

CHAPTER V :CONCLUSION

5.1 Overview of the Study

This study was conducted to consider impact of market capitalisation towards RSI, since share price generally exhibits their inability to separate nominal price distortions and sentiment-driven adjustments. These causing issues when corporate actions can affect the signals produced by technical analysis tools like RSI. The research introduced a novel RSI variant named RSI_{MC} , which integrates market capitalisation into the RSI calculation to improve signal reliability under such conditions. Through a comparative analysis of RSI_{MC} against Traditional RSI, RSI_M and TN-RSI, using a decade's worth of data from a selection of 20 (highest corporate actions by industry) Malaysian stocks, the study evaluated the performance of each variant under two trading environments: 'With Stop Loss' and 'Without Stop Loss'.

5.2 Contribution of the Study

The research provides several important contributions to the field of technical analysis. Most notably, it introduced and empirically validated RSI_{MC} as an alternative to the RSI indicator. RSI_{MC} corrects recognised flaws in traditional RSI frameworks by using market capitalisation to neutralise noises caused by corporate actions. Empirical findings demonstrated that RSI_{MC} consistently outperformed other variants in terms of performance metrics. This variant adds an important new dimension to the design of technical indicators, one that recognises and accounts for separation for changes in theoretical (nominal) price movements. Additionally, the study expands on existing RSI

literature by offering critical comparative insights into four different RSI variants and their relative effectiveness across different trading conditions.

5.3 Practical Implication of the Study

The findings of this study hold valuable implications for market practitioners, technical traders and portfolio managers. The RSI_{MC} model offers an alternative solution for those operating in markets frequently affected by corporate actions, such as the Malaysian equity market. By reducing false signals and improving trade timing, RSI_{MC} may contribute to enhanced portfolio performance and risk management. Its balanced trade frequency and shorter holding periods make it well suited to traders seeking efficiency without compromising on signal reliability. Moreover, this variant's performance under Stop Loss conditions suggests its utility in structured risk-controlled trading strategies. Overall, RSI_{MC} represents a practical alternative that could support more informed decision-making in event-sensitive market environments.

5.4 Limitations of the Study and Suggestions for Future Research

While the study offers strong empirical insights, it is not without limitations. The analysis was restricted to 20 Malaysian stocks, which may limit the generalisability of the findings to other markets or asset classes. Furthermore, the model assumes a frictionless trading environment with no transaction costs or taxes, which may overstate profitability in real-world applications. The stop loss mechanism used in the study was static and may not reflect the dynamic risk management strategies typically used by active traders. Additionally, while RSI_{MC} performed well in many stocks, its performance was not uniformly superior across the entire dataset and the results did not show strong statistical significance. Lastly, the accessibility for information regarding

market capitalisation is limited and often not included directly in major trading platforms for analysis.

Future research could explore several avenues to build upon this study. First, the RSI_{MC} framework could be applied to larger and more diverse datasets, including global equity markets. Second, the incorporation of adaptive stop loss strategies, such as trailing stops or exit signals from other technical analysis tools, may enhance the robustness of the findings. Researchers could also evaluate the integration of RSI_{MC} into hybrid models that combine RSI with fundamental or other technical analysis tools. Additionally, extending the RSI_{MC} logic to intraday trading strategies or machine learning-based signal filters may yield further improvements in accuracy and performance. Such developments would contribute meaningfully to the evolution of technical analysis as a structurally responsive and context-aware discipline.