



# Brainy's Articles on Technical Analysis

## RSC chart indicator

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### Introduction

When studying a company's share price, it can be beneficial to compare the price performance over time with the performance of a similar company, or with its own industry sector. It can be useful to understand whether the company is under-performing, or over-performing, it's peers in the industry.

This Article in Brainy's series on Technical Analysis (number TA-4510) provides some thoughts on this topic, with reference to the GICS system for defining industry sectors in order to identify industry peers. And it goes on to discuss the RSC (Relative Strength Comparison) technical analysis indicator which can be found in many technical analysis and charting software tools.

Some examples of RSC, with calculations, are shown below as well as more details about the RSC.

A related discussion regarding banks and sectors was published in the ASX Investor Update email newsletter in May 2013<sup>1</sup>, with supporting detail in Brainy's Article **ST-6260**, "**Sectors and the banks**".

### Sectors and industry peers

In this eBook (PDF) article on technical analysis we focus on the performance of two of Australia's big banks, and the XXJ sector index. Now the XXJ is one of the sector indexes that is comprised of a number of stocks in the S&P/ASX 200 index (XJO), and which are themselves classified as financial companies, but excludes the A-REIT stocks (Real Estate Investment Trust).

When looking at the banks and the banking/financials sector, it is important to note a couple of important points. Firstly, stocks are allocated to one of the ten universal GICS sector codes, so all the stocks in any one sector can be readily identified. Secondly, there are three sub-sector indexes that might be relevant to studies of the banking or financial stocks as follows:

- XFJ (S&P/ASX 200 Financials sector index) — Currently includes 36 stocks from the S&P/ASX 200 index (XJO), including 16 REIT stocks.
- XPJ (S&P/ASX 200 A-REIT sub-sector index) — A sub-set of the XFJ, currently comprises 16 REIT stocks from the list of 36 stocks in the XFJ sector index.
- XXJ (S&P/ASX 200 Financials sector index excluding A-REITs) — Another sub-set of the XFJ, but with the REIT stocks excluded. Currently comprises only 20 banking, finance and insurance stocks.

### RSC indicator

The Relative Strength Comparison (RSC) chart indicator (also known as the Comparative Relative Strength — CRS) is a technical analysis (charting) tool which is a way of measuring the share price performance of one company relative to another company, or relative to an index, or in fact any instrument to another. The RSC is plotted on a price chart (either in the price pane, or in a new pane of the price chart), and is simply a line plotted across the chart. It's value can be quite small, or it can be quite large.

It is important to not confuse the RSC with the RSI indicator (Relative Strength Index). These are two different indicators.

If studying one company's share price compared to another (eg. CBA versus NAB), then RSC is calculated by simply dividing one share price by the other share price — for every period across the

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1 See the May 2013 edition here:

[www.asx.com.au/education/investor-update-newsletter/201305-bank-stocks-buy-or-sell.htm](http://www.asx.com.au/education/investor-update-newsletter/201305-bank-stocks-buy-or-sell.htm).

Also see Robert's contributions to the ASX Investor Update here:- [www.robertbrain.com/asx/](http://www.robertbrain.com/asx/)



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