IARJSET ISSN (O) 2393-8021, ISSN (P) 2394-1588

International Advanced Research Journal in Science, Engineering and Technology

Impact Factor 8.311 ⁜ Peer-reviewed & Refereed journal ⁜ Vol. 12, Issue 7, July 2025

DOI: 10.17148/IARJSET.2025.12754

A Study on the Technical Analysis of Selected Stocks in the Financial Services Sector for Predicting Future Share Prices

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Abstract: This study examines the application of technical analysis to selected stocks in the financial services sector with the aim of predicting future share price movements. This study centers on leading Indian financial firms like HDFC Bank, ICICI Bank, Kotak Mahindra Bank, and Bajaj Finance, using their historical stock data from October 2024 to March 2025 for analysis. Key technical indicators—including Moving Averages, Relative Strength Index (RSI), Bollinger Bands, and MACD—are applied to identify price trends, momentum, and potential reversal points. The analysis reveals that technical tools can effectively highlight short-term trading signals and assist in decision-making for investors and traders. Patterns observed through charting techniques and indicators suggest periods of overbought or oversold conditions, aiding in entry and exit strategies. While technical analysis does not guarantee future price accuracy, it serves as a valuable complement to fundamental analysis, especially in volatile market conditions. The findings support the practical relevance of technical analysis in financial stock forecasting and highlight its role in enhancing portfolio performance and risk management.

Keywords: Technical Analysis, Moving Averages, MACD, RSI, Bollinger Bands.

I. INTRODUCTION

Technical analysis is a method used to study past market data, especially price movements and trading volumes, to anticipate future changes in stock prices.It operates on the premise that historical trading activity and price patterns tend to repeat themselves over time, as market participants often react similarly under comparable circumstances. Unlike fundamental analysis, which evaluates a company's intrinsic value by analyzing financial statements, industry trends, and economic indicators, technical analysis focuses solely on market-generated data. This makes it particularly appealing to traders who rely on chart patterns, technical indicators, and price trends to time their entry and exit points in the market. Technical analysis commonly uses tools like moving averages, RSI (Relative Strength Index), Bollinger Bands, MACD (Moving Average Convergence Divergence), and candlestick patterns. These tools help traders understand market trends, gauge momentum, and identify possible points where prices might reverse direction.

The securities or equity market is a platform where shares of various companies are bought and sold. It serves as the central location for trading company stocks and other financial instruments. Commonly referred to as the stock exchange, this market enables both companies and investors to participate in the buying and selling of equities, debentures, and other securities.

History of the Stock Market

During the 20th century in France, trade intermediaries played a significant role in managing and supervising agricultural enterprises to protect the interests of banks. One early reference can be traced back to the late 13th century, when commodity brokers in West Flanders met near the house of a man named Van der Beurze. By 1409, this location evolved into what became known as the "Brugse Beurse." Initially informal gatherings, these meetings later took on a more structured form under the influence of The Van der Beurze family, who had a strong presence in Antwerp, played a key role in shaping early trading practices. Their property became a hub for merchants and traders, and the concept of a central trading location quickly spread to nearby cities in Flanders and other countries. Similar exchanges soon appeared in cities like Ghent and Rotterdam.

By 1351, Venetian authorities prohibited spreading false information to prevent the depreciation of government securities. Around the same time, merchants in Italian city

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states such as Pisa, Genoa, Verona, and Florence also engaged in the trade of public debt. These city-states, which operated independently of feudal structures, were among the first to develop organized financial systems. Italian merchants were also pioneers in issuing corporate shares. By the 16th century, countries like England and those in the Low Countries had begun developing formalized stock markets. Today, global stock exchanges function with specific goals and support economic growth across different sectors. The most prominent markets include those in the United States, United Kingdom, Japan, India, China, Pakistan, Canada, Germany, France, South Korea, and the Netherlands.

India's two major stock markets are the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), both of which hold a prominent place in the country's financial landscape. They play a vital role in the Indian economy by providing key platforms for buying and selling shares and other financial instruments stocks and other securities. Established in 1992, the NSE introduced advanced electronic trading systems that brought transparency and efficiency to the Indian capital markets. It is known for launching the benchmark index Nifty 50, which tracks the performance of 50 of the largest and most actively traded companies across various sectors.

In contrast, the BSE, established in 1875, is recognized as the oldest stock exchange in Asia. Located in Mumbai, it introduced the iconic **Sensex** index, which represents 30 well-established companies on the exchange. Over the years, BSE has played a pivotal role in developing India's equity and debt markets. Both exchanges provide a robust platform for investors and companies, supporting the trading of stocks, bonds, derivatives, and other financial instruments, and are regulated by the Securities and Exchange Board of India (SEBI) to ensure fair practices and investor protection.

Stock exchanges often function as continuous auction markets, where buyers and sellers carry out transactions in real time, similar to traditional trading floors. While such platforms still require some recordkeeping, the introduction of electronic trading has greatly increased the speed and efficiency of transactions, significantly reducing operational costs. Today's trading activities are largely regulated and managed by stock exchange authorities to ensure fair and transparent dealings between investors and market participants.

In the dynamic and ever-evolving landscape of the stock market, investors constantly seek reliable methods to make informed decisions that can optimize returns while managing associated risks. This research focuses on the technical analysis of selected stocks within the financial services sector, aiming to predict future share price movements based on historical market data. The financial services sector, which includes banks, insurance companies, investment firms, and other financial intermediaries, plays a pivotal role in the economy. It is characterized by high trading volumes, sensitivity to macroeconomic variables, and strong investor interest, making it an ideal candidate for technical evaluation.

The rationale for selecting the financial services sector lies in its critical role in capital allocation, credit distribution, and financial intermediation, which makes it highly responsive to market developments and policy changes. Furthermore, companies in this sector often exhibit cyclical behavior, influenced by interest rates, inflation, regulatory reforms, and geopolitical events. These fluctuations provide a fertile ground for applying technical analysis techniques, as they often result in identifiable trends and patterns. By analyzing stocks from this sector, the study aims to assess whether technical indicators can offer timely and actionable insights for investors seeking to navigate volatility and enhance their trading performance.

The primary objective of this research is to evaluate the effectiveness of various technical indicators in predicting short-term price movements of selected financial stocks. By applying a combination of trend-following and momentum-based indicators, the study seeks to identify entry and exit signals that could potentially lead to profitable trading decisions. The selected stocks will be analyzed over a defined historical period, with the aim of comparing technical forecasts against actual price movements to assess accuracy and reliability. Additionally, the study will consider trading volume patterns and investor behavior to understand the underlying market psychology that drives technical signals.

In a market environment increasingly influenced by algorithmic trading, data analytics, and high-frequency transactions, the relevance of technical analysis remains a topic of debate among financial professionals. This research seeks to contribute to this ongoing discourse by offering empirical evidence from a sector that remains at the heart of economic activity and investor attention. Ultimately, the study aspires to provide insights not only for active traders but also for academicians, analysts, and portfolio managers interested in understanding the role of technical analysis within a sector-specific context.

II. REVIEW OF LITERATURE

Fernando Fernandez-Rodriguez, Simon Sosvilla-Rivero, and Julian Andrada- Felix (1999) – evaluated the effectiveness of basic technical analysis strategies in forecasting stock price movements on the Madrid Stock Exchange over a 31-year period (January 1966 to October 1997). Their results clearly indicate that these trading strategies can be

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profitable Using bootstrap methods, the study demonstrates that the returns generated by these strategies are inconsistent with commonly accepted null models in finance.

C.L. Osler (2001) – offers a microstructure-based explanation for two common outcomes in technical analysis: price reversals at support/resistance levels and trend acceleration after these levels are breached. By analyzing stop-loss and take-profit orders at a major forex bank, the study finds that these orders often cluster around round numbers, which act as key support or resistance points. The behavior of these orders, especially the differences between stop-loss and take-profit patterns, helps explain why such technical predictions often hold true.

Ravindra and Wang (2006) – explored the connection between trading volume and stock market indices in various Asian emerging markets. Their study analyzed index data from six developing Asian countries over a 34-month period ending in October 2005. The results revealed differing patterns of causality: in South Korea, stock indices influenced trading volume, whereas in Taiwan, trading volume appeared to drive changes in stock indices.

R. Chitra (March 2011) – conducted a study applying technical analysis to various stocks within the energy sector. The analysis covered stock prices from April 1, 2007, to March 31, 2010, using tools such as Beta, RSI, and Moving Averages. The findings indicated a correlation between international crude oil prices and domestic stock performance—ONGC's share price rose with increasing oil prices, while BPCL's price tended to rise when crude prices declined.

G.B. Sabari Rajan and Dr. S. Parimala (2013) – analyzed stock price movements in the FMCG sector using technical tools like Bollinger Bands and Moving Averages. The research examined the performance of HUL, Britannia, and Godrej during the time frame from December 2011 to December 2012. It concluded that investor sentiment significantly influences price trends, and such psychological factors should be considered in technical analysis.

Boobalan (2014) – conducted a study using technical analysis on selected Indian companies to understand share price behavior, market signals, and key price turning points. The analysis focused on five companies—WIPRO, SBIN, GAIL, ONGC, and ITC—to help forecast future trends. The study highlights the importance of technical tools in predicting short- to medium-term price movements, aiding investors in making informed and profitable investment decisions.

Bhamini Garg (October 2014) – in her research article titled "Technical Analysis Indicators: Pathway Towards Rewarding Journey," aimed to highlight how technical indicators can help investors improve their success rate by choosing better entry and exit points in the stock market. While technical analysis doesn't guarantee outcomes, it can enhance trading accuracy up to 80%. The study examines several key indicators— Moving Averages, RSI, ADX, MACD, and MFI—and applies them to stock charts of selected companies, as well as NSE Nifty and Bank Nifty, to provide clearer insights for traders.

Mrs. J. Nithya and Dr. G. Thamizhchelvan (July 2014) – conducted a study to evaluate how effective technical analysis is within the banking sector, focusing on CNX Nifty-listed stocks. They applied tools like candlestick charts, MACD, and RSI to identify suitable investment options. The study found that rising RSI with increasing share prices signals a strong sell, while falling RSI and prices suggest a strong buy. These tools assist investors in deciding the right time to buy or sell in the market.

Valarmathi A and Kowsalya P (2016) – analyzed NSE-listed IT stocks (Hexaware, Polaris, HCL, TCS, Tech Mahindra) using EMA and RSI from Dec 2014 to Apr 2015. The study found that post-recession, IT stocks offered short-term opportunities with a gradual upward trend. It concluded that investors can consider IT stocks for future investments, especially using technical tools.

Ahammad, D., & Lakshmanna, D. (2016). In this study, investment behavior is assessed through various available investment avenues. The primary objective is to examine the impact of demographic factors on investment behavior. Data was collected from 396 individual investors across the four districts of Rayalaseema—Kurnool, Anantapur, Kadapa, and Chittoor—using a well-structured questionnaire. Statistical tools such as t-test and ANOVA were employed to analyze the data. The findings reveal that age and occupation significantly influence investment decisions, while gender and marital status do not show a significant effect.

Rahul Berry and Dr. Sulochna (2017) – carried out a study titled "Use of Technical Analysis in Forecasting Price Movements of Selected Companies Listed on NSE and BSE." The analysis incorporated various technical indicators, including the Exponential Moving Average (EMA), Moving Average Convergence Divergence (MACD), Relative Strength Index (RSI), and Rate of Change (ROC). Based on their findings, the Exponential Moving Average and MACD proved to be the most reliable tools among the four, offering more accurate and clearer insights into stock price trends.

Syed Ibrahim (2017) – carried out a technical study on specific steel companies in India to identify suitable moments for buying or selling their shares. The study aimed to help investors understand market trends, price behavior, and risks. Findings showed Tata Steel had high risk and high return, Coal India offered high return with low risk, while Hindustan Zinc showed high risk with negative returns. The research emphasizes that investors should use technical tools before investing, rather than relying on instinct alone.

T. Deva Prasad et.al. (January 2018) – conducted "a study on stocks volatility in banking sector using technical analysis". This article helps to know which bank performs better compared to other banks based in the price fluctuation by using technical analysis. The study focused on Allahabad Bank, Bank of India, Oriental Bank of Commerce, Vijaya Bank, Corporation Bank, and Canara Bank, analyzing their performance over a three-day period.The analysis was

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DOI: 10.17148/IARJSET.2025.12754

conducted using technical indicators such as Bollinger Bands and the Relative Strength Index (RSI).

Pravin Chowdary (2018) – conducted a study on technical analysis in the Indian stock market.The research aimed to assess how market indices influence the performance of these leading PSUs. Findings revealed that all but one PSU—NTPC—were significantly influenced by the market indices during that year. The study offers valuable insights into the relationship between BSE indices and major PSUs in India, suggesting its relevance for understanding market impact on government-owned companies.

Ameya Sunil Pawar (2019) – explores the types of analyses commonly employed by traders and investors who are part of the Facebook group "Day Trading Stocks and Options." The study aims to understand the rationale behind their preference for specific analytical methods. A key objective is to investigate why traders seldom combine both technical and fundamental analysis, despite their complementary nature.

Alekhya, P. (2019)-This study aims to examine the impact of white-collar banking scams on stock market performance using secondary data. It focuses on three major scams that had a notable influence on equity markets. The analysis compares risk and return in the periods before and after each scam, revealing an increase in market risk post-scam. Utilizing the ARCH family of models, the results indicate a significant difference in market volatility between the pre- and post-scam periods, although overall returns remained relatively stable. The findings offer valuable insights for equity investors, retail participants, regulators, and academicians concerned with market stability and investor protection.

Dr.K. Sabarinathan and V. Shiva Tharani (2023) – The study reviews various works that establish technical analysis as a practical tool for predicting stock price movements, particularly in the banking sector. This study builds on those findings by applying technical tools specifically to the Bank Nifty index to improve trading decisions**.**

Rithvik Kammili(2023) – The study highlights the growing importance of technical analysis as a tool for predicting stock price movements and making informed investment decisions. Various researchers have demonstrated that indicators such as the RSI, MACD, SMA are effective in identifying market trends, and optimal buy/sell signals.

2.1 Objectives of the study

1. To analyze the price movements of selected companies in the financial services sector using technical analysis tools such as moving averages, RSI, MACD and Bollinger bands
2. To predict future stock price trends based on technical indicators and provide suitable investment suggestions to investors.

2.2 Hypothesis of the study

H01: There is no significant relationship between the past and future price movements of the shares

H11: There is a significant relationship between the past & future price movements of the shares.

H02: Technical analysis is not effective in predicting future trends & providing suitable suggestions to the investors.

H12: Technical analysis helps forecast future market trends and offers valuable guidance to investors.

III. RESEARCH METHODOLOGY

3.1 Research design

This study adopts a **quantitative research design** with a focus on **descriptive and analytical methods**. The aim is to analyze historical price and volume data of selected financial services stocks using technical indicators to forecast potential future price movements

3.2 Data collection

Nature of Data Used: Secondary Data

Sample Size:

The study will focus on 4 financial services companies

The study is limited to a selected financial services sector company HDFC bank.

Study period: oct 2024 - March 2025

Sampling Method

Purposive sampling is used to select a few representative companies from the financial services sector listed on a major stock exchange.

Tools and Techniques for Data Analysis

Moving Averages (Simple)

The Simple Moving Average (SMA) calculates the average closing price of a stock over a specific period (e.g., 20 days).It helps smooth out price fluctuations to identify overall trends in the market.

Relative Strength Index (RSI)

RSI is a tool used to check how fast and how much a stock's price has changed recently. It helps identify whether a stock might be overvalued (overbought) or undervalued (oversold).

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Bollinger Bands

Bollinger Bands used to measure market volatility and identify potential overbought or oversold conditions.

MACD (Moving Average Convergence Divergence)

MACD is a momentum indicator that tracks trends by comparing two moving averages — one over 12 days and the other over 26 days — to show changes in a stock's direction or strength. It includes a signal line (usually a 9-day EMA) and a histogram to visualize momentum shifts.

IV. DATA ANALYSIS

This chapter presents the detailed analysis of the price movements of selected companies in the financial services sector—HDFC Bank —over a 6-month period from October 2024 to March 2025. Technical analysis tools such as Moving Averages, Relative Strength Index (RSI), Bollinger Bands, and MACD have been applied to interpret price trends and evaluate their predictive effectiveness.

4.1 Data description

Type: Secondary Data (Daily stock prices)

Companies Analyzed:

1. HDFC Bank

Study period: Oct 2024 – Mar 2025

Frequency: Daily closing prices

Source: NSE/BSE stock exchange data platforms (e.g. Money control)

4.2 Technical Tools Used

Moving Averages (Simple)

The Simple Moving Average (SMA) calculates the average closing price of a stock over a specific period (e.g., 20 days).

Relative Strength Index (RSI)

RSI > 70: Overbought → Potential Price Drop RSI < 30: Oversold→ Potential Price Rise **Bollinger Bands**

If the price moves beyond the bands, it might mean the market is either overbought, oversold, or experiencing strong momentum.

MACD

Signals are derived from MACD Line vs Signal Line crossovers. Positive MACD Histogram: Bullish momentum Negative MACD Histogram: Bearish momentum

Analysis of HDFC bank

1. **Trend Overview*:*** Prices showed a stable uptrend from October to mid- December, followed by slight consolidation.
2. **Moving Average Crossover:** 20-day MA crossed above 50-day MA in November (bullish signal).
3. **RSI Analysis:** RSI remained in the 40-65 range, indicating moderate momentum with no extreme conditions.
4. **Bollinger Bands:** Bollinger Bands showed minimal breakouts in December, with prices mostly staying within the bands, indicating a period of price stability.
5. **MACD:** Crossovers confirmed bullish momentum during Nov-Dec, followed by neutral signals.

Table 1: Aggregate values of HDFC Bank– RSI

Date	RSI
2024-10-18	77.95
2024-10-21	62.78
2024-10-22	51.31
2024-10-23	49.42
2024-10-24	42.41
2024-10-25	35.75
2024-10-28	33.64
2024-10-29	30.52
2024-10-30	29.44
2024-10-31	23.83

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2024-11-01	25.54
2024-11-04	18.81
2024-11-05	18.74
2024-11-06	20.51
2024-11-07	16.83
2024-11-08	22.90
2024-11-11	25.66
2024-11-12	26.43
2024-11-13	27.70
2024-11-14	37.64
2024-11-15	41.17
2024-11-18	42.79
2024-11-19	38.60
2024-11-20	34.77
2024-11-21	35.65
2024-11-22	34.00
2024-11-25	31.77
2024-11-26	32.22
2024-11-27	40.07
2024-11-28	38.92
2024-11-29	40.74
2024-12-02	40.72
2024-12-03	37.68
2024-12-04	23.64
2024-12-05	22.49
2024-12-06	32.46
2024-12-09	29.13
2024-12-10	27.80
2024-12-11	28.47
2024-12-12	33.51
2024-12-13	36.15
2024-12-16	38.98
2024-12-17	40.77
2024-12-18	45.21
2024-12-19	42.16
2024-12-20	42.14
2024-12-23	50.67
2024-12-24	59.05
2024-12-25	58.90
2024-12-26	53.11
2024-12-27	45.49
2024-12-30	48.34
2024-12-31	50.89
2025-01-01	58.80
2025-01-02	62.24
2025-01-03	63.70
2025-01-06	61.34

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2025-01-07	53.50
2025-01-08	60.23
2025-01-09	67.79
2025-01-10	66.64
2025-01-13	68.62
2025-01-14	56.75
2025-01-15	60.10
2025-01-16	65.46
2025-01-17	70.25
2025-01-20	68.41
2025-01-21	53.29
2025-01-22	52.63
2025-01-23	49.96
2025-01-24	54.46
2025-01-27	55.00
2025-01-28	50.20
2025-01-29	41.33
2025-01-30	45.81
2025-01-31	39.69
2025-02-03	49.26
2025-02-04	47.44
2025-02-05	47.50
2025-02-06	54.48
2025-02-07	50.20
2025-02-10	60.37
2025-02-11	59.11
2025-02-12	48.50
2025-02-13	41.21
2025-02-14	45.84
2025-02-17	50.94
2025-02-18	52.83
2025-02-19	37.36
2025-02-20	32.40
2025-02-21	33.27
2025-02-24	25.02
2025-02-25	23.17
2025-02-26	16.63
2025-02-27	37.33
2025-02-28	40.37
2025-03-03	44.38
2025-03-04	53.74
2025-03-05	39.50
2025-03-06	37.29
2025-03-07	37.71
2025-03-10	53.44
2025-03-11	60.70
2025-03-12	64.72

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2025-03-13	66.92
2025-03-14	64.04
2025-03-17	68.92
2025-03-18	70.01
2025-03-19	66.76
2025-03-20	60.24
2025-03-21	64.35
2025-03-24	57.41
2025-03-25	69.13
2025-03-26	74.23
2025-03-27	69.05
2025-03-28	60.13
2025-03-31	61.29

Source: Compiled data

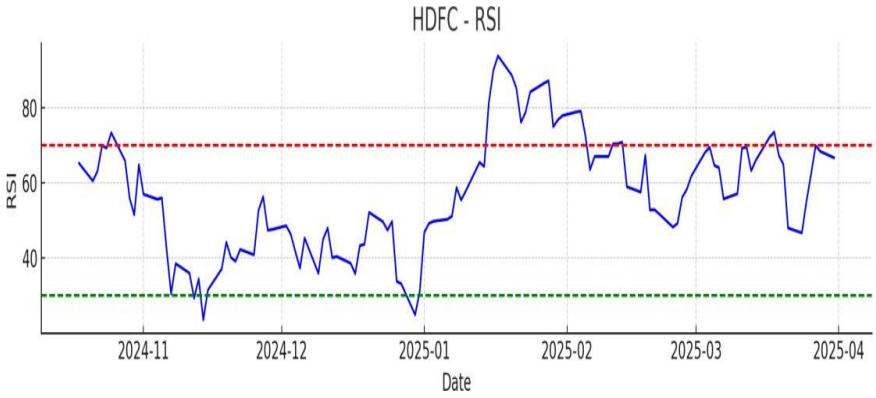

Fig 1: HDFC - RSI
Source- Based on Compiled data

V. FINDINGS OF THE STUDY

1. HDFC Bank exhibited a stable uptrend during the period, supported by a bullish moving average crossover and neutral RSI levels, indicating moderate and steady performance.
2. Moving Average (MA) crossovers played a key role in trend identification, with bullish "Golden Crosses" in HDFC and Bajaj Finance leading to continued price rallies.
3. Visual chart analysis supports the hypothesis that past price patterns influence future behavior, especially in trending stocks of HDFC Bank.
4. Statistical correlation between past and future daily returns was weak (-0.034) across all companies, suggesting price levels trend but returns themselves are nearly random.
5. Regression analysis for HDFC Bank showed limited predictive power of technical indicators (RSI, MACD, SMA difference) for next-day returns, with an R^2 of only 3.6%.
6. P-values of technical indicators in regression (all > 0.1) indicate no statistically significant relationship with daily returns under linear assumptions.
7. Technical analysis proved more effective qualitatively than statistically, providing useful trend-based signals for traders and investors despite weak predictive power in regression.

VI. SUGGESTIONS OF THE STUDY

1. **Combine technical indicators**: Use a combination of RSI, MACD, and SMA crossovers rather than relying on a single indicator.
2. **Avoid overreliance on statistics**: Focus on patterns and signals rather than expecting precise numeric predictions.
3. **Use longer time frames**: Technical analysis is more effective on weekly or monthly charts than on daily volatility.

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4. **Integrate volume analysis**: For future studies, include volume and volatility metrics to strengthen signals.
5. **Re-test in different market conditions**: Repeating this study during a bearish market phase can validate the robustness of signals.

VII. CONCLUSION

This study aimed to evaluate the effectiveness of technical analysis in predicting stock price trends within the financial services sector. Using tools like Moving Averages, Relative Strength Index (RSI), Bollinger Bands, and MACD, we analyzed the stock price behavior of HDFC Bank, ICICI Bank, Kotak Mahindra Bank, and Bajaj Finance over a 6-month period.

Investing and trading in the stock market always involves risks, so individuals should make well-thought-out decisions to avoid major losses. The market experiences daily fluctuations, with both upward (bull) and downward (bear) movements, unless a crash occurs. To make smarter buy or sell decisions, it's important for investors to consider both fundamental and technical analysis while keeping their risk exposure limited. Over the past decade, the Indian stock market and financial services sector have seen significant changes. Technical analysis and charting tools can be especially helpful for short-term investments, while long-term investments generally remain a good option. When used properly, technical analysis can lead to favourable returns in the short run.

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