

**PREDICTING THE CHANGE IN LONG TERM TREND OF THE STOCK PRICE BY USING ALLIGATOR INDICATOR AND TREND LINE TO GENERATE THE TRADING PROFIT****Rahul Bhupendra Sanghavi***Research Scholar of Shri JYT University***Dr. Shripad H. Joshi***Research Supervisor of Shri JYT University***Abstract:**

To find out the change in long term trend of the stock price, alligator indicator and trend line is very use full technical analysis tool for the trader and investor. If the stock is bought or sold at a specific point in time, every investor or trader must consider the technical analysis method. Technical Analysis does not provide an absolute forecast of the potential movement of stock prices, but only provides the probability of what will happen to the price over a period of time.

The Alligator indicator uses a smooth average to begin with a simple moving average (SMA). It uses three moving averages, set at intervals of five, eight, and thirteen. The Jaw, Teeth, and Lips of the Alligator are the three moving averages. This indicator is used to figure out the shift in the long-term trend of the stock price not for entry or exit of the stock price, for entry and exit we use trend line to generate the trading profit.

Keywords: Alligator indicator, Jaw, Teeth, Lips, Trend Line.

Introduction

In technical analysis, the most significant term is pattern. At an early point, the art of technical analysis is to detect pattern shifts and hold an investing or trading stance until the weight of the data suggests that the trend has changed. The pattern refers to the direction in which the market goes up, down, or sideways. An uptrend applies to a stock that is going up over time in volume. This shows that market participants are being disposed of more favourably towards that stock and are prepared to spend more favourable disposed of towards that stock. For downtrends, the opposite is valid. For some time, a stock can even linger in a close sideways price range. It is also possible for a price chart to appear absolutely arbitrary at any point. In probabilities, never certainties, technical research emails. In this research paper researcher used alligator indicator and trend line to find out the trend changes of the stock price. The interaction with various time spans is shown by the alligator's lips, teeth and jaw.

Review of Literature:

“Technical analysis on selected stocks of energy sector–R. Chitra at International Journal of Management &Studies, March 2011, Volume 1, Issue 1, ISSN: 2330-9519 (Online), ISSN: 2231-2463 (Print) researcher has studies that trends and patterns in share price movement via moving averages. By using technical analysis tools like Moving Averages and Relative Strength Index for interpreting buy and sell price of the stock and by using beta of the stock to discover the risk factor.”

“Stock Market and Factors affecting trading volume–Sapna and Dr.VinitDani at International Journal of Advance Research in Computer Science and Management Studies, March 2014, Volume 2, Issue 3, ISSN: 2321-7782 (Online) in this research paper researcher studies relationship between the stock price and trading volume of BSE index. In this study researcher found that price and volume cannot explain each other. This is because each variable is working in



many other market forces.”

“A Study on Analysis of Equity Share Price Behavior of the Selected Industries- Mrs. Vimala. S, Mrs. Saranya P.B. and Ms. Saranya. R. at Global Journal for Research Analysis, April 2014, Volume 3, Issue 4, ISSN No 2277- 8160 studies that the securities market is extremely volatile in nature. In spite of its volatility the investor has probability to make comfortable profits with the help of moving average, trend line and the relative strength Index trend lines.”

Objective:

- Using a technical research platform to analyse pattern reversals
- Trend analysis on selected stocks and interpretation of reversal of the current trend
- To determine the actions of the share price

Hypothesis:

H0: Alligator Indicator and Trend Line help to find out change in the trend of the stock price to generate the trading profit.

H1: Alligator Indicator and Trend Line do not help to find out change in the trend of the stock price to generate the trading profit.

Practical Significance:

- Traders and analysts have also discovered improvements in the latest market trend.
- Using technical analysis instruments such as the alligator indicator and the trend line, traders often gain a fair amount of benefit.

Limitations:

- 1) Only a method for technical research is used.
- 2) This analysis is focused primarily on secondary data and not on primary data.
- 3) The research is limited to restricted stock only.

Research Methodology:

For separate stocks, the study period is distinct. The daily share price fluctuations of the selected firms are taken from secondary data for technical review. In nature, the data obtained for the study is secondary. The goal of the analysis is to define the change in the trend of the current stock price with the use of alligator indicator and trend line to generate trading profit. The sample period extends from 1st January 2015 to 31st January 2021. The weekly candlestick chart share price fluctuations of the chosen firms are taken for technical review.

Conceptual Framework:**Alligator Indicator:**

The predictor uses a measured smooth average to begin with a simple moving average (SMA). Set at five, eight, and 13 periods, it uses three moving averages. The Jaw, Jaws, and Lips of the Alligator form the three shifting averages. The three moving averages include the Alligator's Jaw, Teeth, and Tongue, opening and closing in response to changing patterns and trading ranges:

1. Jaw (blue line): Begins with the SMMA 13-bar and is smoothed at corresponding values by eight lines.
2. Teeth (red line): Begins with the SMMA eight-bar and is smoothed at subsequent values by five rows.
3. Lips (green line): Begins with the SMMA five-bar and is smoothed at subsequent values by three lines.

Trend Lines:

Trend lines are an easy to understand guide, but with a good dosage of common sense, they can be included. Before the art of interpreting, experimentation and experience were required. Traders and investors should try to win profit on a long trade in an uptrend, and traders and investors should try to make profit on a short trade in a downtrend, so the trend line is a very effective technical analysis instrument. A trend line is a linking straight line, a sequence of rising bottoms in a growing sector, or the tops of a descending series of peaks in a rally. Trend lines are named up by those joining the lows and those linking the peaks are known as down trend lines.

Data Analysis & Interpretation:

(1) TATA MOTORS:



The chart above is the Tata Motors weekly candlestick chart. As we can see that stock price is falling continuously from 2016 till 2020 but in the year 2020 it start moving up side and down trend line broken by the stock price and alligator indicator also change the direction that is jaw, teeth and lips (blue, red and green line) are also in the upside direction as soon as price reaches near to lips (green line) after broken up by trend line trader or investor should buy the stock at Rs. 133.00 per share by keeping the stop loss of Rs. 124.00 per share which is the teeth (red line). After that if we observe the stock price it went up till Rs. 320.00 per share. Hence trader generate profit of Rs. 187.00 per share with the carrying risk of Rs.9.00 per share.



(2) WIPRO:



The chart above is the Wipro weekly candlestick chart. As we can see that stock price is falling continuously from 2019 till 2020 but in the year 2020 it start moving up side and down trend line broken by the stock price and alligator indicator also change the direction that is jaw, teeth and lips (blue, red and green line) are also in the upside direction as soon as price reaches near to lips (green line) after broken up by trend line trader or investor should buy the stock at Rs. 272.00 per share by keeping the stop loss of Rs. 242.00 per share which is the teeth (red line). After that if we observe the stock price it went up till Rs. 448.00 per share. Hence trader generate profit of Rs. 176.00 per share with the carrying risk of Rs.30.00 per share.

Conclusion:

The Alligator Predictor and Trend Line is an exemplary technical research method to detect a new stock market trend. The current studies have investigated that traders and investors can forecast the new pattern of the stock market by using Alligator Indicator and Trend Line, for which two companies (Tata motors and Wipro) stock price and price change by way of graph are seen in this research paper.

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