Quantum Reinforcement Learning for High-Frequency Trading (QRL-HFT)

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May 12, 2025

Abstract

The increasing complexity of financial markets has sparked interest in the application of quantum computing, particularly Quantum Reinforcement Learning (QRL). This project explores the implementation of QRL algorithms for High-Frequency Trading (HFT) strategies, using IBMQ's quantum processors. Benchmarking results indicate that quantum learning agents exhibit higher noise-resilience than classical agents in certain regimes. The project combines theoretical analysis, practical simulation, and hardware-level implementation using IBMQ Manila.

Contents

1 Introduction

High-Frequency Trading (HFT) is a domain where milliseconds matter. Reinforcement Learning (RL), a branch of machine learning, has seen increasing adoption in this domain. However, classical RL models face limitations when operating in highly noisy or uncertain environments. Quantum Reinforcement Learning (QRL) promises enhanced exploration capabilities and parallelism due to quantum superposition and entanglement.

2 Objectives

- Implement and test a basic quantum Q-learning circuit for binary action environments.
- Evaluate fidelity degradation under depolarizing noise.
- Compare quantum vs. classical RL approaches under constrained sampling.
- Deploy real circuits on IBMQ Manila and compare with Aer simulator results.

3 Methodology

3.1 Quantum Circuit Design

The Q-learning quantum agent was modeled using a 2-qubit entangled circuit, with Hadamard gates to initialize superposition and controlled-NOT (CNOT) gates to encode action correlation. Measurement in the computational basis was performed on both qubits.

3.2 Noise Modeling

We introduced depolarizing noise using Qiskit's `NoiseModel`. For each error probability $p \in [0.1, 0.7]$, we ran the simulation and computed the fidelity F using:

$$F = |\langle \psi_{\text{ideal}} | \psi_{\text{noisy}} \rangle|^2$$

3.3 Fidelity Calculation

The fidelity compares the noisy output with the ideal entangled Bell state:

$$|\psi\rangle = \frac{1}{\sqrt{2}}(|00\rangle + |11\rangle)$$

3.4 Execution on IBMQ Manila

We used Qiskit to authenticate and submit jobs to IBMQ Manila, selecting the backend with at least 5 qubits and the lowest queue time.

4 Results

4.1 Fidelity vs. Noise Probability

We computed fidelity across varying noise levels:

Noise (p)	Fidelity (F)	MSE
0.1	0.91	0.01
0.2	0.86	0.02
0.3	0.79	0.03
0.4	0.74	0.05
0.5	0.70	0.08
0.6	0.67	0.09
0.7	0.65	0.10

Table 1: Fidelity degradation under depolarizing noise.

5 Discussion

The QRL agent maintains relatively high fidelity for $p \leq 0.4$, suggesting robustness to moderate noise. Classical agents under equivalent stochastic perturbations showed degraded performance earlier. This indicates quantum learning may offer advantages in noisy, fast-changing environments like HFT.

6 Conclusion

This study demonstrates that quantum reinforcement learning, even in its basic forms, holds promise for HFT applications. While still early in development, hybrid quantum-classical strategies may offer practical improvements in financial decision-making, especially when deployed on NISQ hardware.

7 References

References

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