



A Study on Technical Analysis with Special Reference to Cement Sector

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Abstract: *The study is based on secondary data. The primary data have been collected through the questionnaire. The relevant secondary data for this study were collected from various books, Journals and periodicals. In order to accomplish the objectives set out for this research, the effective tools are used. Tools such as rate of change, relative strength index, and exponential moving average were used to analyze the data. Researcher finds that the selected securities had high fluctuations during the period. Finally the researcher concludes that technical analysis suitable to the short-term approach than the long term approach.*

Keywords: *Rate of Change, Exponential moving average, Relative strength index, short-term approach*

I. INTRODUCTION

The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange by financial institutions (FIs) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock exchanges in the country.

II. OBJECTIVES OF THE STUDY

This study was conducted to know the systematic risk involvement in the stocks, has helps in restructuring the portfolios.

- To identify the trends in the selected sector.
- To find out the price strength and weakness of the selected sector.
- To analysis the overbought and oversold position of the selected sector.

III. METHODOLOGY

A. Method used

Since in the present research an attempt is made to understand about the technical analysis of the cement sectors and it is critically analyzed as well, the study is said to be descriptive and analytical in nature.

B. Source of Data

The study is based on both primary and secondary data. The data have been collected through the questionnaire. The researcher prepared a detailed questionnaire and a separate survey was conducted personally with investors of selected mutual fund organization in India. The relevant secondary data for this study were collected from various books, journals and periodicals

C. Data Collection and Period of the Study

The data for the study was collected through secondary method source www.nseindia.com. Three months taken for the analysis from April 2012 to June 2012.

D. Statistical Tools Used

- * Moving average
- * Relative strength index
- * Rate of change

IV. ANALYSIS AND INTERPRETATION

A. Rate of Change

Rate of change indicator measures the rate of change between the current price and the price 'n' number of days in the past. ROC helps to find out the overbought and oversold positions in securities t. It is also useful in identifying the trend reversal. Closing prices are used to calculate the Rate of Change. Daily closing prices are used for the daily rate of change and weekly closing prices for weekly rate of change. Calculation for 12 weeks or 12 month is most popular.

$$\text{ROC} = \text{Today's Price} / \text{Price 'n' days back} * 100 - 100$$

B. **Moving Average**

A moving average is commonly used with time series data to smooth out short-term fluctuations and highlight longer-term trends or cycles. The threshold between short-term and long-term depends on the application, and the parameters of the moving average will be set accordingly.

C. **Relative Strength Index**

The relative strength index (RSI) is a technical indicator used in the analysis of financial markets. It is intended to chart the current and historical strength or weakness of a stock or market based on the closing prices of a recent trading period. The indicator should not be confused with relative strength.

$$\text{RSI} = 100 - (100 / (1 + \text{RS}))$$

COMPANY	MONTHS								
	APRIL			MAY			JUNE		
	ROC	EMA	RSI	ROC	EMA	RSI	ROC	EMA	RSI
ACC	-10.43	615.62	61.54	-13.50	664.02	71.35	5.35	830.98	49.75
AMBUJACEM	-60.64	76.01	88	-10.29	81.83	61.24	8.35	98.94	48.72
CHETTINAD	-3.97	446.52	55.95	6.40	440.16	48.45	9.02	416.82	24.81
DECCANCE	-12.5	152.42	61.98	-21.26	174.64	59.84	-5.00	259.17	48.46
INDIACEM	-7.37	119.01	53.7	-22.31	123.47	65.87	18.27	158.58	38.65
JKCEMENT	-31.06	53.0656	72.53	-31.34	69.22	71.75	5.81	103.196	66.89
MADRASCEM	-10.77	78.0311	58.33	-24.74	88.5044	58.33	6.31	109.809	51.46
SAGCEM	-12.76	167.07	67.43	-21.48	179.981	67.33	-2.29	238.46	44.45
SHREECEM	-7.57	786.343	67.83	-21.19	862.149	70.24	-12.87	1140.98	58.33
ULTRACEMCO	-5.27	555.239	67.85	-16.27	600.608	64.16	7.23	728.069	59.68

Where RS = Average Gain per day / Average loss per day

Table no. 1 showing calculations for the three months.

V. **INTERPRETATION**

From the table1, in the month of April most of the companies show more negative which was oversold zone, Chettinad Company shows less negative rate of change in the month of April. In the month of May and June companies were moves to overbought zone. Hence Acc, Shreecem, Ultracemco, Sagcem, Jkcement, Deccance securities shows more average value is buying signal and other was show selling signal to investors. And also JK cement have more strength comparatively Chettinad shows the weak performance from the analysis.

VI. **FINDINGS**

The following are the findings of equity markets with reference to National Stock Exchange. Rate of change in the month of April most of the companies show more negative which was oversold zone, Chettinad Company shows less negative rate of change in the month of April. In the month of May and June companies were moves to overbought zone. In the Moving average Hence ACC, Shreecem, Ultracemco, Sagcem, JK cement, Deccance securities shows an average value indicating buying signal and others securities shows a selling signal to investors

VII. **CONCLUSIONS**

Technical analysis is a method of evaluating securities by analyzing the statistics generated by market activity. It is based on three assumptions: the market discounts everything, price moves in trends and history tends to repeat itself. Technicians believe that all the information they need about a stock can be found in its charts. Technical traders take a short-term approach to analyzing the market. One of the most important concepts used in technical analysis is that of a trend, which the general direction that a security is headed. Volume is the number of shares or contracts that trade over a given period of time, usually a day. The higher the volume, the more active the security. From the analysis the

researcher finds that there is high fluctuations in the market in the month of April compared to May and June. Overall performance of the trend shows a better performance in all the months.

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