

Trade&Ahead - Problem Statement

Submission type

:

File Upload

Due Date

:

Sep 17, 3:30 AM

Total Marks

:

60

Available from

:

Aug 25, 5:30 PM

Description**Context**

The stock market has consistently proven to be a good place to invest in and save for the future. There are a lot of compelling reasons to invest in stocks. It can help in fighting inflation, create wealth, and also provides some tax benefits. Good steady returns on investments over a long period of time can also grow a lot more than seems possible. Also, thanks to the power of compound interest, the earlier one starts investing, the larger the corpus one can have for retirement. Overall, investing in stocks can help meet life's financial aspirations.

It is important to maintain a diversified portfolio when investing in stocks to maximize earnings under any market condition. Having a diversified portfolio tends to yield higher returns and face lower risk by tempering potential losses when the market is down. It is often easy to get lost in a sea of financial metrics to analyze while determining the worth of a stock, and doing the same for a multitude of stocks to identify the right picks for an individual can be a tedious task. By doing a cluster analysis, one can identify stocks that exhibit similar characteristics and ones that exhibit minimum correlation. This will help investors better analyze stocks across different market segments and help protect against risks that could make the portfolio vulnerable to losses.

Objective

Trade&Ahead is a financial consultancy firm that provides its customers with personalized investment strategies. They have hired you as a Data Scientist and provided you with data comprising stock price and some financial indicators for a few companies listed under the New York Stock Exchange. They have assigned you the tasks of analyzing the data, grouping the stocks based on the attributes provided, and sharing insights about the characteristics of each group.

Data Description

The data provided is of stock prices and some financial indicators like ROE, earnings per share, P/E ratio, etc.

Data Dictionary

- Ticker Symbol: An abbreviation used to uniquely identify publicly traded shares of a particular stock on a particular stock market
- Company: Name of the company
- GICS Sector: The specific economic sector assigned to a company by the Global Industry Classification Standard (GICS) that best defines its business operations
- GICS Sub Industry: The specific sub-industry group assigned to a company by the Global Industry Classification Standard (GICS) that best defines its business operations
- Current Price: Current stock price in dollars
- Price Change: Percentage change in the stock price in 13 weeks
- Volatility: Standard deviation of the stock price over the past 13 weeks
- ROE: A measure of financial performance calculated by dividing net income by shareholders' equity (shareholders' equity is equal to a company's assets minus its debt)
- Cash Ratio: The ratio of a company's total reserves of cash and cash equivalents to its total current liabilities
- Net Cash Flow: The difference between a company's cash inflows and outflows (in dollars)
- Net Income: Revenues minus expenses, interest, and taxes (in dollars)
- Earnings Per Share: Company's net profit divided by the number of common shares it has outstanding (in dollars)
- Estimated Shares Outstanding: Company's stock is currently held by all its shareholders
- P/E Ratio: Ratio of the company's current stock price to the earnings per share
- P/B Ratio: Ratio of the company's stock price per share by its book value per share (book value of a company is the net difference between that company's total assets and total liabilities)

Submission Guidelines

1. There are two ways to work on this project:

i. Full-code way: The full code way is to write the solution code from scratch and only submit a final Jupyter notebook with all the insights and observations.

ii. Low-code way. The low-code way is to use an existing solution notebook template to build the solution and then submit a business presentation with insights and recommendations.

The primary purpose of providing these two options is to allow learners to opt for the approach that aligns with their learning aspirations and outcomes. The below table elaborates on these two options.

Submission type	Who should choose	What is the same across the two	What is different across the two	Final submission file [IMP]	Submission Format
Full-code	Learners who aspire to be in hands-on coding roles in the future focussed on building solution codes from scratch	Perform exploratory data analysis to identify insights and recommendations for the problem	Focus on code writing: 10-20% grading on the quality of the final code submitted	Solution notebook from the full-code template submitted in .html format	.html
Low-code	Learners who aspire to be in managerial roles in the future-focussed on solution review, interpretation, recommendations, and communicating with business		Focus on business presentation: 10-20% grading on the quality of the final business presentation submitted	Business presentation in .pdf format with problem definition, insights, and recommendations	.pdf

Please follow the below steps to complete the assessment. Kindly note that if you submit a presentation, ONLY the presentation will be evaluated. Please make sure that all the sections mentioned in the rubric have been covered in your submission.

i. Full-code version

- Download the full-code version of the learner notebook.
- Follow the instructions provided in the notebook to complete the project.
- Write down insights and recommendations for the business problems in the comments.
- Submit only the solution notebook prepared from the learner notebook [format: .html]

ii. Low-code version

- Download the low-code version of the learner notebook.
- Follow the instructions provided in the notebook to complete the project.
- Prepare a business presentation with insights and recommendations to the business problem.
- Submit only the presentation [format: .pdf]

2. Any assignment found copied/plagiarized with other submissions will not be graded and awarded zero marks.

3. Please ensure timely submission as any submission post-deadline will not be accepted for evaluation.

4. Submission will not be evaluated if

- it is submitted post-deadline, or,
- more than 1 file is submitted.

Best Practices for Full-code submissions

- The final notebook should be well-documented, with inline comments explaining the functionality of code and markdown cells containing comments on the observations and insights.
- The notebook should be run from start to finish in a sequential manner before submission.
- It is important to remove all warnings and errors before submission.
- The notebook should be submitted as an HTML file (.html) and NOT as a notebook file (.ipynb).
- Please refer to the FAQ page for common project-related queries.

Best Practices for Low-code submissions

- The presentation should be made keeping in mind that the audience will be the Data Science lead of a company.
- The key points in the presentation should be the following:
 - Business Overview of the problem and solution approach
 - Key findings and insights which can drive business decisions
 - Business recommendations
 - Focus on explaining the key takeaways in an easy-to-understand manner.
 - The inclusion of the potential benefits of implementing the solution will give you the edge.
- Copying and pasting from the notebook is not a good idea, and it is better to avoid showing codes unless they are the focal point of your presentation.
- The presentation should be submitted as a PDF file (.pdf) and NOT as a .pptx file.
- Please refer to the FAQ page for common project-related queries.

Happy Learning!

Scoring guide (Rubric) - Trade&Ahead

Criteria	Points
Exploratory Data Analysis - Problem definition, questions to be answered - Data background and contents - Univariate analysis - Bivariate analysis - Insights based on EDA	12
Data preprocessing	6

Criteria	Points
- Duplicate value check - Missing value treatment - Outlier check (treatment if needed) - Feature scaling	
Applying K-means clustering - Apply K-means Clustering - Plot the Elbow curve - Check Silhouette Scores - Figure out appropriate number of clusters - Cluster Profiling	12
Applying Hierarchical clustering - Apply Hierarchical clustering with different linkage methods - Plot dendrograms for each linkage method - Check cophenetic correlation for each linkage method - Figure out appropriate number of clusters - Cluster Profiling	12
K-means vs Hierarchical Clustering Compare clusters obtained from K-means and Hierarchical clustering techniques	4
Actionable Insights & Recommendations Key takeaways for the business	6
Presentation/Notebook - Overall quality - Structure and flow - Crispness - Visual appeal - Conclusion and Business Recommendations OR - Structure and flow - Well commented code - Conclusion and Business Recommendations	8