



FFT, TimesNet, and Random Forest in Real Estate Stock Market Analysis

PHAN CHI CUONG¹, NGUYEN LE KHANG², AND LE PHAM QUOC BAO³

¹Faculty of Information Systems, University of Information Technology, (e-mail: 21520673@gm.uit.edu.vn)

²Faculty of Information Systems, University of Information Technology, (e-mail: 21520960@gm.uit.edu.vn)

³Faculty of Information Systems, University of Information Technology, (e-mail: 21521849@gm.uit.edu.vn)

ABSTRACT This study investigates the effectiveness of Fast Fourier Transform (FFT), Time Series Network (TimeSNet), and Random Forest (RF) models in predicting stock prices within the Vietnamese real estate market. We apply these models independently to historical daily closing prices of three major real estate companies from 2019 to 2024, exploring how each method contributes to understanding and forecasting stock price movements. FFT is utilized to reveal underlying periodic patterns, TimeSNet to capture temporal dependencies, and RF to provide robust predictions. The results offer insights into the strengths and weaknesses of each model for this specific market, providing valuable information for investors and policymakers.

INDEX TERMS Placeholder

I. INTRODUCTION

Time-series forecasting plays a crucial role in decision-making across various domains. Its significance lies in its ability to provide valuable insights into future trends and patterns in time-dependent data. For instance, accurate predictions of stock prices, interest rates, and foreign exchange rates are essential for informed investment decisions in finance. Similarly, healthcare organizations rely on forecasting patient demand and resource utilization to allocate resources effectively and improve patient care. Energy management companies use time series forecasting to optimize energy production, distribution, and consumption. The accuracy and efficiency of time-series forecasting models significantly impact organizational performance and decision-making processes.

In this paper, we explore an innovative approach to enhance time-series forecasting using the Fast Fourier Transform (FFT). The FFT algorithm extracts frequency-domain features from time series data, offering a promising avenue for improving forecast accuracy and computational efficiency. Our investigation involves a comparative analysis of models trained with FFT-based features against traditional time domain features. We apply this approach to predict stock prices of real estate companies, leveraging not only FFT but also other techniques such as TimesNet and Random Forest. Through our study, we shed light on the interpretability of frequency domain features and their relationship with underlying time series patterns, emphasizing the potential of FFT-based feature engineering in enhancing forecasting models.

II. RELATED WORKS

In recent years, many stock prediction models have been researched and many articles have been published, such as:

Hind Daori, Alanoud Alanazi, Manar Alharthi, Ghaida Alzahrani (2022) [1] used Artificial Neural Network (ANN), Random Forest Classifier, Logistic Regression, and then analyze and predict the patterns of previous stock prices and the results showed that the models were efficient and produced better results.

Hugo Souto(2023) [2] has researched about TimesNet for Realized Volatility Prediction. Finally, they concluded that TimesNet stands out as a reliable and effective benchmark model for researching realized volatility. Although it may not always surpass NBEATSx and NHITS in every metric, its strong performance and consistency make it a valuable option, especially when compared to TFT. Overall, TimesNet presents a balanced and dependable choice that combines reliability with effectiveness, making it a suitable neural network model for researchers and practitioners in the field of realized volatility.

In another article by Bohumil Stádník, Jurgita Raudeliuniene, Vida Davidavičienė [3], they pointed out that the Fourier analysis may not be advantageous for investors forecasting stock market prices as it fails to detect existing predominant cycles. An attempt to identify significant periods in the US stock market data using FFT, a method of Fourier analysis, proved to be unacceptable. Similar failures

can be expected with other liquid investment instruments or financial data series. Despite this, Fourier analysis is still used for forecasting in finance and its benefits are a topic of discussion among financial market practitioners and academicians.

III. MATERIALS

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A. DATASET

The dataset comprises historical daily closing stock prices (in Vietnamese Dong - VND) for three prominent Vietnamese real estate companies:

- Quoc Cuong Gia Lai Joint Stock Company (QCG)
- Dat Xanh Group Joint Stock Company (DXG)
- Vinhomes Joint Stock Company (VHM)

The data spans a five-year period from March 1, 2019, to March 1, 2024. While the raw data includes additional attributes such as opening price, high, low, volume, and change, this study focuses solely on the "Close" price to develop predictive models for future closing price movements.

B. DESCRIPTIVE STATISTICS

TABLE 1. QCG, VHM, DXG's Descriptive Statistics

	DXG	VHM	QCG
Observations	0	1252	1252
Mean	0	62065.92	7586.17
Median	0	61768	7105
Std	0	11877.69	3102.55
Min	0	38450	3320
Max	0	88722	23200
25%	0	53900	4960
50%	0	61768	7105
75%	0	71569	9182.5
Skewness	0	-0.04	1.13
Kurtosis	0	-0.85	1.68

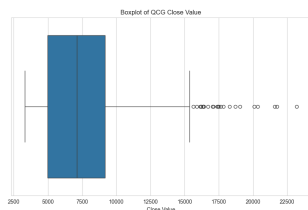


FIGURE 1. QCG stock price's boxplot

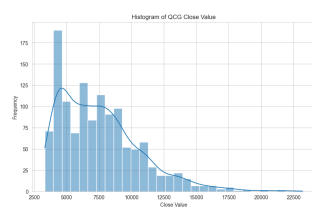


FIGURE 2. QCG stock price's histogram

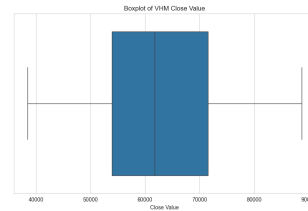


FIGURE 3. VHM stock price's boxplot

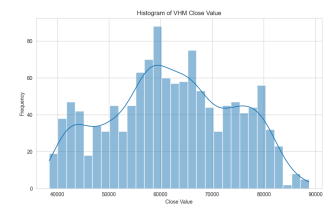


FIGURE 4. VHM stock price's histogram

IV. METHODOLOGY

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A. LINEAR REGRESSION

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$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + \varepsilon$$

Where:

- Y is the dependent variable (Target Variable).
- X_1, X_2, \dots, X_k are the independent (explanatory) variables.
- β_0 is the intercept term.
- β_1, \dots, β_k are the regression coefficients for the independent variables.
- ε is the error term.

B. RANDOM FOREST

Random forest is a supervised learning algorithm. The "forest" it builds is an ensemble of decision trees, usually trained with the bagging method. The general idea of the bagging method is that a combination of learning models increases the overall result.

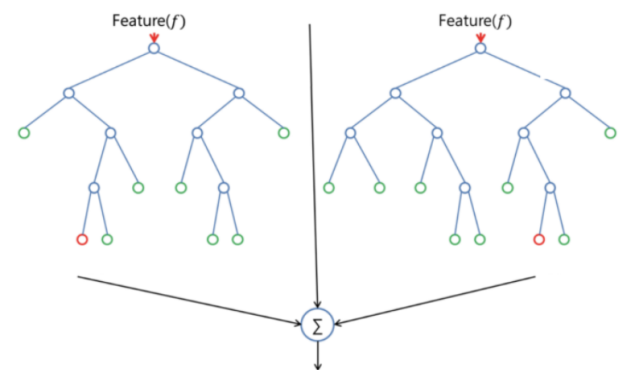


FIGURE 5. Random forest models

Random forests are also very hard to beat performance-wise. Of course, you can probably always find a model that can perform better — like a neural network, for example — but these usually take more time to develop, though they can handle a lot of different feature types, like binary, categorical and numerical. Overall, random forest is a (mostly) fast, simple and flexible tool, but not without some limitations.



C. GRU

GRU is a simplified version of LSTM (Long Short-Term Memory) and has fewer parameters, which helps reduce the time and computational resources required during model training. Both GRU and LSTM belong to the family of advanced recurrent neural network architectures that can retain information over long sequences without encountering gradient degradation issues. The structure of GRU consists of two main gates:

- **Update Gate:** Controls the amount of information from the previous hidden state that needs to be carried over to the current state.

$$z_t = \sigma(W_z \cdot [h_{t-1}, x_t] + b_z)$$

- **Reset Gate:** Decides how much of the past information to forget.

$$r_t = \sigma(W_r \cdot [h_{t-1}, x_t] + b_r)$$

- **Current memory content :** determines the potential contribution to the updated hidden state, allowing the network to retain or update information effectively.

$$\tilde{h}_t = \tanh(W_h \cdot [r_t \odot h_{t-1}, x_t] + b_h)$$

- **Final memory at current time step :** is the updated hidden state that combines the previous hidden state and the new candidate hidden state based on the update gate's decision. This updated hidden state effectively balances retaining information from the past and incorporating new information from the current time step.

$$h_t = (1 - z_t) \odot h_{t-1} + z_t \odot \tilde{h}_t$$

Where:

- h_t is the final hidden state at time step t . This represents the updated memory of the network at the current time step.
- z_t is the update gate vector at time step t . The update gate controls how much of the previous hidden state should be carried forward to the current hidden state.
- h_{t-1} is the hidden state from the previous time step $t - 1$. This is the memory of the network from the prior time step.
- \tilde{h}_t is the candidate hidden state at time step t . It represents the new information that could be added to the hidden state, calculated using the current input and the reset-modified previous hidden state.
- \odot represents element-wise multiplication. This operation is applied element-wise to vectors or matrices.
- $1 - z_t$ is the complement of the update gate vector. It represents the proportion of the previous hidden state that should be retained.

V. RESULT

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A. EVALUATION METHODS

Mean Percentage Absolute Error (MAPE): is the average percentage error in a set of predicted values.

$$MAPE = \frac{100\%}{n} \sum_{i=1}^n |y_i - \hat{y}_i| = 1$$

Root Mean Squared Error (RMSE): is the square root of average value of squared error in a set of predicted values.

$$RMSE = \sqrt{\frac{\sum_{i=1}^n (\hat{y}_i - y_i)^2}{n}}$$

Mean Absolute Error (MSLE): is the relative difference between the log-transformed actual and predicted values.

$$MSLE = \frac{1}{n} \sum_{i=1}^n (\log(1 + \hat{y}_i) - \log(\log(1 + y_i)))^2$$

Where:

- n is the number of observations in the dataset.
- y_i is the true value.
- \hat{y}_i is the predicted value.

B. DXG DATASET

TABLE 2. DXG Dataset's Evaluation

C. VHM DATASET

D. QCG DATASET

VI. CONCLUSION

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A. SUMMARY

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B. FUTURE CONSIDERATIONS

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ACKNOWLEDGMENT

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