AUTOMATED TRADING SYSTEM

Abhishek A

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Abstract

The "Automated Trading System" is a solution aimed at addressing the need for efficient and automated trading in financial markets. This system leverages predefined algorithms and real-time market data to enable faster and more accurate trading decisions. By automating the trading process, it reduces human errors and allows for swift analysis of vast amounts of data. The system's key components include data acquisition, algorithm development, order execution, risk management, and performance monitoring. With compliance to regulations and a suitable business model, this system offers potential for enhanced trading performance and profitability, catering to the growing demand for automated trading strategies in the financial industry.

1. Problem Statement:

The problem addressed by the proposed automated trading system is the need for an efficient and automated approach to trading in financial markets. Traditional manual trading methods are often time-consuming, more often leads to human errors, and may lack the ability to quickly analyze vast amounts of data. The aim is to develop a system that can make informed trading decisions based on predefined algorithms, allowing for faster and more accurate execution of trades.

2. Market/Customer/Business Need Assessment:

The market assessment reveals a growing demand for automated trading systems due to their potential to enhance trading performance and profitability. Institutional investors, and individual traders are increasingly adopting automated trading strategies to gain a competitive edge in the financial markets. The need for such a system arises from the desire to exploit market inefficiencies, minimize transaction costs, and react swiftly to market events.

3. Target Specifications and Characterization:

The target customers for the automated trading system are financial institutions, and individual traders who engage in active trading. These customers are seeking a solution that can automate their trading processes, provide real-time market data analysis, and execute trades efficiently. Specifications for the system include high-speed data processing, robust algorithm development capabilities, can be easily integration with brokerage platforms.

Image source: www.google.com

4. External Search:

To the development of the automated trading system, various online information sources and references were consulted to gather insights and best practices. Key resources included industry reports, and reputable financial websites. Some useful references include:

- Investopedia's guide on algorithmic trading

- Python for Finance Tutorial: Algorithmic Trading

- Python for Finance – Algorithmic Trading Tutorial for Beginners

- 3 Basic Steps of Stock Market Analysis in Python

- Algorithmic Trading

5. Benchmarking Alternate Products:

Existing automated trading systems and platforms were benchmarked to identify their features, strengths, and weaknesses. By analyzing these products, we can gain insights into market trends, user expectations, and areas for improvement. The main considerations include system reliability, performance, ease of use, available algorithms, data integration capabilities, and customer support.

One of the similar product: Pionex Bot (https://www.pionex.com/en/trade/BTC_USDT/Bot)

6. Applicable Patents:

- Algorithmic trading system, a method for computer-based algorithm trading and a computer program product
- Algorithmic trading system and method for testing automated trading of financial instruments
- Algorithmic trading system

These three will be significantly considered while developing and implementing a similar system for small scale businesses.

7. Applicable Regulations:

The automated trading system must comply with relevant government and financial regulations imposed by countries where it operates. These regulations may include rules related to market manipulation, trade execution, data privacy, and cybersecurity. It is crucial to ensure that the system adheres to legal and ethical standards to maintain the integrity of the financial markets.

8. Applicable Constraints:

The development and implementation of the automated trading system may be subject to certain constraints, including space, budget, and expertise. Space constraints may relate to the physical infrastructure required for hosting the system. Budget constraints may impact the availability of resources for development, testing, and deployment. Expertise constraints may arise in terms of the required technical skills, market knowledge, and compliance expertise.

9. Business Model:

The proposed business model for the automated trading system revolves around monetization through various avenues. Potential monetization ideas include:

a) Subscription-based Model: Offering different tiers of subscriptions with varying features and access to the automated trading system. Higher subscription levels may provide advanced algorithms, real-time data feeds, and dedicated customer support.

b) Licensing: Allowing financial institutions or trading firms to license the system for their internal use or offer it as a white-labeled solution to their clients. This model enables customization and integration of the automated trading system into existing trading platforms.

c) Performance-based Fees: Charging a percentage of profits generated by the system as a performance fee. This approach aligns the incentives of the automated trading system provider with the profitability of their clients.

10. Final Product Prototype:

The final product prototype of the automated trading system would consist of several components, including:

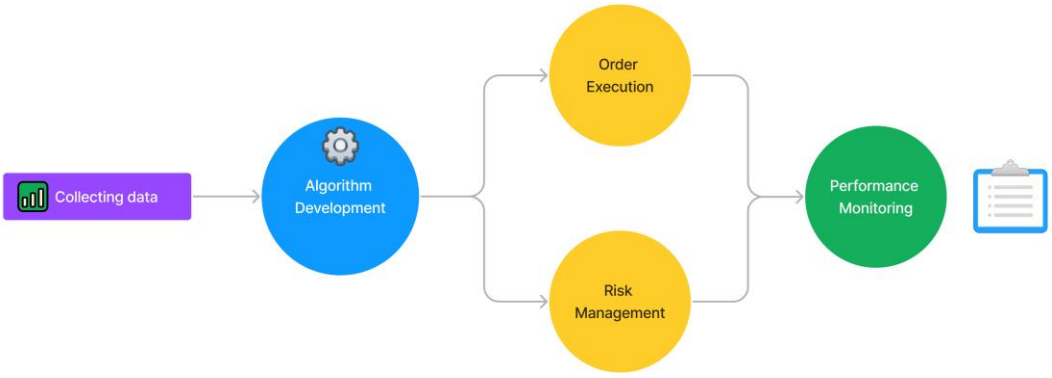
a) Data Acquisition: Real-time and historical market data would be collected from various sources, such as exchanges, data vendors, and news feeds.

b) Algorithm Development: Designing and implementing algorithms that incorporate various trading strategies, risk management techniques, and market analysis indicators.

c) Order Execution: Integration with brokerage platforms or APIs to enable seamless execution of trades based on the algorithms' decisions.

d) Risk Management: Implementing risk controls and safeguards to manage exposure, limit potential losses, and prevent excessive risk-taking.

e) Performance Monitoring: Tracking the system's performance, generating reports, and providing visualization tools to analyze trading outcomes and refine strategies.



11. Conclusion:

The implementation of an automated trading system addresses the need for automation and efficiency in financial markets. By leveraging predefined algorithms and real-time market data, the system aims to enable faster and more accurate trading decisions. However, it is important to consider applicable regulations, constraints, and a suitable business model to ensure successful deployment and monetization of the system. With careful attention to these factors, the automated trading system can provide significant value to financial institutions, hedge funds, and individual traders in optimizing their trading strategies and improving overall performance.