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TECHNICAL INDICATORS AS A TOOL FOR STUDYING STOCK MARKET TREND EXPERIENCES FROM MUSCAT SECURITIES MARKET IN OMAN

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ABSTRACT

This research aims to study the trend of the principal Index i.e. MSM-30 Index in Muscat Securities Market, Oman. Some of the technical analysis indicators such as Moving Average Convergence & Divergence (MACD), The Dow Theory, Relative Strength Index and Trade Range Breakout, Runs Test have been applied to study the trend in Muscat Securities Market Index (MSM-30) for the period commencing from June 2001 to May 2011. The MSM-30 Index which is a free float value-weighted index comprising 30 companies are selected on the basis of highest market capitalization, liquidity of the stocks and performance in terms of profitability is chosen for the purpose of this study. The findings of the study are quite interesting where most of the technical indicators were helpful in predicting the market movements. MACD as a technical indicator clearly revels buy and sell points much in advance with reference to MSM-30 Index movement. The Relative Strength Index also indicated a strong support for buy and sell signals. However the Runs test did not provide a clear signal of market movement. Overall the results indicate a strong support for technical analysis using the past trends and buy and sell signals to outperform the market.

KEYWORDS: Capital Gains, Dow Theory, Dividends, Moving Average Convergence & Divergence, Muscat Securities Market, MSM-30 Index, Relative Strength Index, Runs Test, Support & Resistance Technical Analysis, Trade Range Breakout