

Summary

Problem Statement:

Investors while dealing with stocks buy stocks at low rate and earn profit by selling it at high price, failing to do so may lead in loss, so to recreate a simple trading model we used Moving Average for the sample stocks provided.

We calculated the Moving Average and Signal for all the stocks.

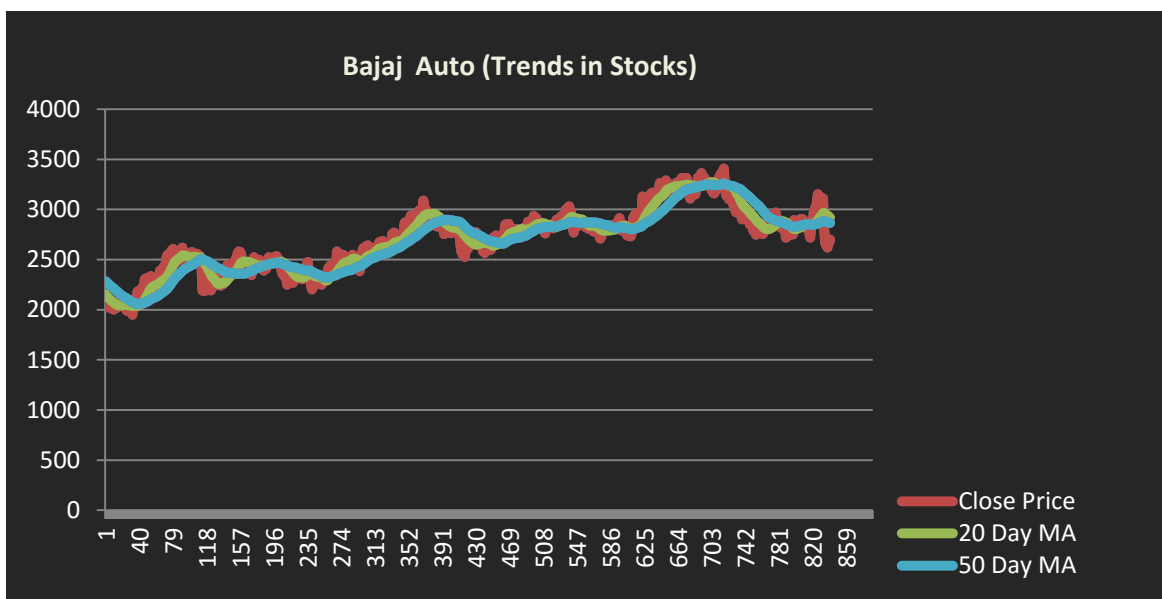


Image: Trends in Bajaj Auto stocks

Analysis (Bajaj):

- Bajaj's stock signals for 'Buy' or 'Sell' for a very few times, otherwise it's on 'Hold' for the maximum time as the MA difference signifies very less time change in trends.
- It only changes 23 times out of 889 total entries (50 can be ignored) for a period of 1-Jan-2015 to 31-July-2018.
- And out of those 23 occurrences, only 11 times (1.24%) it specifies 'Sell' since it indicates the trend is shifting down (Death Cross).
- Eventually it also signals to 12 times (1.35%) as '**Buy**' indicating that the trend is shifting up (Golden Cross), as 20 Day(shorter-term) MA crossed above the 50 Day(longer-term) MA which is opposite to above situation.
- But most importantly, maximum of times (i.e. 97.41%) the signal is '**Hold**'.

Conclusion:

According to trends during downtrend the price hits a level and then starts to drop again and can happen vice versa. And it may not always work according to MA since it can differ at any point of time, hence we have to be proactive and keep eye on the changing trends accordingly.