

Stock Price Prediction Using Machine Learning Algorithms

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Stock Price Prediction Using Machine Learning Algorithms

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Abstract. In the dynamic world of finance, predicting stock prices accurately paves the way for profitable investments. Machine learning algorithms, with their ability to learn from data and improve over time, have emerged as a powerful tool in predicting stock prices. This study explores the application of various machine learning algorithms for stock price prediction. The algorithms analyzed include Linear Regression, Polynomial Regression, Decision Trees, K Nearest Neighbors, Recurrent Long Short Term Memory (RLSTM), Long Short Term Memory (LSTM). These algorithms are trained on historical stock data, learning patterns and making predictions about future prices. The performance of each algorithm is evaluated based on its prediction accuracy. The results indicate that machine learning algorithms can provide significant insights for stock price prediction, aiding investors in making informed decisions. However, it's important to remember that while these predictions can be highly accurate, they're not foolproof. The stock market is influenced by a myriad of factors, and even the most sophisticated algorithms can't account for all of them. Therefore, these predictions should be used as one of many tools in an investor's toolbox.

¹⁹
Keywords: stock price prediction, machine learning algorithms, Linear Regression, Polynomial Regression, K Nearest Neighbors, Decision Trees, RLSTM, LSTM, Accuracy, historical stock data

1 Introduction

⁴
In the intricate world of financial markets, stock analysis stands as a beacon, guiding investors through the complexities of trading instruments, investment sectors and markets as a whole. It is a process that seeks to predict future market activities by studying past and current data, thereby enabling investors to make informed buying and selling decisions. The stock market, a key pillar of global economy, provides businesses with the necessary funding for growth and expansion. The concept of stock price analysis hinges on the assumption that market data can be used to determine a stock's intrinsic value. However, accurately estimating stock prices is a challenging task due to volatile nature of the markets, which are influenced by a multitude of factors including political events, economic indicators and company performance.

In high stakes arena of stock market investments, the ability to accurately predict the performance of individual stocks is of paramount importance to investors. This is particularly true for companies like Tesla inc., a pioneer in electric vehicle and clean energy industry. The application of analytical techniques is crucial given Tesla's innovative endeavors and the inherent volatility of the stock market.

⁴
Machine Learning techniques can use historical price and volume of data to identify patterns and trends that may indicate future price movements. By interpreting these signals, investors can identify potential entry and exit points in Tesla's stock. This

approach humanizes the complex process of stock analysis , making it more accessible and understandable for the investors.

2 Related Work

Srinath Ravikumar and Prasad Saraf (2020) have hypothesized and drawn a comparison among various different algorithms such as Support Vector Machines, Random Forest Classification among others on the basis of their accuracy and execution time. They have worked on their paper by an implementation through Spyder. Lastly, they have made a Confusion Matrix to further assert the performance of the methods they have used in their paper.

¹¹ Saleh Alhazbi, Ahmed Ben Said, Alanoud Al-Maadid (2020) have used ¹¹convolutional neural networks (CNN) to predict stocks direction in Qatar Stock Exchange ¹⁷ as a case of emerging rates. They have included historic data along with S&P index, Nikkei index and oil prices as features which increased the accuracy of their model by 10%.

⁵ Nagaraj Naik, Biju R. Mohan (2021) have proposed a stock crisis ⁵prediction model based on Hybrid Feature Selection (HFS) technique, Naïve Bayes, Relative Strength Index (RSI) method to find a bubble in the stock price, moving average statistics to identify crisis point in stock prices, Extreme Gradient Boosting (XGBoost) and ²⁶Deep Neural Network (DNN) regression method. They evaluated the performances based on MSE, MAE and RMSE

¹⁰ .Louis Owen, Finny Oktariani (2020) have investigated the potential of exploiting sentiment scores extracted from microblog text data along with historical stock data to improve stock market prediction performance ¹⁰ using ensemble-based models that use LSTM, MLP and CNN. They proposed a Stock Ensemble-based Neural Network (SENN) and evaluated their models based on Adjusted MAPE metric.

⁷ ⁷na Susan Jacob, Sankha Patra, Kapinesh G, Thanikaiselvan V (2020) have developed a dashboard for monitoring stock prices in real time and an LSTM model to forecast stock prices and have compared its performance with some machine learning algorithms.

²⁷ Shweta Agarwal, Utkarsh Goel, Shailendra Kumar (2021) have attempted to ¹³investigate the impact of information diffused through the news media on the stock markets of an emerging economy, with evidence from India.

3 Dataset

We are using a dataset of Tesla to predict the stock prices. The original ¹⁸dataset contains Date, Open, High, Low ,Close, Adj Close, Volume as the attributes but here 'date' , 'volume', 'closing price' of the stock is used for feature extraction.

4 Methodologies

The functioning of the system is mentioned below:

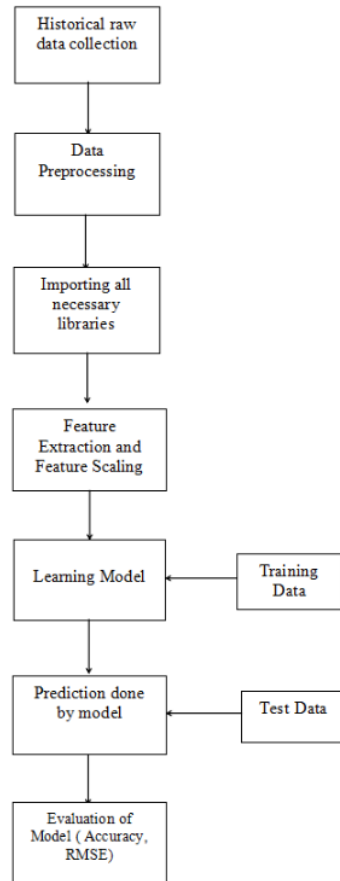


Fig 1: Flowchart of application

1. The raw data used is from Tesla.
2. The attributes used for feature extraction are 'date', 'volume', 'closing price' of a stock.
3. The dataset is split into training and test dataset.
4. The training dataset is used for model training and the test dataset is used for prediction.
5. The values of the test data are predicted and the results are evaluated. The result is given on the basis of Accuracy and Training Time

The model used in the dataset are:

1. Simple Linear Regression
2. Decision Tree Classification
3. KNN(K-Nearest Neighbour) Classifier
4. RLST(Recurrent Long Short Term Memory)
5. LSTM(Long Short Term Memory)

The models' performance are evaluated based on two measures:

1. Accuracy: Accuracy is one of the most widely used performance measures¹⁶ Machine Learning. This method is extremely straightforward and quantifies the number of correct pre²³dictions made out of the total number of predictions made. In other words, accuracy is a metric that measures how often a model's predictions are correct.

¹⁵
It is given mathematically as,

$$\text{Accuracy} = (TP+TN)/(TP+TN+FP+FN)$$

Where,

TP stands for **true positive** and is the number of times⁸ the model correctly predicts the outcome to be positive.

⁶
TN stands for **true negative** and is the number of times the model correctly predicts the outcome to be negative.

⁶
FP stands for **false positive** and is the number of times the model incorrectly predicts the outcome to be positive.

⁶
FN stands for **false negative** and is the number of times the model incorrectly predicts the outcome to be negative.⁸

⁹
The higher the accuracy, the better is the model's performance.

2. Training Time: Training time is⁸ the time taken by the model to learn the optimum weights and bias for the given data based on the training examples supplied.

The lower the training time, the better is the model's performance.

5. Results and Discussions

¹ 1. Simple Linear Regression



fig 2. Simple Linear Regression

2. Decision Tree Classifier



fig 3. Decision tree Classifier

3. KNN Classifier

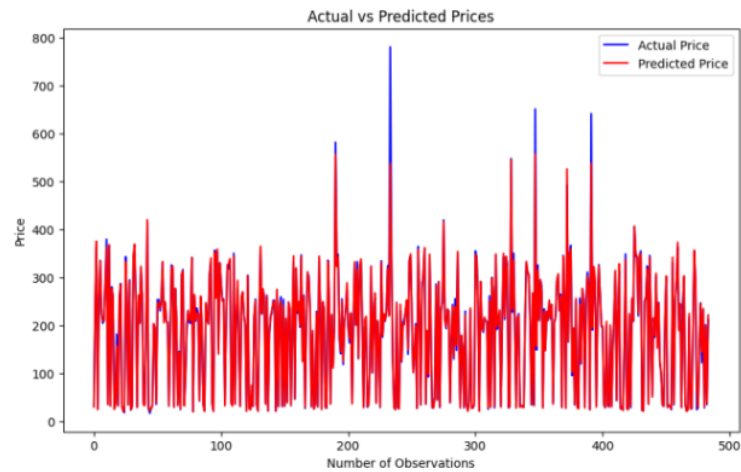


fig 4. KNN Classifier

4. RLSTM



fig 5. RLSTM

5. LSTM

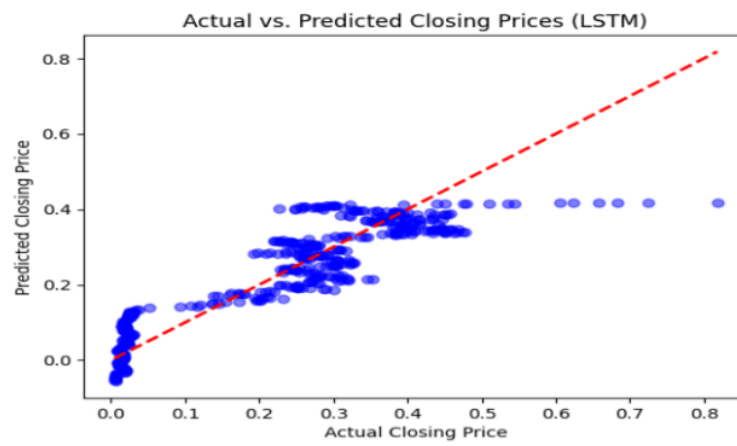


fig 6. LSTM

TABLE 1: Result Analysis of the Models

<i>Model</i>	<i>Accuracy</i> <i>(within 5% threshold)</i>	<i>Training Time</i>
Linear Regression	0.10	0.00261735916137695
Decision Tree	0.7128099173553719	0.07370185852050781
KNN Classifier	0.8429752066115702	0.00825238227844238
RLSTM	135.78067885117494	220.4039716720581
LSTM	95.80165289256199	15.52771544456482

6. ¹ CONCLUSION

¹ The dataset obtained from Tesla Inc was efficiently preprocessed . The Training time and accuracies of the various machine learning models were compared and analyzed .

The RLSTM model gave the maximum accuracy .

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