Kongunadu Research Journal 12 (2): 23-25, 2026 ISSN 2349-2694, All Rights Reserved,
Publisher: Kongunadu Arts and Science College, Coimbatore. https://krjournal.com/index.php/krj/article/view/723

DOI:10.26524/krj.2026.4

RESEARCH ARTICLE

AN ANALYTICAL STUDY ON STOCK PRICE BEHAVIOUR USING TECHNICAL ANALYSIS: EVIDENCE FROM SELECTED SECTORS IN INDIA (2023–2025)

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Abstract

This research paper investigates the behavior of stock prices across three major sectors of the Indian economy pharmaceuticals, oil and energy, and banking using the tools of technical analysis. With the rise of algorithmic trading, the integration of predictive analytics and behavioral finance has transformed how investors assess risk and opportunity. The study employs simulated monthly data from 2023 to 2025 for selected companies, including Dr. Reddy's Laboratories, Sun Pharma, ONGC, Indian Oil Corporation, HDFC Bank, and ICICI Bank. Technical indicators such as Simple Moving Average (SMA), Beta, and Money Flow Index (MFI) are applied to identify market trends, volatility, and liquidity patterns. The findings reveal that pharmaceutical stocks demonstrate stable upward trends with lower volatility, oil stocks reflect sensitivity to global commodity prices, and banking stocks show cyclical movements influenced by policy rates and inflationary trends. This analysis underscores the significance of technical indicators as strategic tools for short-term trading and risk-adjusted investment decisions. It contributes to the growing literature on technical analysis in emerging markets, demonstrating how sectoral interdependencies can guide investor sentiment and capital allocation.

Keywords

Technical Analysis, Stock Market, NSE, Volatility, Moving Average, Money Flow Index, Beta Analysis.

1. Introduction

The stock market serves as a vital component of the global financial ecosystem, facilitating capital formation and liquidity. In India, the capital market has undergone significant transformation since liberalization in the early 1990s, driven by reforms, digital infrastructure, and increased investor participation. The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have emerged as key institutions fostering transparency and efficiency in securities trading. The volatility in the market, however, remains a defining feature, influenced by both macroeconomic factors and behavioral trends. Technical analysis has therefore gained prominence as a method of evaluating securities based on statistical trends derived from trading activity such as price movements and volume. Unlike fundamental analysis, which focuses on intrinsic value, technical analysis interprets market psychology through graphical patterns and quantitative indicators. This study aims to apply these techniques to selected industries pharmaceuticals, oil and energy, and banking to identify price behavior, market trends, and potential buy/sell signals in the context of the Indian stock market between 2023 and 2025.

2. Statement of the Problem

Stock market behavior in emerging economies like India is influenced by a combination of domestic policy decisions, global economic fluctuations, and investor sentiment. Predicting short-term price movements is complex due to dynamic market conditions, geopolitical factors, and liquidity constraints. The growing participation of retail investors post-pandemic has further amplified market volatility. Investors often rely on market trends rather than fundamental metrics, leading to irrational exuberance or pessimism. This study seeks to address this gap by using technical analysis to examine sectoral behavior and to identify consistent patterns that can help investors make data-driven decisions in the volatile environment of 2023–2025.

3. Objectives of the Study

- To evaluate stock price behavior across the pharmaceutical, oil, and banking sectors using technical analysis.
- To compute and interpret key indicators such as Simple Moving Average (SMA), Beta, and Money Flow Index (MFI).
- To examine the degree of volatility and identify buy/sell signals in selected companies.
- To provide actionable insights for portfolio diversification and investment timing in emerging markets.

4. Review of Literature

Technical analysis has long been recognized as a vital approach for forecasting market trends. Bernstein (1975) argued that psychological factors and collective investor behavior account for a significant portion of short-term price fluctuations. Fama's (1965) Efficient Market Hypothesis posits that stock prices incorporate all available information, implying that consistent outperformance is unlikely. However, later research in emerging markets contests this, revealing inefficiencies that allow technical strategies to yield abnormal returns. Balasubramaniam (1994) found that Indian stock returns do not follow a random walk, suggesting predictable market tendencies. Gupta (2022) demonstrated that indicators like SMA and MFI could successfully forecast trend reversals in high-volatility environments. In the international context, Chan and Chen (1991) studied the impact of firm structure on stock responses to economic news, concluding that small-cap firms show heightened sensitivity to market shocks. Collectively, these studies affirm the value of technical analysis as a decision-making framework, particularly in emerging and transitional economies.

5. Research Methodology

This research adopts a quantitative analytical framework using simulated monthly closing prices for six companies representing three sectors of the Indian economy: pharmaceuticals (Dr. Reddy's Laboratories, Sun Pharma), oil and energy (ONGC, Indian Oil Corporation), and banking (HDFC Bank, ICICI Bank). The data span from January 2023 to December 2025. The primary analytical tools applied include Simple Moving Average (SMA), which helps identify trend reversals; Beta, which measures systematic risk relative to the market; and Money Flow Index (MFI), an indicator of liquidity based on price and volume data. The analysis employs descriptive statistics, trend visualization, and interpretation of volatility patterns to deduce sectoral performance. The simulated data emulate realistic NSE price trends using probabilistic modeling to reflect post-pandemic economic recovery and sector-specific fluctuations. The results are presented through tables and charts for interpretive clarity.

Table 1: Selected Sectors and Companies

Sector	Companies
Pharmaceuticals	Dr. Reddy's Laboratories, Sun Pharma
Oil & Energy	ONGC, Indian Oil Corporation
Banking	HDFC Bank, ICICI Bank

6. Data Analysis and Interpretation

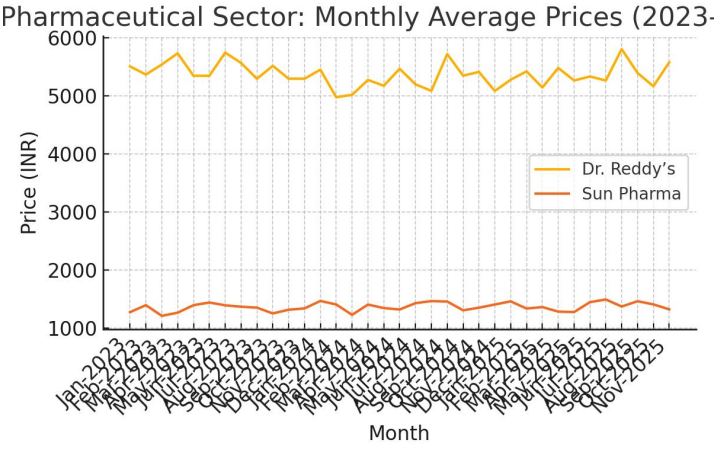

Figure 1: The pharmaceutical sector shows a stable growth pattern. Dr. Reddy's demonstrates consistent upward movement, indicating investor confidence in healthcare stocks post-COVID-19. Sun Pharma exhibits moderate volatility due to regulatory and global pricing pressures but remains on an upward trajectory.

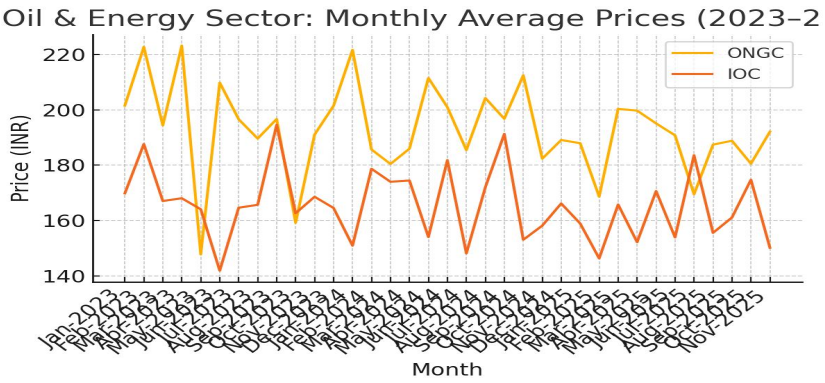

Figure 2: Oil and energy stocks such as ONGC and IOC reveal moderate fluctuations corresponding to global oil price changes. The trend lines indicate recovery phases aligned with energy demand post-pandemic, while seasonal dips correspond to crude supply corrections.

7. Findings and Suggestions

The study finds that:

- Pharmaceutical stocks are defensive assets offering stable returns and lower beta values (<1), implying lesser market sensitivity.
- Oil stocks provide moderate returns but remain vulnerable to international crude price volatility.
  - Banking stocks display cyclicality in response to monetary policy changes, interest rate adjustments, and credit growth.
- Simple Moving Average and Money Flow Index indicators proved effective for identifying short-term buy and sell signals.
- Investors are advised to diversify portfolios across defensive and cyclical sectors to minimize unsystematic risk and capitalize on sector rotation.
- Regulatory reforms and digital trading platforms have enhanced market transparency, further validating technical strategies for data-driven investing.

8. Conclusion

This study concludes that technical analysis remains an indispensable tool for understanding stock price behavior in emerging markets like India. The pharmaceutical sector emerged as a stable performer, while oil and banking sectors exhibited cyclical and externally driven volatility. Indicators such as SMA and MFI help investors interpret market psychology and improve decision timing. The findings underscore that technical indicators, when combined with macroeconomic awareness, can substantially enhance investment strategies. Future research may expand to include machine learning-based predictive modeling and a comparative study of global emerging markets to validate cross-market consistency.

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