International Journal of Advanced Research in Commerce, Management &Social Science (IJARCMSS)
ISSN :2581-7930, Impact Factor : 6.986, Volume 07, No. 02(II), April-June, 2024, pp 17-24

AN ANALYSIS OF BEST PERFORMING STOCKS OF BANKING SECTOR THROUGH TECHNICAL ANALYSIS

Sharmila G*
Dr. Kabirdoss Devi**

ABSTRACT

This research conducts an in-depth analysis of the best performing stocks within the banking sector using technical analysis methods. Through the examination of historical price data, trading volumes, and various technical indicators, the study aims to identify patterns and trends that contribute to the success of these stocks. Key factors such as moving averages, support and resistance levels, and momentum indicators are analyzed to determine the stocks' performance and potential future movements. The findings provide valuable insights into the effectiveness of technical analysis in predicting stock performance within the banking sector. Keywords: banking sector, technical analysis, stock performance, and historical price data, trading volumes, technical indicators, moving averages, support and resistance levels, momentum indicators.

KEYWORDS: *Technical, Analysis, MCAD, RSI, Indicators.*

Introduction

Technical analysis serves as a pivotal methodology in financial markets, enabling the evaluation and prediction of future price movements of various assets, including stocks, commodities, and currencies. Rooted in the analysis of historical price and volume data, technical analysis operates under the fundamental assumption that market prices exhibit trends and patterns over time, which can be identified and analyzed to inform trading decisions. This methodology plays a crucial role in assessing investment opportunities and determining trading prospects by examining statistical trends derived from trading activity.

One of the fundamental premises of technical analysis is its focus on assessing the value of a security based on business results such as sales and earnings. By scrutinizing patterns and trends in price and volume data, technical analysts aim to discern potential shifts in market sentiment and identify opportunities for buying or selling assets at advantageous prices. Moreover, technical analysis provides a keen focus on the study of volume and price movements, offering insights into the underlying dynamics driving market movements.

In this study, we aim to conduct a comprehensive analysis of the best performing stocks within the banking sector using technical analysis methods. By examining historical price data, trading volumes, and various technical indicators, we seek to identify patterns and trends that contribute to the success of these stocks. Through our analysis, we aim to provide valuable insights into the effectiveness of technical analysis in predicting stock performance within the banking sector, thereby offering guidance to investors and market participants.

* II year MBA, School of Management Studies, Vels Institute of Science Technology and Advanced Studies, Pallavaram, Chennai, India.
** Associate Professor, School of Management Studies, Vels Institute of Science Technology and Advanced Studies, Pallavaram, Chennai, India. (Corresponding Author)

Statement of the Problem

The study faces several limitations, including its focus on a limited selection of banks such as Axis, HDFC, SBI, and ICICI Bank. Moreover, the analysis is confined to a relatively short period of one year, relying solely on secondary data sources. Such a narrow timeframe may not capture long-term trends or provide a comprehensive understanding of stock performance. Additionally, the study acknowledges the potential for errors in data collection, processing, or charting, which could compromise the validity of the analysis, particularly given the rapid fluctuations inherent in financial markets. These limitations underscore the need for cautious interpretation of findings and highlight the importance of considering broader market dynamics and potential sources of error in the research methodology.

Need of the Study

The study serves to shed light on the performance of rapidly emerging banks in India, particularly within the context of the growing stock market sector. Despite the burgeoning opportunities in the stock market, investors often lack clarity regarding share performance and may have limited awareness of technical analysis techniques. By focusing on selected stocks within the banking sector, including AXIS and SBI BANKS, this study aims to analyze their performance through technical analysis methods. Such analysis facilitates the determination of price trend directions (upward, downward, or sideways), enabling investors to align their strategies with prevailing market momentum. Furthermore, technical analysis offers insights into market sentiment, indicating whether investors are bullish or bearish on specific stocks. As market conditions evolve, investors can swiftly adjust their analysis and strategies to align with emerging trends and signals, thus optimizing their investment decisions in the dynamic banking sector.

Objective of the Study

The objective of the study is to:

- Analyze the top-performing stocks within the banking sector using technical analysis methodologies.
- Evaluate the stock performance of banks by comparing current trends with historical data.
- Utilize the Relative Strength Index (RSI) technical indicator to assess bank stock performance, confirming price trends and identifying overbought or oversold conditions.
- Employ technical analysis tools such as Moving Averages and Bollinger Bands to analyze bank performance, identifying primary trends (uptrend, downtrend, or sideways trend).
- Investigate the relationship between various stock prices, including Close price, Open price, Low price, and High price, to discern patterns and correlations in bank stock movements.

Review of Literature

Michal Tlustý (February 2022), the paper deals with the issue of value screening and shares. For the selection of a company, value screening with specific criteria was used. From a total of 6 companies, the one with the most traded stocks was selected, namely the company Apple Inc. Subsequently, the analyses of trend and moving averages were performed for the 50- day, 100-day, and 200-day period, as well as the analysis using RSI indicators. Specific changes detected were graphically illustrated and described in detail in graphs. In the following chapter, Discussion of Results, specific indicators were explained, which emerged within the analysis of the shares, and proposals of measures for a broker were made, which recommended the trader to buy or give up the position. The objective of the paper, which consisted in the performance of value screening using specific criteria, selecting a suitable company, analyze its time series, and propose a specific measure, was achieved.

Krishnat H. Chougale (2019), the study is about analysis of moving average of shares in banking sector by using technical analysis. The technical analysis shows the turning points, which predicts when to buy or sell the stock. This paper helps to know which bank performs better compared to other banks based on the price fluctuation by using technical analysis.

Dipasha Sharma (June 2018), many studies have been conducted on bank efficiency and bank performance both in developed and developing economies. Although abundant research on the association of emerging dimensions of stock performance with bank efficiency. In the light of this, a model is constructed with stock market return as the principal variable along with bank efficiency and bank-specific factors and tested for the Indian economy. The model was developed using data envelopment analysis (DEA) for Indian banks. Panel data regression analysis was used to examine the empirical association between efficiency measures and market performance measures. The regression results confirmed the presence of a statistically significant association between operational efficiency and market performance of Indian banks. Operationally efficient banks create more value and returns to their investors and are thus found to be effective.

M. Anitha and R. Padmaja (2016), technical analysis is the art of forecasting the movement of prices using charts with many technical indicators as a primary tool to make better investments. Through analyzing the movement of past prices using technical indicators, investors can forecast the most important market turning points and predict the short-term price movement. This paper attempts to measure the effectiveness a technical indicator MACD on five selective stocks of the Banking sector. The prices of the stocks and the signals given by the technical indicator was observed for two years from 24th October 2013 to 24th September 2015. Interpretations and suggestions to an investor are given based on the analysis.

Sharmila R, Kavitha R, Ananthi S (December 2016), technical Analysis is the forecasting of future financial price movements based on an examination of past price movements. Like weather forecasting, technical analysis does not result in absolute predictions about the future. Instead, technical analysis can help investors anticipate what is “likely” to happen to prices over time. Technical analysis uses a wide variety of charts that show price over time. This study is based on the analysis of four Nifty Bank Index stocks namely, Axis Bank, Bank of Baroda, State Bank of India and ICICI bank listed in National Stock Exchange. Technical indicators such as Relative strength index (RSI), Rate of change (ROC) and Moving Average (MA) are used in the study.

Research Methodology

Research Design: Descriptive Research Design

Data: Secondary Data

Data Source: 1 year data from money control, yahoo finance and boomberg.

Statistical Tools and Techniques

- Simple Moving Average (SMA) & Bollinger band
- Relative Strength Index (RSI)
- Regression

Data Analysis And Interpretation

- **SMA & Bollinger Band**

Axis Bank

Date	Close	STDEV 20 days	Middle bollinger band (SMA 20 DAYS)	Upper Bollinger band	Lower bollinger band
05/04/2023	865.950	10.623	865.675	886.922	844.428
05/05/2023	865.300	10.621	865.710	886.952	844.468
05/08/2023	878.450	10.897	866.607	888.402	844.813
05/09/2023	888.250	11.320	868.422	891.062	845.783
05/10/2023	889.900	11.157	870.550	892.864	848.236
05/11/2023	895.950	11.718	872.683	896.118	849.247
05/12/2023	910.650	13.308	875.663	902.279	849.046
05/15/2023	915.800	15.641	878.235	909.517	846.953
05/16/2023	917.800	17.506	880.898	915.909	845.886
05/17/2023	914.800	18.491	883.470	920.452	846.488
05/18/2023	914.700	19.528	885.535	924.591	846.479
05/19/2023	924.050	20.827	888.300	929.955	846.645
05/22/2023	917.550	20.986	890.968	932.939	848.996
05/23/2023	916.150	21.575	892.660	935.810	849.510
05/24/2023	917.700	21.971	894.628	938.570	850.685
05/25/2023	921.050	22.637	896.298	941.571	851.024
05/26/2023	926.950	23.305	898.575	945.184	851.966
05/29/2023	929.800	22.478	902.065	947.022	857.108
05/30/2023	937.450	22.525	905.405	950.455	860.355
05/31/2023	914.850	20.013	908.155	948.181	868.129

06/01/2023	919.700	17.632	910.843	946.107	875.578
06/02/2023	926.100	14.477	913.883	942.837	884.928
06/05/2023	950.850	14.214	917.502	945.931	889.074
06/06/2023	968.200	16.486	921.500	954.472	888.528
06/07/2023	976.750	18.858	925.842	963.559	888.126
06/08/2023	962.100	19.124	929.150	967.399	890.901
06/09/2023	974.750	21.031	932.355	974.418	890.292
06/12/2023	974.200	22.531	935.275	980.337	890.213
06/13/2023	985.850	24.672	938.677	988.021	889.334
06/14/2023	977.700	25.425	941.822	992.672	890.973
06/15/2023	977.150	25.735	944.945	996.415	893.475
06/16/2023	981.550	26.442	947.820	1000.705	894.935
06/19/2023	965.650	25.758	950.225	1001.742	898.708

Interpretation

The data for Axis Bank from April 2023 to March 2024 reveals notable price fluctuations and a rise in volatility. The widening of Bollinger Bands indicates increased market uncertainty, particularly evident in late 2023 and early 2024. Despite this volatility, the price frequently trends above the Simple Moving Average, suggesting a prevailing bullish sentiment. However, this bullish sentiment occurs alongside heightened volatility and the possibility of market corrections.

SBI Bank

Date	Close	STDEV 20 days	SMA 20 Days	Upper Bollinger Band	Lower Bollinger Band
05/04/2023	580.000	18.694	548.332	585.720	510.945
05/05/2023	576.500	18.965	550.820	588.749	512.891
05/08/2023	583.600	19.118	553.850	592.086	515.614
05/09/2023	573.500	18.580	556.142	593.303	518.982
05/10/2023	572.200	17.559	558.437	593.556	523.319
05/11/2023	573.450	16.752	560.505	594.010	527.000
05/12/2023	578.150	15.420	563.002	593.843	532.162
05/15/2023	581.900	14.300	565.450	594.051	536.849
05/16/2023	586.300	14.098	567.565	595.761	539.369
05/17/2023	586.300	13.735	569.587	597.057	542.118
05/18/2023	574.200	11.998	571.282	595.278	547.287
05/19/2023	575.150	10.360	572.800	593.519	552.081
05/22/2023	577.150	7.837	574.500	590.174	558.826
05/23/2023	581.600	6.505	575.850	588.860	562.840
05/24/2023	582.700	5.805	576.895	588.506	565.284
05/25/2023	581.250	5.342	577.640	588.324	566.956
05/26/2023	586.000	4.753	578.703	588.209	569.196
05/29/2023	595.000	5.930	579.538	591.398	567.677
05/30/2023	592.800	6.504	580.413	593.420	567.405
05/31/2023	579.850	6.098	580.880	593.076	568.684
06/01/2023	582.750	6.107	581.018	593.232	568.803
06/02/2023	587.200	6.157	581.553	593.866	569.239
06/05/2023	587.200	6.266	581.733	594.264	569.201
06/06/2023	585.350	6.014	582.325	594.354	570.296
06/07/2023	589.200	5.717	583.175	594.610	571.740
06/08/2023	588.500	5.368	583.928	594.663	573.192
06/09/2023	578.700	5.339	583.955	594.634	573.276
06/12/2023	578.650	5.448	583.793	594.688	572.897
06/13/2023	576.400	5.644	583.298	594.585	572.010
06/14/2023	576.550	5.783	582.810	594.375	571.245
06/15/2023	566.500	6.549	582.425	595.522	569.328
06/16/2023	571.250	6.815	582.230	595.860	568.600
06/19/2023	568.850	7.344	581.815	596.503	567.127

Interpretation

The data for SBI Bank from April 2023 to March 2024 illustrates fluctuating stock prices, with Bollinger Bands signaling varying market volatility. From April to July, prices exhibited an upward trajectory, accompanied by widening bands indicative of heightened volatility. However, starting in August, a downward trend emerged, extending into early 2024, signaling increased uncertainty and a potential risk of price decline. Given the heightened volatility observed during this period, traders are advised to exercise caution when making investment decisions.

Relative Strength Index

Axis Bank

Date	Close	Change	Gain	Loss	Average gain for 14 days	Average loss for 14 days	RS	RSI	Analysis
04/26/2023	887.650	9.300	9.300	0.000	4.064	2.418	1.681	62.700	Properly valued
04/27/2023	881.400	-6.250	0.000	6.250	4.064	2.571	1.581	61.249	Properly valued
04/28/2023	860.000	-21.400	0.000	21.400	4.064	3.489	1.165	53.806	Properly valued
05/02/2023	870.650	10.650	10.650	0.000	4.825	3.161	1.527	60.420	Properly valued
05/03/2023	859.850	-10.800	0.000	10.800	4.400	3.932	1.119	52.808	Properly valued
05/04/2023	865.950	6.100	6.100	0.000	4.836	3.771	1.282	56.183	Properly valued
05/05/2023	865.300	-0.650	0.000	0.650	3.886	3.818	1.018	50.440	Properly valued
05/08/2023	878.450	13.150	13.150	0.000	4.811	3.818	1.260	55.753	Properly valued
05/09/2023	888.250	9.800	9.800	0.000	5.511	3.732	1.477	59.621	Properly valued
05/10/2023	889.900	1.650	1.650	0.000	4.911	3.732	1.316	56.818	Properly valued
05/11/2023	895.950	6.050	6.050	0.000	5.343	3.400	1.571	61.111	Properly valued
05/12/2023	910.650	14.700	14.700	0.000	6.393	3.075	2.079	67.522	Properly valued
05/15/2023	915.800	5.150	5.150	0.000	5.468	3.075	1.778	64.005	Properly valued
05/16/2023	917.800	2.000	2.000	0.000	5.611	2.793	2.009	66.766	Properly valued
05/17/2023	914.800	-3.000	0.000	3.000	4.946	3.007	1.645	62.191	Properly valued
05/18/2023	914.700	-0.100	0.000	0.100	4.946	2.568	1.926	65.827	Properly valued
05/19/2023	924.050	9.350	9.350	0.000	5.614	1.039	5.402	84.380	Overbought
05/22/2023	917.550	-6.500	0.000	6.500	4.854	1.504	3.228	76.348	Overbought
05/23/2023	916.150	-1.400	0.000	1.400	4.854	0.832	5.833	85.364	Overbought
05/24/2023	917.700	1.550	1.550	0.000	4.529	0.832	5.442	84.477	Overbought
05/25/2023	921.050	3.350	3.350	0.000	4.768	0.786	6.068	85.852	Overbought
05/26/2023	926.950	5.900	5.900	0.000	4.250	0.786	5.409	84.397	Overbought
05/29/2023	929.800	2.850	2.850	0.000	3.754	0.786	4.777	82.691	Overbought
05/30/2023	937.450	7.650	7.650	0.000	4.182	0.786	5.323	84.184	Overbought
05/31/2023	914.850	-22.600	0.000	22.600	3.750	2.400	1.562	60.976	Properly valued

Interpretation

The RSI data for Axis Bank from April 2023 to March 2024 reveals frequent shifts between overbought and properly valued states, interspersed with periods of oversold conditions. These significant fluctuations highlight a volatile trading environment that necessitates careful monitoring. Prolonged overbought phases may indicate potential corrections in the stock price, while oversold periods could present buying opportunities for investors. It is essential for traders to remain vigilant and responsive to these fluctuations to make informed investment decisions.

SBI Bank

Date	Close	Change	Gain	Loss	Average gain for 14 days	Average loss for 14 days	RS	RSI	Analysis
04/26/2023	566.350	4.550	4.550	0.000	3.986	1.157	3.444	77.500	Overbought
04/27/2023	564.750	-1.600	0.000	1.600	3.986	1.004	3.972	79.886	Overbought
04/28/2023	578.300	13.550	13.550	0.000	4.621	1.004	4.605	82.159	Overbought
05/02/2023	575.300	-3.000	0.000	3.000	4.621	1.121	4.121	80.473	Overbought
05/03/2023	570.500	-4.800	0.000	4.800	4.207	1.464	2.873	74.181	Overbought
05/04/2023	580.000	9.500	9.500	0.000	4.886	1.186	4.120	80.471	Overbought
05/05/2023	576.500	-3.500	0.000	3.500	4.546	1.436	3.167	76.000	Overbought
05/08/2023	583.600	7.100	7.100	0.000	4.264	1.436	2.970	74.812	Overbought
05/09/2023	573.500	-10.100	0.000	10.100	4.132	2.157	1.916	65.701	Properly valued
05/10/2023	572.200	-1.300	0.000	1.300	4.132	1.854	2.229	69.033	Properly valued
05/11/2023	573.450	1.250	1.250	0.000	3.900	1.854	2.104	67.784	Properly valued
05/12/2023	578.150	4.700	4.700	0.000	4.236	1.736	2.440	70.933	Overbought
05/15/2023	581.900	3.750	3.750	0.000	3.686	1.736	2.123	67.984	Properly valued
05/16/2023	586.300	4.400	4.400	0.000	3.486	1.736	2.008	66.758	Properly valued
05/17/2023	586.300	0.000	0.000	0.000	3.161	1.736	1.821	64.551	Properly valued
05/18/2023	574.200	-12.100	0.000	12.100	3.161	2.486	1.272	55.977	Properly valued

Interpretation

The RSI data for SBI Bank from April 2023 to March 2024 displays notable fluctuations, marked by numerous occurrences of both overbought and oversold conditions. These fluctuations indicate market volatility and heightened sensitivity to broader economic trends. Prolonged overbought readings suggest a potential for corrections in the stock price, while oversold periods may present opportunities for value investors to consider buying. It's crucial for investors to carefully assess these RSI signals alongside other market indicators to make well-informed investment decisions amidst the fluctuating market conditions.

Correlation

Axis Bank

		Close	Open	High	Low
	Close	1.000	.986	.995	.995
	Open	.986	1.000	.994	.994
Pearson					
Correlation	High	.995	.994	1.000	.994
	Low	.995	.994	.994	1.000
	Close	.	.000	.000	.000
Sig. (1-tailed)	Open	.000	.	.000	.000
	High	.000	.000	.	.000
	Low	.000	.000	.000	.
	Close	243	243	243	243
	Open	243	243	243	243
N					
	High	243	243	243	243
	Low	243	243	243	243

- There is significant positive relationship between Close price and Open price.
- There is significant positive relationship between Close price and High price.

- There is significant positive relationship between Close price and Low price.
- There is significant positive relationship between Open price and Close price.
- There is significant positive relationship between Open price and High price.
- There is significant positive relationship between Open price and Low price.
- There is significant positive relationship between High price and Close price.
- There is significant positive relationship between High price and Open price.
- There is significant positive relationship between High price and Low price.
- There is significant positive relationship between Low price and Close price.
- There is significant positive relationship between Low price and Open price.
- There is significant positive relationship between Low price and High price.

SBI Bank

		Close	Open	High	Low
	Close	1.000	.993	.997	.997
Pearson Correlation	Open	.993	1.000	.996	.997
	High	.997	.996	1.000	.996
	Low	.997	.997	.996	1.000
	Close	.	.000	.000	.000
Sig. (1-tailed)	Open	.000	.	.000	.000
	High	.000	.000	.	.000
	Low	.000	.000	.000	.
	Close	243	243	243	243
N	Open	243	243	243	243
	High	243	243	243	243
	Low	243	243	243	243

- There is significant positive relationship between Close price and Open price.
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- There is significant positive relationship between High price and Close price.
- There is significant positive relationship between High price and Open price.
- There is significant positive relationship between High price and Low price.
- There is significant positive relationship between Low price and Close price.
- There is significant positive relationship between Low price and Open price.
- There is significant positive relationship between Low price and High price.

Findings

Axis Bank

The analysis of Axis Bank's performance reveals a mixed picture across different indicators. The simple moving average suggests a sideways trend with a slight upward movement, indicating stability in price levels over time with a propensity towards growth. Similarly, the Bollinger Bands also demonstrate a sideways pattern throughout most of the year, although towards the end, they start to trend upward, potentially signaling an increase in market volatility and price fluctuations. Additionally, the Relative Strength Index (RSI) frequently oscillates between 70 and 30, indicating that the stock is generally properly valued compared to being overbought or oversold. This suggests that approximately 82.9% of the time, the stock remains within the proper valuation range. The RSI serves as a valuable tool in identifying overbought conditions (RSI > 70%) and oversold conditions (RSI < 30%), providing insights into potential buying or selling opportunities based on market sentiment and momentum.

SBI Bank

The analysis of SBI Bank's performance reveals several key trends across different indicators. Firstly, the Simple Moving Average (SMA) suggests a sideways movement with a slight upward trajectory towards the end of the year, indicating stability in price levels over time with a potential for growth. Similarly, the Bollinger Bands of SBI Bank also exhibit a sideways pattern for most of the year, transitioning to an upward movement towards the year-end, potentially signifying increased market volatility and price fluctuations. Furthermore, the Relative Strength Index (RSI) frequently oscillates between the 70 and 30 levels, indicating that the stock is generally properly valued compared to being overbought or oversold. This suggests that approximately 66.3% of the time, the stock remains within the proper valuation range. The RSI serves as a valuable tool in identifying overbought conditions (RSI > 70%) and oversold conditions (RSI < 30%), providing insights into potential buying or selling opportunities based on market sentiment and momentum.

Suggestions

Based on the analysis, Axis Bank and SBI Bank exhibit both upward and sideways trends, accompanied by bullish signs supported by RSI and Bollinger Bands. The RSI indicates stability within normal bounds, suggesting a balanced market sentiment. Additionally, significant correlations among Open, Low, High, and Close prices highlight a robust relationship among these variables, enhancing the reliability of the analysis. To further enrich analysis, consider diversifying with additional indicators for a broader perspective on market dynamics. Furthermore, it's advisable to keep a close watch on key support and resistance levels to inform buy/sell decisions effectively. Monitoring volume trends can provide further confirmation of the identified trends, aiding in making well-informed investment decisions.

Conclusion

The study aims to achieve several objectives. Firstly, it examines the stock performance of banks by analyzing past trends. Secondly, it utilizes technical indicators such as the Relative Strength Index (RSI), Moving Averages, and Bollinger Bands to confirm price trends and identify overbought or oversold conditions. Additionally, the study analyzes the relationship between Close price, Open price, Low price, and High price. The tools employed include Simple Moving Average, Bollinger Bands, Relative Strength Index, and Correlation. The study focuses on NSE Banking Companies. The major findings indicate that both Axis Bank and SBI Bank exhibit sideways movements with upward trends in their Simple Moving Averages and Bollinger Bands. Recommendations include recognizing significant correlations among price variables and diversifying analysis with additional indicators for a broader perspective on market dynamics.

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