with Bullish Star. It means opening and closing prices of the share must be same. September 21 share price starts with Rs.144.25 & ends with Rs.144.60.
So the next day share price will go down. It showed that it is time to buy shares at a lower price. The buy order may be given at Rs.142.

Figure 3. Apollo Tyres October 2020 – March 2021

Figure 4. Apollo Tyres April 2021 – September 2021

The above candlestick charts of Apollo Tyres (October 2020-April 2021) Trend lines are as
follow:
October to March – Up trend
After March, Trend reversal was made & Goes ups and downs.
The above candlestick chart ends with Huge Bullish candlestick on September 22 (Starts with
Rs.220.50 & ends with Rs.232.55).
So the next day share price will confirm arising & Formed a "Three white Soldiers". It showed that it is to sell shares at high profit. The selling order may be given at Rs.237.

5 Findings

Following table data's are predicted as same as what we predicted for the above charts.   The same method was following.
Table 1. Comparison table for Predicted share price & Market share price.

S.no	Company name	Predicted share price	Market share price	Decision
1.	Bharat Gears	Decrease	Decrease Op. Rs.146.15	Correct

No.	Company	Prediction	Op. & Cl.	Result
		Op. Rs.146 & Cl. Rs.142	& Cl.Rs.144.40	
2.	Apollo tyres	Increase; Op. Rs.235 & Cl. Rs.237	Increase; Op. Rs.234.65 & Cl. Rs.236.95	Correct
3.	LIC Housing Finance	Increase; Op. Rs.435 & Cl.Rs.440	Increase; Op. Rs.435.30 & Cl. Rs.440.85	Correct
4.	Manappuram Fin	Rejected	Rejected	Rejected
5.	CCCL	Increase; Op. Rs.0.50 & Cl, Rs.0.62	---	No Result
6.	Man Infra	Increase	Increase	
		Op. Rs.91 & Cl. Rs.93	Op. Rs.90.70 & Cl. Rs.91.35	Correct
7.	Neogen	Increase; Op. Rs.1328 & Cl. Rs.1332	Decrease; Op. Rs.1327 & Cl. Rs.1226.10	Wrong
8.	Linde India	Increase; Op. Rs.2850 & Cl. Rs.2900	Decrease; Op. Rs.2856 & Cl. Rs.2799.95	Wrong
9.	Crown Lifters	Increase; Op. Rs.115 & Cl. Rs.117	Increase; Op. Rs.116.20 & Cl. Rs.116.95	Correct

No.	Company	Forecast	Actual	Result
10.	NESCO	Rejected	Rejected	Rejected
11.	Butterfly	Increase Op, Rs.933 & Cl. Rs.968	Increase Op. Rs.934.90 & Cl. Rs.971.25	Correct
12.	Bajaj Electric	Decrease Op. Rs.1518 & Cl. Rs.1510	Increase Op. Rs.1519.95 & Cl.Rs.1531.80	Wrong
13.	Bhartiya Inter	Decrease Op. Rs.215 & Cl. Rs.198	Increase Op. Rs.218 & Cl. Rs.229.10	Wrong
14.	Marico	Increase Op. Rs.570 & Cl. Rs.578	Op. Rs.570 & Cl. Rs.566.80	
15.	GMR Infra	Increase Op. Rs.38 & Cl. Rs.41.75	Decrease Op. Rs.36.40 & Cl. Rs.36.00	Wrong
16.	BHEL	Decrease Op. Rs.58 & Cl. Rs.57.5	Decrease Op. Rs.57.50 & Cl. Rs.57.15	Correct
17.	Pioneer Distill	Increase Op. Rs.158 & Cl. Rs.173	Increase Op. Rs.157.70 & Cl. Rs.169.95	Correct
18.		Increase	Increase	
		Decrease	Decrease	Wrong

No.	Company	Predicted	Actual	Result
	Andhra Sugar	Op. Rs.576 & Cl. Rs.582	Op. Rs.577.30 & Cl. Rs.574.35	Correct
19.	Kotak MF-GETF	Rejected	Rejected	Rejected
20.	SBI Gold-GETF	Decrease Op. Rs.4170 & Cl. Rs.4150	Decrease Op. Rs.4169.95 & Cl. Rs.4136.25	Correct
21.	Tata ELxsi	Increase Op. Rs.5610 & Cl. Rs.5720	Increase Op. Rs.5630 & Cl. Rs.5726.80	Correct
	Zee Learn	Decrease	Decrease	Correct
22.		Op. Rs. 16 & Cl. Rs. 14.5	Op. Rs.16.05 & Cl. Rs.15.45	
23.	Soril Infra Ind	Increase Op. Rs.119 & Cl. Rs.124	Decrease Op. Rs.118.95 & Cl. Rs.112.15	Wrong
24.	AYM Syntax	Increase Op. Rs.105 & Cl. Rs.118	Increase Op. Rs.104.55 & Cl. Rs.112.50	Correct
25.	Zee Entertainment	Increase Op. Rs.343 & Cl. Rs.350	Decrease Op. Rs.343 & Cl. Rs.318.20	Wrong
26.	INOX Leisure	Decrease	Decrease	Correct

No.	Company			Status
27.	Usha Martin	Op. Rs.364 & Cl. Rs.345 Increase	Op. Rs.362.50 & Cl. Rs.348.55 Decrease	Wrong
28.	Jai Corp	Op. Rs.82 & Cl. Rs.86 Increase	Op. Rs.80.10 & Cl. Rs.77.60 Increase	Correct
		Op. Rs.133 & Cl. Rs.137 Increase	Op. Rs.132.10 & Cl. Rs.135.40 Increase	
29.	ONGC	Decrease Op. Rs. 135 & Cl. Rs.133	Increase Op. Rs.134.80 & Cl. Rs.137.75	Wrong
30.	Oil India	Increase Op. Rs.221 & Cl. Rs. 226	Decrease Op. Rs221 & Cl. Rs.213.85	Wrong

6 Conclusion and Suggestion

In this study, sample sizes of 30 companies with 1 year of data on share prices were considered for analysis. The prediction status is out of thirty companies, 15 companies share prices are correctly predicted, 11 companies share prices are wrongly predicted, 3 companies will be rejected and 1 company status is unsolved. So the correct prediction possibility is worked out as 0.5. This will lead to the conclusion that prediction using candle stick charts were reliable and the accuracy can be increased with increase in sample size.

References

[1]. Saravanan S and Vidhyatharan R., "INTERPRETATION OF STOCK BETA IN NATIONAL STOCK EXCHANGE" Pramana Research Journal Vol-10, Issue-2, 2020. Pp123-133.

[2]. Zurich "Global Technical Research and Behavioral Finance",e-book,2021 p.3.

[3]. Plindia "MACD Indicator", e-copy published by Knowledge center e-mailer, 2013, P.1.

[4]. Anne sraders, "What is technical analysis? Definition, basics and Example e-journal, 2019.

[5]. Murphy & John, "Technical analysis of the Financial markets", e-book, 1999.