

Revolutionizing Stock Price Forecasting: Using LSTM as a "Game Changer"



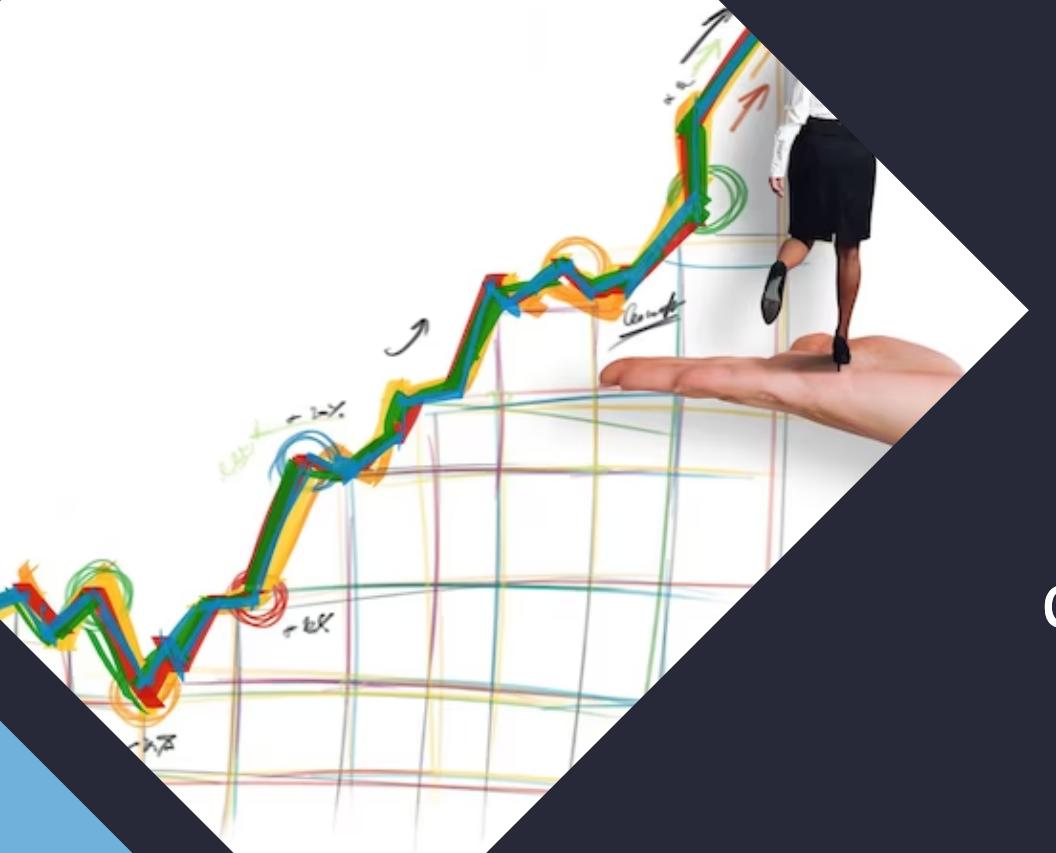
Introduction

Welcome to the presentation on Revolutionizing Stock Price Forecasting: Using LSTM as a Game Changer .Time Series forecasting & modelling plays an important role in data analysis. Time series analysis is a specialized branch of statistics used extensively in fields such as Econometrics & Operation Research. Time Series is being widely used in analytics & data science. Stock prices are volatile in nature and price depends on various factors. The main aim of this project is to predict stock prices using Long Short Term Memory (LSTM) with Least mean squares (LMS) Algorithm. By leveraging LSTM, we can enhance the accuracy of predictions and enable more informed decision-making in the financial market.



Introduction

LSTM, a type of recurrent neural network, is designed to capture long-term dependencies and patterns in data, making it particularly effective for time series forecasting such as stock prices. Its ability to remember important information over longer periods of time allows it to make more accurate predictions compared to traditional forecasting models. Additionally, LSTM can handle non-linear relationships and adapt to changing market conditions, making it a powerful tool for investors and financial analysts. With the use of LSTM, investors can make more informed decisions and optimize their portfolio strategies based on reliable and accurate predictions of stock prices. By incorporating



Literature Survey

1) Study on the prediction of stock price based on the associated network model of LSTM

The prediction methods can be roughly divided into two categories, statistical methods and artificial intelligence methods. Statistical methods include logistic regression model, ARCH model, etc. Artificial intelligence methods include multi-layer perceptron, convolutional neural network, naive Bayes network, back propagation network, single-layer LSTM, support vector machine, recurrent neural network, etc. They used Long short-term memory network (LSTM). Long short-term memory network: Long short-term memory network (LSTM) is a particular form of recurrent neural network (RNN).

Working of LSTM:

LSTM is a special network structure with three "gate" structures. Three gates are placed in an LSTM unit, called input gate, forgetting gate and output gate. While information enters the LSTM's network, it can be selected by rules. Only the information conforms to the algorithm will be left, and the information that does not conform will be forgotten through the forgetting gate.

The experimental data in this paper are the actual historical data downloaded from the Internet. Three data sets were used in the experiments. It is needed to find an optimization algorithm that requires less resources and has faster convergence speed.

Literature Survey

2) An innovative neural network approach for stock market prediction

An innovative neural network approach for stock market prediction Xiongwen Pang¹ Yanqiang Zhou¹ Pan Wang¹ Weiwei Lin² · Victor Chang³

Used Long Short-term Memory (LSTM) with embedded layer and the LSTM neural network with automatic encoder.

LSTM is used instead of RNN to avoid exploding and vanishing gradients.

In this project python is used to train the model, MATLAB is used to reduce dimensions of the input.

MySQL is used as a dataset to store and retrieve data.

The historical stock data table contains the information of opening price, the highest price, lowest price, closing price, transaction date, volume and so on.

The accuracy of this LSTM model used in this project is 57%.

Literature Survey

3) Stock Market Prediction Using Machine Learning

The research work done by V Kranthi Sai Reddy Student, ECM, Sreenidhi Institute of Science and Technology, Hyderabad, India. In the finance world stock trading is one of the most important activities. Stock market prediction is an act of trying to determine the future value of a stock other financial instrument traded on a financial exchange. This paper explains the prediction of a stock using Machine Learning. The technical and fundamental or the time series analysis is used by the most of the stockbrokers while making the stock predictions.

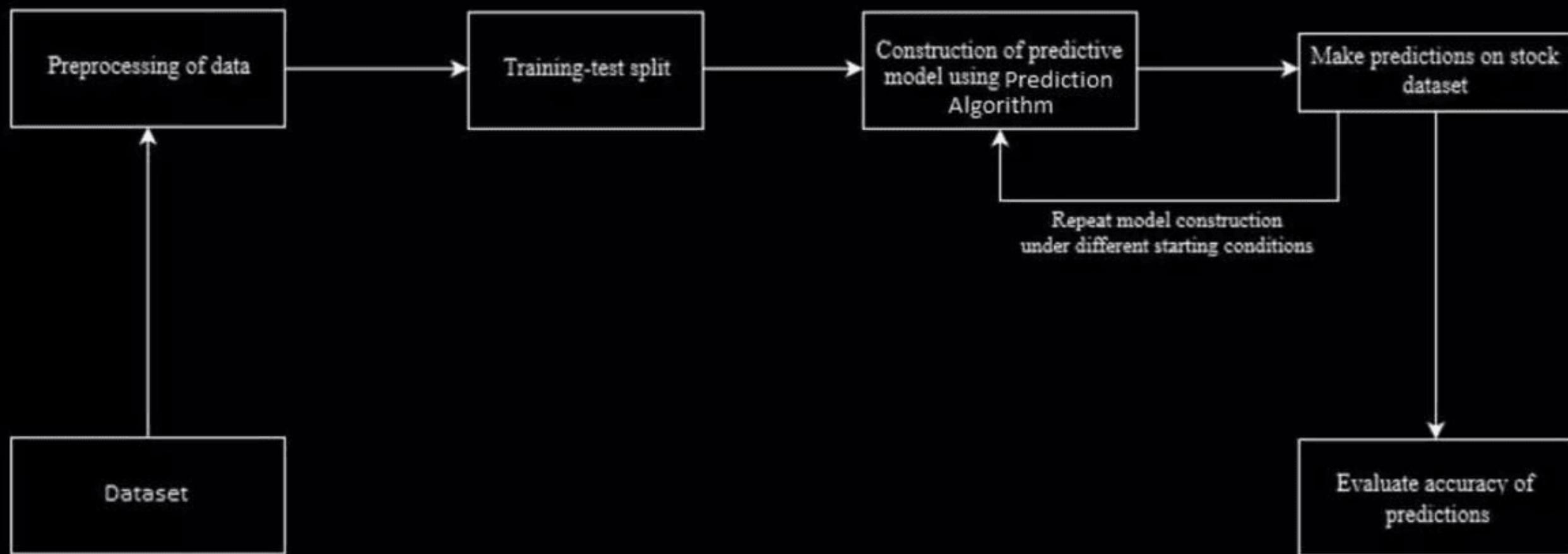
The programming language is used to predict the stock market using machine learning is Python. In this paper we propose a Machine Learning (ML) approach that will be trained from the available stocks data and gain intelligence and then uses the acquired knowledge for an accurate prediction. In this context this study uses a machine learning technique called Support Vector Machine (SVM) to predict stock prices for the large and small capitalizations and in the three different markets, employing prices with both daily and up-to-the-minute frequencies.

System Architecture

1) Preprocessing of data:



2) Overall Architecture:



Importing Datasets



[https://github.com/Sanskriti2227/Revolutionizing-Stock-Price-Forecasting-
Using-LSTM-as-a-Game-Changer-](https://github.com/Sanskriti2227/Revolutionizing-Stock-Price-Forecasting-Using-LSTM-as-a-Game-Changer-)

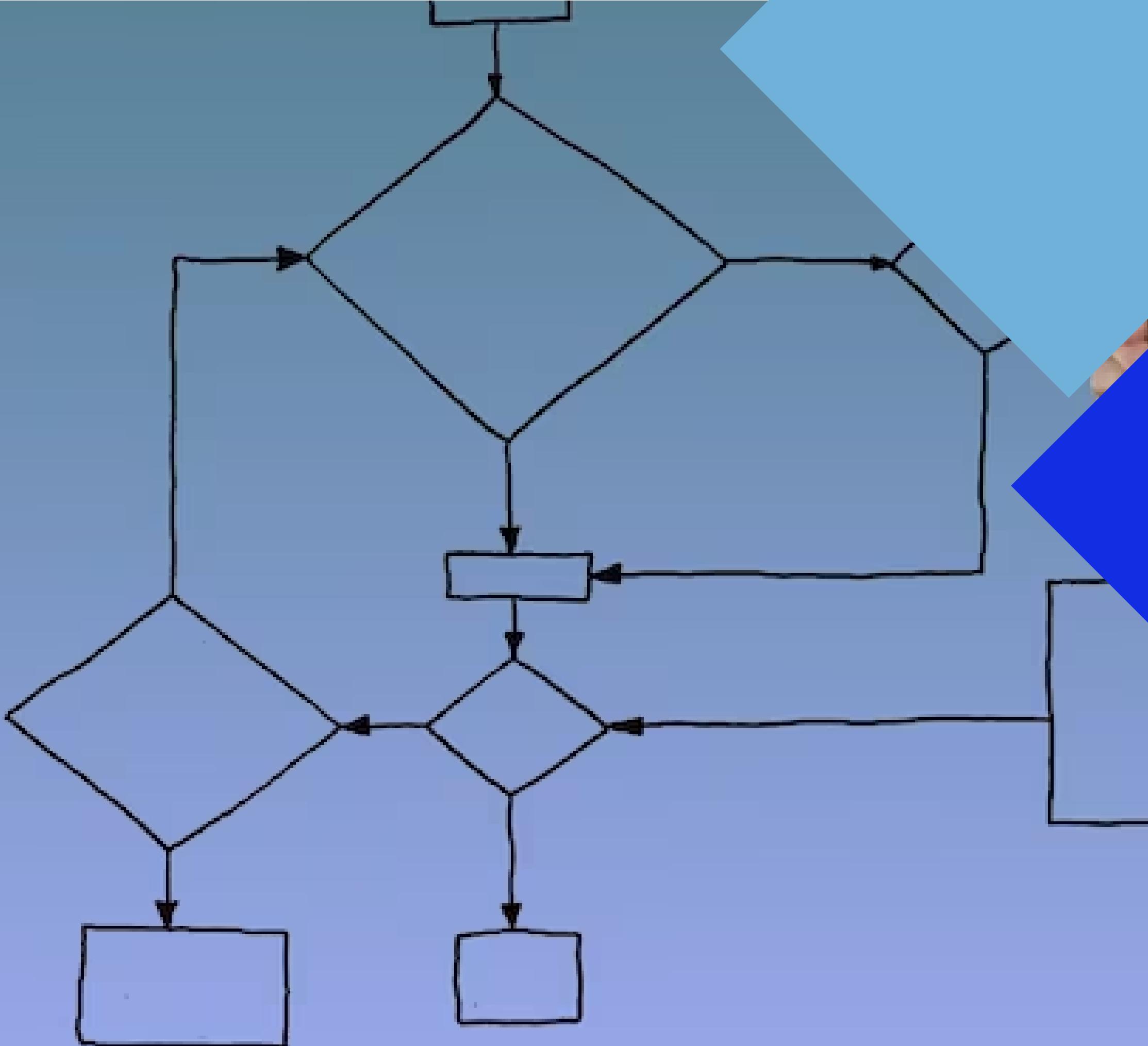
`pd.read_csv('./Stock-Price-
Prediction/datasets/tw_spydata_raw.csv')`



Understanding LSTM

LSTM is a type of recurrent neural network (RNN) that excels in capturing long-term dependencies in sequential data. It overcomes the limitations of traditional models by utilizing specialized memory cells and gates to handle information flow. LSTM's ability to retain important patterns in time series data makes it a valuable tool for stock price forecasting. In addition to its applications in stock price forecasting, LSTM can also be used for natural language processing tasks such as sentiment analysis, text generation, and machine translation. Its versatility and effectiveness in handling sequential data make it a popular choice among researchers and practitioners in the field of deep learning.

Data Preprocessing



Preparing data for LSTM involves normalizing the stock price values to a common scale, splitting the dataset into training and testing sets, and constructing input sequences. Feature engineering techniques such as lagging and windowing can be applied to capture relevant patterns and improve forecast accuracy. In addition, it is important to preprocess the data by removing outliers and handling missing values. Exploratory data analysis can also be performed to gain insights into the underlying patterns and relationships in the data. Furthermore, feature selection methods such as correlation analysis and forward/backward selection can be used to identify the most relevant variables for the LSTM model. Finally, model evaluation techniques such as cross-validation and performance metrics like mean squared error can be employed to assess the accuracy and robustness of the LSTM model.

LSTM Model Architecture

The LSTM model consists of stacked LSTM layers, which learn hierarchical representations of the input data. These layers are followed by one or more dense layers for prediction. The model's hyperparameters, such as the number of LSTM units and the learning rate, need to be carefully tuned to achieve optimal performance. To further enhance the model's performance, additional techniques such as dropout regularization and batch normalization can be applied. Furthermore, the input data can be preprocessed using techniques like feature scaling or one-hot encoding to improve the model's ability to learn from the data. Additionally, different activation functions can be explored for the LSTM units, such as sigmoid or tanh, to capture different types of patterns in the data. Overall, the LSTM model offers a powerful tool for sequential data analysis.





Training and Evaluation

During training, the LSTM model learns to minimize the **mean squared error (MSE)** between the predicted and actual stock prices. The model's performance is evaluated using metrics like **root mean squared error (RMSE)** and **mean absolute error (MAE)**. Cross-validation techniques can enhance the robustness of the model's performance assessment.

Thanks

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