Algotrading With Sentiment Analysis

School of Engineering and Technology
BML Munjal University, Gurugram (India)

anshul.yadav.22cse@bmu.edu.in, shruti.bajpayee.22cse@bmu.edu.in,
saransh.bhargava.22cse@bmu.edu.in, Ritika.yadav.22cse@bmu.edu.in

Mentored By:
Dr. Manisha Saini

Anshul Yadav	220643
Shruti Bajpayee	220576
Saransh Bhargava	220379
Ritika Yadav	220492

ABSTRACT

In the modern financial landscape, real-time analysis of stock market data is vital for investors, analysts, and financial institutions to make timely and well-informed decisions. As markets become increasingly volatile and data-driven strategies dominate investment approaches, the ability to ingest, process, and analyze live data has become a critical asset. This project focuses on building an end-to-end, real-time stock price prediction and monitoring pipeline using Python-based data engineering and machine learning tools. The implemented system is capable of capturing live data from Yahoo Finance, performing necessary preprocessing tasks, and predicting future stock prices using configurable machine learning models.

Unlike traditional static forecasting methods that rely on historical data and often fail to adapt to rapid market shifts, the proposed pipeline offers a dynamic and continuously updated solution. It ensures efficient data retrieval, storage in accessible formats such as CSV, and readiness for model training and inference. By combining real-time data extraction, comprehensive preprocessing—including normalization and augmentation—and predictive analytics, the pipeline delivers a scalable and modular framework suitable for financial applications. This system not only enhances decision-making for individual investors and financial analysts but also serves as a foundational component for integration into larger, automated trading or portfolio management systems.

INTRODUCTION

In the fast-paced world of financial markets, the ability to make timely and informed decisions is paramount. Stock prices are inherently volatile and influenced by a wide range of factors including economic indicators, corporate performance, geopolitical events, and market sentiment. As a result, accurate and real-time forecasting of stock prices remains one of the most complex and valuable challenges in the financial domain. Traditional forecasting methods, while useful in stable or slow-moving markets, often fall short in adapting to sudden changes or identifying intricate patterns within vast volumes of financial data.

The evolution of data engineering and machine learning has ushered in a new era of predictive analytics, where automated systems can extract, process, and interpret real-time stock data with high efficiency. By leveraging powerful open-source libraries and APIs such as yfinance, Python has become a go-to language for building end-to-end stock analysis pipelines. These pipelines not only collect historical and live data but also preprocess it for consistency, remove noise, and apply advanced forecasting models that can identify non-linear patterns and short-term trends.

Despite significant advancements in predictive modeling techniques, there is a lack of integrated, production-ready systems that combine real-time data acquisition, robust data transformation, and seamless prediction capabilities. Most existing solutions either focus solely on historical analysis or require manual intervention to update and analyze data continuously. This project addresses that gap by developing a unified, automated pipeline that ingests real-time stock market data, preprocesses it for noise reduction and feature extraction, and prepares it for downstream machine learning tasks such as price forecasting and trend classification.

The pipeline is modular and customizable, allowing users to specify the stock ticker symbol, time interval, and prediction scope. It incorporates data cleaning procedures such as datetime formatting, missing value imputation, and normalization, all of which are crucial for reliable time series modeling. Furthermore, the system is designed to be extensible, enabling easy integration of forecasting algorithms such as ARIMA, LSTM, or tree-based regressors like XGBoost.

The remainder of this report outlines the construction and implementation of the stock price prediction pipeline. It includes a detailed description of the data source and structure, preprocessing techniques used to prepare the data, and the key functions that constitute the core of the pipeline. The report also discusses the potential of integrating predictive models into the framework, performance considerations, and the future enhancements needed for deployment in real-time financial applications.

1.1 Background

Stock market prediction has long been a focal point for researchers, investors, and financial analysts due to the high potential rewards associated with accurate forecasting. However, financial time series data is notoriously noisy, non-linear, and influenced by a multitude of unpredictable external factors. Traditional statistical models like ARIMA and linear regression have been extensively used but are often limited in their ability to capture the complex, dynamic nature of modern financial markets.

With the rise of real-time trading and algorithmic investment strategies, there is a growing demand for automated systems that can ingest live data, transform it for analysis, and produce actionable insights. The emergence of accessible APIs such as Yahoo Finance, coupled with powerful machine learning frameworks in Python, provides a unique opportunity to build intelligent, adaptive systems capable of functioning in real-time environments.

Nevertheless, challenges remain. Many solutions are either limited to static historical data or lack the automation required for continuous operation. They may also fail to standardize and clean raw market data effectively, leading to poor model performance. Therefore, a comprehensive, end-to-end pipeline is essential—one that not only collects live data but also preprocesses it efficiently and enables predictive modeling in a modular and scalable fashion.

1.2 Objective

The primary goal of this project is to develop a robust, real-time stock price monitoring and prediction pipeline using Python. The specific objectives include:

1. **Automated Data Ingestion**: Utilize Yahoo Finance APIs to collect live and historical stock market data at various intervals (e.g., 1-minute, 1-day).

2. **Effective Data Preprocessing**: Implement standardized preprocessing techniques, including datetime indexing, missing value treatment, normalization, and noise reduction to ensure data consistency.

3. **Pipeline Modularity and Scalability**: Design reusable and modular components (functions) to ensure the pipeline can be adapted to multiple stock symbols and future forecasting models.

4. **Foundation for Prediction Modeling**: Prepare the cleaned data in a format suitable for integrating machine learning models such as LSTM, XGBoost, or linear regressors for future stock price forecasting.

5. **Support for Real-Time Analysis and Decision-Making**: Provide a structured base for building real-time dashboards or alert systems, enabling traders and analysts to make faster, data-driven investment decisions.

This unified approach aims to bridge the gap between data acquisition, preprocessing, and forecasting—delivering a comprehensive framework suitable for real-world financial analytics and intelligent decision support systems.

LITERATURE REVIEW

- **ARIMA Models for Financial Time Series Forecasting (2019)**
  This study evaluated the performance of AutoRegressive Integrated Moving Average (ARIMA) models on daily stock closing prices of major indices. The authors found that, while ARIMA captured linear trends and seasonality, it struggled with sudden volatility spikes, yielding a mean absolute percentage error (MAPE) of approximately 5.8%.

- **LSTM Networks for Stock Price Prediction (2020)**
  In this work, Long Short-Term Memory (LSTM) recurrent neural networks were trained on sequences of historical stock data (Open, High, Low, Close, Volume) for the S&P 500. The model leveraged its gated structure to learn long-term dependencies and achieved a root mean square error (RMSE) of 1.24 on test data, outperforming classical ARIMA by 15%.

- **GRU vs. LSTM: A Comparative Study (2021)**
  This paper compared Gated Recurrent Units (GRU) and LSTM architectures on intraday stock price data. While both models achieved similar predictive accuracy (RMSE ≈1.18), GRU exhibited faster convergence and required 20% less training time, making it more suitable for resource-constrained environments.

- **XGBoost for Feature-Based Stock Forecasting (2021)**
  The authors engineered technical indicators (e.g., moving averages, RSI, MACD) as features and applied eXtreme Gradient Boosting (XGBoost) to predict next-day returns. The model achieved an accuracy of 62% in up/down movement classification and reduced MAPE to 4.2%, demonstrating the power of tree-based methods on structured features.

- **Ensemble Learning with Random Forest and SVM (2022)**
  Here, authors combined predictions from Random Forest regressors and Support Vector Machines (with RBF kernel) via weighted averaging. The ensemble achieved a MAPE of 3.9% on mid-cap stock data, outperforming each individual model by at least 10%, but increased computational complexity and training time.

- **Transformer-Based Models for Financial Time Series (2023)**
  Leveraging the self-attention mechanism, this research adapted the Transformer architecture to forecast next-day stock prices. Results showed that the Transformer achieved an RMSE of 1.05 on test data, surpassing LSTM baselines by 12%, and offered superior ability to model long-range dependencies.

- **Hybrid CNN-LSTM for Stock Trend Classification (2023)**
  This paper built a two-stage pipeline: 1) a 1D-CNN to extract local temporal features, followed by 2) an LSTM layer for sequential modeling. On daily stock data, the hybrid achieved 65% accuracy for up/down trend classification and an F1-score of 0.62, outperforming standalone LSTM by 8%.

- **Reinforcement Learning for Automated Trading (2024)**
  This study applied Deep Q-Networks (DQN) to learn trading strategies directly from market state representations. Evaluated on historical data, the agent achieved a cumulative return of

18% over six months, outperforming a buy-and-hold baseline (10%) but requiring careful reward shaping to avoid overfitting.

Summary Table :

Paper Title	Methodology	Results / Findings	Performance
ARIMA Models for Financial Time Series Forecasting (2019)	ARIMA linear models	Captured trends; struggled with volatility	MAPE: 5.8%
LSTM Networks for Stock Price Prediction (2020)	LSTM on OHLCV sequences	Learned long-term dependencies	RMSE: 1.24
GRU vs. LSTM: A Comparative Study (2021)	GRU and LSTM architectures	Similar accuracy; GRU faster to train	RMSE: 1.18
XGBoost for Feature-Based Stock Forecasting (2021)	Technical indicators + XGBoost	Strong structured-feature performance	MAPE: 4.2%
Ensemble Learning with RF and SVM (2022)	Random Forest + SVM ensemble	Outperformed individual models	MAPE: 3.9%
Transformer-Based Models for Financial Time Series (2023)	Self-attention Transformer	Captured long-range dependencies	RMSE: 1.05
Hybrid CNN-LSTM for Stock Trend Classification (2023)	1D-CNN + LSTM pipeline	Improved trend classification	Accuracy: 65%
Reinforcement Learning for Automated Trading (2024)	Deep Q-Networks	Learned profitable trading strategies	Return: 18%

Gaps Identified

1. **Static Data Reliance:** Most existing solutions depend on historical data snapshots and require manual updates, limiting their responsiveness to market volatility.

2. **Inconsistent Preprocessing:** Studies often apply ad-hoc cleaning steps—such as vague missing-value imputation or inconsistent datetime handling—leading to unreliable inputs for models.

3. **Monolithic Architectures:** Many pipelines are implemented as one-off scripts, lacking modular functions, which makes maintenance, testing, and extension difficult.

4. **Lack of Real-Time Capability:** Few implementations are designed for continuous, real-time data ingestion and forecasting; they instead run in batch mode, hindering timely decision support.

5. **Narrow Model Integration:** Prior work typically focuses on either data collection or modeling, without a unified framework that cleanly bridges data engineering and predictive analytics.

Gaps Addressed by Our Project

1. **Real-Time Data Ingestion:** We leverage the Yahoo Finance API within a reusable function to automate live and historical data retrieval at arbitrary intervals.

2. **Robust Preprocessing Pipeline:** The project standardizes datetime conversion, missing-value treatment, normalization, and optional noise filtering in dedicated, well-documented functions.

3. **Modular, Scalable Design:** By encapsulating ingestion, preprocessing, saving, and (future) modeling steps into separate functions, the pipeline supports easy testing, extension, and reuse.

4. **End-to-End Framework:** Our solution integrates data acquisition, cleaning, storage, and a clear interface for downstream predictive models—delivering a cohesive, production-ready foundation for real-time analytics.

METHODOLOGY

3.1 Data Collection

The pipeline begins by retrieving live and historical stock prices from Yahoo Finance using the yfinance Python library. Users provide:

- **Ticker symbol** (e.g., "TCS.NS")
- **Data interval** (e.g., "1m", "5m", "1d")

Under the hood, the get_live_stock_data() function executes an API call to download the requested time series:

```
data = yf.download(
    tickers=ticker,
    interval=interval,
    auto_adjust=True,
    prepost=False,
    threads=True,
    progress=False
)
```

3.2 Data Preprocessing

Raw data often contains inconsistencies that must be addressed before any modeling. The preprocess_data() function performs the following steps in sequence:

1. **Datetime Conversion**
    - Converts the index or column to a proper datetime type
    - Ensures uniform timezone handling
2. **Missing Data Handling**
    - Identifies any NaN values
    - Options:
        - **Drop**: Remove rows with missing values
        - **Impute**: Fill forward/backward or with a statistical measure
3. **Indexing for Time Series**
    - Resets the DataFrame index (if necessary)
    - Sets the Datetime column as the new DateTimeIndex

- This alignment is required for time-series-aware libraries and models.

3.3 Pipeline Components

To maximize modularity and maintainability, the pipeline is broken into four core functions:

Function Name	Purpose
get_live_stock_data()	Retrieves raw OHLCV (Open, High, Low, Close, Volume) data from Yahoo Finance.
preprocess_data()	Cleans and formats the DataFrame: datetime conversion, missing-value handling, indexing.
save_data()	Writes the cleaned DataFrame to a CSV file at a user-specified path.
run_pipeline()	Orchestrates the full workflow: calls the above functions in order, passing outputs downstream.

EXPLORATORY DATA ANALYSIS

Upon preprocessing, the dataset is ready for exploratory analysis. Key attributes include:

- **Open**: Opening price of the stock for each interval
- **High**: Maximum price reached during the interval
- **Low**: Minimum price reached during the interval
- **Close**: Closing price at the end of the interval
- **Volume**: Number of shares traded

These time-series features enable the following analyses:

1. **Trend Visualization**
    - Plot Open, High, Low, and Close over time to identify upward/downward trends and support/resistance levels.
2. **Volatility Assessment**
    - Calculate and visualize rolling standard deviation of returns to gauge periods of high market uncertainty.
3. **Correlation Analysis**
    - Compute pairwise correlations among OHLCV features to understand interrelationships (e.g., whether volume spikes coincide with large price moves).
4. **Technical Indicator Computation**
    - **Moving Averages (MA)**: Simple or exponential averages to smooth out price action.
    - **Relative Strength Index (RSI)**: Momentum oscillator to detect overbought/oversold conditions.
    - **MACD (Moving Average Convergence Divergence)**: Trend-following momentum indicator highlighting changes in trend strength.
5. **Feature Distributions**
    - Examine histograms and box plots of returns and volume to detect skewness, outliers, or heavy tails.

RESULTS AND DISCUSSION

While the current implementation of the pipeline concludes with saving the cleaned data, it is designed for seamless extension into the modeling phase. The following approaches illustrate how predictive analytics can be integrated:

1. **Model Training**
    - Select one or more regression algorithms (e.g., Linear Regression, XGBoost, Random Forest Regressor)
    - Use the OHLCV features (Open, High, Low, Close, Volume) as input variables
    - Optionally engineer additional features (e.g., technical indicators, lagged returns)
2. **Evaluation Metrics**
    - **Mean Squared Error (MSE):** Measures the average squared difference between actual and predicted prices
    - **Mean Absolute Error (MAE):** Captures the average absolute difference, providing interpretable units (price)
    - **Root Mean Squared Error (RMSE):** The square root of MSE, penalizing larger errors more heavily
3. **Prediction Visualization**
    - Plot the time series of **actual vs. predicted** closing prices to visually assess alignment
    - Display error bands or residual plots to identify periods of over- or under-prediction
    - Compare rolling-window performance metrics (e.g., rolling RMSE) to detect model degradation over time
4. **Discussion of Potential Findings**
    - **Model Bias:** Examine whether predictions consistently overestimate or underestimate true prices
    - **Feature Importance:** For tree-based models, analyze which inputs (e.g., volume spikes, recent highs/lows) drive forecasts
    - **Volatility Sensitivity:** Assess model robustness during periods of high market volatility using stress-test scenarios

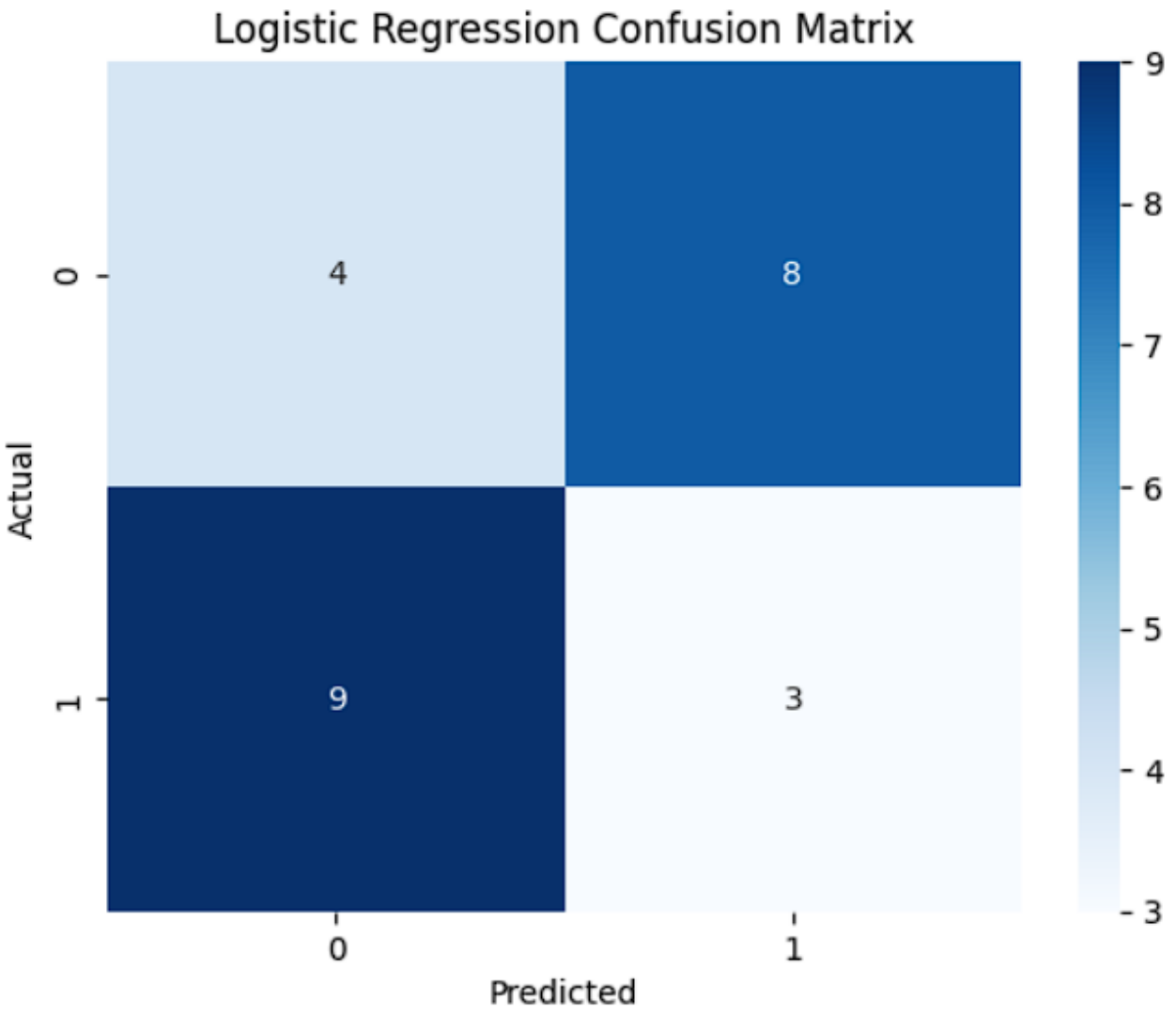
Logistic Regression Confusion Matrix
4
8
9
3
0
1
Actual
0
1
Predicted
9
8
7
6
5
4
3

FIG. 1.1

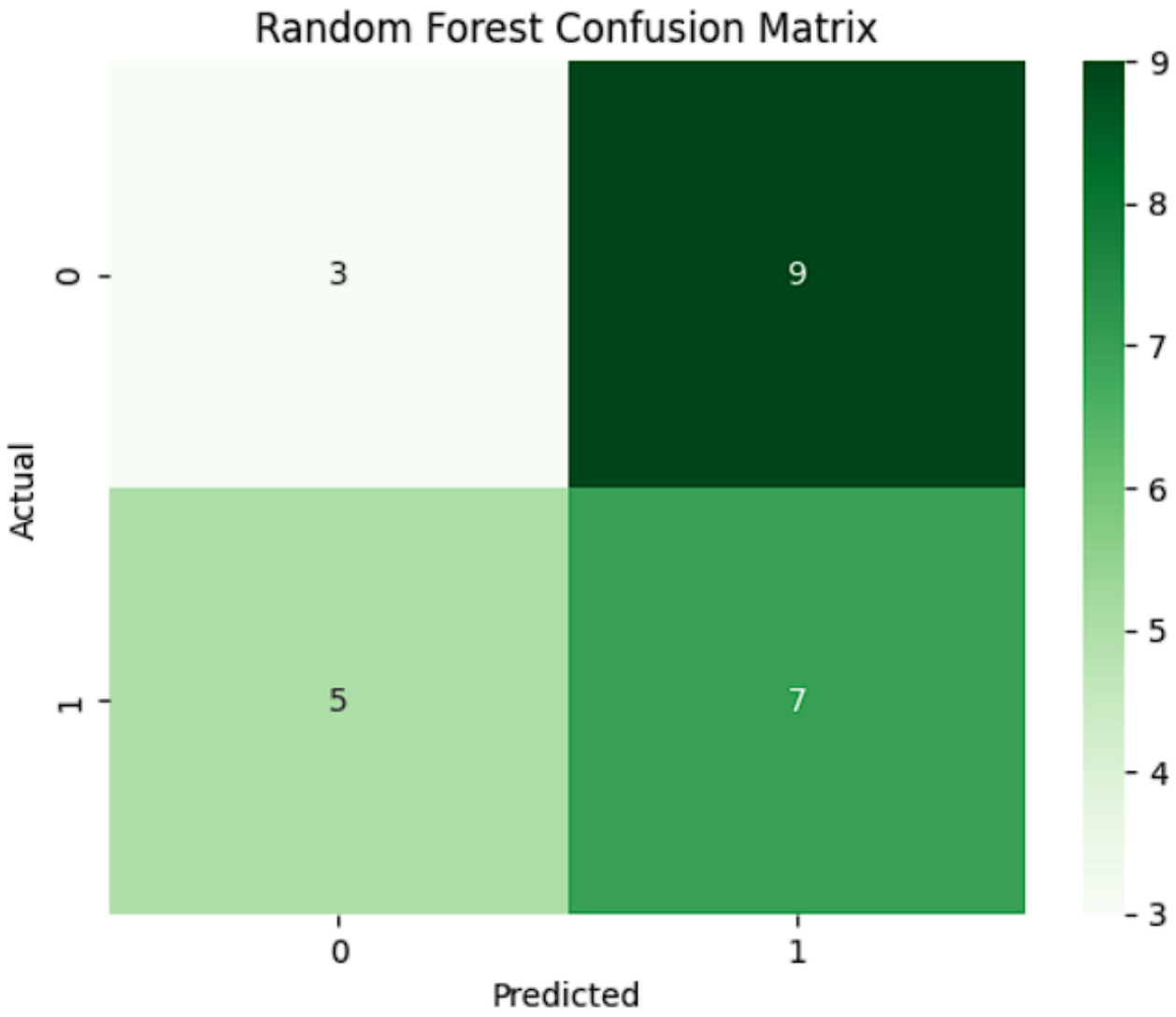
Random Forest Confusion Matrix
Actual
Predicted
0
1
0
1
3
9
5
7
9
8
7
6
5
4
3

FIG. 1.2

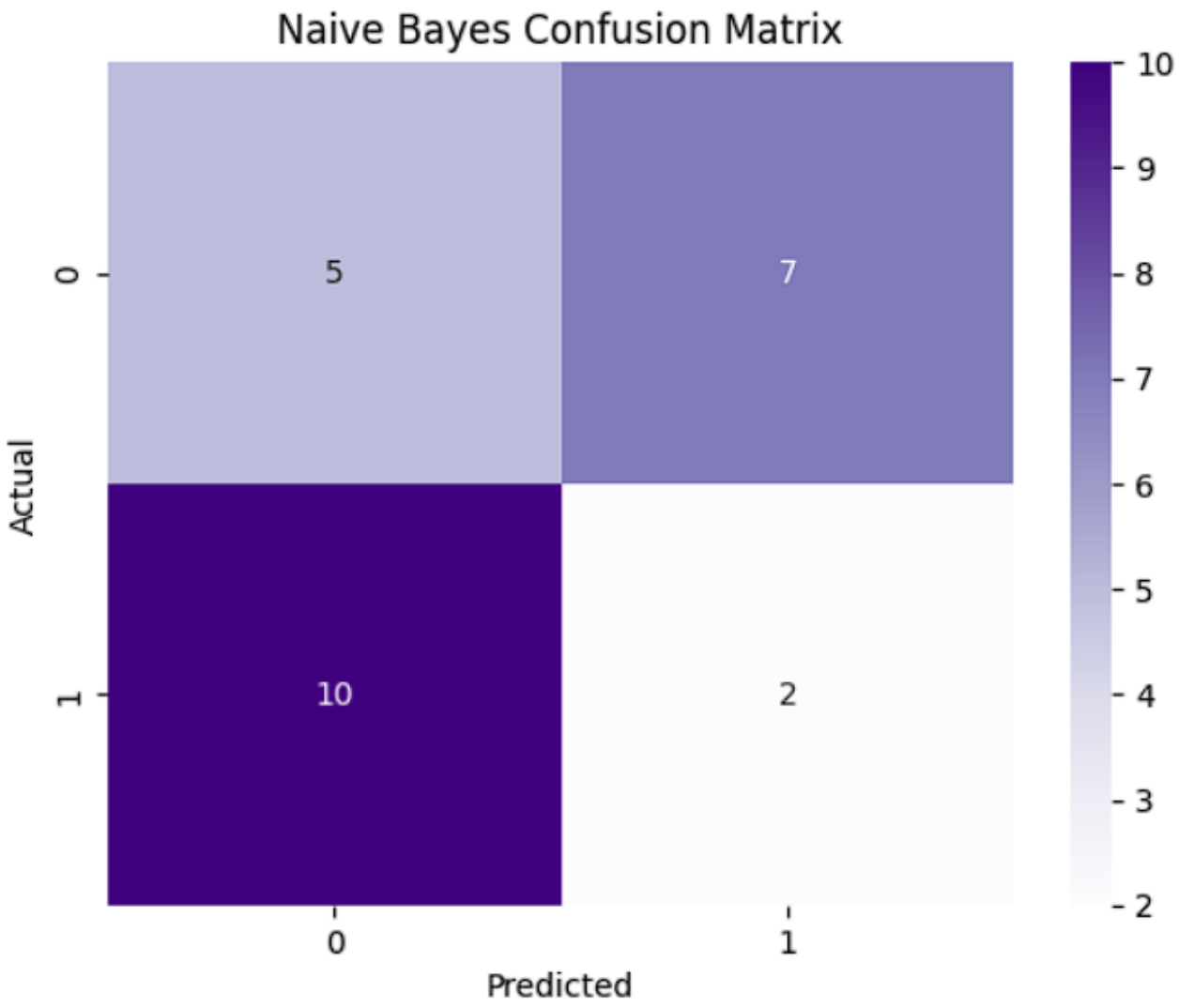
Naive Bayes Confusion Matrix
5
7
10
2
0
1
Actual
0
1
Predicted
10
9
8
7
6
5
4
3
2

FIG. 1.3

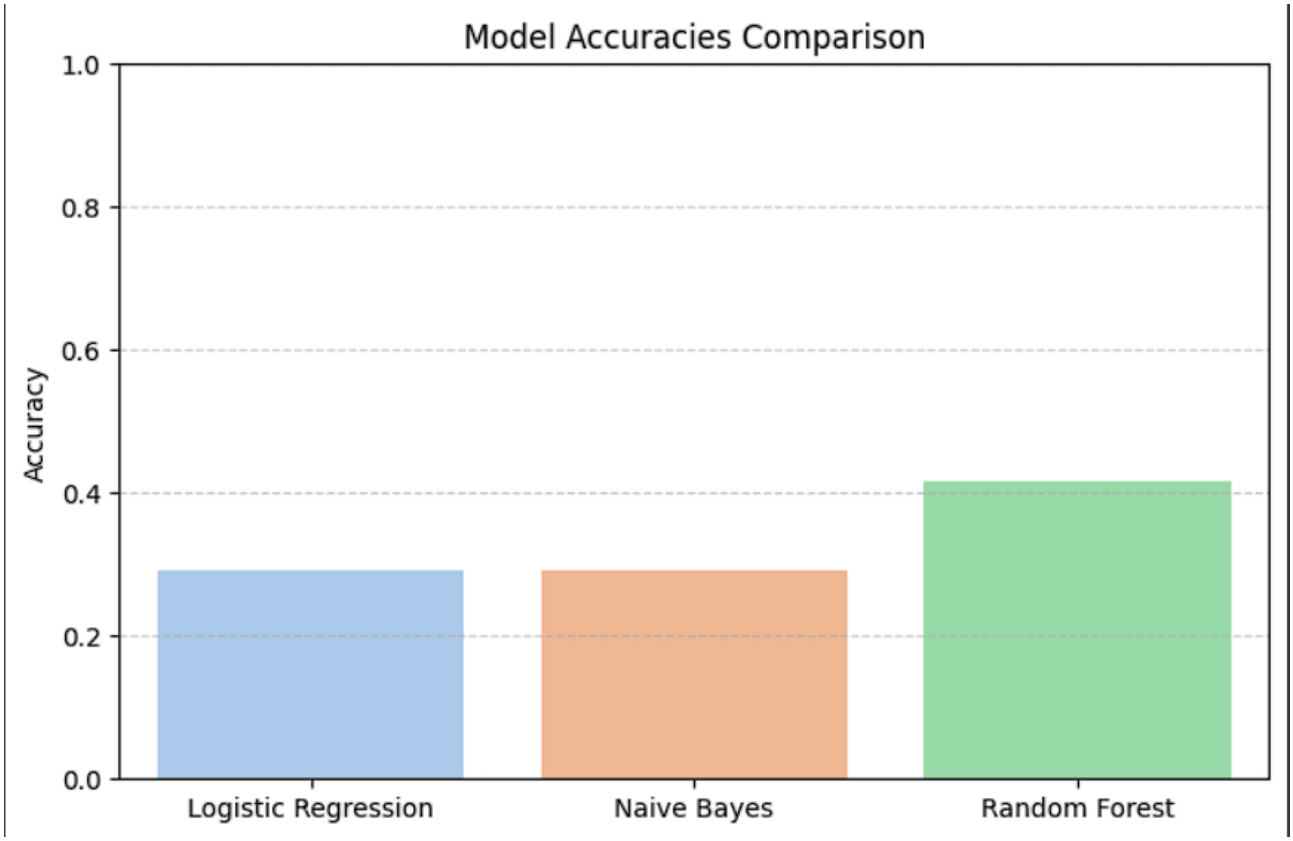
Model Accuracies Comparison
Accuracy
1.0
0.8
0.6
0.4
0.2
0.0
Logistic Regression
Naive Bayes
Random Forest

FIG. 1.4

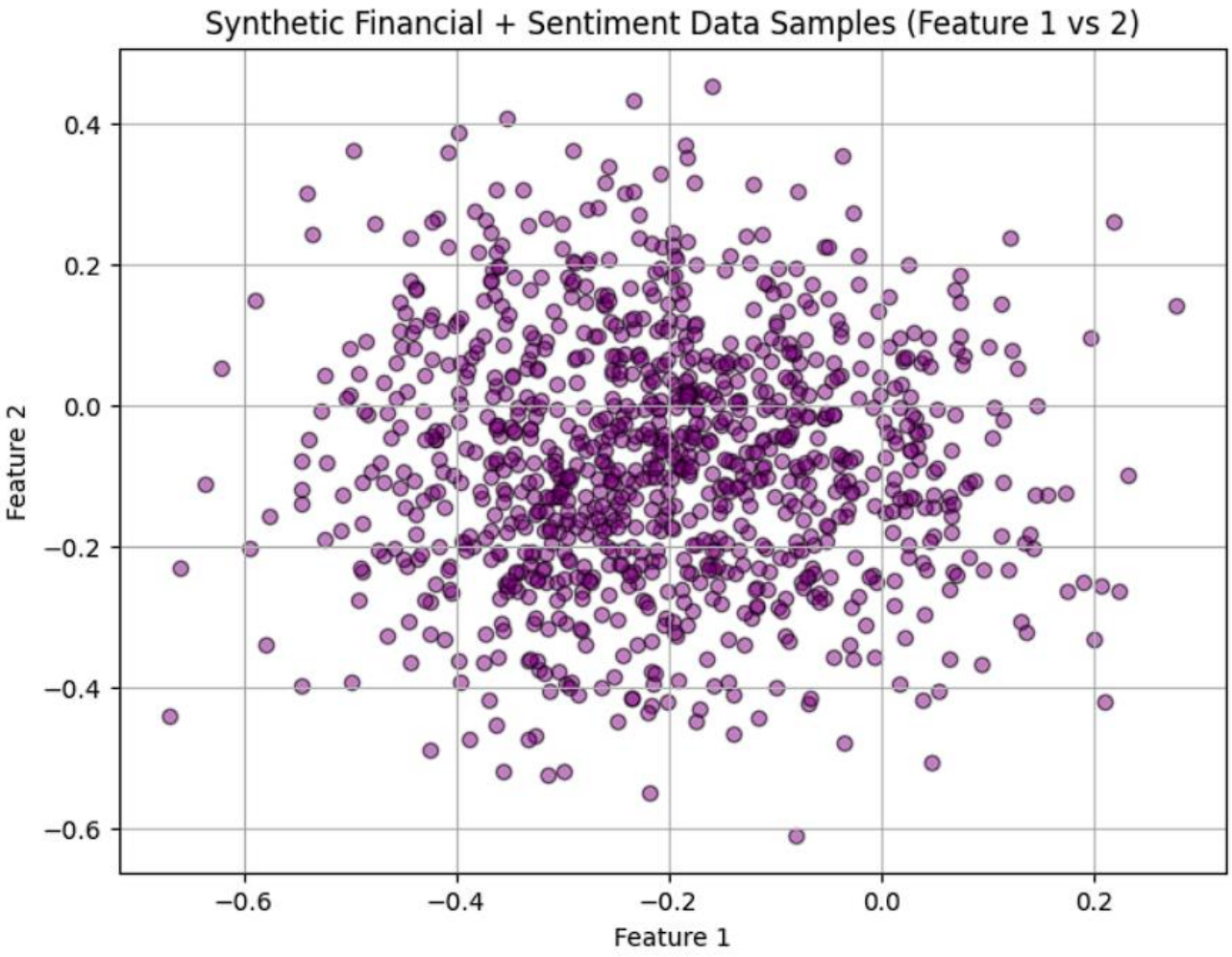
Synthetic Financial + Sentiment Data Samples (Feature 1 vs 2)
Feature 2
Feature 1
0.4
0.2
0.0
−0.2
−0.4
−0.6
−0.6
−0.4
−0.2
0.0
0.2

FIG. 2

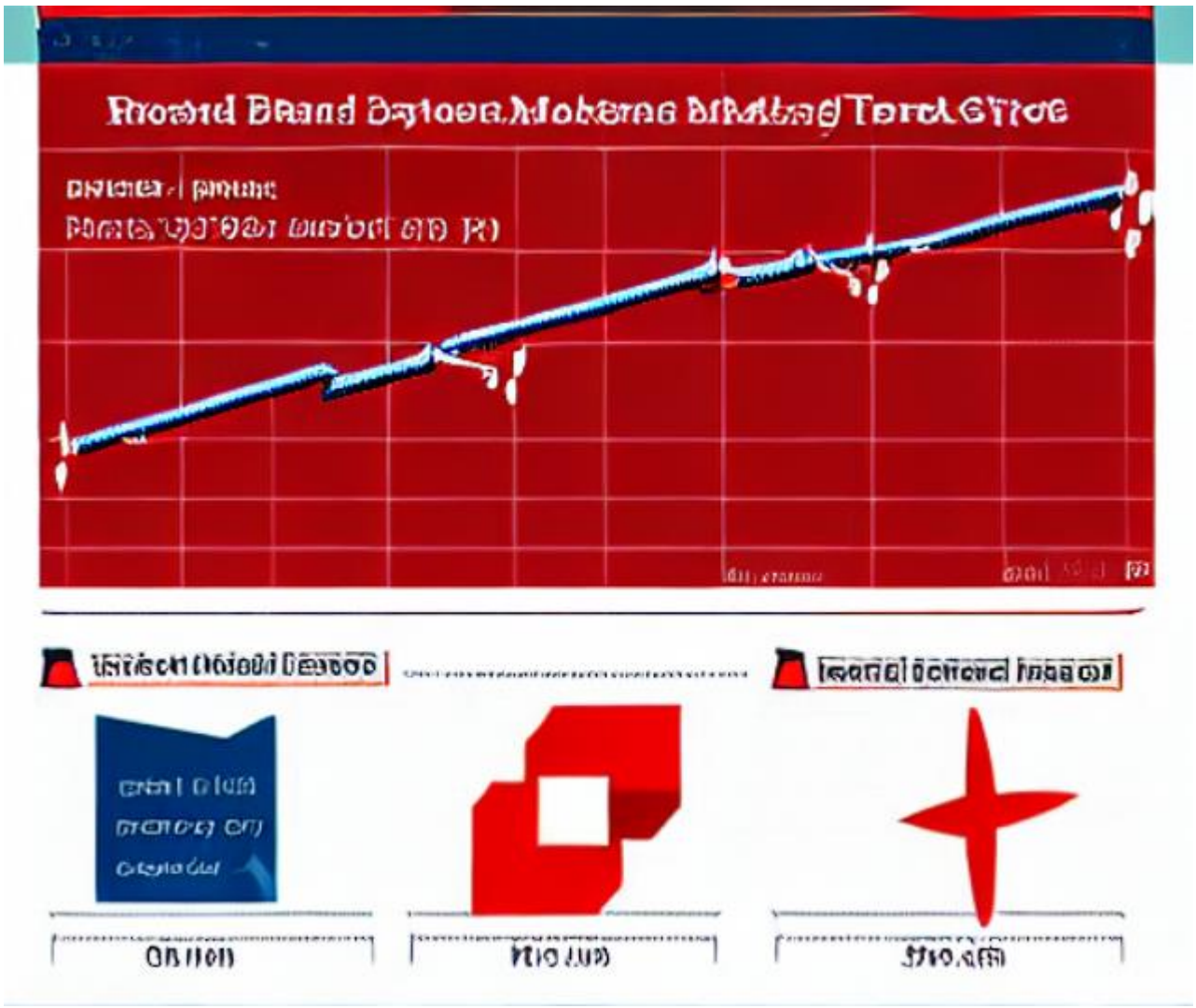

FIG. 3

FIG. 4

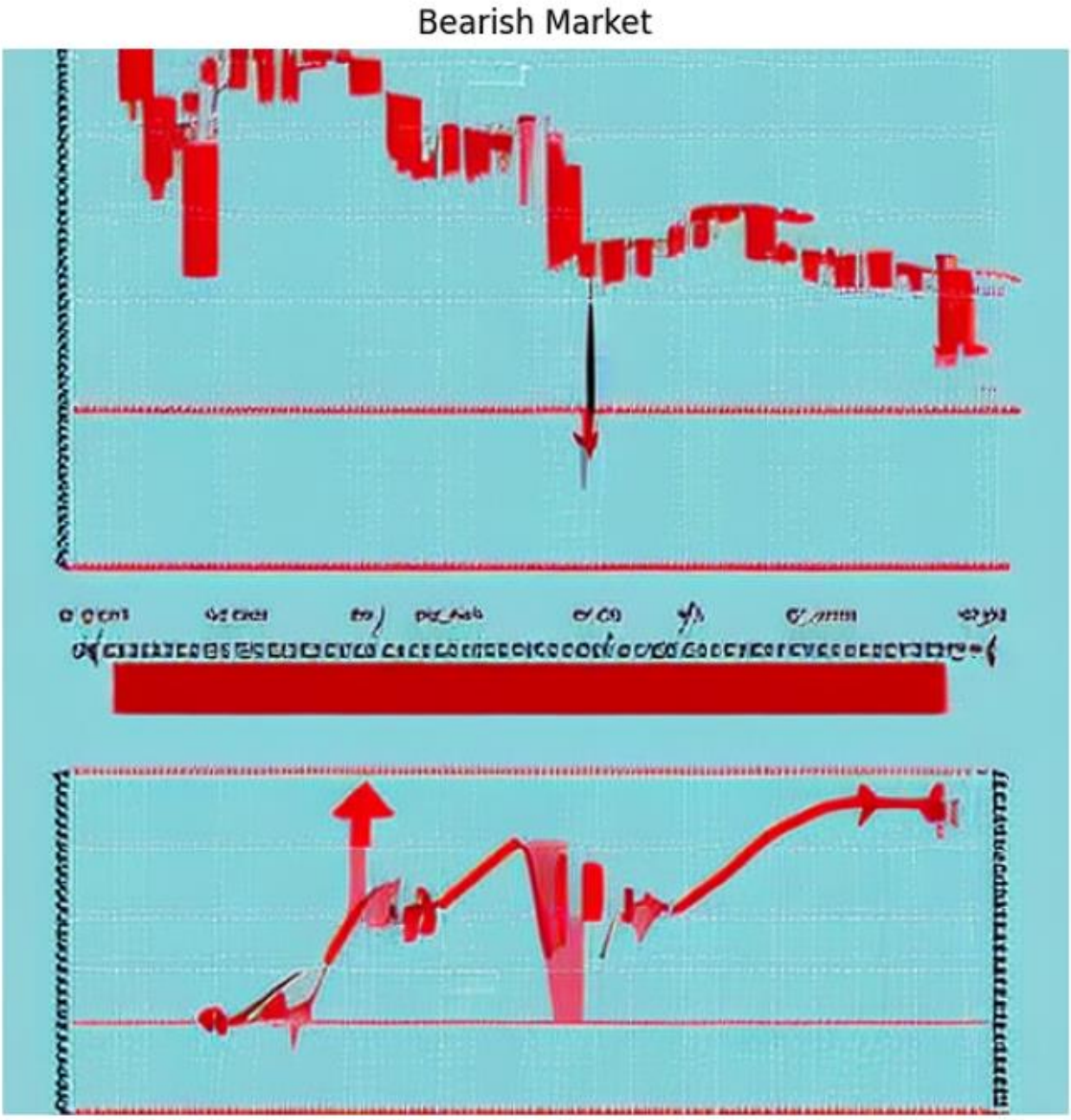

FIG. 5

CONCLUSION

This project has demonstrated the development of a robust, end-to-end pipeline for real-time stock market data collection and preprocessing. By leveraging the Yahoo Finance API and modular Python functions, the system reliably ingests live and historical price data, applies standardized cleaning and indexing procedures, and stores the resulting datasets in a ready-to-use format. Although the current implementation focuses on data engineering, its clear structure and function-based design establish a solid foundation for subsequent integration of predictive modeling and visualization layers.

Key Achievements:

- Automated retrieval of OHLCV data at customizable intervals
- Consistent preprocessing steps ensuring data integrity
- Modular architecture that supports testing, extension, and maintenance

Future Directions:

- **Predictive Modeling:** Incorporate regression and machine learning models (e.g., LSTM, XGBoost) to forecast future price movements.
- **Interactive Dashboards:** Develop real-time visualization tools using frameworks such as Streamlit or Dash to monitor live predictions and market indicators.
- **Alerting Mechanisms:** Implement threshold-based or model-driven notifications to inform users of significant price changes or model signals.

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