

# Stock Market Prediction



Ning Chen

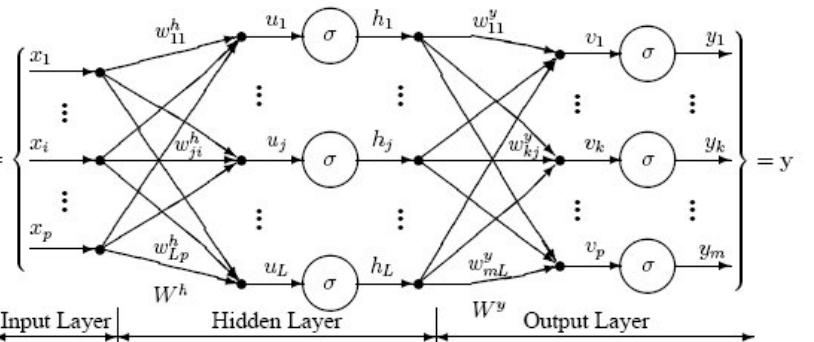
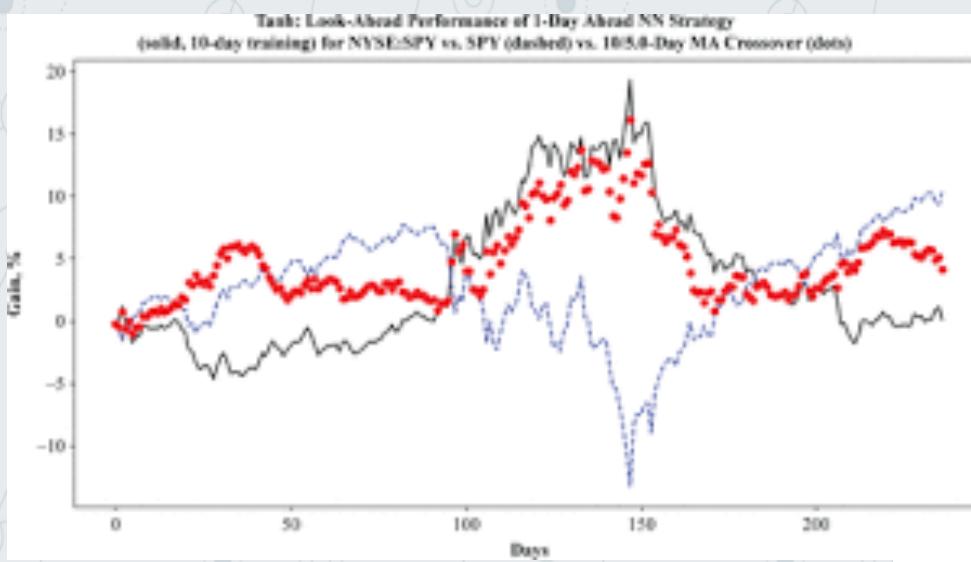
# Agenda

- Overview
- Business Understanding
- Data Collection
- Exploratory Data Analysis
- Classification
- Time Series
- Sentimental
- Frontend
- Next Steps



# Overview

Accurate prediction of stock market asset is a significant and challenging task due to complicated nature of the financial stock markets.



# Business Goals

Stock market prediction aims to determine the future movement of the stock value of a financial exchange.

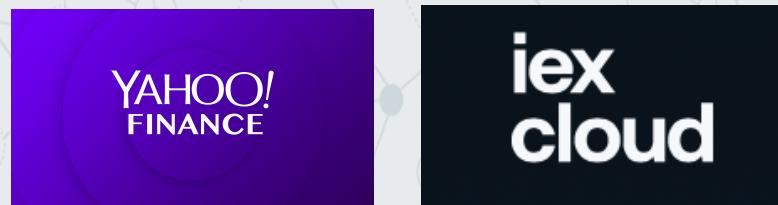
**Classification:** Trade Strategy (buy sell hold)

random forest, SVM, Xgboost, NN

**time series regression model:** SARIMAX, Facebook Prophet, LSTM

**sentimental analysis:** NLP

# Data Collection



A screenshot of a financial data page for Apple Inc. (AAPL) on Yahoo Finance. At the top, it shows major indices: S&amp;P 500 at 3,931.33 (-2.35 or -0.05%), Dow 30 at 31,613.02 (+90.27 or +0.29%), Nasdaq at 13,965.50 (+82.00 or +0.58%), Russell 2000 at 2,256.11 (-16.78 or -0.74%), Crude Oil at 60.94 (+0.85 or +1.40%), and Gold at 1,771.90 (+27.10 or +1.51%). Below the indices, the main focus is on Apple Inc. (AAPL), showing its price of 130.84, a change of -2.35 (-1.76%), and a volume of 130.87 with a 0.03 (0.02%) increase. The page includes tabs for Summary, Company Outlook, Chart, Conversations, Statistics, Historical Data, Profile, Financials (which is selected), Analysis, Options, Holders, and Sustainability. Under the Financials tab, there are links for Income Statement, Balance Sheet, and Cash Flow. The Income Statement section shows quarterly financials from 2018 to 2020. To the right, there's a "People Also Watch" sidebar listing other stocks like AMZN, FB, GOOG, TSLA, and NFLX with their current prices and percentage changes. The overall layout is clean and organized, typical of a web-based financial information platform.

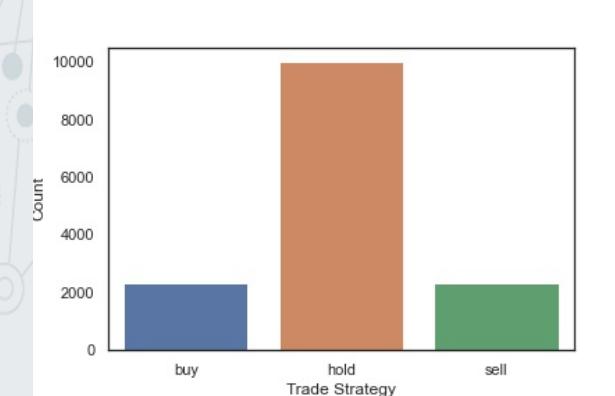
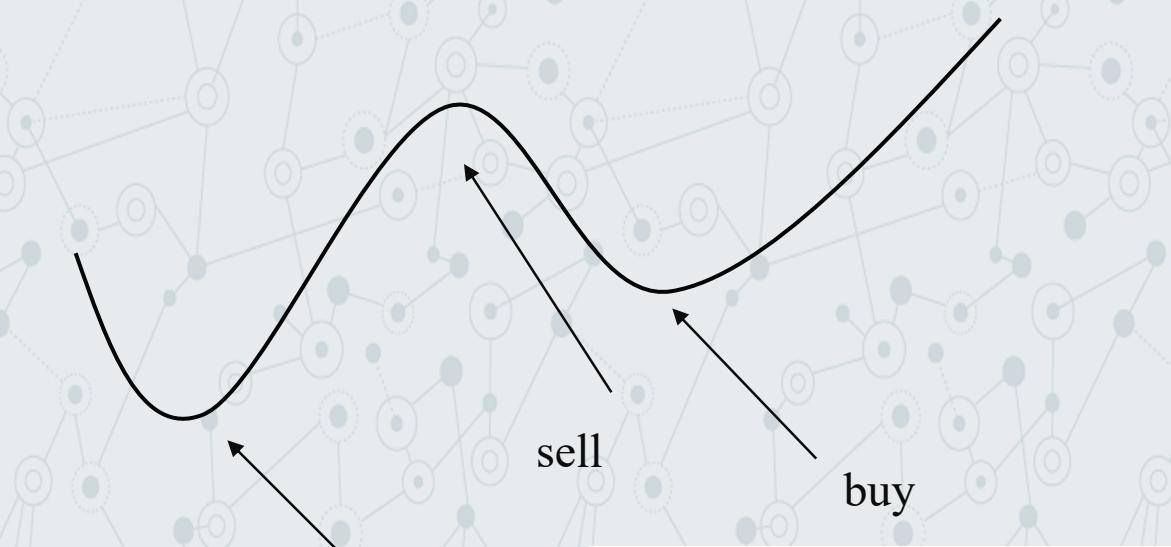
Data was collected from three different web sources by API calls or Web Scraping.

- Quarterly Report for Classification by Web Scrapping.
- Yahoo Finance and IEX API for Time Series by API calls.
- Twitter for sentimental data by VADER.

# Exploratory Data Analysis

## Trade Strategy

local minimum of the price to buy, local maximum of the price to sell, and all other time to hold.



# Exploratory Data Analysis

## Missing data

The missing data for weekends and holidays was filled by interpolation method.

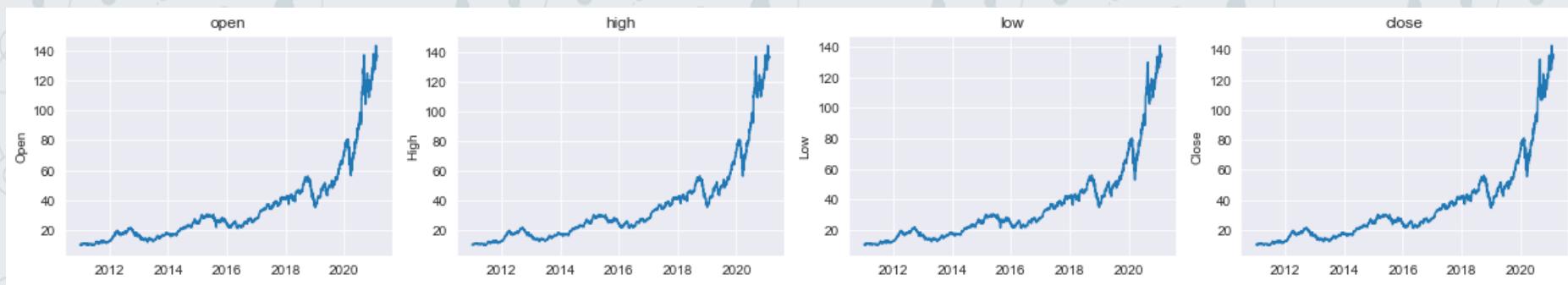
The missing data of exogenous features was filled by propagating nearest valid observation backward/forward to next valid observation.

$$P_t = \sqrt[3]{P_{t-1}^2 * P_{t+2}}$$

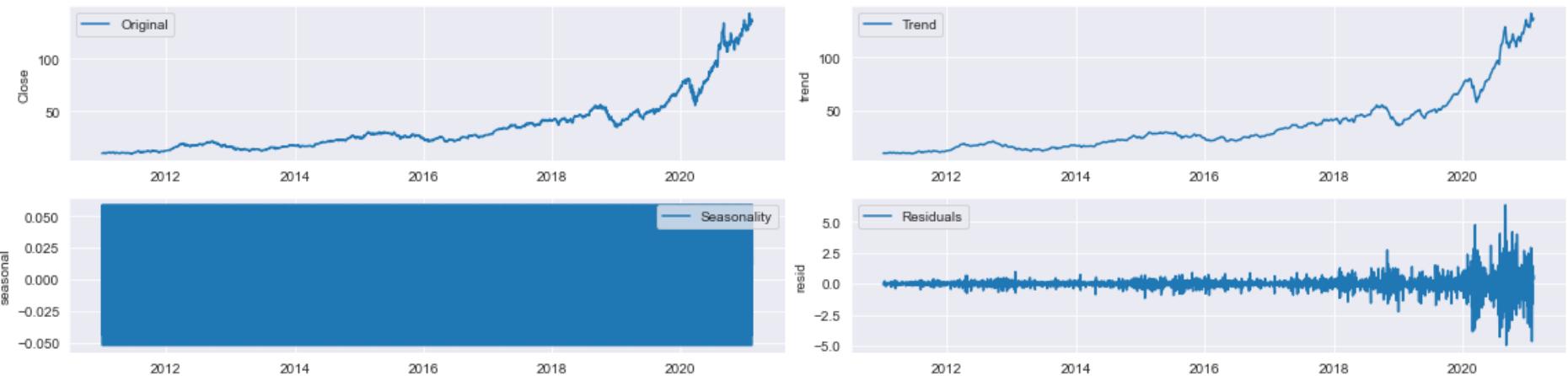
$$P_{t+1} = \sqrt[3]{P_{t-1} * P_{t+2}^2}$$

The fact that data are missing should not be neglected—quite often it is an indication of illiquidity. Using an average price results in an underestimate of volatility.

# Exploratory Data Analysis

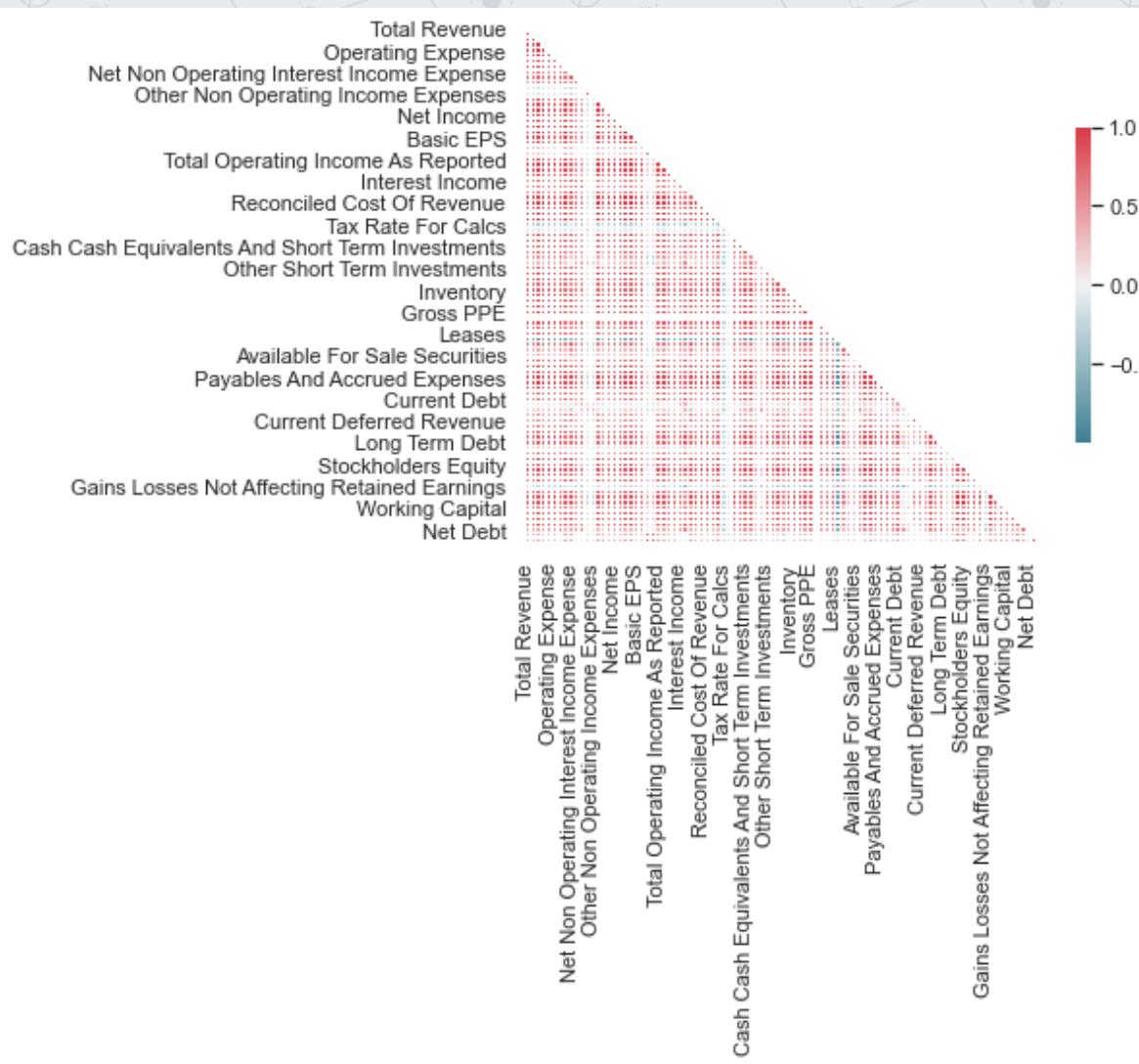


seasonal decompose



# Classification

## Principle Component Analysis (PCA)



PCA(`n_components=2`)

`pca.explained_variance_ratio_`

```
array([0.89179276, 0.04447837])
```

# Classification

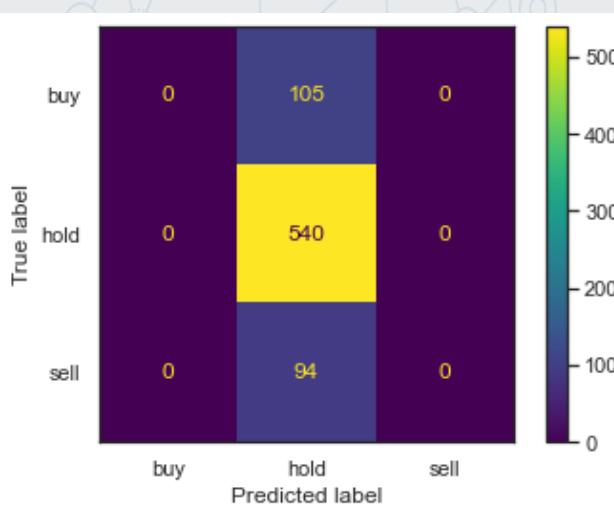
Training accuracy score: 0.7339201083276913

Test accuracy score: 0.7307171853856563

Training F1 score: 0.7339201083276912

Test F1 score: 0.7307171853856562

	precision	recall	f1-score	support
buy	0.00	0.00	0.00	105
hold	0.73	1.00	0.84	540
sell	0.00	0.00	0.00	94
accuracy			0.73	739
macro avg	0.24	0.33	0.28	739
weighted avg	0.53	0.73	0.62	739



# Time Series

Dickey-Fuller Test



# Time Series

SARIMAX Model with exogenous features



SARIMAX RMSE of close price: 1.15  
SARIMAX MAE of close price: 0.82

# Time Series

Facebook Prophet



Facebook Prophet close price train RMSE: 4.34  
Facebook Prophet close price test RMSE: 33.89  
Facebook Prophet close price train MAE: 2.59  
Facebook Prophet close price test MAE: 33.05

# Time Series

LSTM



LSTM Networks close price train RMSE: 0.70  
LSTM Networks close price test RMSE: 3.28  
LSTM Networks close price train MAE: 0.37  
LSTM Networks close price test MAE: 2.61

# Next Step

- To access the updated quarterly reports timely and obtain more important features.
- To tune the hyperparameters (exogenous variables) in Time Series models. Technical indicators such as MACD, Stochastic, RSI, etc can be used.
- Besides Twitter, gathering more relevant sentimental data from other web sources.

