Technical Analysis Of Cnx Midcap Companie At Angel One Ltd

Mr. Bakkolla Ravinder Reddy,R. Harish Chandra Mba ,Phd, Dr. K. Veeraiah (Mba,M.Phil,Ph.D,Ugc-Net)

1 student, 2 Assistant Professor ,3 HOD.

Marri Laxman Reddy Institute of Technology and Management Dundigal, Gandimaisamma, Medchal,

Hyderabad, 500043, Telangana.

1.1 INTRODUCTION

The CNX Midcap Index represents a basket of medium-sized companies listed on the National Stock Exchange (NSE) of India, reflecting the performance of firms with moderate market capitalization. These companies often exhibit higher growth potential compared to large-cap stocks but also come with increased volatility and risk. Therefore, understanding the price movements and market trends of midcap stocks is crucial for investors seeking to optimize their portfolios and enhance returns.

Technical analysis is a widely used approach in financial markets that focuses on studying historical price data and trading volumes to forecast future price movements. Unlike fundamental analysis, which evaluates a company's financial health and intrinsic value, technical analysis relies on mathematical indicators and chart patterns to identify market trends, momentum, and potential reversal points. This method is particularly effective in markets where prices reflect all known information and investor psychology plays a significant role.

1.2 NEED FOR THE STUDY

The CNX Midcap companies play a vital role in the Indian stock market by representing emerging firms with significant growth potential. However, due to their medium market capitalization, these stocks often experience higher price volatility and less predictable patterns compared to large-cap companies. This volatility poses challenges for investors in making timely and accurate trading decisions, which can directly impact their investment returns.

1.3 OBJECTIVES OF THE STUDY

1. To analyze the price movements and trends of selected CNX Midcap companies using technical analysis tools.
2. To evaluate the effectiveness of Moving Average Convergence Divergence (MACD), Rate of Change (ROC), Stochastic Oscillator (SO), and Exponential Moving Average (EMA) in predicting stock price trends and momentum.
3. To identify potential buy and sell signals for HDFC Bank, Reliance Industries, and Oil and Natural Gas Corporation based on technical indicators.
4. To compare the technical performance and trend patterns across companies from different sectors within the CNX Midcap index.
5. To assist investors and traders in making informed decisions by providing insights into midcap stock behavior through technical analysis.

1.5 SCOPE OF THE STUDY

The study on Technical Analysis of Equity with Reference to Sensex aims to evaluate the effectiveness of technical analysis in predicting stock price movements. It focuses on analyzing market trends, price patterns, and

technical indicators to assist investors and traders in making informed decisions. The key areas covered under the scope of this study are:

1.

1.6 METHODOLOGY

1. Research Design:

The study follows a **quantitative and analytical research design**, focusing on the use of technical analysis tools to evaluate the stock performance of selected CNX Midcap companies. Historical price data and technical indicators are examined to understand trends, momentum, and trading signals.

2. Sample Selection:

Three prominent companies listed under the CNX Midcap Index have been selected for this study:

- **HDFC Bank**
- **Reliance Industries**
- **ONGC**

1.7 LIMITATIONS OF THE STUDY

1. **Limited Time Frame**

   The study is based on a short-term analysis, which may not capture long-term market trends or cyclical movements.

2. **Restricted to Selected Midcap Stocks**

   Only a few CNX Midcap companies were analyzed due to time and resource constraints, which may not reflect the performance of the entire index.

2.2 REVIEW OF LITERATURE

1) **Sharma, R. (2020)** – *"Effectiveness of Technical Indicators in Indian Stock Market"* Found that RSI and MACD are among the most effective indicators for short-term trading in NSE-listed stocks, especially midcap stocks.

2) **Verma, S. & Patel, K. (2020)** – *"Technical Analysis vs Fundamental Analysis in Equity Investments"* Concluded that technical analysis is more suited for short-term gains, whereas fundamental analysis supports long-term investments.

DATA ANALYSIS AND INTERPRETATION

Among Top 10 Blue chip companies in India, this report focuses on 3 from different sectors are listed below,

1. HDFC Bank – Banking and Financial Sector
2. Reliance Industries Fast Moving Consumer Durable Goods Sector
3. Oil and Natural Gas Corporation – Energy Sector

1.1 Tools Used for Technical Analysis

➢ Moving Average Convergence Divergence – MACD

➢ Rate of Change (ROC)

➢ Stochastic Oscillator (SO)

➢ Exponential Moving Average (EMA)

For all the stocks selected, macd, roc, stochastic oscillators, ema analysis is done and the results are given in the following table.

❖   HDFC BANK

TABLE 4.1 SHOWING MOVING AVERAGE CONVERGENCE DIVERGENCE OF HDFC BANK DURING FEBRUARY 2022-DECEMBER 2024

S.No	Date	Price	0-day SMA	Smoothing Constant 2/(10 + 1)	2-day EMA	6-Day EMA	MACD
24	Jan-22	1,000.62	885.11	0.1818	880.40		
25	Feb-22	940.01	901.96	0.1818	891.24		
26	Mar-22	940.96	914.42	0.1818	900.28	914.42	-14.14
27	Apr-22	969.99	929.00	0.1818	912.96	900.28	12.67
28	May-22	1,067.35	946.72	0.1818	941.03	912.96	28.07
29	Jun-22	1,051.88	963.28	0.1818	961.18	941.03	20.15
30	Jul-22	1,087.33	981.93	0.1818	984.12	961.18	22.94
31	Aug-22	1,028.31	994.54	0.1818	992.15	984.12	8.03
32	Sep-22	1,000.80	1002.14	0.1818	993.73	992.15	1.57
33	Oct-22	953.75	1004.10	0.1818	986.46	993.73	-7.27
34	Nov-22	1,061.86	1010.22	0.1818	1000.17	986.46	13.71
35	Dec-22	1,058.49	1022.07	0.1818	1010.77	1000.17	10.60
36	Jan-23	1,037.67	1031.74	0.1818	1015.66	1010.77	4.89
37	Feb-23	1,036.47	1038.39	0.1818	1019.45	1015.66	3.78
38	Mar-23	1,156.88	1047.34	0.1818	1044.43	1019.45	24.99
39	Apr-23	1,156.15	1057.77	0.1818	1064.75	1044.43	20.31
40	May-23	1,209.98	1070.04	0.1818	1091.15	1064.75	26.41
41	Jun-23	1,219.16	1089.12	0.1818	1114.43	1091.15	23.27
42	Jul-23	1,123.32	1101.37	0.1818	1116.04	1114.43	1.62
43	Aug-23	1,113.97	1117.40	0.1818	1115.67	1116.04	-0.38
44	Sep-23	1,227.45	1133.95	0.1818	1135.99	1115.67	20.32
45	Oct-23	1,230.35	1151.14	0.1818	1153.15	1135.99	17.16
46	Nov-23	1,274.95	1174.87	0.1818	1175.29	1153.15	22.15
47	Dec-23	1,272.10	1198.43	0.1818	1192.89	1175.29	17.60
48	Jan-24	1,226.30	1205.37	0.1818	1198.97	1192.89	6.07
49	Feb-24	1,177.65	1207.52	0.1818	1195.09	1198.97	-3.88
50	Mar-24	861.9	1172.72	0.1818	1134.51	1195.09	-60.58

51	Apr-24	1,001.80	1150.98	0.1818	1110.38	1134.51	-24.13
52	May-24	951.65	1133.81	0.1818	1081.52	1110.38	-28.86
53	Jun-24	1,065.85	1129.00	0.1818	1078.67	1081.52	-2.85
54	Jul-24	1,032.80	1109.54	0.1818	1070.33	1078.67	-8.34
55	Aug-24	1,115.85	1098.09	0.1818	1078.61	1070.33	8.28
56	Sep-24	1,078.60	1078.45	0.1818	1078.61	1078.61	0.00
57	Oct-24	1,183.55	1069.60	0.1818	1097.69	1078.61	19.08
58	Nov-24	1,440.85	1091.05	0.1818	1160.08	1097.69	62.39
59	Dec-24	1,436.30	1116.92	0.1818	1210.30	1160.08	50.22

CHART 4.1 SHOWING THE MACD OF HDFC BANK DURING FEBRUARY 2022-DECEMBER 2024

INFERENCE

- **Early 2022**: Market showed volatility with initial bearish signs turning to bullish in **April 2022**.

- **Mid 2022 to Mid 2023**: Clear **bullish trend** with rising MACD, suggesting strong price momentum.

- **Late 2023**: Some weakening and fluctuations; however, MACD remained largely positive.

- **Early 2024**: **March 2024** saw a sharp **bearish drop**, likely due to external shocks or correction.

- **Mid to End 2024**: Recovery began post-July 2024; strong bullish crossover observed in **October–November 2024** showing revived momentum.

5.1 FINDINGS

1. January 2022 to June 2022 – Bullish Phase

- The 10-day EMA started at **183.41** in January 2022 and hovered around **175–184** during this period.

- This consistent position above the 10-day SMA (Simple Moving Average) and actual prices reflects **strong market sentiment**.

- The upward momentum was supported by relatively higher closing prices, which caused the EMA to respond slowly but positively.

- The price stability and higher EMAs indicated **investor confidence and a bullish outlook** during this half-year.

2. July 2022 to December 2022 – Start of Bearish Reversal

- From **July 2022**, a **gradual decline** in the 10-day EMA began, falling from **175.38 in July** to **163.40 in December**.

- This fall aligns with the drop in prices and indicates the **early stages of a bearish trend**.

- Investor sentiment began to shift as volatility increased and prices started to show weakness.

- The EMA, being more reactive to recent prices than SMA, captured the **downward shift more effectively**.**5.2 SUGGESTIONS**

  1. Implement a Dual Moving Average Strategy

- **Use both 10-day EMA and a longer-term EMA (like 50-day or 100-day)** to confirm trend reversals.

- This can help avoid false signals from short-term EMA fluctuations, especially in highly volatile periods such as Jan–Jun 2024.

  2. Avoid Entry During Strong Downtrends

- During periods like **Jan–Jun 2024**, where EMA is continuously falling, avoid entering new long positions.

- Instead, consider **short-selling opportunities** or **holding cash** to minimize losses.

  3.

5.3 CONCLUSION

The 10-day Exponential Moving Average (EMA) analysis over the three-year period from January 2022 to December 2024 provides critical insights into short-term price movements and trend reversals. The EMA, being a dynamic indicator that assigns greater weight to recent prices, effectively captures momentum and assists investors in timely decision-making.

From the data, it is evident that the EMA values closely tracked the prevailing market conditions. During the bullish periods in early 2022 and again in the mid-2023, the 10-day EMA showed a consistent upward slope, aligning with price increases and suggesting favorable buying opportunities. Conversely, in bearish phases such as late 2022 and most of 2024, the EMA consistently declined, signaling potential exits or short-selling points.

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o A comprehensive guide covering chart patterns, indicators, and market analysis techniques. Considered a bible of technical analysis.

2. **"Encyclopedia of Chart Patterns"** – *Thomas N. Bulkowski*
o A detailed book on over 50 chart patterns with statistical performance metrics and trading tips.

3. **"Technical Analysis Explained"** – *Martin J. Pring*
o Offers insight into momentum indicators, moving averages, and market psychology.

4. **"A Beginner's Guide to Technical Analysis"** – *Clifford Pistolese*
o Designed for new traders, this book covers the basics of technical indicators and patterns.

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