Optimization of MACD and RSI indicators: An Empirical Study of Indian Equity Market for Profitable Investment Decisions

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Abstract

Technical analysis has been continuously used by traders and investors to make investment decisions in both developed and developing markets. The main important tools of technical analysis are MACD (Moving Average Convergence Divergence) and RSI (Relative Strength Index) used to determine the future trend of the stock prices. In developing market like India, use of technical analysis by investors is limited to the use of standard MACD and other indicators developed by respective technicians. The research covers the sample representing the equity stocks which are continually traded on the National Stock Exchange of India. This research is helpful to determine the applicability of MACD and RSI indicators for a Profitable investment decision making on Indian Financial Market. The main objective of the research is to identify the potential contribution of standard MACD and RSI indicators vis-à-vis optimized MACD and RSI indicators. The main hypotheses of the research is that the application of standard MACD and RSI indicators contribute to profitable investments than buy and hold strategy (Efficient Market Hypotheses). The tools of data analysis include Metastock trading simulation software and Excel Mathematical calculations. Research results indicate that the buy and hold strategy results in profitable investments than standard MACD and RSI indicators. According to the obtained results it is concluded that Optimized MACD and RSI indicators are more profitable than buy and hold strategy and Standard MACD and RSI indicators. And hence Optimized MACD and RSI indicators defy Efficient Market Hypotheses.

Keywords: MACD, RSI, Optimization, Buy and Hold Strategy, Indian Equity Market.
References


