

“HOW RISKY IS THE STOCK MARKET RIGHT NOW? TECHNICAL ANALYSIS OF 30 US STOCKS”

Research Paper

Sagar Bansal, Swiss School of Business and Management, Geneva, Switzerland,
sagar.bansal@ssbm.ch.

Jyoti Bansal, Bansal X Group of Consultants, New Delhi, India,
cfo@jyotibansalanalysis.com.

Abstract

“This paper discusses, how risky the stock market, currently is. The study does so by conducting a technical analysis of all 30 stocks in the Dow Jones Industrial Average Index (DJIA). Utilizing data up to October 15, 2024, and employing techniques such as chart pattern analysis, price channel analysis, and divergence analysis, the stocks were classified into three clusters: buying, selling, and neutral. The findings reveal that 8 stocks fall into the buying cluster, 11 into the selling cluster, and 11 are neutral. The results suggests that while certain stocks may experience declines, the overall market does not exhibit signs of an imminent crash and there is no need to panic at the present moment. The US stock-market appears balanced despite previous significant gains and challenges at a macro-economic level. Investors are advised to focus on individual stock rather than a broader portfolio level management to maange risk effectively.”

Keywords: US Stock Market, DJIA, S&P500, Technical Analysis, 2025 Crash, Risk Assessment.

1. Introduction

The global financial markets are navigating through an unprecedented uncertainty. Marco-economic factors like a slow shift towards a multi-polar world, fuelled by the never stopping Dollar Printing by the US has driven markets towards doubtful possibilities where the entire world’s economy may go into depression or even hyperinflation (Bansal and Bansal, 2024; Peters, 2022). Apart from this, the rise in Artificial Intelligence technologies have led to substantial investments by major corporations, further increasing the tension on the financial markets (Chen, 2024).

The US stock market, being the largest in the world, serves as a barometer for global financial health. Any significant crash within this market can have cascading effects worldwide (Grüner and Cristian, 2015). S&P500 being the prominent index is widely used to analyze the overall health of the US economy. However, interpreting 500 companies at once can lead to blurred conclusions. An alternative exists, the DJIA - Dow Jones Industrial Average Index which comprises 30 most representative companies across all major industries (Sirucek, 2012). Analyzing DJIA is better feasible yet simultaneously provides a practical measure of the market (Bansal and Bansal, 2024).

This paper provides a comprehensive technical analysis of all 30 stocks in the DJIA Index to present a snapshot of the current state of global financial health. By examining various price channels, chart patterns, price momentum, support & resistance levels, and indicators/oscillators data, this study seeks to forecast potential trends in the coming months. This analysis is particularly pertinent given the prevailing economic uncertainties, as it may guide investors in making critical decisions.

2. Literature Review

As the question of this study is if the US stock market may crash anytime soon, or in other words, how risky is the US stock market right now to invest into, It would be logical to first understand the major factors that add to the risk of a crash,

One of the most common themes in stock market crashes is the excessive speculation of markets, which leads to forming bubbles without any real value. One such example is the famous dot-com bubble of the late 1990s, where market participants demonstrated madness for internet-related companies and kept buying their stocks at insane valuations (Hwang and Stewart, 2006; Quinn and Turner, 2020). Similarly, the 1929 Wall Street Crash was a speculative boom fueled by unrealistic, optimistic expectations set by major banks (Wilmarth and Arthur, 2020). In both cases, the detachment of stock prices from underlying fundamentals created unsustainable market conditions that ultimately led to dramatic corrections.

Another repeatedly seen theme is the availability of easy leverage and margin trading facilities. One key example would be the 2015 Chinese stock market crash. The bull market saw an influx of new investors and traders due to the leverages available, which, when unwound, led to sudden selling, and ultimately a crash (Qian, 2016). Apart from this, the use of unregulated shadow-financed accounts with the ease and comfort provided by FinTech players, had a disproportionate role despite representing a smaller portion of total assets (Bian et al., 2018).

We live in a world where the financial web is so complex that a retail investor cannot even understand its depths. Excessive trading in Derivative products is one of the primary reasons for losses in stock markets. When such risky assets are further convoluted with Synthetic Derivatives, we see big explosions. One such example is the 2008 Global Financial Crisis where synthetic CDOs – Corporate Debt Obligation of mortgage-backed securities burnt the whole world. Nothing is too big to crash, not even the US Housing market. This happened because banks started approving loans to people without any jobs or income. Such a fraudulent and hollow system can always fail and that is exactly what happened (Razin and Rosefielde, 2010).

Let's not forget about a country's debt. When a country is in a debt crisis, its stock market is in free fall, and the whole economy may collapse. The European Sovereign Debt Crisis of 2010 is an excellent example of such an event where Regulatory mechanisms to prevent excessive borrowing and risk-taking by member states of the EU failed the world (Featherstone, 2011). Blythe (2014) argues that central bank policies exacerbated a private sector banking crisis, highlighting the consequences of insufficient regulatory intervention.

So to conclude, excessive speculation, irrational valuations, ease of leverage, regulatory failures, high country debt, and an overall fraudulent system can be considered as the major causes of a stock market crash. We will revisit these later in the discussions and try to correlate them with the results of this study.

3. Methodology

This study employs a comprehensive technical analysis approach to evaluate the 30 stocks comprising the Dow Jones Industrial Average (DJIA). Technical analysis is chosen over fundamental analysis due to its focus on price action and market psychology (Bansal and Bansal 2019), which are critical in assessing the risk of investing at the present moment. The data utilized in this study were directly sourced from Cboe One Feed. The time frame for the data extends from the IPO date of the companies to October 15, 2024, which is the last date of updates to any analysis and results in this study.

Technical analysis was conducted using the TradingView charting platform, which allowed the application of various indicators and drawing tools. The exact step by step details on the analysis methods can not be made public as it's a trade-secret of authors being in the business of financial analysis. The study provides the final results, that, in the author's viewpoint, is enough information to accomplish the objective of this research. However in the spirit of academic integrity, the following form the analytical framework of this study: Chart Patterns Analysis, Price Channel Analysis, Momentum Analysis, Divergence Analysis (Bansal, 2023), Support & Resistance Analysis, Fibonacci Retracement & Extention Analysis.

The analysis was conducted through a systematic procedure, where each stock was analyzed individually using the aforementioned techniques. Based on the analysis results, stocks were classified into three clusters:

- Buying Cluster: Stocks showing bullish features suggesting potential price increases.
- Selling Cluster: Stocks exhibiting bearish features indicating possible price declines.
- Neutral Cluster: Stocks with unclear trends, requiring further observation.

For each stock, key levels were identified as r1, r0, s0, and s1 which can also be interpreted as the support & resistance, and stop & target levels. The findings were organized into tables for each cluster, summarizing the critical data points and facilitating easy comparison.

While technical analysis provides valuable insights, it is based on historical data and can be affected by the subjective bias and skill of the authors. Further, the study had its last data update on October 15th 2024, in rapidly changing market conditions and this in turn may affect the results due to unforeseen events that might not have been accounted for by the authors. Therefore, the findings of this study should be considered in conjunction with prevailing market information and any updates available at <https://jyotibansalanalysis.com>.

4. Results

We find 8 stocks in the buying cluster (refer table 1). These are presented in a table giving their closing price on 15-10-2024 (the date of final edits to this study). Apart from that the table provides r1, r0, and s0 where r1 is the maximum foreseeable potential of that stock, or in other words, the expected reward if things go as planned. r0 is the immediate resistance, followed by s0 which is the immediate support, the r0 and s0 give the investor a measure of the risk they are taking, as they must make their decisions within this range. All these columns are paired with how far they are from the current price in terms of percentage.

#	Symbol	CP	r1	%	r0	%	s0	%
1	BA	\$152	\$265	73.94%	\$177	16.18%	\$142	-6.79%
2	DIS	\$94	\$204	116.51%	\$121	28.42%	\$78	-17.22%
3	UNH	\$556	\$1,050	88.75%	\$598	7.50%	\$555	-0.23%
4	HD	\$416	\$1,000	140.63%	\$417	0.34%	\$345	-16.98%
5	HON	\$217	\$300	38.08%	\$233	7.24%	\$186	-14.39%
6	MRK	\$112	\$154	38.08%	\$120	7.59%	\$104	-6.75%
7	NKE	\$82	\$176	114.32%	\$124	51.00%	\$70	-14.76%

8	CSCO	\$54	\$98	81.21%	\$58	7.25%	\$44	-18.64%
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Table 1: Stocks In the Buying Cluster

To explain this with an example, BA, which has a closing price of 152 can go to 265, which means the investors can expect a 74% return on investment. However, it can be 7% down and 16% up before anything is confirmed. Hence, if an investor can buy this at 142, it would be the least risky price. If the stock goes below that, an exit must be considered may be not immediately but it should raise concerns. Now considering that it is very close to the s0 as compared to r0, it is less risky, especially when we compare it against HON, which is riskier as s0 for HON is 14% down whereas r0 is only 7% up.

We find 11 stocks in the selling cluster (refer table 2). Just like the buying cluster, similar information is provided. However, it is in the reverse direction. Hence, the table presents it as r0, s0, and s1 where r1 is the immediate resistance, followed by s0 which is the immediate support and s1 is the maximum foreseeable fall for that stock. Again, investors should consider the range of r0 and s0 together to assess the risk.

#	Symbol	Close	r0	%	s0	%	s1	%
1	CAT	\$388	\$444	14.44%	\$350	-9.79%	\$285	-26.54%
2	V	\$279	\$294	5.27%	\$252	-9.77%	\$230	-17.65%
3	JPM	\$222	\$250	12.42%	200	-10.07%	\$172	-22.66%
4	PG	\$174	\$195	12.35%	\$168	-3.21%	\$126	-27.41%
5	KO	\$70	\$75	6.62%	\$67	-4.75%	\$48	-31.76%
6	GS	\$522	ATH	N/A	\$422	-19.22%	\$275	-47.36%
7	AMGN	\$325	\$340	4.59%	\$295	-9.26%	\$257	-20.94%
8	AXP	\$277	ATH	N/A	\$243	-12.37%	\$133	-52.04%
9	TRV	\$241	\$260	7.94%	\$194	-19.46%	\$150	-37.73%
10	JNJ	\$164	\$169	2.99%	\$154	-6.15%	\$136	-17.12%
11	WMT	\$82	ATH	N/A	\$62	-24.07%	\$48	-41.21%

Table 2: Stocks In the Selling Cluster

It should be noted that there are three stocks whose r0 can not be identified yet, as it's an all-time high level that keeps on changing as the stocks go up. For such stocks, the investors must consider the difference between the current price and s0 and make their decision accordingly. For example, GS at the time of this study is about 19% up from the s0, this is a significant difference, and an investor might act on this information in a more confident way as compared to AXP which is 12% above the s0.

Finally, we find that the remaining 11 stocks of DJIA are in the neutral cluster (refer table 3). Here we present more information than the other two clusters as the stock can go in both directions. The table presents r1, r0, s0, and s1 which is consistent with previous data.

#	Symbol	CP	r1	%	r0	%	s0	%	s1	%
1	MSFT	\$419	\$600	43.29%	\$470	12.24%	\$398	-4.95%	\$350	16.42%
2	MCD	\$313	\$450	43.61%	ATH	N/A	\$267	14.79%	\$245	21.81%
3	CRM	\$288	\$800	177.44%	\$320	10.98%	\$227	21.28%	\$200	30.64%
4	IBM	\$233	\$330	41.66%	ATH	N/A	\$200	14.15%	\$160	31.32%
5	AAPL	\$234	\$320	36.84%	ATH	N/A	\$200	14.48%	\$125	46.55%
6	AMZN	\$188	\$220	17.21%	\$200	6.56%	150	20.08%	\$80	57.38%
7	CVX	\$148	\$190	28.61%	\$166	12.37%	\$135	-8.62%	\$127	14.03%
8	MMM	\$136	\$280	106.29%	\$134	-1.27%	\$94	30.74%	\$81	40.32%
9	DOW	\$53	\$72	36.96%	\$61	16.04%	\$48	-8.69%	\$43	18.20%
10	VZ	\$44	\$63	44.03%	\$45	2.88%	\$32	26.84%	\$24	45.13%
11	INTC	\$23	\$40	76.52%	\$30	32.39%	\$17	24.98%	\$12	47.04%

Table 3: Stocks In the Neutral Cluster

These stocks are too early to be evaluated, and one should be cautious of them. The neutral cluster is not a hold cluster. If an investor wants to buy the stock, they must lookout for chart patterns and RSI divergences and closely monitor the stock frequently as they can give good returns but also can go down.

5. Discussion & Conclusion

The technical analysis of the DJIA stocks reveals a market characterized by both opportunities and risks, aligning with the prevailing economic uncertainties. This section interprets the findings, connects them with the themes identified in the Literature Review, and concludes with their implications for investors.

The eight stocks in the Buying Cluster can be explained in the following format: The XYZ stock entered a price channel after YYYY year, it reached its last high at \$\$\$ price in YYYY year and since then is falling/consolidating and now “is near” or “has reached” the weekly channel low at \$\$\$ price.

The eleven stocks in the Selling Cluster can be explained in the following format: The XYZ stock entered a price channel after YYYY year, it reached its last low at \$\$\$ price in YYYY year and since then is rising and now has reached the “all-time” or the “weekly channel” high at \$\$\$ price.

The remaining eleven stocks in the Neutral Cluster can be explained in the following format: The XYZ stock entered a price channel after YYYY year, it reached its high at \$\$\$ price in year and since then is falling/consolidating/rising and now is in the process of making a “chart pattern” or “bearish RSI divergence” which if succeeded, will lead to a retracement in the stock, Otherwise the stock will may up.

The study suggests that the US stock market is in a balanced state, though there have been over 200% increase in many stocks since 2022, it is not uncommon for the market. 11 stocks in the neutral cluster may see a retracement, and 11 stocks in the selling cluster may go down, but that is not enough to panic and call it a crash.

The US economy is different from the other countries as it has the freedom to inflate its debt and print more dollars. Though it is a pressing problem in the long run and the US cannot keep doing so forever, calling 2024 the year of that final boom, does not seem to fit with the current market situation.

Investors should use stop loss and focus more on the riskiness of their positions at an individual level instead of looking at the portfolio or market as a whole. The fundamentals of the market might feel uncertain, however when the positions are managed in a rational way, it is possible to keep up with the risk.

The post-COVID effects especially due to a lower consumption rate, supply chain issues, energy issues, wars, inflation have already corrected the markets in 2022 and another such sharp correction is unlikely in the overall market.

Things might slow down, investors might want to move to safer sectors like the healthcare, infrastructure, consumables, instead of jumping on the AI and Tech stocks which are mostly in the unclear cluster of this study.

We conclude this study with a question for the readers: Why would any rational investor put their money in a stock from the selling cluster and take higher risk when they can take a much lower risk in the buying cluster and still hope for similar or even better returns?

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