Project Initiation Document

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# Introduction

Cryptocurrencies such as Bitcoin are a store of monetary value with a volatile price. Purchasing them can result in huge profits or losses of fiat value depending on whether you act at the right time or not. Due to the basic needs of a human being – the need for rest, nourishment, etc. – it is impossible for a single investor to monitor the market all of the time, but with cryptocurrency exchanges never closing, there is a need to do so. It is also possible for a human to apply bias to the decision itself when the need to act arises – favouring currencies that they like the name of, have earned them profitable positions in previous experiences etc. A good night’s sleep coupled with a poor decision can very quickly turn a profitable portfolio into an unsuccessful one.

# Business Case

## Business Need

Currently investors are required to spend a considerable amount of time researching technology behind a particular currency to decide whether to invest or not, potentially missing the optimal opportunity to purchase and therefore missing out on potential profits. Coin prices often spike up and down following news articles, endorsements and criticisms from celebrities, and various other factors including investors simply following the market because they are worried about the value of their portfolio as one currency reduces in value, so they switch to a currency that is holding or likely to increase in value. It is impossible for an individual to follow all potential reasons for price changes simultaneously and calculate their combined influence on the price at any given time, let alone to operate 24/7. It is also possible to ignore such signs due to an affiliation with a particular currency based on past performance.

## Business Objectives

Develop a system that allows for automated trading in a way that:

1. Removes the need for user interaction once the system has been initialised.
2. Allows the user to automatically cash out profits or the initial investment once a target has been reached to prevent loss.
3. Improves trading efficiency by:
   1. Reacting to the market rather than allowing human biases to interfere.
   2. Operating whenever the application is active.
   3. Ensuring no human error causes miscalculations.

# Project Objectives

1. To implement a system that collects data from the GDAX API endpoint and calculates price changes.
2. To implement a process that interprets whether action needs to be taken and acts accordingly.
3. To implement a process that allows the user to protect investment capital.
4. To implement a process that retrains the system as necessary.

# Initial Scope

1. The application collects trading information and calculates the price change percentage against the previous collection, displaying this change to the user.
2. The application is able to make an interpretation of market movements.
   1. The application is able to make a recommendation based upon its interpretation of market movements.
   2. The application is able to act based upon its interpretation of the market movements.
3. The user is able to protect investment:
   1. Option to cash out profits of a set amount when the currency’s value reaches a certain target. (Recurring if constant price rises).
   2. Option to cash out a set amount of the currency once it reaches a certain value. (Single withdrawal to protect investment).
4. The system monitors its prediction accuracy and can be retrained.
   1. Retraining button.
   2. Automated retraining after set amount of time.

# Resources and Dependencies

Space on the Plymouth University Oracle server (Larry) has been requested. Two contingency plans are in place in the event that it isn’t available:

* Space on Xserve is available should I require it because Larry is unavailable.
* I am able to gain access to an old laptop that can be wiped and used, though a free technology will be used (Neo4j is among the candidates).

# Method of Approach

Due to the fact that there are several easily distinguishable tasks within the project, software development will employ an incremental approach with 7 increments:

1. Collect data from source, calculate average prices and store in database.
2. Output recommendation based on recently collected prices.
3. Automated trading based on recently collected prices.
4. Investment protection options.
5. Create recommendation based on more complex system (neural network).
6. System prediction accuracy monitoring including option to retrain neural network.
7. Automated retraining of neural network at set intervals.

Possible technologies are:

* Java
* MySQL
* Oracle

The above list will be compared with alternatives once the project commences.

# Initial Project Plan

|  |  |  |  |
| --- | --- | --- | --- |
| **Stage** | **Start Date** | **Completion Date** | **Details** |
| Initiation | 25/01/2018 | 28/01/2018 | Project initiation document. |
| Technology Evaluation | 29/01/2018 | 29/01/2018 | Review into technologies available; relevance, cost, knowledge etc. |
| Initial High-Level Design | 30/01/2018 | 31/01/2018 | Design documentation; Architecture, database design, user interface sketches. |
| Increment 1 | 01/02/2018 | 08/02/2018 | Increment requirements, design, and implementation; data collection and storage; test results. |
| Increment 2 | 09/02/2018 | 10/02/2018 | Increment requirements, design, and implementation; recommendation; test results. |
| Increment 3 | 11/02/2018 | 18/02/2018 | Increment requirements, design, and implementation; automated trading; test results. |
| Increment 4 | 19/02/2018 | 23/02/2018 | Increment requirements, design, and implementation; investment protection; test results. |
| Increment 5 | 24/02/2018 | 06/03/2018 | Increment requirements, design, and implementation; neural network; test results. |
| Increment 6 | 07/03/2018 | 14/03/2018 | Increment requirements, design, and implementation; retrain neural network; test results. |
| Increment 7 | 15/03/2018 | 23/03/2018 | Increment requirements, design, and implementation; automated retraining; test results. |
| Easter | 24/03/2018 | 15/04/2018 | Catch up / get ahead where possible. |
| System and user acceptance testing | 16/04/2018 | 22/04/2018 | Final testing, ensure final system works, test system with potential end user. |
| Assemble and complete final report | 23/04/2018 | 04/05/2018 | PRCO304 Report. |

## Communication Plan

Review meetings will be held with Marco Palomino (supervisor) each Friday at 15:30. Further communication such as emails may occur as required.

# Initial Risk List

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk** | **Probability** | **Impact** | **Management Strategy** |
| GDAX API discontinuing | Low | High | Source alternative API endpoint. |
| Oracle server goes offline | Low | High | Wait for Oracle/university to resolve, research and consult with supervisor about alternative data storage methods such as a NoSQL database that could be stored locally. |
| Loss of entire project | Low | High | Keep numerous backups. |
| Loss of small portions of project | Medium | Low | Use repository to ensure up to date version accessible. |
| Equipment loss/damage | Medium | Low | Switch from desktop to laptop/spare laptop or use university equipment such as open access. |
| Difficulty with learning requirements mentioned above | Medium | Medium | Apply more time to learning the specific skills required to complete the task. |
| I lack specific knowledge to complete a segment of the project | High | Medium | Accept that all new projects have a learning process attached to them, allow extra time for parts that haven’t been attempted previously. |

# Quality Plan

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| --- | --- |
| **Quality Check** | **Strategy** |
| Requirements | It must be ensured that requirements are correct and relevant before implementation.  It must also be ensured that they are complete, achievable, and demonstrable after implementation.  User testing will be used. |
| Design validation | Designs will be checked against requirements.  An entity relationship diagram will be drawn up and database normalisation performed.  Software design principles will be followed. |
| Sub-system verification and validation | To be conducted with testing at the end of each increment. |
| Total system verification and validation | To be conducted at the end of implementation. |

# Legal, Social, Ethical, and/or Professional Issues

The project aims to stick within the limitations of the approved ethics application.