

## A Study on Technical Analysis of Gold, Silver & Crude Oil at Muthoot Securities Ltd

By Prof. Pushpalatha V<sup>[a]</sup>, Dr. Buvaneswari P<sup>[b]</sup> & Mr. Trishul N<sup>[c]</sup>

### Abstract

The basic problem of investing on commodity market is most of the investors are not clear about the fundamentals and techniques of investments, they mainly concentrate on risk and return involve in investing and make decisions without the guidance of experts which are thus based on the judgments made on their individual assessments. Therefore, the objective here is to understand the basic fundamentals and techniques involved in investing in the commodity markets. Learning the above said objective will give a clear idea of the concept involved in investment decisions. Technical analysis is the study of financial market action. The technical analysts look at the price movement that occur on day to day or week to week or over the other constant time period displayed in graphic form, called charts. Technical analysis is a process of analyzing a security or commodity's on the basis of historical prices for determining the probable future prices. For the purpose of the study, only three commodities have been selected i.e. gold, silver and crude oil which is listed in multi commodity exchange (MCX), largest regulatory body for the future commodity trading where it ranks No.1 in silver, No.2 in gold and No.3 in crude oil the period of data selected for the study is five years at a monthly MCX closing price of gold, silver and crude oil (From January 2008 to January 2013). The technical analysis was done by using Oscillator tools like Moving Average Convergence and Divergence (MACD), Relative Strength Index (RSI) and Rate of change indicator (ROC).

From the study it has been understood that the price movement of commodities can be determined by using technical analysis and accurate buy and sell decision can be made so that the investors can minimize their risk and maximize their profits also show that all technical analysis indicators cannot give an accurate decision and only a combination of few indicators can give accurate decisions.

The study shows that the historical prices have an impact on future prices. So past trend can be used to predict the trend of upcoming prices.

Keywords: Fundamental Techniques, Investment Decisions, Commodities, Future prices, Commodity Trading.

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## 1. Introduction

Stock brokerage firms have been an established feature in the financial industry for nearly one thousand years. Trade in debt securities, brokers employ a variety of systems to aid investors with the purchase and sales of stocks and bonds in a variety of markets. The firms have changed over the years, growing to massive organizations that can affect the entire financial sector positively or negatively with their performance. Changing with the times, the early twenty-first century saw a rise of online trading that enabled the average investor to take part in the stock market for the first time.

### Background & inception of the company and Nature of business

Muthoot Group, a business conglomerate with pan-India presence and diverse products with a thrust in the financial sector, now enters in to the Share Market to replicate the saga of success. With vigilant moves, experts at Muthoot make the Market more viable than ever. In the Group's sustained efforts to emerge as a financial supermarket for its diverse customers, the Group now makes its foray into securities trading space through Muthoot Securities Ltd (MSTL) making it a natural progression on the Group's substantial presence in Wealth Management Services. MSTL brings to the highly competitive Securities Trading business its robust financial strength, experienced professional team, legendary trust of a vast customer base of the Group and an enduring commitment to values. MSTL will position itself as a different service provider with unremitting attention and providing the customers a world-class service.

### Products/Services Profile

Muthoot Securities Ltd is the most comprehensive website, which allows people to invest in Shares, Commodities, Derivatives (Futures and Options) and other financial products.

1. Equity trading on NSE and BSE.
2. Derivatives trading on NSE
3. IPO applications.
4. PAN procurement.
5. Advisory services
6. Portfolio management service
7. Commodity future trading
8. Currency derivatives
9. Depository services
10. Online trading

### What is TECHNICAL ANALYSIS?

Technical analysis involves a study of market generated data like prices and volumes to determine the future direction of price movement.

### 2. Statement of the Problem

Technical analysis is very important to invest smartly. every investor would like to have handful information to decide :

- On what type of security to invest?
- When it should be bought?
- When it should be sold?
- Whether to hold the security?

The basic idea behind the research is to make buy, hold and sell decisions of stocks. To make this decision one should have sound information base. The increasing trend towards complexity in investment decisions calls for security analysis.

### 3. Objectives of the Study

The researcher undertakes the research with the following objectives

1. To study the applicability of technical analysis of the stock market
2. To know how various tools of technical analysis such as charts and graphs are used for determining stock prices.
3. To make buy, hold or sell decisions.
4. To know how to use charting techniques to identify, buy and sell opportunities.
5. To study the Indian commodity movement taking sample of three commodities

### 4. Scope of the Study

The study mainly focuses on guiding investors on making buy, hold and sell decisions by determining the pattern of price movements through technical analysis. The analysis is confined only on three commodities listed on the (mcx) namely, Gold, silver and Crude oil.

### 5. Limitations of the Study

The limitations of the study are as enumerated below

- ✓ The study limits to use of only few technical tools like MACD, RSI, MFI, ROC, Bollinger Bands and Candlestick Charts.
- ✓ The study is purely of academic interest with no experience in the field makes it less precise and non-professional.
- ✓ As technical analysis involves the collection, presentation and interpretation of voluminous data it becomes very difficult to concise the analysis.
- ✓ The data used for the analysis pertains to six to eight months only.
- ✓ Each method which provides carries its own pros and cons. Hence it is difficult to conclude by just considering two or three technical indicators.

### 6. Research Methodology

Descriptive research design is adopted to learn in detail the technical analysis to predict the short term price movements and establish long term patterns. Quantitative techniques are used to analyze the technical indicators.

Secondary data are collected from Books, Journals, News Paper and Web Sites. The data collected is then analyzed using the following methods:

#### Relative Strength Index (RSI).

The RSI also considers the closing price and is calculated as follows:

$$RSI = 100 - \frac{100}{1 + RS}; \quad RS = \frac{\text{Average Gain}}{\text{Average Loss}}$$

$$\text{Average Gain} = \frac{\text{Total Gains during past 14 Periods}}{14}$$

$$\text{Average Loss} = \frac{\text{Total Losses during Past 14 periods}}{14}$$

#### Rate of Change Indicator (ROC).

To calculate the seven day rate of change, each days price which prevailed seven days ago and then one is subtracted from this price ratio.

$$ROC = \frac{\text{Current Price}}{\text{Price 7 Period Ago}} - 1$$

### Period of Study

The research undertakes the study which covers 89 months i.e 7 Years 1 Month.

### 7. Data Analysis

Data has been analysed by using the simple statistical tools. Data has been analyzed by constructing tables and ROI and ROC have been calculated. The correlating and regression analysis has been used for testing hypothesis.

### Hypothesis

The researcher has been formulated the following hypothesis based on the objectives of the study

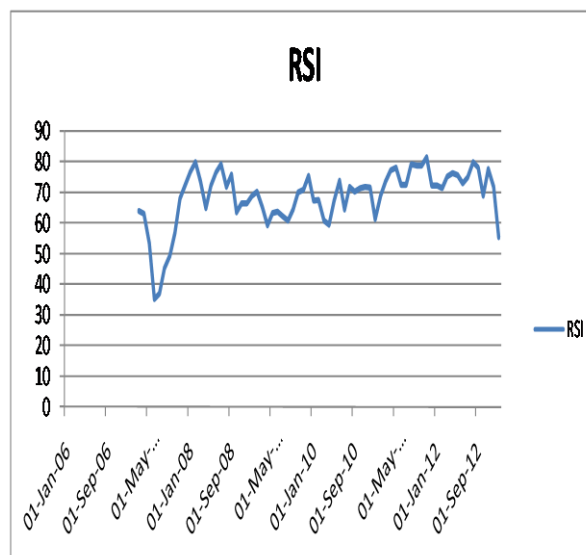
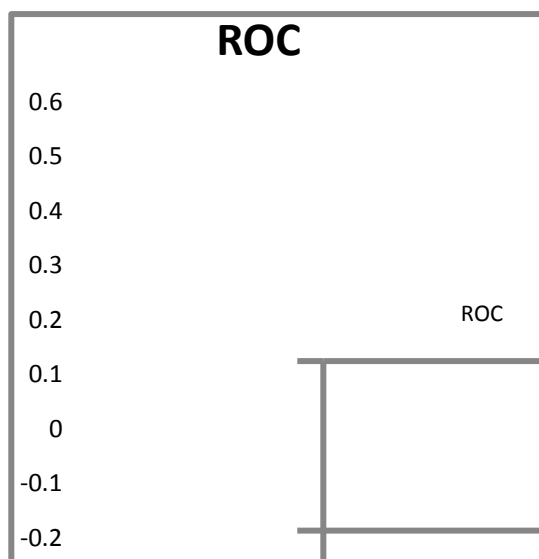
1. There is no significant difference between the ROC and RSI to identify the buying and selling opportunities in Gold.
2. There is no significant difference between ROI and ROC to identify the buying and selling opportunities in Silver.
3. There is no significant difference between ROI and ROC to identify the buying and selling opportunities in Crude Oil.

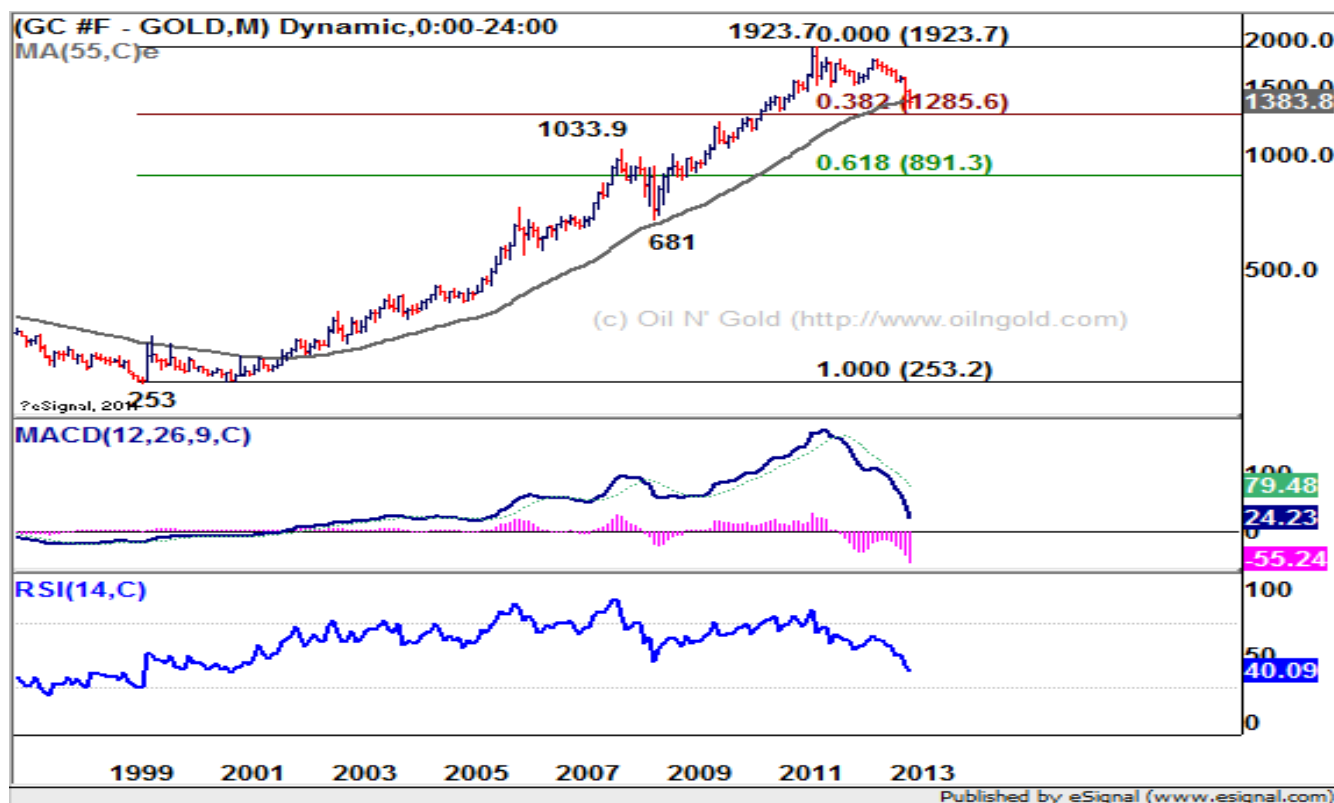
### Data Analysis and Interpretation

**Table – 1, Gold – Calculation of ROC and RSI**

Date	CLOSING PRICE	ROC	RSI	Date	CLOSING PRICE	ROC	RSI
02-Jan-06	8176			01-Aug-09	15125	0.050128	60.91988
01-Feb-06	8112			01-Sep-09	15703	0.012835	64.55051
01-Mar-06	8382			01-Oct-09	15957	0.05452	70.0454
01-Apr-06	9609			02-Nov-09	17614	0.214507	71.0732
01-May-06	9526			01-Dec-09	16686	0.11814	75.64415
01-Jun-06	9220			01-Jan-10	16200	0.12103	67.37484
01-Jul-06	9560			01-Feb-10	16789	0.134239	67.68163
01-Aug-06	9554			01-Mar-10	13295	-0.12099	60.93136
01-Sep-06	8859			01-Apr-10	17125	0.090556	59.66838
03-Oct-06	8894			03-May-10	18385	0.152159	67.54395
01-Nov-06	9269			01-Jun-10	18852	0.070285	73.87199
01-Dec-06	9265			01-Jul-10	17770	0.064965	64.56862
01-Jan-07	9242			02-Aug-10	19134	0.181111	71.95911
01-Feb-07	9628			01-Sep-10	19035	0.133778	70.32946
01-Mar-07	9339	-0.0225	64.17256	01-Oct-10	19807	0.489808	71.55617
02-Apr-07	9203	0.038831	63.06587	01-Nov-10	20538	0.199299	71.95133
01-May-07	8694	-0.02249	53.53421	01-Dec-10	20728	0.127441	71.78738
01-Jun-07	8662	-0.06549	35.29046	01-Jan-11	19922	0.056758	61.42801
02-Jul-07	8708	-0.06012	37.14645	01-Feb-11	20340	0.144626	69.05507
01-Aug-07	8935	-0.03322	45.40767	01-Mar-11	20693	0.081478	73.75992
01-Sep-07	9530	-0.01018	49.55331	01-Apr-11	22820	0.198844	77.43109
01-Oct-07	10083	0.079666	56.77337	02-May-11	22426	0.132226	78.14193
01-Nov-07	10033	0.090188	68.00613	01-Jun-11	21904	0.066511	72.5744

01-Dec-07	10598	0.219002	72.48021	01-Jul-11	23166	0.117619	72.57958
01-Jan-08	11707	0.351535	76.94518	01-Aug-11	27184	0.364522	79.46669
01-Feb-08	12396	0.423519	80.05375	01-Sep-11	25989	0.277729	78.83657
01-Mar-08	11920	0.334079	73.64889	01-Oct-11	27343	0.321365	78.82171
01-Apr-08	11370	0.193075	64.95022	01-Nov-11	29061	0.273488	81.60782
01-May-08	12199	0.209858	72.46309	01-Dec-11	27329	0.21863	72.36029
02-Jun-08	12879	0.283664	76.59913	02-Jan-12	28078	0.281866	72.38983
01-Jul-08	12618	0.190602	79.45062	01-Feb-12	27952	0.206596	71.53333
01-Aug-08	11895	0.016059	71.98422	01-Mar-12	28030	0.031121	75.26486
01-Sep-08	13192	0.064214	76.05765	02-Apr-12	29183	0.122898	76.34825
01-Oct-08	11630	-0.02433	63.5577	01-May-12	29148	0.066013	75.67879
01-Nov-08	13125	0.154354	66.58363	01-Jun-12	29665	0.020784	73.04248
01-Dec-08	13630	0.117305	66.43499	02-Jul-12	29749	0.088551	75.17706
01-Jan-09	14403	0.118332	68.9769	01-Aug-12	31206	0.111404	80.0491
02-Feb-09	15504	0.228721	70.35685	01-Sep-12	31201	0.116235	78.25047
02-Mar-09	15132	0.272131	65.13745	01-Oct-12	31105	0.109704	69.03583
01-Apr-09	14503	0.099378	59.36195	01-Nov-12	31076	0.064867	77.84956
01-May-09	14923	0.283147	63.40984	01-Dec-12	30859	0.0587	71.98599
01-Jun-09	14451	0.101029	63.85466	01-Jan-13	29871	0.006944	55.57391
01-Jul-09	14802	0.085987	62.23099				
				<b>Mean</b>	<b>17028.27</b>	<b>0.131685</b>	<b>68.69279</b>





## ROC

From the above table, the silver price has undergone 8 times moving below the zero line it indicates the selling opportunity. The last value in the ROC is -0.12099 on March 2010.

The rising of prices and falling in price depends on the position of ROC line, when the ROC line is above the zero line, the price is rising and when it is below the zero line, the price is falling. There are a lot of fluctuations in the ROC implying the market is volatile. The utmost drop in the price is at the end of May 2010 and the highest peak in the price is at the end of October 2010.

## Buying Opportunities

Preferably one should buy a share that is oversold and sell a share that is overbought. Upside crossing (from below to above the zero line) indicates a buying opportunity. Hence it was ideal to buy the gold by the end of March 2010, beginning of October 2008 and in the month of June 2007.

## Selling Opportunities

Down side crossing indicates a selling opportunity. From the above chart, we can infer that the end of February 2008 or end of September to October 2010 is indicating a selling opportunity.

## RSI - Buying Opportunities

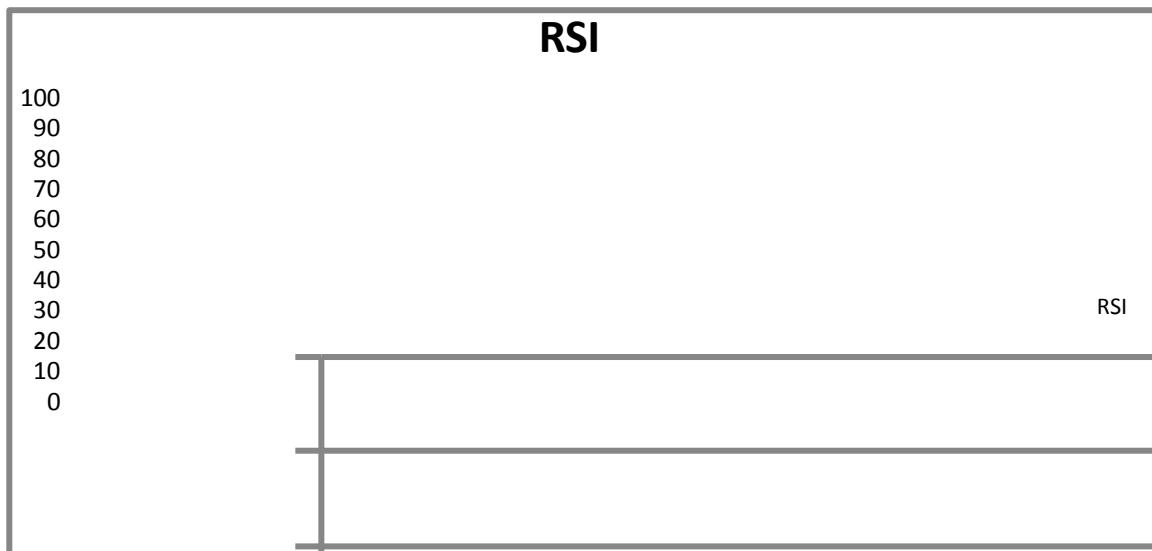
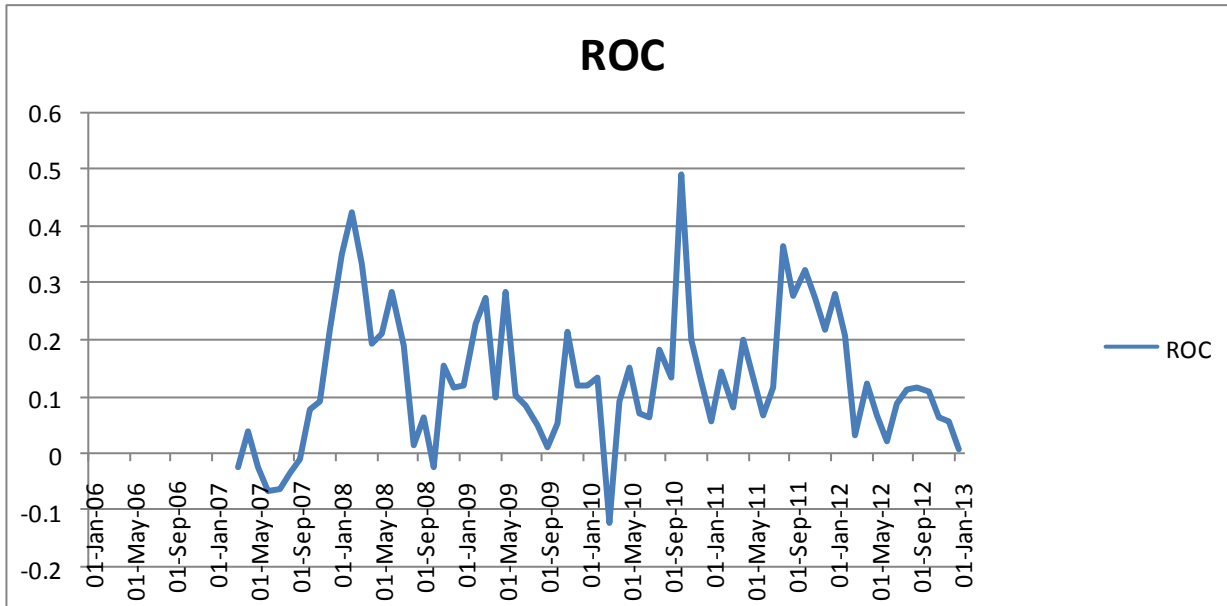
When the RSI has crossed the 30 line from below to above and is rising, a buying opportunity is indicated. RSI has ever crossed below the 30 line once in the year 2006-2012 when it comes down that is below 30 its indicating a buying opportunity.

## Selling Opportunities

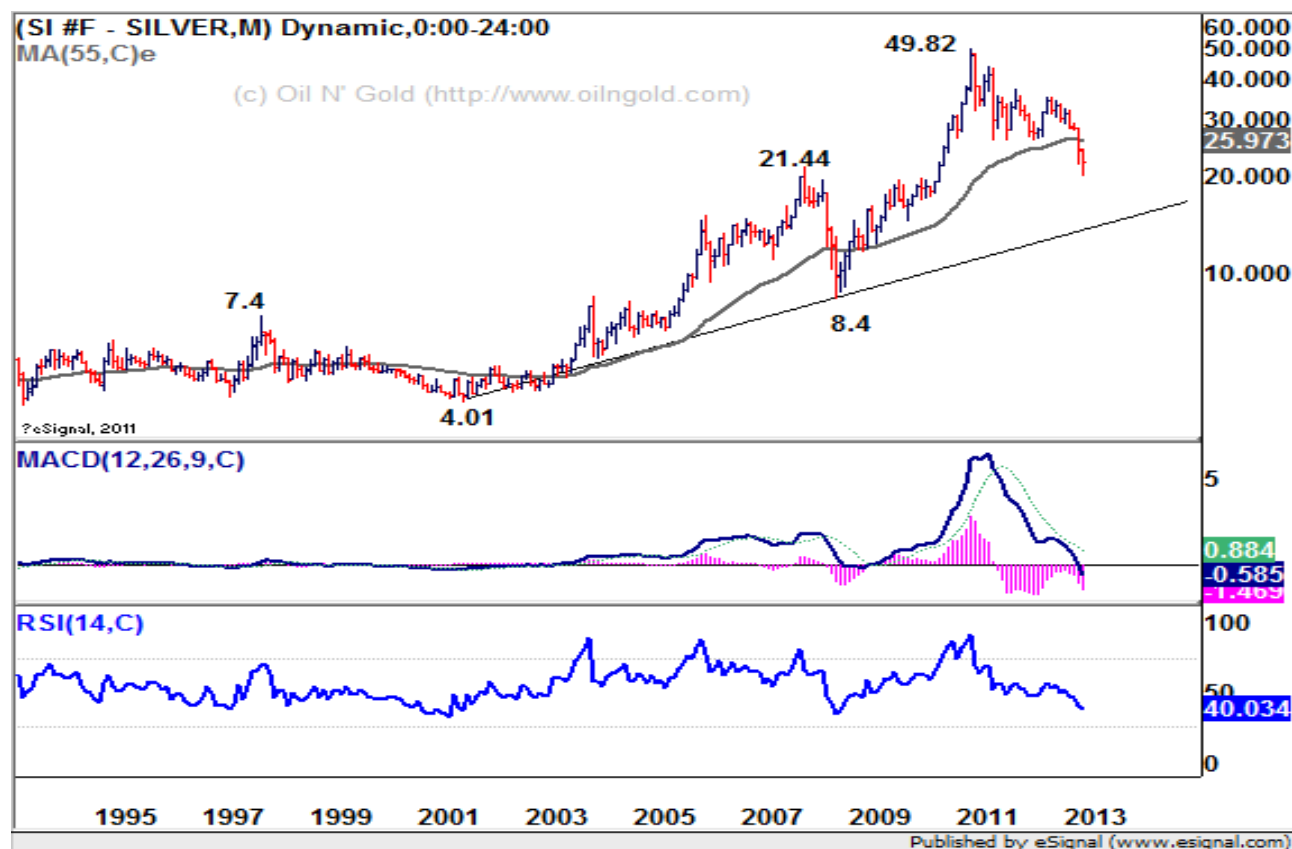
When the RSI line has crossed the 70 line from above to below and is falling, a sell signal is indicated. In this case it has crossed 70 many times in the financial year 2007. It indicates a selling opportunity.

**Table – 2, SILVER - Calculation of MACD, ROC and RSI**

DATE	CL. PRICE	ROC	RSI	DATE	CL. PRICE	ROC	RSI
02-Jan-06	13793			01-Aug-09	23822	0.197507	49.00455
01-Feb-06	13834			01-Sep-09	26489	0.194813	53.6539
01-Mar-06	16770			01-Oct-09	25933	0.186593	64.05919
01-Apr-06	19786			02-Nov-09	28300	0.327454	68.18686
01-May-06	19203			01-Dec-09	26771	0.106468	73.83276
01-Jun-06	16651			01-Jan-10	25500	0.171444	69.83037
01-Jul-06	17748			01-Feb-10	25767	0.146831	67.9207
01-Aug-06	19344			01-Mar-10	26935	0.130678	67.33629
01-Sep-06	18115			01-Apr-10	28304	0.068519	65.80765
03-Oct-06	18484			03-May-10	29292	0.129526	68.52304
01-Nov-06	20395			01-Jun-10	29604	0.046078	70.86797
01-Dec-06	19424			01-Jul-10	28636	0.069665	62.3753
01-Jan-07	19933			02-Aug-10	30915	0.212353	75.70104
01-Feb-07	20486			01-Sep-10	32962	0.279233	77.41093
01-Mar-07	19622	0.014371	65.99001	01-Oct-10	37105	0.377576	80.28362
02-Apr-07	18508	0.021695	62.10881	01-Nov-10	43009	0.519538	82.81945
01-May-07	18300	-0.00995	54.61622	01-Dec-10	46217	0.577803	86.45579
01-Jun-07	16786	-0.17696	40.04645	01-Jan-11	43640	0.474125	77.36354
02-Jul-07	17583	-0.09478	44.70034	01-Feb-11	49967	0.744902	85.3296
01-Aug-07	16523	-0.17107	49.53596	01-Mar-11	55870	0.807213	90.53657
01-Sep-07	18479	-0.09797	52.49471	01-Apr-11	71576	1.17147	93.29855
01-Oct-07	18981	-0.03267	48.66121	02-May-11	57071	0.538095	72.74896
01-Nov-07	18159	-0.01886	50.1673	01-Jun-11	50225	0.167779	65.28384
01-Dec-07	19463	0.063552	53.47533	01-Jul-11	57988	0.25469	68.2805
01-Jan-08	21676	0.291314	54.45194	01-Aug-11	62171	0.424633	69.77137
01-Feb-08	24707	0.405164	66.06068	01-Sep-11	51080	0.022275	62.13425
01-Mar-08	22274	0.34806	56.37146	01-Oct-11	54974	-0.01604	62.78415
01-Apr-08	22121	0.197089	54.549	01-Nov-11	55700	-0.22181	62.25425
01-May-08	23376	0.231547	60.2222	01-Dec-11	51043	-0.10562	57.47025
02-Jun-08	24260	0.335977	65.86146	02-Jan-12	56822	0.131349	57.41319
01-Jul-08	24720	0.270102	67.46084	01-Feb-12	57836	-0.00262	56.3861
01-Aug-08	20232	-0.06662	58.06723	01-Mar-12	56801	-0.08637	57.35835
01-Sep-08	20109	-0.1861	56.10617	02-Apr-12	55275	0.082126	53.13608
01-Oct-08	16858	-0.24315	50.73224	01-May-12	54533	-0.00802	49.15877
01-Nov-08	16779	-0.24149	45.952	01-Jun-12	52051	-0.06551	35.26259
01-Dec-08	18355	-0.21479	48.58191	02-Jul-12	53110	0.040495	46.24884
01-Jan-09	19893	-0.18001	53.80463	01-Aug-12	59000	0.03833	58.46338
02-Feb-09	22170	-0.10316	55.69631	01-Sep-12	62927	0.088025	55.14426
02-Mar-09	21855	0.080219	50.40937	01-Oct-12	59738	0.051707	47.41231
01-Apr-09	21319	0.060172	41.25361	01-Nov-12	61325	0.109453	63.65745
01-May-09	24195	0.435224	54.84832	01-Dec-12	57909	0.061907	53.96311
01-Jun-09	21768	0.297336	49.20082	01-Jan-13	58414	0.122245	53.6867
01-Jul-09	22468	0.224081	47.89131	01-Feb-13	53706	0.011222	53.61241







## ROC

When the ROC line is above the zero line, the price is rising and when it is below the zero line, the price is falling. There are a lot of fluctuations in the ROC implying the market is volatile. The greatest fall in the price is at the end of December 2011 and the highest peak in the price is at the end of April 2011 .

## Buying Opportunities

Ideally one should buy a share that is oversold and sell a share that is overbought. Upside crossing (from below to above the zero line) indicates a buying opportunity. Hence it was ideal to buy the gold by the end of October 2007, beginning of March 2008 and in the month of april2010.

## Selling Opportunities

Down side crossing indicates a selling opportunity. From the above chart, we can infer that the end of February 2008 or end of March 2009 and April 2011 is indicates a selling opportunity.

## RSI - Buying Opportunities

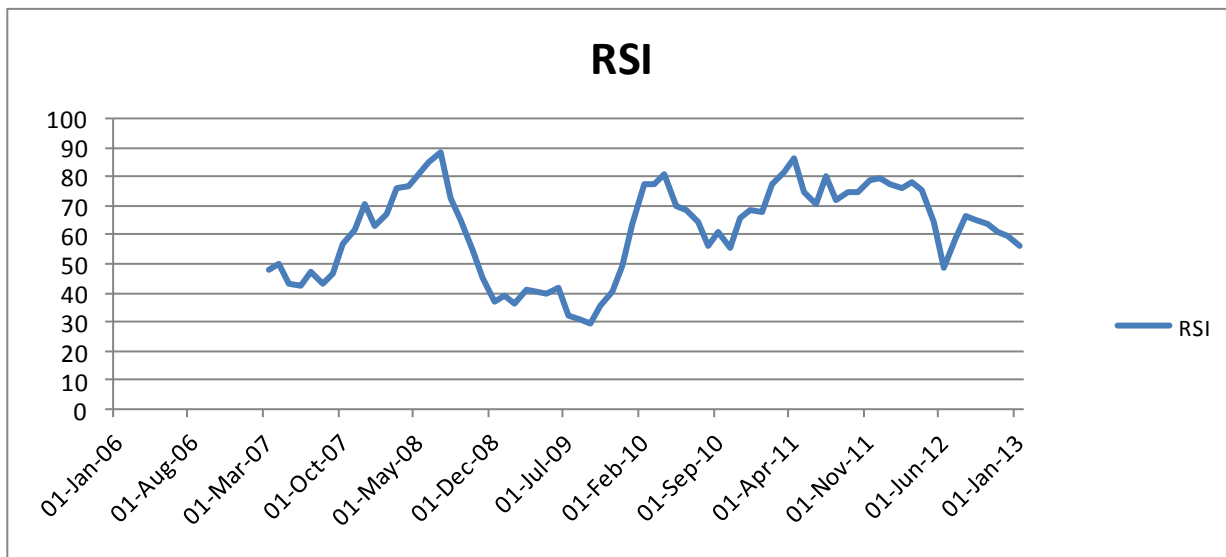
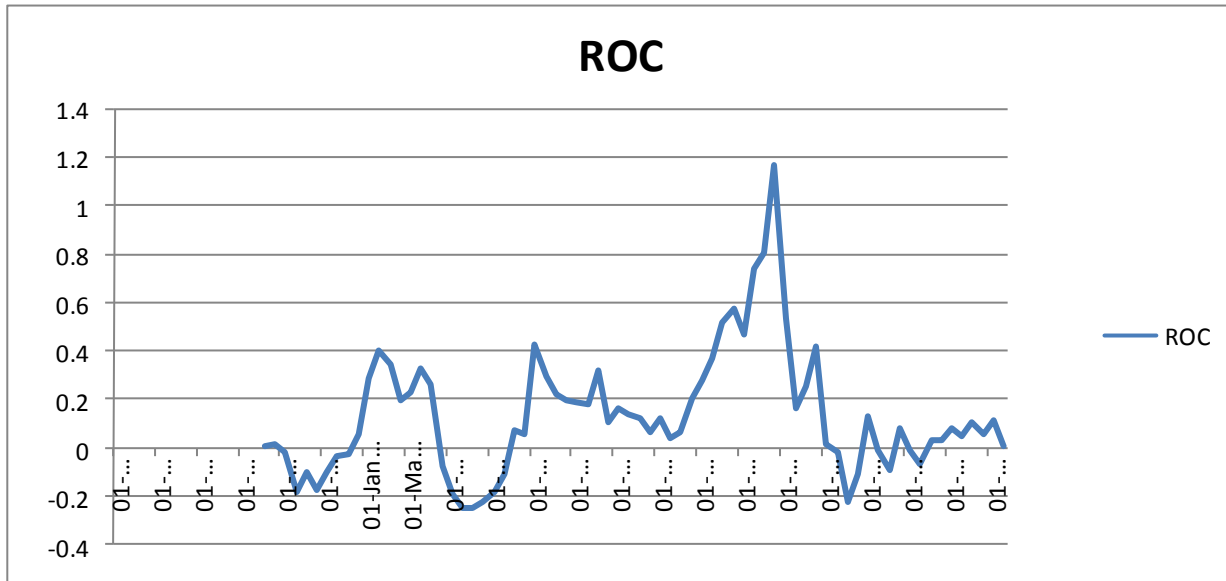
When the RSI has crossed the 30 line from below to above and is rising, a buying opportunity is indicated. RSI has ever crossed below the 30 line once in the year 2006-2012 when it comes down below 30 its indicating a buying opportunity.

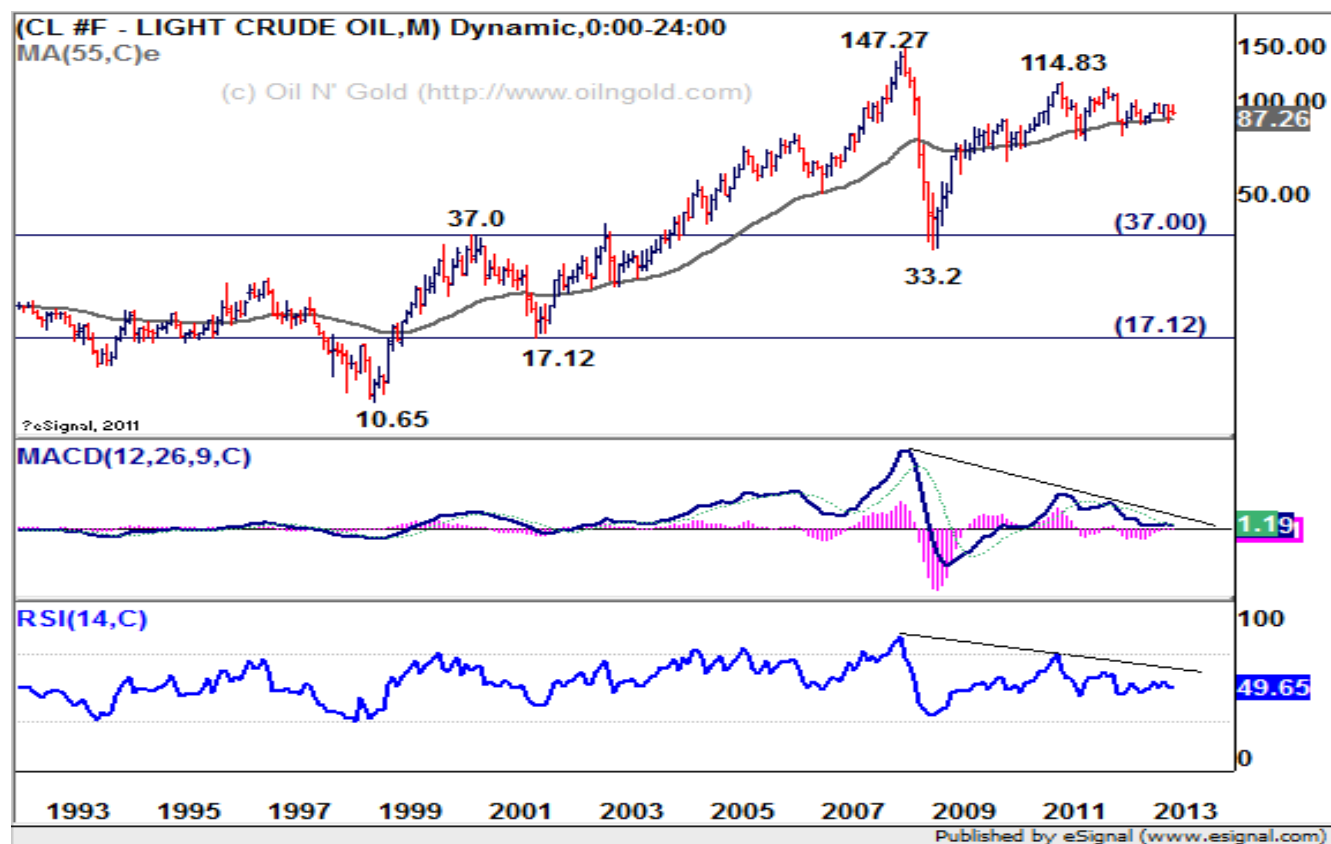
## Selling Opportunities

When the RSI line has crossed the 70 line from above to below and is falling, a sell signal is indicated. In this case it has crossed 70many times in the financial year 2009. It indicates a selling opportunity.

**Table – 3, CRUDE OIL Calculation of MACD, ROC and RSI**

DATE	CL.PRICE	ROC	RSI	DATE	CL.PRICE	ROC	RSI
02-Jan-06	2,974			01-Jul-09	3,136	0.552413	32.42683
01-Feb-06	2,739			01-Aug-09	3,461	0.613893	30.81536
01-Mar-06	2,939			01-Sep-09	3,312	0.611398	29.4619
01-Apr-06	3,239			01-Oct-09	3,461	0.437853	35.83756
01-May-06	3,284			02-Nov-09	3,612	0.434667	40.69583
01-Jun-06	3,395			01-Dec-09	3,492	0.238248	49.44541
01-Jul-06	3,460			01-Jan-10	3,542	0.072455	63.96256
01-Aug-06	3,256			01-Feb-10	3,461	0.103771	77.1823
01-Sep-06	2,882			01-Mar-10	3,608	0.042443	77.37066
03-Oct-06	2,611			01-Apr-10	3,744	0.130388	81.03408
01-Nov-06	2,816			03-May-10	3,458	-0.00104	69.76725
01-Dec-06	2,730			01-Jun-10	3,480	-0.03658	68.72895
01-Jan-07	2,516			01-Jul-10	3,493	0.000361	64.76154
01-Feb-07	2,703			02-Aug-10	3,533	-0.00237	56.27695
01-Mar-07	2,860	-0.12162	47.8523	01-Sep-10	3,504	0.012249	60.81339
02-Apr-07	2,744	-0.04788	50.09862	01-Oct-10	3,630	0.006045	55.61302
01-May-07	2,582	-0.01111	42.85142	01-Nov-10	3,793	0.013173	65.87684
01-Jun-07	2,863	0.01669	42.41324	01-Dec-10	4,068	0.176676	68.49808
02-Jul-07	3,137	0.149084	47.28482	01-Jan-11	4,205	0.208499	68.22978
01-Aug-07	3,019	0.199921	43.07296	01-Feb-11	4,442	0.271811	77.24055
01-Sep-07	3,247	0.201258	46.29823	01-Mar-11	4,888	0.383374	81.44764
01-Oct-07	3,687	0.289161	56.92258	01-Apr-11	5,163	0.473504	86.42241
01-Nov-07	3,556	0.295918	61.74216	02-May-11	4,857	0.338019	75.02205
01-Dec-07	3,763	0.457397	70.52744	01-Jun-11	4,748	0.251514	70.32894
01-Jan-08	3,559	0.243102	63.24421	01-Jul-11	4,792	0.177749	79.99101
01-Feb-08	3,724	0.187121	67.23301	01-Aug-11	4,548	0.081547	71.85795
01-Mar-08	4,110	0.361351	76.07922	01-Sep-11	4,812	0.083308	74.47853
01-Apr-08	4,365	0.344419	76.60298	01-Oct-11	4,920	0.006536	75.09836
01-May-08	5,172	0.402699	80.62935	01-Nov-11	5,341	0.03444	79.13476
02-Jun-08	5,632	0.583715	85.06444	01-Dec-11	5,488	0.130038	79.2767
01-Jul-08	5,678	0.508897	88.6806	02-Jan-12	5,476	0.153367	77.81459
01-Aug-08	4,920	0.382276	72.96259	01-Feb-12	5,541	0.156366	76.16053
01-Sep-08	4,524	0.214836	65.0868	01-Mar-12	5,928	0.303265	78.10431
01-Oct-08	3,536	-0.13969	54.73475	02-Apr-12	5,893	0.224468	75.33633
01-Nov-08	2,648	-0.39337	45.12217	01-May-12	5,660	0.15034	64.56229
01-Dec-08	2,020	-0.6094	36.81525	01-Jun-12	5,084	-0.04815	48.65938
01-Jan-09	2,145	-0.6192	38.82537	02-Jul-12	5,372	-0.02116	58.78601
02-Feb-09	2,056	-0.63798	36.22284	01-Aug-12	5,849	0.068232	66.68272
02-Mar-09	2,407	-0.5107	40.92461	01-Sep-12	5,801	0.046909	65.25174
01-Apr-09	2,518	-0.44351	40.41199	01-Oct-12	5,475	-0.07628	63.67274
01-May-09	2,820	-0.20249	39.60821	01-Nov-12	5,536	-0.06052	61.35141
01-Jun-09	3,303	0.247136	41.74347	01-Dec-12	5,526	-0.02371	59.80502
				01-Jan-13	5,705	0.122248	56.39923





## ROC

When the ROC line is above the zero line, the price is rising and when it is below the zero line, the price is falling. There are a lot of fluctuations in the ROC implying the market is volatile. The greatest fall in the price is at the end of February 2009 and the highest peak in the price is at the end of September 2009.

### Buying Opportunities

Ideally one should buy a share that is oversold and sell a share that is overbought. Upside crossing (from below to above the zero line) indicates a buying opportunity. Hence it was ideal to buy the crude oil by the end of February 2009.

### Selling Opportunities

Down side crossing indicates a selling opportunity. From the above chart, we can infer that the end of July 2008 or end of August 2009 and April 2011 indicates a selling opportunity.

## RSI

### Buying Opportunities

When the RSI has crossed the 30 line from below to above and is rising, a buying opportunity is indicated. RSI has ever crossed below the 30 line once in the year 2006-2012 when it comes down below 30 its indicating a buying opportunity.

### Selling Opportunities

When the RSI line has crossed the 70 line from above to below and is falling, a sell signal is indicated. In this case it has crossed 70 many times in the financial year 2010. It indicates a selling opportunity.

## Correlation Results

Correlations help to determine the relationship between variables. A number of correlation coefficients were calculated in line with the objectives of the research and for the purpose of testing the research hypotheses. Correlation coefficients between the ROC & RSI are reported. In presenting the results correlation coefficients are depicted. For the purpose of analysis and interpretation p-values of  $\leq 0.01$  and  $\leq 0.05$  were considered statistically significant as suggested by Anastasi (1988). In interpreting the correlation the guidelines suggested by Cohen (1988) were followed. In terms of these writings, correlation coefficients of  $r=0.10$  show a small effect size. Correlations of  $r=0.30$  show a medium effect size whilst those of  $r=0.50$  indicate a large effect size. These guidelines assist in quantifying and reporting on the effect sizes of the findings.

A number of correlation analyses were performed on the research data. This included analysis within each of the measures as well as analyses between the research measures. The outcome of these analyses is presented and discussed in this section Pearson correlation coefficient was used to measure the strength of association between these variables at  $*p<0.01$  and  $**p<0.05$  level the result of correlation supported the hypothesis that there is a positive and significant relationship between ROC & RSI in Gold, Silver and Crude Oil. The positive correlation of ROC and RSI in Gold was found  $r=0.67$  ( $p<=0.01$ ), in Silver  $r=0.90$  ( $p<=0.05$ ) and in Crude Oil  $r=0.9$  ( $p<=0.01$ ).

## 8. Recommendations

The choice of which charting method to use will depend on personal preferences and trading or investing styles. Once you have chosen a particular charting methodology, it is probably best to stick with it and learn how best to read the signals. Switching back and forth may cause confusion and undermine the focus of your analysis.

- Learn the basics of chart analysis, apply your knowledge on a regular basis, and continue your development.
- Limit the number of charts, indicators and methods you use. Learn how to use them.
- The data collected should be of at least of 100 trading days for any technical indicator, for proper interpretation.

## 9. Conclusion

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

Technical indicators look to predict the future price levels, or simply the general price direction, of a security by looking at past patterns. One cannot tell which the best indicator is as all indicators have different methods of calculations and each method will provide it does possess the sole explanation.

Technical analysis has several limitations. It is not an accurate method of analysis. It is often difficult to identify the patterns underlying stock price movements. Moreover it is not easy to interpret the meaning of patterns and their likely impact on Future price movements.

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