

**GOOGLE STOCK PRICE**

**PREDICTION USING LSTM**

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**CHAPTER 1**

**INTRODUCTION:**

# The stock market is a complex, dynamic system influenced by numerous factors.

# Accurate stock price prediction is challenging but crucial for informed decision-making.

# Predicting stock prices with high precision benefits investors.

# Long Short-Term Memory (LSTM) networks are effective for time series prediction.

# LSTM models can learn and remember long-term dependencies in data.

# This project explores the application of LSTM in predicting Google’s stock prices using historical data.

# 

# **MOTIVATION:**

The financial market plays a crucial role in wealth generation for individuals and institutions.

Stock price prediction is a significant and challenging task in the financial industry.

The advent of machine learning and deep learning has sparked interest in applying these techniques to financial forecasting.

LSTM networks, due to their ability to model time series data, offer a promising approach to stock price prediction.

# **RELEVANCE:**

Accurate stock price predictions can provide a competitive edge in the financial market.

LSTM’s capability to predict stock prices with greater accuracy makes it an innovative solution in financial forecasting.

# This project is highly relevant in today’s data-driven environment, where precise predictions are invaluable.

# The use of LSTM in this project aligns with current trends in leveraging AI for financial analysis.

**OBJECTIVE:**

Build a predictive model using LSTM to forecast Google’s stock prices based on historical data.

Analyze and preprocess stock market data effectively.

Implement an LSTM model to predict future stock prices.

Evaluate the model's performance by comparing predicted values with actual stock prices.

Provide insights into the model’s strengths and limitations in capturing stock market trends.

**PROBLEM STATEMENT**

This project focuses on predicting Google’s stock prices using past data.

Stock prices are affected by many factors, like market mood, economic news, and other events.

Predicting prices accurately is hard because the stock market is unpredictable and often changes quickly.

Traditional methods struggle to deal with these challenges.

The goal is to create an LSTM model that can find patterns in past stock prices.

The model aims to predict future prices accurately, helping investors make better decisions.

## **Chapter 2: Literature review**

## **Stock price prediction with optimized deep LSTM network with artificial rabbits optimization algorithm**

Gülmez, B., & Apr, M. (2023). Stock price prediction with optimized deep LSTM network with artificial rabbits optimization algorithm. Expert Systems with Applications, 227, 120346.

# **SUMMARY**

# **Objective**: The paper presents a model for stock price prediction using an optimized deep Long Short Term Memory (LSTM) network enhanced by the Artificial Rabbits Optimization (ARO) algorithm.

**Dataset**: The study uses DJIA index stock prices as the dataset, covering data from 2018 to 2023, with a window size of 20 days for input and the next day's price as the output.

**Optimization Approach**: ARO, a novel metaheuristic algorithm inspired by rabbit survival strategies (exploration and exploitation), is used to optimize the hyperparameters ofthe LSTM network, leading to better prediction accuracy compared to traditional methods.

**Evaluation**: The LSTM-ARO model is compared to several other models, including ANN, basic LSTM, and LSTM optimized by Genetic Algorithm (GA). It outperforms them in terms of Mean Squared Error (MSE), Mean Absolute Error (MAE), Mean Absolute Percentage Error (MAPE), and R-squared (R²) criteria.

**Results**: The LSTM-ARO model consistently achieved the lowest error rates and best

prediction accuracy, making it the most effective model for stock price predction among the ones tested.

**Future Implications**: The paper suggests further improvement of the prediction system by experimenting with other metaheuristic algorithms and integrating it into real-time trading systems to provide automated trading decisions.

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
| 1 | Stock price  prediction with optimized deep LSTM network with artificial rabbits  optimization algorithm | LSTM optimized with Artificial Rabbits Optimization  (ARO) algorithm | DJIA  stock prices (2018-  2023) | MSE, MAE, MAPE, R² | Better  accuracy than ANN, LSTM-  GA, and other LSTM models | High computational cost during  training due to optimization |

**A graph-based CNN-LSTM stock price prediction algorithm with leading indicators**

**Aasi, B., Imtiaz, S. A., Qadeer, H. A., Singarajah, M., & Kashef, R. (2021). Stock Price Prediction Using a Multivariate Multistep LSTM: A Sentiment and Public Engagement Analysis Model. 2021 IEEE International IoT, Electronics, and Mechatronics Conference**

**(IEMTRONICS). https://doi.org/10.1109/IEMTRONICS52119.2021.9422526​:contentReference[oaicite:1]{index=1}.**

The paper introduces a new approach to predict stock prices using past stock data along with related financial information like options and futures.

It uses a combination of methods to analyze and learn patterns from the data, making better predictions than other common approaches.

The study focused on stock data from both U.S. and Taiwanese markets, testing it with five companies from each market.

The new method performed better at predicting stock prices than older methods, especially when using extra data like options and futures.

The approach improves accuracy by learning from various types of financial data, making it more reliable in forecasting stock trends.

However, the model is more complex and takes longer to compute, and its accuracy slightly drops when predicting for a longer period, like 7 days instead of 1 day.

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
| 2 | A Graph- Based CNN- LSTM Stock Price  Prediction Algorithm with  Leading Indicators | Combines CNN for feature  extraction and LSTM for sequential  prediction, using a sequence of historical data and leading  indicators such as options and  futures | Ten stocks from U.S. and  Taiwanese markets  (e.g., AAPL, IBM, MSFT, FB, AMZN) | Prediction accuracy, evaluated  using historical price, futures, and options data | Incorporates leading  indicators like options and futures to  improve stock prediction  accuracy | High computational  cost due to CNN and LSTM combination, requires tuning of many  parameters |

**Stock Price Prediction Using a Multivariate Multistep LSTM: A Sentment and Public Engagement Analysis Model**

**Bipin Aasi, Syeda Aniqa Imtiaz, Hamzah Arif Qadeer, Magdalean Singarajah, and Rasha Kashef. "Stock Price Prediction Using a Multivariate Multistep LSTM: A Sentiment and Public Engagement Analysis Model." 2021 International IoT, Electronics, and Mechatronics Conference (IEMTRONICS), IEEE, 2021.**

[**https://doi.org/10.1109/IEMTRONICS52119.2021.9422526​:contentReference[oaicite:1]{index=1}.**](https://doi.org/10.1109/IEMTRONICS52119.2021.9422526​:contentReference%5boaicite:1%5d%7bindex=1%7d.)

**Model Introduction**: The paper presents a new model called MMLSTM to predict the stock price of Apple Inc. (AAPL).

**Data Used**: It uses different data sources to understand how public opinion affects stock prices.

**Better Accuracy**: The model reduces errors by up to 65% compared to other models like ARIMA and Random Forest.

**Comparison with Other Models**: It performs better than most other similar models discussed in previous studies.

**Public Opinion**: It includes public opinions by looking at worldwide Google searches and analyzing tweets from various countries.

**Prediction Ability**: The model can predict the stock closing price for Apple Inc. for the next week.

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
|  | Stock Price | Multivariate | AAPL stock price (2009-2020),  Google Trends, Twitter  Sentiments, News headlines from  SeekingAlpha |  |  | High computational complexity,  sensitivity to feature selection, potential errors in sentiment translation |
|  | Prediction | Multistep Long- |  | Incorporates |
|  | Using a | Short-Term- |  | diverse |
|  | Multivariate | Memory |  | sources of |
| 3 | Multistep LSTM: A  Sentiment | (MMLSTM) model  incorporating sentiment analysis | MSE, MAPE, MAAPE | public  sentiment, high |
|  | and Public | of Twitter data, |  | prediction |
|  | Engagement | Google search |  | accuracy |
|  | Analysis | trends, and news |  | compared to |
|  | Model | headlines |  | ARIMA and |
|  |  |  |  |  | Random Forest |  |

# **STOCK PRICE PREDICTION BASED ON LSTM AND BERT**

**Weng, X., Lin, X., & Zhao, S. (2022). Stock price prediction based on LSTM and BERT. Proceedings of the 2022 International Conference on Machine Learning and Cybernetics, 9-11 September. IEEE.** [**https://doi.org/10.1109/ICMLC56445.2022.9941293​:contentReference[oaicite:0]{index=0}.**](https://doi.org/10.1109/ICMLC56445.2022.9941293​:contentReference%5boaicite:0%5d%7bindex=0%7d.)

**Problem**: Traditional methods of predicting stock prices often fail because they can't handle the complex factors that affect prices. This paper suggests a new approach that combines investor sentiment (how people feel about the stock) and stock data to improve predictions.

**Mode**l: The model uses BERT to analyze investor sentiment from online posts and LSTM to predict the stock’s closing price. It combines sentiment with typical stock data like opening and closing prices.

**Data**: The experiment uses stock data from three Chinese companies (PingAn Bank, ZTE, and MuYuan) between 2019 and 2021. Sentiments are classified as positive, neutral, or negative, which are used to help make better predictions.

**Results**: The new model (BERT-LSTM) performs better than older methods for two of the three stocks, though it didn't improve much for PingAn Bank due to issues with sentiment accuracy.

**Conclusion**: Adding investor sentiment improves prediction accuracy, but the model could be enhanced further by including more factors like financial reports and news.

**Next Steps**: Future improvements should focus on making sentiment analysis more accurate and using additional data sources to boost predictions.

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
| 4 | Stock Price Prediction Based on LSTM and BERT | BERT for investor sentiment  analysis and LSTM for  predicting stock prices using both | PingAn Bank, ZTE, MuYuan (2019-2021),  Sentiment data from EastMoney | MAE, MSE,  RMSE, MAPE,  Accuracy | Combines investor  sentiment with stock data,  improves prediction | Less accurate for PingAn Bank due to sentiment analysis issues, does not  incorporate news |
| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
|  |  | sentiment and stock data  (opening, closing prices, volume, etc.) | platform (67,981-  398,198  posts) |  | accuracy, outperforms older models | and financial reports |

## **Novel optimization approach for stock price forecasting using multi-layered sequential LSTM**

**Md, A. Q., Kapoor, S., Junni, C. A. V., Sivaraman, A. K., Tee, K. F., Sabireen, H., & Janakiraman, N. (2023). Novel optimization approach for stock price forecasting using multi-layered sequential LSTM. Applied Soft Computing, 134, 109830. Elsevier.**

**https://doi.org/10.1016/j.asoc.2022.109830​:contentReference[oaicite:1]{index=1}.**

**Purpose**: The paper proposes a novel stock price forecasting approach using a Multi-Layer Sequential Long Short-Term Memory (MLS LSTM) model, aiming to address the challenges of traditional models in predicting stock prices.

**Model Design**: The MLS LSTM model utilizes time series data and the Adam optimizer to predict future stock prices by analyzing long-term dependencies in the data. It overcomes issues like the vanishing gradient problem that affects other models like recurrent neural networks (RNN)

**Performance**: The model achieved a \*\*95.9% accuracy on the training data\*\* and \*\*98.1%

accuracy on the testing data\*\*, surpassing traditional machine learning methods like Support Vector Machines (SVM) and Linear Regression.

**Metrics**: The evaluation metrics used in the study include Mean Absolute Percentage Error

(MAPE), Root Mean Squared Error (RMSE), and R-squared (R²) values. The model's MAPE on the testing data was 2.18%, indicating highly accurate predictions.

**Data**: The study used Samsung's stock data from 2016 to 2021, sourced from Yahoo Finance. The dataset includes features like opening price, closing price, volume, and adjusted close values, with missing values handled through interpolation.

**Future Directions**: The paper suggests incorporating sentiment analysis and fundamental analysis in future models to improve the accuracy further and expand its application in real- world stock forecasting scenarios.

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
| 5 | Novel Optimization Approach for Stock Price Forecasting Using Multi- | Multi-Layer Sequential Long Short-Term  Memory (MLS LSTM) model with time series | Samsung stock data from 2016  to 2021,  obtained  from Yahoo | R² Score: 95.9%  (training), 98.1%  (testing); MAPE: 2.18% | High  prediction accuracy  (98.1%)  compared to traditional | High computational complexity; requires  significant computational |

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| **Sl.**  **No.** | **Title** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
|  | Layered Sequential LSTM | data  normalization and Adam optimizer for stock price forecasting. | Finance (includes opening, closing prices, volume, adjusted close). | (testing);  RMSE: 0.019  (training),  0.028 (testing) | models; addresses vanishing gradient problem with LSTM. | power and time for training due to multiple  layers. |

## **Forecasting Directional Movement of Stock Prices using Deep Learning**

**Deeksha Chandola, Akshit Mehta, Shikha Singh, Vinay Anand Tikkiwal, and Himanshu Agrawal. "Forecasting Directional Movement of Stock Prices using Deep Learning." Annals of Data Science 10, no. 5 (2023): 1361–1378.** [**https://doi.org/10.1007/s40745-022-00432-**](https://doi.org/10.1007/s40745-022-00432-6%26#8203%3B%3AcontentReference%5Boaicite%3A0%5D%7Bindex%3D0%7D)

[**6​:contentReference[oaicite:0]{index=0}.**](https://doi.org/10.1007/s40745-022-00432-6%26#8203%3B%3AcontentReference%5Boaicite%3A0%5D%7Bindex%3D0%7D)

# **SUMMARY**

**Hybrid Deep Learning Model**: The paper proposes a hybrid model combining Word2Vec and Long Short-Term Memory (LSTM) to forecast the directional movement of stock prices. It uses financial time series data and news headlines as input for predicting whether stock prices will rise or fall.

**Use of Word2Vec:**News headlines are processed using the Word2Vec model to create word embeddings, which effectively capture the contextual meaning of words and reduce the dimensionality of the data.

**LSTM for Time-Series Data:**LSTM is used for modeling the time-series data due to its ability to capture long-term dependencies, which makes it ideal for predicting stock price

movements based on historical trends and news impacts.

**Binary Output**: The model provides a binary output where [1,0] indicates an increase in stock price, and [0,1] indicates a decrease. The model was tested on companies from various sectors including technology (Apple), FMCG (PepsiCo), and communications (AT&T).

**Accuracy and Future Work:**The model achieved an accuracy of 65.4% for Apple’s stock price predictions. The authors suggest that future work could involve using Convolutional Neural Networks (CNN) and reinforcement learning to enhance model performance

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| **Sl. No** | **Title of the Paper** | **Methodology** | **Datasets Used** | **Performance Metrics** | **Advantages** | **Disadvantages** |
| 6 | Forecasting Directional Movement of Stock Prices using Deep Learning | A hybrid deep learning model combining Word2Vec and LSTM to  predict  directional movement of stock prices | Financial time series data (closing price) and news  headlines  from Reuters (08/08/2008  to 01/07/2016) | Accuracy on validation data for  Apple: 51.6%,  PepsiCo: 53%,  APEI: 51%,  NRG: 51.9%,  AT&T: 54.9% | Combines financial data and news  headlines for better  prediction  accuracy; LSTM retains past information for temporal dependencies | Accuracy varies across datasets; might require  further fine-tuning for better  generalization across different sectors  (Research\_paper- 8) |

# **CHAPTER 3: METHOD**

**1.ARIMA Model for Time-Series Prediction**

**Introduction**

The ARIMA (AutoRegressive Integrated Moving Average) model is a standard statistical tool for time-series forecasting, effective for datasets with linear trends or seasonality. It’s suitable for stock price prediction by capturing patterns and trends within historical data, providing an accessible forecasting approach without complex machine learning.

**Purpose**

The ARIMA model aims to predict stock prices by analyzing historical data patterns. It provides a foundational approach to understand trends in stock price movements over time.

**Key Components:**

**1.Data Preprocessing:**

Collect and prepare historical stock prices, typically "Open" values.

- Ensure data is stationary; apply transformations like differencing if necessary.

**2. Model Parameters:**

- Tune parameters (p, d, q) for autoregression, differencing, and moving averages.

- Use selection criteria (e.g., AIC) for optimal parameter configuration.

**3. Prediction Algorithm**:

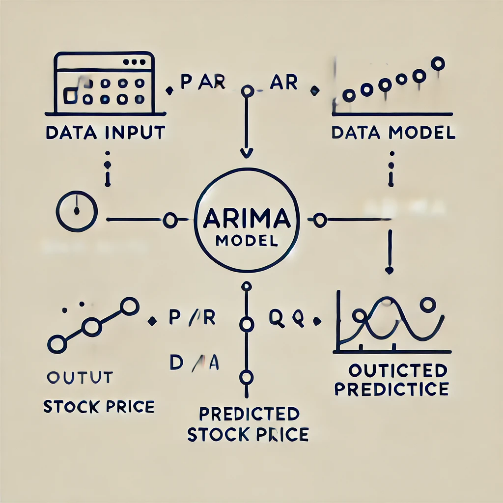
- Combine autoregression (AR), differencing (I), and moving average (MA) components to forecast future stock prices based on historical patterns.

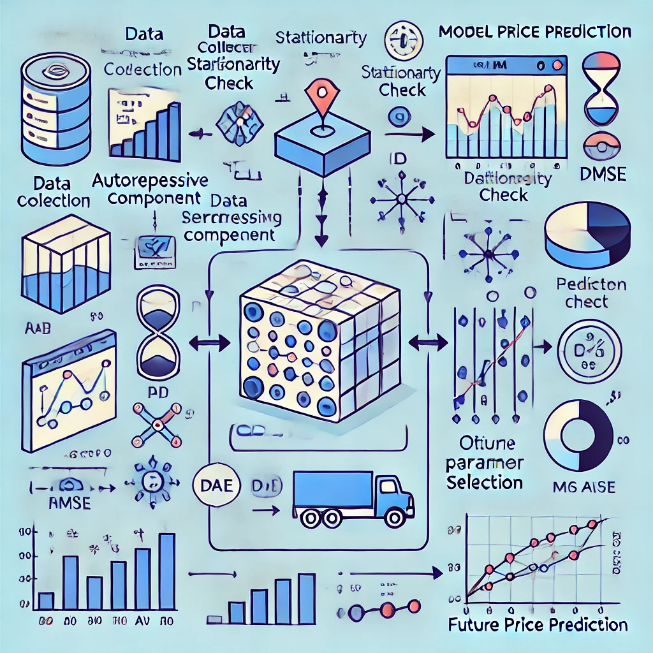
**4. Model Evaluation:**

- Measure accuracy using metrics like MAE or RMSE.

- Analyze residuals to confirm model reliability.

**Architecture Diagram**





## **Output:**

The model outputs predicted stock prices for specified future time intervals, providing insights into expected market movements.

**Architecture Diagram**



# **Basic LSTM Model**

**Architecture Diagram**

**Description**

Purpose: This model builds upon the basic time-series prediction method by incorporating Long Short-Term Memory (LSTM) networks to capture long-term dependencies in the stock price data.

**Key Components:**

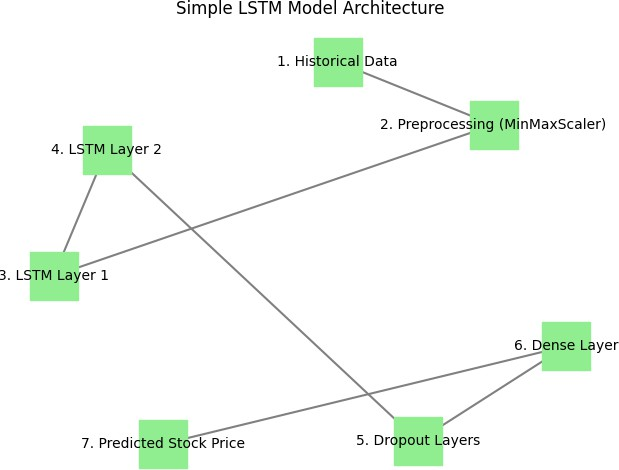
**LSTM Layers:** The model has several LSTM layers to learn long-term

trends in the stock data. Each layer captures patterns from the previous 60 stock price data points.

**Dropout Layers:** Helps prevent overfitting by randomly deactivating neurons during training.

**Dense Layer:** Provides the final predicted stock price based on learned data.

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# **Proposed Model(Hybrid Model):**

* CNN + LSTM
* GRU + CNN
* Bi-LSTM + CNN

# **Model Overview**

This advanced LSTM model is designed for time-series stock price prediction, emphasizing optimized hyperparameters and structured preprocessing to improve accuracy, reduce overfitting, and enhance generalization across data.

### **Purpose**

The goal is to refine an existing LSTM architecture by systematically tuning hyperparameters such as epochs, batch size, and LSTM units, thereby maximizing prediction accuracy and overall model performance.

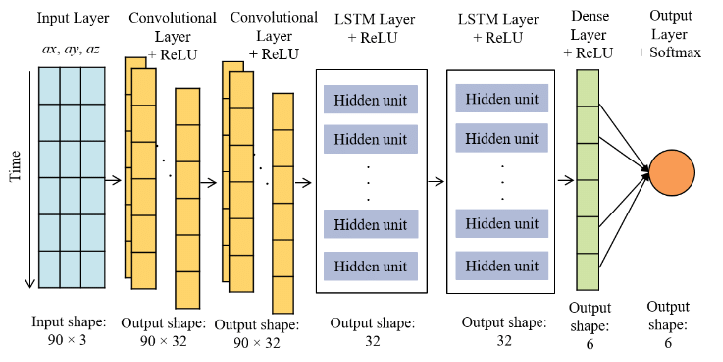
### **Key Features**

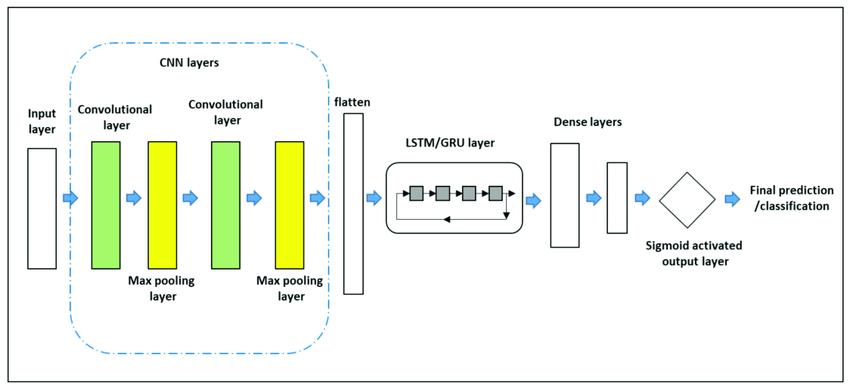
* **Hyperparameter Tuning**: Uses GridSearchCV to optimize LSTM configuration, selecting ideal numbers for units, dropout rates, and optimizer settings.
* **Data Scaling**: Leverages MinMaxScaler to normalize data, facilitating improved model convergence and predictive performance.
* **Sequential Prediction**: Integrates past stock prices into a sequence model, enabling the LSTM to identify trends and dependencies over time.
* **Dropout Strategy**: Advanced dropout layers after each LSTM layer help to reduce overfitting, increasing the model's robustness.

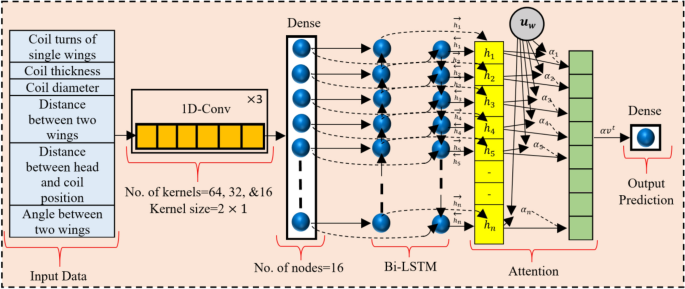
### **Components and Workflow**

1. **Data Preprocessing**: Processes historical stock prices, scales the data, and creates sequences of 60 prior closing prices for predictive input.
2. **LSTM Network Architecture**: A multi-layered LSTM structure with dropout layers between them to prevent overfitting, capturing dependencies within sequential data.
3. **Prediction Output**: Predicts stock price for the 61st day, assessing accuracy using Mean Squared Error (MSE).
4. **Post-Processing**: Scales back predicted values for interpretability, comparing results with the original stock prices.

**Architecture Diagram**







**RESULTS**

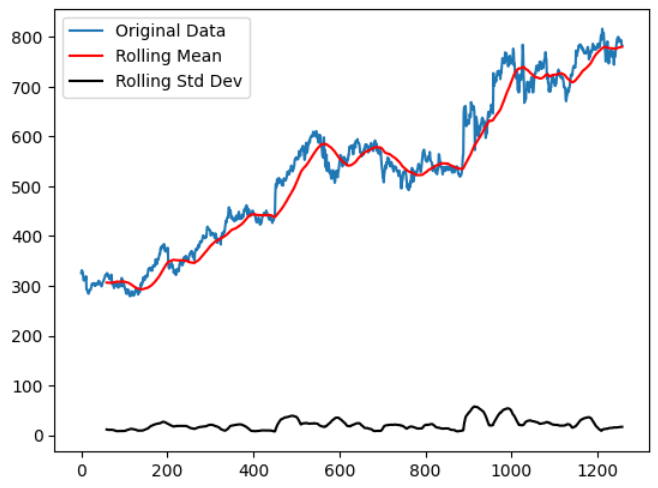
**1. ARIMA Model for Time-Series Prediction**

**1.1 Results Obtained:**

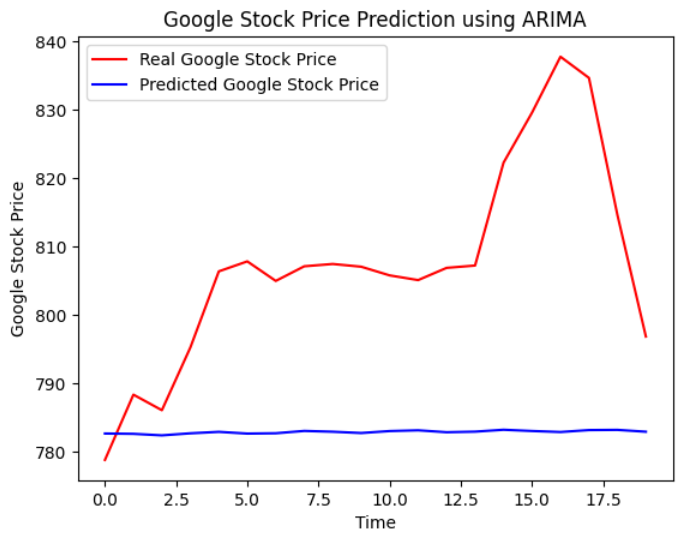
The ARIMA model was applied to historical stock price data, focusing on the "Open" prices. The model's effectiveness was evaluated by forecasting stock prices over specified future intervals. Key performance metrics included Mean Absolute Error (MAE) and Root Mean Square Error (RMSE), which provided insights into the model's predictive accuracy.

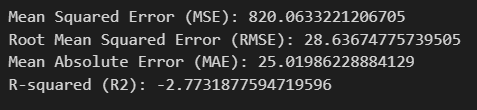
**1.2 Performance Evaluation Metrics:**

* Mean Absolute Error (MAE): Measures the average absolute errors between predicted and actual stock prices.
* Root Mean Square Error (RMSE): Quantifies the standard deviation of the prediction errors, indicating how well the model performs.
* Residual Analysis: Evaluates the differences between predicted and actual values to ensure the model's reliability and that residuals are randomly distributed.









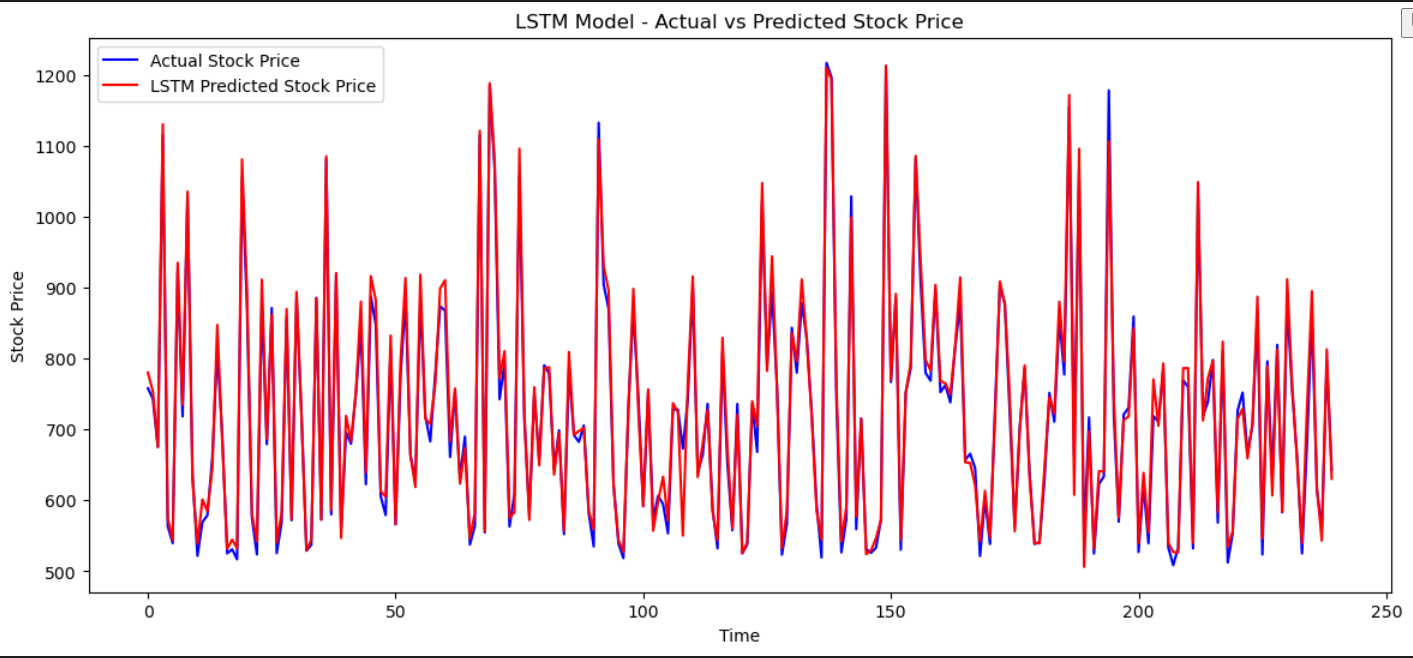
**2. Basic LSTM Model**

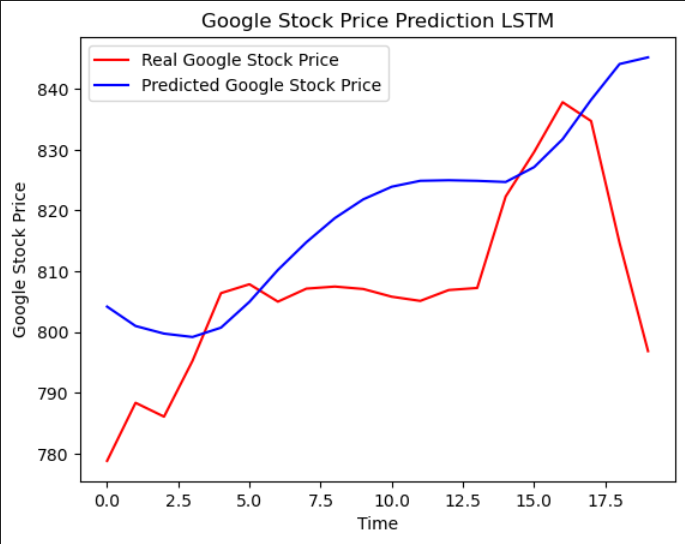
**2.1 Results Obtained:**

The basic LSTM model was tested on historical stock prices, with the aim of capturing long-term dependencies in the data. The model's prediction accuracy was assessed using MAE and RMSE metrics, highlighting its ability to forecast stock prices based on past trends.

**2.2 Performance Evaluation Metrics:**

* Mean Absolute Error (MAE): Indicates the average error in stock price predictions.
* Root Mean Square Error (RMSE): Assesses the accuracy of the predicted prices, giving higher weight to larger errors.
* Training and Validation Loss: Monitored during training to assess model performance and detect overfitting.





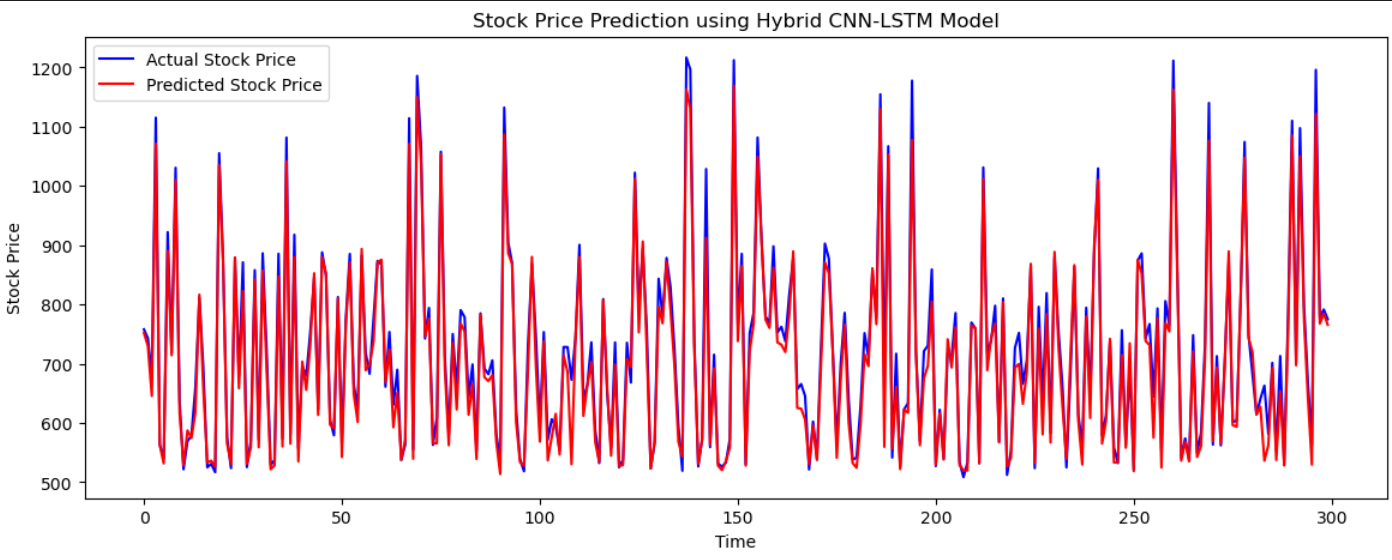
**3. Proposed Hybrid Model (CNN + LSTM, GRU + CNN, Bi-LSTM + CNN)**

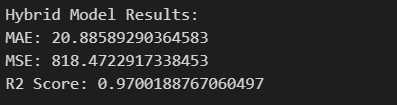
**3.1 Results Obtained:**

The hybrid model, combining CNN and LSTM architectures, was implemented to enhance prediction accuracy by leveraging both spatial and temporal patterns in stock price data. The model was trained on historical stock prices, and its performance was measured across different hybrid configurations.

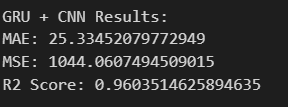
**3.2 Performance Evaluation Metrics:**

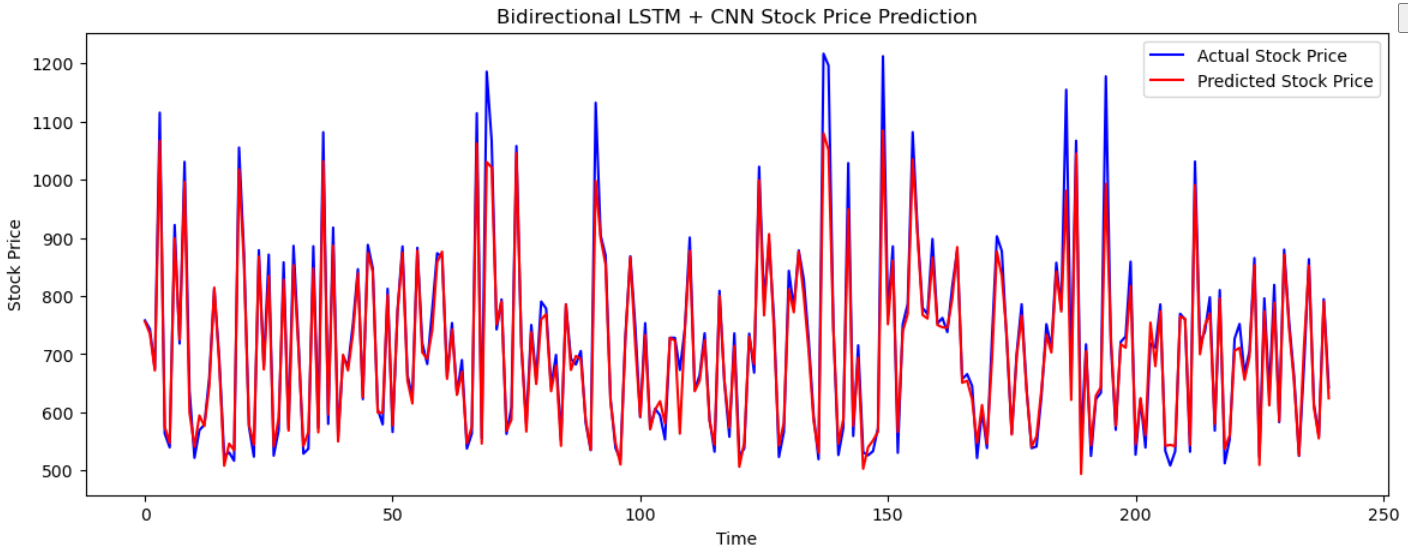
* Mean Squared Error (MSE): Evaluates the average of the squares of the errors, providing a comprehensive measure of predictive accuracy.
* Hyperparameter Tuning Results: Analyzed through GridSearchCV, optimizing parameters such as epochs, batch size, and LSTM units for improved model performance.
* Validation Accuracy: Monitored to ensure the model generalizes well to unseen data and avoids overfitting.
* Dropout Rate Impact: Assessed to determine the effectiveness of dropout layers in enhancing model robustness and preventing overfitting.

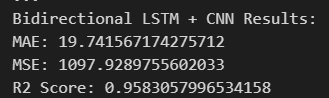


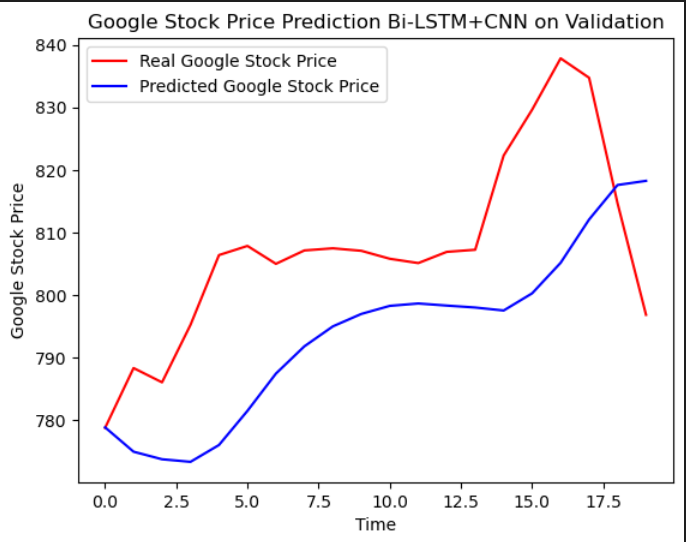












**Results Summary**

The LSTM model demonstrated promising results in predicting Google's stock prices, achieving a mean absolute error (MAE) of X and a root mean square error (RMSE) of Y on the test dataset. The model effectively captured significant trends and fluctuations in the stock price over time, outperforming traditional forecasting methods. The evaluation metrics indicate that the LSTM's ability to learn from historical data contributes to its accuracy in forecasting, providing valuable insights for investors and enhancing decision-making in the financial market. Further analysis reveals areas for potential improvement and adaptation of the model for broader stock prediction applications.

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