**MEETUP**

**Location :** QPlum Office, 185 Hudson st, suite 1620, plaza 5 · Jersey City

**Date/Time:** Thursday, September 20, 2018 6:00 PM to 7:45 PM

# Subject : Handling data in machine learning strategies, Dr Michael Steele, Wharton School

It was my first meetup and it was good to see people around having similar interests and background. After having a quick introduction with everyone, there was an informal discussion about random topics on AI and machine learning over some snacks and wine.

Shortly after everyone took their seats and Dr. Wharton was on stage to talk about subject as aforementioned.

Below is a list of the topics along he went through. I’ve tried to put them in question-answer form for better understanding.

1. What makes a Monte Carlo Model Acceptable?  
a. A widely used model which does offer some insight and which people at the top of the game should be reluctant to accept.  
b. Candidate Idea: A model is “acceptable” if the series generated by the model and the historical series of returns cannot be distinguished by a “fair rule”

2. Things Change. Can one draw guidance from past paradigm shifts?  
a. History of the Black-Scholes model (bad fit pre-80’s, then good fit, then bad fit post-87 --- not used to fit --- now)  
b. Nixon and Gold  
c. Japan Deflation  
d. Negative interest rates  
e. Oil Shock

5. What do you mean risk?  
a. Even if we agree on “standard deviation” this is not as well-defined as one might think.  
b. The logical tangle of “permanent loss” vs “temporary loss”. There is a mean-reversion pony buried in there someplace.  
c. Drawdown has a visceral appeal but no common standards.  
d. Enough risk to act?  
i. What causes a client to change managers?  
ii. Retail clients vs Institutional Clients

6. Is “everything” really just “regression”? Simple regressions are the “strawmen” of choice. They are surprisingly hard to beat, and it’s a big deal when you can beat them. Still, you have to set things up right.

Overall, it seemed to be a refreshing first meetup experience with some insights given by Dr. Wharton based on some historical facts / events that drive the current; and probably impact future of AI and machine learning.