

CHART ANALYSIS

STOCK

Reliance Industries

The IT bubble

67.40

13.05

(A)

(B)

(C)

(D)

(E)

(F)

(G)

MARKET MASTERY

- ▶ Monthly chart where each candle represents one month
- ▶ Complete chart since November 1994



CHART ANALYSIS

STOCK

Reliance Industries

- ▶ (A): The earliest phase for the stock was very volatile given the wild price range from ₹13 to ₹67. When companies get listed this is generally the case due to low volumes and high speculation.
- ▶ **The IT Bubble:** The dot-com bubble burst in April 2000 and lasted till September 2002. However, Reliance saw a fall from March 2001 to July 2002. This is because it belongs to a different sector, and thus got affected much less. While the Nasdaq fell 83% from its high to its low, Reliance fell just 55% in comparison and recovered much quicker.
- ▶ (B): Once the negativity of the dot-com bubble got over, the stock went into rally mode and turned nearly 10 times. The rally was ended by the 2008 subprime crisis in America. This is how quality stocks often move — one-sided rally from one economic hit to another.

CHART ANALYSIS

STOCK

Reliance Industries

- ▶ (C): From the 2008 to 2016, the stock went into consolidation. This is a trait of all stocks — they won't always move up. Neither can such phases be predicted, nor do they mean a company isn't good anymore.
- ▶ (D): This point signifies a breakout from the massive consolidation. It signalled a 'break' from the sideways movement. This was the point when anyone analysing the chart could've noticed the change of trend from sideways to positive.
- ▶ (E): See the effect of the breakout. The stock went up nearly 5 times in about 3.5 years.
- ▶ (F): The rally was again broken by global events, just like in 2008. Rising inflation and the mishandling of the economy in the US and the Russia-Ukraine war, pushed the stock into another consolidation.



CHART ANALYSIS

STOCK

Reliance Industries

- ▶ (G): After the recent consolidation, the stock finally seems to have gained momentum. This might be the start of another rally. The base for the possible future move can be ₹2,500–2,550.

♦ CONCLUSION

- ▶ The chart shows the quality of the stock. Very few negative or sideways trends unless something major happens globally. And even then the investor hasn't lost value if they had patience.
- ▶ As the company matured one can see how price volatility reduced. Hence, even though the potential returns fell, the potential risk also reduced for the investor.
- ▶ The stock has given a 17% annual return excluding dividends over its lifetime.

