

Executive Summary

The Convolutional Neural Network for pair trading curves code can help identify the acceptable pairs for trading from the ones that are to be rejected, like pairs that are highly volatile and unpredictable.

The method of training the model includes visually inspecting curves and building training and testing folders both containing good and bad pair trading curve folders. The model is trained with the training data and tested with the testing data.

The results are found to be very promising achieving around a 90% precision in classifying good trading curves.

The work is mainly pursued to alleviate some of the workload done by investors identifying good equity curves from bad ones by visually examining all pairs. The latter is a tedious process that could be avoided by applying the convolutional neural network algorithm to classify good ones from bad ones and place them in their respective folders.

Beyond this step, the investor can simply visually observe the ones classified in the good pair trading curve folder, thus, saving time to be allocated to more efficient pursuits.

Competitive Advantage

Simply, the code can be a good addition to the pairs trading program already developed with no downside.

The work can be added by the end of the previously written code.. After generating all the pairs, the algorithm will classify them into their respective folders with no disadvantage or alteration to the previous work.