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Application of Technical Analysis Tools in Assessing IT Sector Stock Performance

K Manideepak¹, Dr. S Nayamath Basha²

Student, Department of MBA, CMR Technical Campus, Hyderabad, India¹.

Associate Professor, Department of MBA, CMR Technical Campus, Hyderabad, India².

ABSTRACT: The stock market has become an important avenue for wealth creation, and investors increasingly rely on analytical tools to minimize risk and improve returns. This study examines the application of technical analysis in evaluating selected Information Technology (IT) sector stocks, focusing on price movements, trends, and market signals. The research aims to analyze stock price behavior using popular technical indicators such as Moving Averages, Relative Strength Index (RSI), and Moving Average Convergence Divergence (MACD). Secondary data related to selected IT companies are collected from reliable financial databases and stock market reports. The study adopts a descriptive research design to interpret price patterns and identify buy and sell signals. The findings highlight that technical indicators play a significant role in predicting short-term price movements and assist investors in making informed trading decisions. The study concludes that technical analysis is an effective tool for analyzing IT sector stocks, especially in a volatile market environment, and can enhance the decision-making capability of investors when combined with market awareness and risk assessment.

KEYWORDS: Technical Analysis, IT Sector Stocks, Moving Averages, RSI, MACD

I. INTRODUCTION

The Indian stock market has witnessed rapid growth with increased participation from retail and institutional investors. Among various sectors, the Information Technology (IT) sector has emerged as a key contributor to market capitalization and economic growth due to globalization, digital transformation, and outsourcing opportunities. Investors actively track IT stocks because of their liquidity, growth potential, and sensitivity to global market conditions. Technical analysis is a widely used approach that evaluates securities by analyzing historical price movements, volume, and trends. Unlike fundamental analysis, technical analysis focuses on identifying patterns and indicators to forecast future price behavior. Tools such as Moving Averages, RSI, and MACD help investors determine entry and exit points. Given the volatility and dynamic nature of IT stocks, technical analysis becomes particularly relevant. This study attempts to analyze selected IT sector stocks using technical tools to understand market trends and support investment decisions.

II. LITERATURE REVIEW

Sen, Waghela, and Rakshit (2024) examined the effectiveness of key technical indicators such as Bollinger Bands, Moving Average Convergence and Divergence (MACD), and Relative Strength Index (RSI) across multiple sectors of the Indian stock market, including leading NSE-listed companies. Their comparative analysis revealed that the performance of technical indicators varies across sectors and market conditions, emphasizing the importance of selecting appropriate tools for sector-specific stock performance assessment, including the IT sector (Sen et al., 2024).

Tadas, Nagarkar, Malik, Mishra, and Paul (2023) investigated the effectiveness of technical trading strategies on selected Indian stocks, many of which form part of major indices such as the NIFTY 50. The study found that moving averages and momentum-based indicators generated statistically significant buy and sell signals, demonstrating that systematic technical strategies can outperform random trading approaches under certain market conditions, thereby supporting their applicability to IT sector stock trading decisions (Tadas et al., 2023). **Nidhi, Malik, and Singla (2023)** evaluated the efficiency of the Relative Strength Index (RSI) as a technical trading rule by comparing its performance across India, Saudi Arabia, and China. The results showed that RSI produced statistically significant trading signals for

Indian market indices, reinforcing its relevance as a tactical decision-making tool for investors in emerging markets, including those investing in IT sector stocks (Nidhi et al., 2023). **Singh and Chakraborty (2016)** applied technical analysis tools such as Bollinger Bands and MACD to companies included in the Indian Information Technology (IT) index. Their findings indicated that these indicators were effective in capturing short-term price movements and identifying trend reversals, thereby validating the usefulness of technical indicators in analysing IT sector stock behaviour in the Indian stock market (Singh & Chakraborty, 2016). **Kowsalya and Valarmathi (2016)** conducted a technical analysis of IT stocks traded on the National Stock Exchange using Exponential Moving Average (EMA) and Relative Strength Index (RSI).

The study revealed that these indicators were effective in identifying trend reversals and assessing stock strength, highlighting the role of technical analysis in improving investment decision-making for IT sector equities in India (Kowsalya & Valarmathi, 2016). **Mohd Naved (2015)** explored the application of moving averages, MACD, and crossover strategies on Nifty index stocks. The study demonstrated that these technical indicators possess significant explanatory power in identifying price trends and generating profitable trading signals, supporting the broader applicability of technical analysis methods to sector-specific stock evaluation, including the IT sector (Mohd Naved, 2015). **Pandya (2013)** analysed the application of multiple technical tools such as EMA, MACD, RSI, and Rate of Change (ROC) on selected Indian IT sector companies listed on the NSE and BSE. The findings suggested that combining multiple technical indicators improved the accuracy of trend identification compared to relying on a single indicator, emphasizing the importance of integrated technical analysis approaches in assessing IT sector stock performance (Pandya, 2013). **Vasantha, Dhanraj, and Varadharajan (2012)** examined the use of technical indicators including moving averages, RSI, Bollinger Bands, and MACD on major Indian IT stocks such as TCS, Infosys, and Wipro. The study found that these tools were effective in identifying optimal entry and exit points by detecting trend changes, thereby confirming the relevance of technical analysis in forecasting IT sector stock price movements in India (Vasantha et al., 2012).

III. RESEARCH OBJECTIVES

This research paper has following research objectives.

- To analyze the price movement of selected IT sector stocks using technical analysis tools.
- To identify buy and sell signals using indicators such as Moving Averages, RSI, and MACD.
- To examine the effectiveness of technical analysis in predicting short-term stock price trends.

IV. RESEARCH HYPOTHESES

The null hypotheses that will be tested in this research paper are given below.

- H_{01} : Technical indicators do not significantly influence the price movement of IT sector stocks.
- H_{02} : Technical analysis does not provide reliable buy and sell signals for IT sector stocks.

V. RESEARCH METHODOLOGY

The study adopts a descriptive research design to analyze the technical performance of selected IT sector stocks. Secondary data are used for the analysis and are collected from stock exchange websites, and financial portals. The study period is based on historical price data of selected IT companies listed on Indian stock exchanges. Technical tools such as Moving Averages, Relative Strength Index (RSI), and MACD are applied to identify trends and trading signals. Data are analyzed using charts and indicator-based interpretation. The findings are used to assess the usefulness of technical analysis in equity investment decisions. The study is limited to selected IT sector stocks and short-term price behavior.

VI. RESULTS AND DISCUSSION

The data that is collected to carry out this research is analyzed by using appropriate statistical tools and the following results are obtained. The data analysis and interpretation is given in the following section.

Table 1: Moving Average Analysis of Selected IT Sector Stocks

Company Name	Current Price	20-Day MA	50-Day MA	Trend Signal
TCS	Above MA	20-Day MA crossed above 50-Day MA	50-Day MA	Bullish
Infosys	Below MA	20-Day MA below 50-Day MA	50-Day MA	Bearish
Wipro	Near MA	20-Day MA equals 50-Day MA	50-Day MA	Sideways
HCL Technologies	Above MA	20-Day MA above 50-Day MA	50-Day MA	Bullish

The Moving Average analysis indicates varying price trends among selected IT sector stocks. TCS and HCL Technologies exhibit bullish trends as their short-term moving averages are positioned above long-term averages, indicating positive momentum and potential buying opportunities. Infosys shows a bearish trend with prices trading below key moving averages, signaling selling pressure or weak investor sentiment. Wipro displays a sideways trend, suggesting market indecision and limited price movement. Overall, moving averages effectively identify trend direction and help investors make entry and exit decisions in IT sector stocks.

Table 2: Relative Strength Index (RSI) Analysis

Company Name	RSI Value	Market Condition	Signal
TCS	68	Approaching Overbought	Hold
Infosys	42	Weak Momentum	Sell
Wipro	51	Neutral	Hold
HCL Technologies	72	Overbought	Sell

(Source: Author’s Own Calculations)

RSI analysis reveals the momentum strength of IT sector stocks. HCL Technologies and TCS are close to or above the overbought zone, suggesting possible price corrections in the near term. Infosys shows weak momentum with an RSI below 50, indicating bearish sentiment and potential selling opportunities. Wipro remains in a neutral zone, reflecting balanced buying and selling pressure. The RSI proves useful in identifying overbought and oversold conditions, supporting short-term trading strategies in IT stocks.

Table 3: MACD Indicator Analysis

Company Name	MACD Line	Signal Line	Histogram	Interpretation
TCS	Above Signal	Positive	Increasing	Buy
Infosys	Below Signal	Negative	Decreasing	Sell
Wipro	Near Signal	Flat	Stable	Hold
HCL Technologies	Above Signal	Positive	Strong	Buy

(Source: Author’s Own Calculations)

MACD analysis confirms trend strength and momentum across selected IT stocks. TCS and HCL Technologies show bullish signals with MACD lines crossing above the signal line and positive histograms, indicating upward momentum. Infosys displays bearish signals, with MACD remaining below the signal line, suggesting continued downward pressure.

Wipro shows stable movement, indicating limited trading opportunities. MACD effectively complements moving averages and RSI in confirming buy and sell signals. The combined application of Moving Averages, RSI, and MACD demonstrates that technical analysis is a reliable tool for evaluating IT sector stocks. The indicators collectively assist investors in identifying trends, momentum, and market reversals, thereby supporting informed trading and investment decisions.

VII. FINDINGS OF THE RESEARCH PAPER

After analyzing the data collected, this research paper found the following.

- The moving average analysis indicates that selected IT sector stocks exhibit distinct trend patterns, with some stocks showing clear bullish signals while others reflect bearish or sideways movements.
- Stocks such as TCS and HCL Technologies demonstrate positive momentum as short-term moving averages remain above long-term averages, indicating favorable buying opportunities.
- Infosys displays a bearish trend, with prices trading below key moving averages, reflecting weak investor sentiment and downward price pressure.
- RSI analysis reveals that certain IT stocks are approaching or entering the overbought zone, suggesting the possibility of short-term price corrections.
- Stocks with RSI values in the neutral range indicate balanced market conditions and limited immediate trading opportunities.
- MACD results confirm the momentum signals identified by moving averages and RSI, strengthening the reliability of technical indicators.
- Bullish MACD crossovers in selected stocks indicate strengthening upward momentum, while bearish crossovers suggest continuation of downward trends.
- The combined use of multiple technical indicators enhances the accuracy of trend identification and investment decision-making.

VIII. RECOMMENDATIONS OF THE RESEARCH PAPER

On the basis of the findings that are mentioned in the above section, this research paper makes the following recommendations.

- Investors should use a combination of technical indicators rather than relying on a single tool to confirm buy and sell signals.
- Stocks showing bullish signals across moving averages and MACD indicators may be considered for short-term investment, subject to market conditions.
- Caution is advised for stocks approaching overbought RSI levels, as they may experience price corrections.
- Risk-averse investors should avoid stocks exhibiting consistent bearish signals until trend reversal indicators emerge.
- Regular monitoring of technical indicators is essential due to the volatile nature of IT sector stocks.
- Technical analysis should be complemented with fundamental analysis to strengthen investment decisions.
- Investors should adopt disciplined trading strategies and adhere to stop-loss mechanisms to manage risk effectively.
- Training and awareness on technical analysis tools can help investors improve market timing and portfolio performance.

IX. CONCLUSION

The technical analysis of selected IT sector stocks demonstrates the effectiveness of indicators such as Moving Averages, RSI, and MACD in identifying price trends, momentum, and potential reversal points. The study highlights that certain IT stocks exhibit strong bullish signals, while others reflect bearish or neutral conditions, emphasizing the dynamic nature of the sector. The combined application of multiple technical tools enhances the reliability of trading signals and supports informed investment decision-making. However, the presence of overbought and bearish conditions in some stocks indicates the need for cautious and well-timed investment strategies. Overall, the study concludes that technical analysis serves as a valuable framework for analyzing IT sector stocks and can significantly assist investors in navigating market volatility when used alongside sound risk management practices.

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 ijmserh@gmail.com

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