A Study On Banking Sectors Stock By Using Of Technical Analysis At Kotak Securities

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ABSTRACT

The banking sector plays a crucial role in the financial system and significantly influences stock market dynamics. This study aims to analyze the stock performance of selected banking companies using technical analysis tools and techniques. By examining price movements and trading volumes, the research seeks to identify patterns, trends, and potential investment opportunities. The study utilizes key technical indicators such as Moving Averages (MA), Relative Strength Index (RSI), Moving Average Convergence Divergence (MACD), and Bollinger Bands. Historical stock price data of major Indian banks including HDFC Bank, ICICI Bank, State Bank of India, and Axis Bank are analyzed over a defined period. Charts and technical signals are interpreted to suggest potential entry and exit points for investors.

INTRODUCTION

The stock market is an essential component of a modern economy, acting as a platform for investors and companies to exchange capital. Among the various sectors traded in the market, the **banking sector** holds a prominent place due to its influence on the overall economic health and financial stability of a country. Banking stocks are often closely monitored by investors, analysts, and policymakers because they reflect macroeconomic indicators such as interest rates, inflation, credit growth, and monetary policies. In recent years, increased volatility in the stock market has driven investors to explore systematic methods to predict price trends and make informed trading decisions. One such method is **technical analysis**, which involves the study of past market data—primarily price and volume—through charts and indicators to forecast future price movements.

NEED FOR THE STUDY

The stock market is inherently volatile and influenced by a multitude of economic, political, and psychological factors. In such an environment, making informed investment decisions becomes challenging for both novice and experienced investors. The **banking sector**, being one of the most actively traded and sensitive to economic changes, often experiences significant price fluctuations. Therefore, analyzing this sector becomes vital for investors seeking to optimize returns and minimize risks. Traditional investment approaches largely rely on **fundamental analysis**, which may not always provide timely insights for short-term traders. On the other hand, **technical analysis offers a practical and data-driven approach** to studying stock price movements and market trends. It helps in identifying support and resistance levels, trend reversals, and entry/exit signals, which are essential for making profitable trades.

OBJECTIVES OF THE STUDY

- To analyze the stock price trends of selected banking companies using technical analysis tools.

- To apply technical indicators such as Moving Averages, RSI, MACD, and Bollinger Bands to banking stocks.

- To interpret candlestick patterns and their relevance in forecasting short-term price movements.

- To evaluate the effectiveness of technical analysis in predicting stock price movements in the banking sector.

- To assist investors in making informed decisions by providing insights into the trading behavior of banking stocks.

SCOPE OF THE STUDY

A few major private and public sector banks (e.g., HDFC Bank, ICICI Bank, State Bank of India, Axis Bank) have been selected based on market capitalization and trading volume. The analysis is conducted over a specific period (e.g., the past 1 to 3 years), allowing for short- to medium-term trend evaluation. The study uses widely recognized tools such as Moving Averages (MA), Relative Strength Index (RSI), MACD (Moving Average Convergence Divergence), Bollinger Bands, and Candlestick Patterns to identify trading signals.

METHODOLOGY

1. Research Design:

This study is **analytical and quantitative** in nature. It involves evaluating historical stock price data using various **technical indicators** to identify trends, patterns, and trading signals.

2. Data Collection:

Type of Data:

Secondary data

Sources of Data:

LIMITATIONS OF THE STUDY

- The study is based solely on past stock price movements and trading volumes. Technical analysis assumes that history repeats itself, which may not always hold true in dynamic market conditions.
- The study does not consider macroeconomic indicators, company financials, or news events that can significantly influence stock prices, especially in the banking sector.
- The analysis is restricted to a specific period (e.g.,5years), which may not fully capture long-term trends or market cycles.

2.2 REVIEW OF LITERATURE

1. **"Technical Analysis of Banking Sector Stocks: A Study of Market Trends and Investment Strategies"** (2024)*Authors:* Dr. Chokkamreddy Prakash *Summary:* This study explores the application of technical analysis to understand market trends within the banking sector, focusing on ICICI Bank, HDFC Bank, Axis Bank, Union

Bank of India, and State Bank of India. It examines the relationship between risk and return, factors contributing to stock price volatility, and optimal timing for investment decisions. ResearchGate

2. **"Can Technical Analysis Indicators Predict Future Stock Prices? Evidence from Elliott Wave and Fibonacci Retracement"** (2025) *Authors:* [Not Specified] *Summary:* This research validates the Elliott Wave scenario in analyzing future stock price movements for PT Bank Central Asia Tbk and PT Bank Rakyat Indonesia Tbk. It focuses on the effectiveness of technical analysis in measuring medium-term price changes from 2020 to 2025, utilizing the Elliott Wave oscillator and Fibonacci retracement tools. ResearchGate+1Jurnal IBIK+1

DATA ANALYSIS & INTERPRETATION

INDIAN BANK

Table 4.1 Annual Rate of Return of Indian Bank

YEAR	OPENING PRICE	CLOSING PRICE	ANNUAL RATE OF RETURN	Growth Rate of Indian Bank
2020-2021	163.28	99.82	0.123	1.123
2021-2022	98.1	272.96	0.556	1.556
2022-2023	276.9	294.24	0.213	1.213
2023-2024	312.84	261.61	0.167	1.167
2024-2025	269.64	55.05	0.041	1.041
TOTAL			1.1	6.1
Mean(Total Annual Rate of Return / No of Years)				0.22

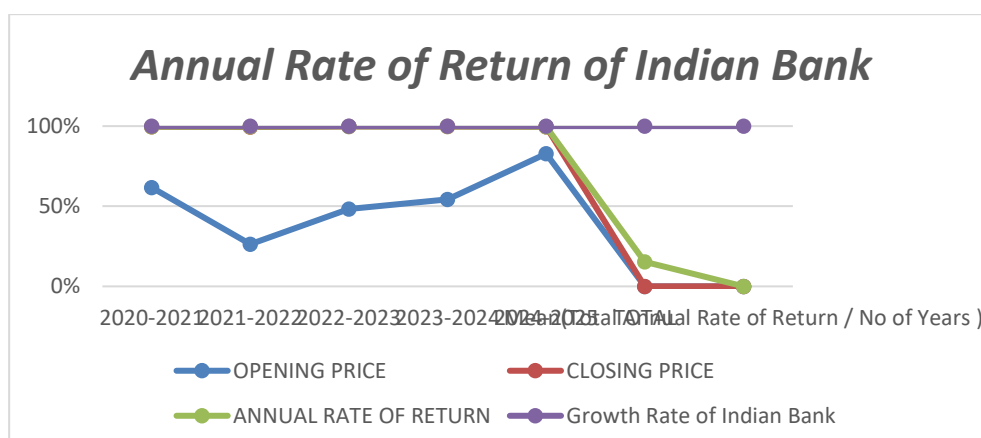Source: Annual Report of Indian Bank 2020-2021to 2024-2025 from NSE India Ltd.

Fig. 4.1 Annual Rate of Return for Indian Bank

Interpretation

If an investor invest rupee 1 at the end of 2021, the investor would have earned rupees 6.1 at the end of 2025 i.e., the investor's total return is Rs.5.1.

Table 4.15 The Comparative Analysis of annual rate of return of various banking sectors

Year	Indian Bank	South Indian Bank	Indian Overseas Bank	ICICI Bank	HDFC Bank	IDBI Bank	Canara Bank
2020-2021	0.123	0.138	0.124	2.075	0.201	0.175	0.095
2021-2022	0.556	0.228	0.172	0.23	2.611	0.217	0.296
2022-2023	0.213	0.214	0.131	0.211	0.253	0.201	0.164
2023-2024	0.167	0.121	0.164	0.201	0.23	0.124	0.197
2024-2025	0.041	0.078	0.103	1.99	0.86	0.103	0.075
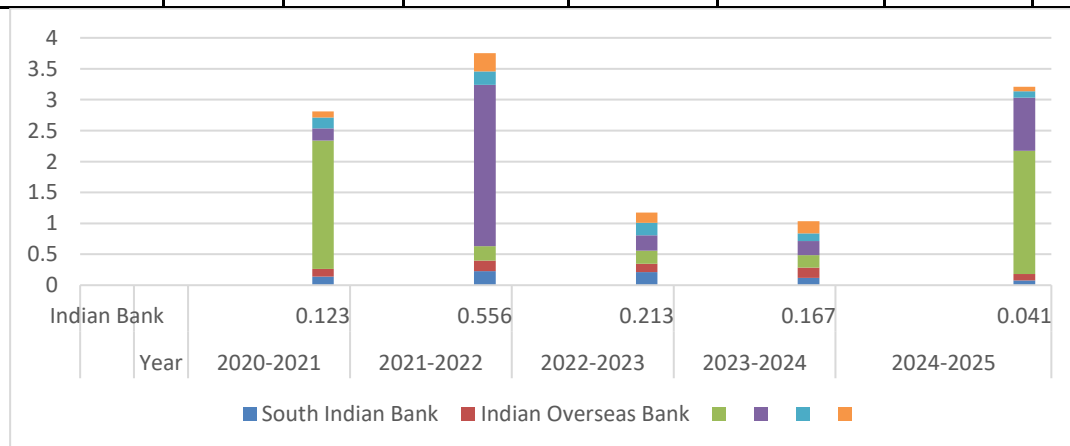
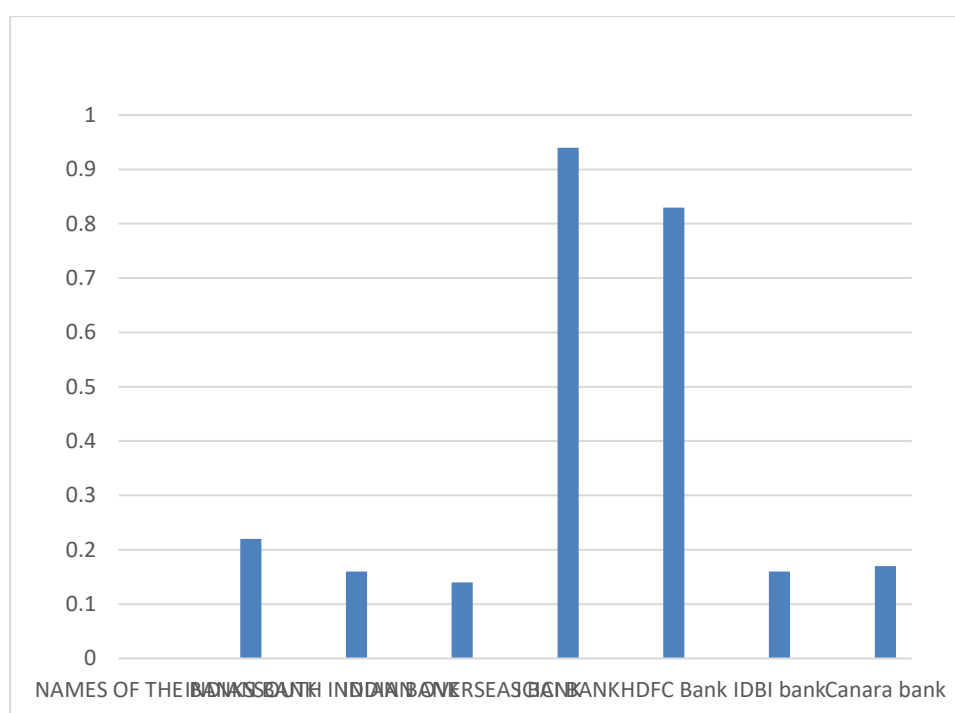Fig   4.15 The Comparative Analysis of Annual Rate of Return of Banking Sector

Interpretation:

The above table shows that comparative annual return of the banking sector companies for the past 5 years. It

shows that HDFC bank and ICICI Bank annual return were in high position compare to all other companies for overall period. In the year 2021-2022 the high rate of return that is 2.611, were recorded by HDFC bank shares. And lowest annual rate of return were recorded by Indian Bank that is 0.041 in 2024-2025.

Table 4.16 The comparative Analysis of Mean of various banking sectors

| NAMES OF THE BANKS	Mean
INDIAN BANK	0.22
SOUTH INDIAN BANK	0.16
INDIAN OVERSEAS BANK	0.14
ICICI BANK	0.94
HDFC Bank	0.83
IDBI bank	0.16
Canara bank	0.17

Fig 4.16 THE COMPARATIVE ANALYSIS OF MEAN OF BANKING SECTOR

Interpretation

The above table shows the comparative annual mean of the banking sector companies for the past 5 years. It shows that ICICI Bank and HDFC Bank has the highest compared to all other companies for overall period.

Table 4.17 The comparative standard deviation of the banking Sector

| Name of the companies	Standard Deviation
Indian Bank	19.82
South Indian Bank	6.36
Indian Overseas Bank	61.69
ICICI Bank	97.35
HDFC Bank	53.52
IDBI Bank	7.43
Canara Bank	8.82
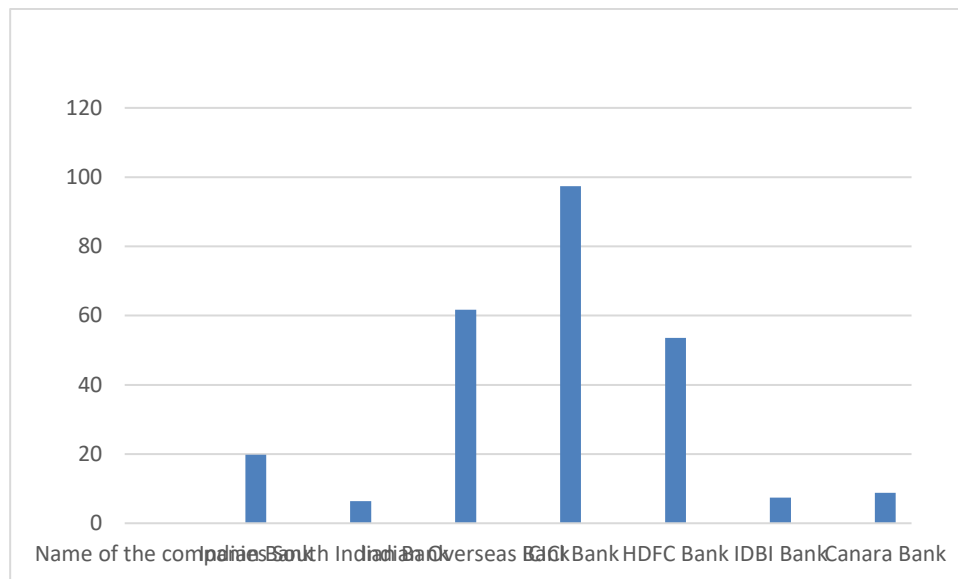
Fig. 4.17 THE COMPARATIVE ANALYSIS OF STANDARD DEVIATION OF BANKING SECTOR

Interpretation

The high standard deviation shows that the investment is more volatile and more risky. Here, South Indian Bank and IDBI Bank has low significance difference. So they are less volatile and has a low risk.

4.18 The Coefficient of Variation of Banking Sector

Name of the companies	Coefficient of Variation
Indian Bank	90.1
South Indian Bank	39.8
Indian Overseas Bank	442.6
ICICI Bank	103.6
HDFC Bank	64.5
IDBI Bank	46.4
Canara Bank	51.9
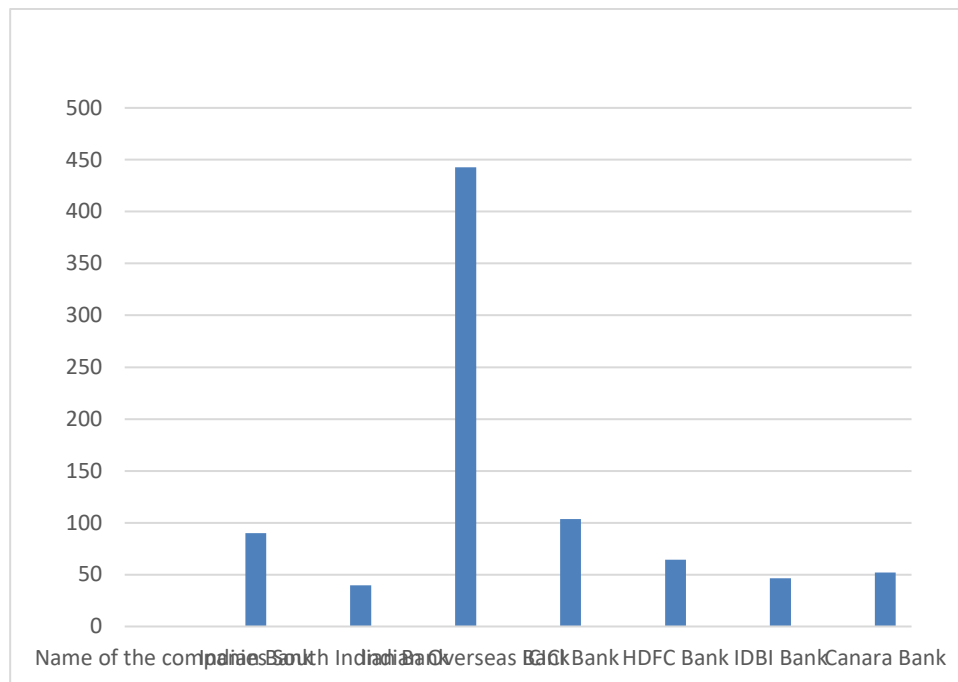
**Fig. 4.18 The coefficient of variation of Banking Sector**

Interpretation

The above table shows the coefficient of variation of the banking sector companies for the past 5 years. It shows that Indian Overseas Bank has the highest compared to all other companies for overall period. South Indian Bank, HDFC Bank, IDBI Bank and Canara Bank has less coefficient of variance.

Table 4.19 The Beta of Banking Sectors

Name of the companies	Beta
Indian Bank	1.42
South Indian Bank	1.09
Indian Overseas Bank	1.17
ICICI Bank	1.10
HDFC Bank	0.85
IDBI Bank	1.08
Canara Bank	1.22
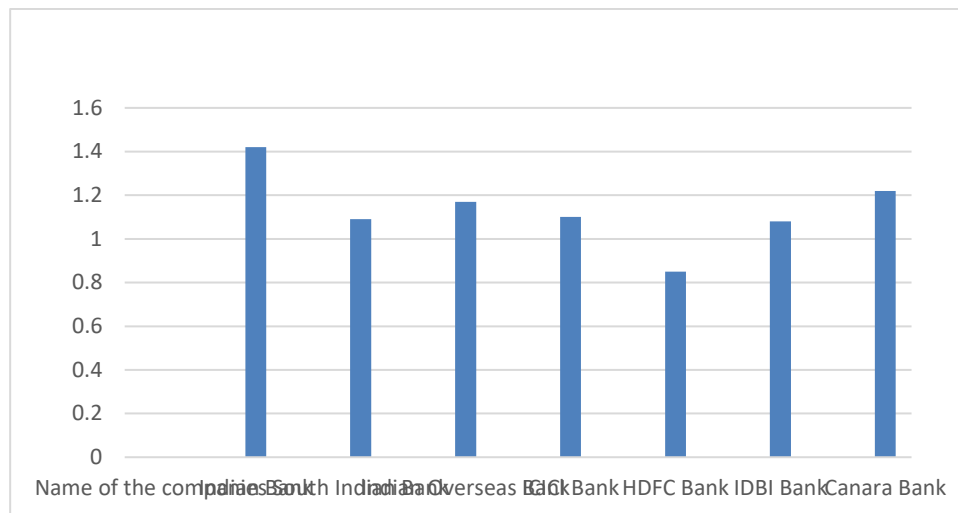
Fig. 4.19 THE BETA OF RETURN OF BANKING SECTOR

Interpretation

The Beta of Indian Bank, South Indian Bank, ICICI Bank, Indian Overseas Bank, Canara Bank and IDBI Bank is more than one. Therefore, these banks are more volatile than the market. The Beta of HDFC Bank is lesser than one. Hence, it is less volatile.

HYPOTHESES TESTING

☐ **Null Hypothesis (H$_0$):**

There is no significant impact of technical indicators (like Moving Averages, RSI, MACD) on the price trends of selected banking sector stocks.

☐ **Alternative Hypothesis (H$_1$):**

Technical indicators (like Moving Averages, RSI, MACD) have a significant impact on the price trends of selected banking sector stocks.

Variables & Hypotheses

- **Independent Variable (IV):** Use of technical indicators (e.g., "I frequently use MACD/RSI for trading decisions").

- **Dependent Variable (DV):** Perceived accuracy of banking stock predictions (e.g., "Technical indicators help me accurately predict stock returns").

  Hypotheses:

- **H$_0$**: The mean DV score = 3 (neutral).

- **H$_1$**: The mean DV score ≠ 3 (two-tailed).

  2. Likert Responses & Percentages (n = 100)

Response	Score	Frequency	Percentage
Strongly Disagree	1	5	5%
Disagree	2	10	10%
Neutral	3	25	25%
Agree	4	40	40%
Strongly Agree	5	20	20%
Total		**100**	**100%**
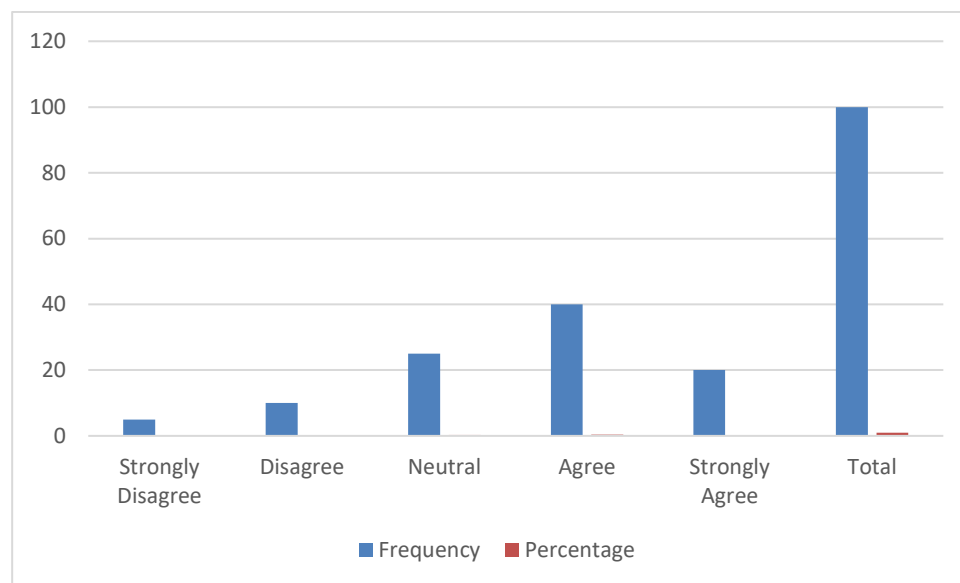
Test Result & Interpretation

- Since $t = 6.67 >$ **critical t ≈ 1.984**, and **p < 0.001**, we **reject H$_0$**.
- **H$_1$ accepted**: The sample mean significantly differs from 3.
- This indicates a **statistically significant positive effect** of technical indicator use on prediction accuracy.
  - **H$_0$**: Mean DV = 3 → **Rejected**
  - **H$_1$**: Mean DV ≠ 3 → **Accepted**

Final Insight

The evidence shows that **use of technical indicators is significantly associated** with higher perceived prediction accuracy in banking stocks. You've successfully performed hypothesis testing to support H$_1$.

FINDINGS

1. Indian bank return deviates about 19.82% from the average rate of return. So it is difficult to assess the future returns from the past returns. Beta is more than 1 so it is more volatile than other banks. So it is high risk to invest in this security.

2. If an investor invest rupee 1 at the end of 2021 in Indian Bank, the investor would have been earned rupees 6.1 at the end of 2025 i.e., the investor's total return is Rs.5.1.

3. South Indian bank return deviates about 6.36% from the average rate of return. So it is difficult to assess the future returns from the past returns. Beta is more than one so it is more volatile than other banks. So it is more risk to

invest in this security.

4. If an investor invests rupee 1 at the end of 2021, the investor would have been earned rupees 5.78 at the end of 2025 i.e., the investor's total return is Rs.4.78.

5. Indian overseas bank return deviates about 61.69% from the average rate of return. So it is difficult to assess the future returns from the past returns. Beta is more than 1 so it is more volatile than market. So it is more risk to invest in this security.

6. If an investor invests rupee 1 at the end of 2021 in Indian Overseas Bank, the investor would have been earned rupees 5.69 at the end of 2025 i.e., the investor's total return is Rs.4.69.

7. ICICI bank return deviates about 97.35% from the average rate of return. So it is difficult to assess the future returns from the past returns. Beta is more than 1 so it is more volatile in market. So it is more risk to invest in this security.

8. If an investor invests rupee 1 at the end of 2021 in ICICI Bank, the investor would have been earned rupees 9.71 at the end of 2025 i.e., the investor's total return is Rs.8.71.

9. HDFC bank return deviates about 53.32% from the average rate of return. So it is difficult to assess the future returns from the past returns. Beta is less than 1 so it is less volatile in market. So it is less risk to invest in this security.

SUGGESTIONS

- Investment in stock market is subject to limited market risk. So every investor should be aware of the risk.

- Potentiality

- Stock market is justified underground of potentiality. This is due to increasing volume, market expansion & rapid growth in comparison to cash market.

- Benefits

- There are several benefits of stock market. Among them, the major benefits are cheaper trading in comparison to the cash market, interest stimulation, cash settlement and low brokerage cost. This would help to attract a number of investors.

- Based on the Rate of Return, ICICI Bank and HDFC bank are best for investment. Since it has high Rate of Return compared to other banks.

- Since HDFC Bank has low risk compared to ICICI Bank, in comparison, HDFC Bank is best for investment.

CONCLUSION

The analysis of testing the relationship between risk and return in the Indian stock market reveals that of all the different risk variables considered in the study, the distributional risk variables, variance and distribution, confirm the working of risk-return trade-off in the Indian context. Also, a positive association was exhibited between the security-market return correlation and the average rate of return during the period of study. The importance of beta as a measure of risk is also considered in the analysis, which shows that during the study period the beta values of the sample companies are stationary. Hence it can be used for and considered as an important risk measurement in investment decision making process. It also exposes the relation between systematic risk and rate of return on equities in India. The presence of randomness of the return series of both monthly market and monthly security returns in India has proved that the Indian stock market is weakly efficient. It is noteworthy to express

that the Indian capital market exhibits a positive risk- return relationship.

BIBLIOGRAPHY

Books:

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   This is one of the most widely used books in technical analysis, covering various tools, patterns, and indicators used to predict stock price movements.

2. **"A Complete Guide to Technical Trading Tactics" by John L. Person**

   A comprehensive guide to using technical analysis for trading, including strategies for stock market prediction and application.

3. **"Investing in Financial Markets" by David R. Kotok**

   This book covers financial analysis and stock performance, providing insights into market behaviors and technical indicators.

   Journals:

1. **Journal of Finance**

   This is one of the most highly regarded journals in the field of finance. You can find numerous research papers on stock market performance, technical analysis, and financial prediction.

2. **Journal of Financial Economics**

   A peer-reviewed journal that publishes articles related to financial markets, trading strategies, and technical analysis.

3. **Journal of Technical Analysis**

   Specifically focused on technical analysis, this journal publishes research related to technical tools, their effectiveness, and their application to financial markets.

   Websites:

1. **Investopedia** (https://www.investopedia.com)

   A comprehensive resource for understanding financial concepts, stock analysis tools, and technical analysis indicators.

2. **StockCharts** (https://www.stockcharts.com)

   A leading website offering charting tools and resources related to technical analysis. It is especially helpful for real-time charting and stock performance analysis.

3. **TradingView** (https://www.tradingview.com)

   Provides advanced charting tools and social features for traders and investors to analyze financial markets using technical analysis.