Cover Letter –

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A **cover** **letter** is a simple, brief business **letter**, designed to introduce your manuscript to a prospective Editor.  If the Guide for Authors does not specify what to include in your **cover** **letter**, you may wish to include some of the following items:

* Specify special considerations that should be given to the paper (if any).
* A brief background regarding the research involved or how the data was collected.
* Details of any previous or concurrent submissions.
* It's also useful to provide the Editor-in-Chief with any information that will support your submission (e.g. original or confirmatory data, relevance, topicality).
* The inclusion (or exclusion) of certain Reviewers (if [propose/oppose reviewers](http://service.elsevier.com/app/answers/detail/a_id/8238/supporthub/publishing) isn't an available step in the submission process).
* Bring to the Editor’s attention any [Conflict of Interest or Permissions information](http://service.elsevier.com/app/answers/detail/a_id/286/supporthub/publishing) which may be relevant.  Be sure to upload any accompanying forms or declarations as required to your submission.

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Let’s enrich the cover letter with consideration of the following important information:

The paper is being submitted to this special issue of the JBF:

<special-issue-JBF>

**Generative AI in Finance**

Submission deadline: **31 January 2025**

The aim of the special issue is to feature articles at the forefront of Generative AI research across a broad spectrum of interest including, but not limited to, corporate finance, fintech, digital finance, asset pricing, financial stability, banking, risk management, portfolio management, behavioral finance, personal finance, and real estate — all within the context of viable existing or potential future applications of Generative AI.

**Guest editors:**

**Carol Alexander**, University of Sussex

**Lars Hornuf**, TU Dresden

**Denis Schweizer**, Concordia University

**Special issue information:**

This Special Issue seeks to gather together a set of timely and top-tier research papers about the utilization of generative artificial intelligence (AI) in finance. "Generative AI" pertains to computational methods that have the ability to use public and/or private data to create apparently novel and meaningful materials in the form of text, images, audio files and computer code. This rapidly evolving field presents both challenges and prospects for the financial and banking sectors. Submissions should enhance the understanding of viable existing and potential forthcoming applications of Generative AI in Finance. Two Workshops—in Dresden and Montreal—aim to provide authors with valuable insights from the editorial team prior to submission, and after submission those which are not desk rejected will be provided with constructive referee feedback in an expedited and well-organized review process.

Generative Pre-Trained Transformers (GPT) hold significant promise in the realm of financial research (Cook et al. 2023; Feuerriegel et al. 2023; Pelster and Val 2023). For example, Jiang et al. (2023) claim that they can forecast financial asset prices by extracting contextualized representations of news text on which they employ cutting-edge, large-scale language models. Their findings indicate that information from newswires becomes integrated into prices only after an inefficient delay period (which corresponds to the constraints of arbitrage opportunities) but that this very delay can be leveraged through real-time trading strategies. In a similar vein, Fieberg et al. (2023) extract financial advice from GPT-4 and show that it can provide suitable financial advice for retail investors, by suggesting specific investment portfolios that reflect an investor’s individual circumstances such as risk tolerance, risk capacity, and sustainability preference. And Jha et al. (2023) report that investment scores generated by ChatGPT applied to conference call transcripts are strongly predictive of a companies’ future capital expenditures. However, high-quality research on the application of Generative AI to resolve practical problems in financial markets is only just starting to emerge.

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**Manuscript submission information:**

The submission system will be open from April 1, 2024. When submitting your manuscript to [Editorial Manager](https://www2.cloud.editorialmanager.com/jbf/default2.aspx), please select the article type “VSI: GenAI in Finance”. Please submit your manuscript before the submission deadline on January 31, 2025.

All submissions deemed suitable to be sent for peer review will be double-blind reviewed by independent reviewers. If your manuscript is accepted it will go into production immediately and will be simultaneously published in the current regular issue and pulled into the online Special Issue. Articles from this Special Issue will appear in different regular issues of the journal, though they will be clearly marked and branded as Special Issue articles.

Please see an example here: [Journal of Banking & Finance | Special Issue: The Impact of Global Pandemic on Financial Markets and Institutions | ScienceDirect.com by Elsevier](https://www.sciencedirect.com/journal/journal-of-banking-and-finance/vol/147/suppl/C)

Please ensure you read the Guide for Authors which together with a link to submit your manuscript is available on the Journal’s homepage at: [Journal of Banking & Finance | ScienceDirect.com by Elsevier](https://www.sciencedirect.com/journal/journal-of-banking-and-finance)

Inquiries, including questions about appropriate topics, may be sent electronically to Lars Hornuf, lars.hornuf@tu-dresden.de

**References:**

Cook, T. R., Kazinnik, S., Hansen, A. L., & McAdam, P. (2023). *Evaluating Local Language Models: An Application to Bank Earnings Calls* (No. RWP 23-12).

Feuerriegel, S., Hartmann, J., Janiesch, C., & Zschech, P. (2023). Generative AI. *Business & Information Systems Engineering*, forthcoming.

Fieberg, C., Hornuf, L., & Streich, D. (2023). Using GPT-4 for Financial Advice. *Available at SSRN 4488891*.

Jha, M., Qian, J., Weber, M., & Yang, B. (2023). ChatGPT and Corporate Policies. *Chicago Booth Research Paper*, (23-15).

Jiang, J., Kelly, B. T., & Xiu, D. (2022). Expected Returns and Large Language Models. *Available at SSRN*.

Pelster, M., & Val, J. (2023). Can ChatGPT assist in picking stocks? *Finance Research Letters*, 104786.

**Keywords:**

Generative AI, Large Language Models, GPT, ChatGPT, Fintech, NLP

</special-issue-JBF>

I presented this paper in the Generative AI in Finance Conference, which was the conference associated to the special issue of the JBF to which I am submitting my paper

<associated-conference>

John Molson School of Business at Concordia University in cooperation with the Desjardins Centre for Innovation and Financing is organizing the Paper Development Workshop together with [Carol Alexander](https://www.coalexander.com/)from University of Sussex, [Lars Hornuf](https://tu-dresden.de/bu/wirtschaft/bwl/finance/die-professur/team/prof-dr-lars-hornuf) from TU Dresden and [Denis Schweizer](https://www.concordia.ca/news/media-relations/experts/expert-profile.html?epid=xbt-yJJfbn4bp2I0H4ecOQ) and [Juliane Proelss](https://www.concordia.ca/faculty/juliane-proelss.html) from Concordia University. We invite interested scholars to apply to present and discuss their current research on Generative AI in Finance. The conference will take place in person **October 23 and 24, 2024 in Montréal**

The aim of the paper development workshop is to feature articles at the forefront of Generative AI research across a broad spectrum of interest including, but not limited to, corporate finance, fintech, digital finance, asset pricing, financial stability, banking, risk management, portfolio management, behavioral finance, personal finance, and real estate — all within the context of viable existing or potential future applications of Generative AI.

The conference is associated with a [Special Issue in the Journal of Banking and Finance on *Generative AI in Finance*](https://www.sciencedirect.com/journal/journal-of-banking-and-finance/about/call-for-papers#generative-ai-in-finance) and aims to provide authors with valuable insights from the editorial team prior to submission. Acceptance for presentation at the Paper Development Workshop is not a prerequisite for submission to the Special Issue and in no way guarantees acceptance to the Special Issue.

**Special Issue:**

The Generative AI in Finance conference is associated with a [Special Issue in the Journal of Banking and Finance on *Generative AI in Finance*](https://www.sciencedirect.com/journal/journal-of-banking-and-finance/about/call-for-papers#generative-ai-in-finance) and aims to provide authors with valuable insights from the editorial team prior to submission. Acceptance for presentation at the Paper Development Workshop is not a prerequisite for submission to the Special Issue and in no way guarantees acceptance to the Special Issue.

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</associated-conference>

In the conferences that I have presented my paper, I have received the following feedback, and have addressed it as outlined below:

<feedback-from-conferences>

Conference in Banking & Finance @ CEMFI:

* Add more risk metrics to the evaluation of the performance of the trading strategy. Before, we only looked at the cumulative returns and annualized mean, standard deviation and Sharpe Ratios. Now we have added the Sortino Ratio, Maximum Drawdown, Calmar Ratio, Skewness, Excess Kurtosis, VaR and CvaR [modified Table 5 and table A.4]
* Provided an interpretation of the methodology based on embeddings [added section 4.1.2]

Generative AI in Finance @ John Molson School of Business

* Look at the Trading Intensity of each clustering methodology (Kmeans Vs. LLM) and evaluate the performance of the trading strategy under a conservative estimate of transacion costs [a summary of results are presented at the end of section 5.3. in the main text, and the extended results are presented in Appendix section A.8]
* Provide an initial explanation of LLMs and their evolution before explaining our LLM-based methodology [sections 4.2.1 and 4.2.2. of the main text]
* Illustrate how the methodology works in action with an example article from my database [incorporated Examples 1 and 2 in the main text with representative articles]
* Explain why Sentiment Analysis and Topic Modeling does not constitute an appropiate benchmark for comparison with out LLM-based methodology, and explain why the vector embeddings-based methodology constitutes the ideal benchmark [presented a summary in section 4.1.1 of the main text and extensively in section A.7 of the Appendix]

</feedback-from-conferences>

My conflicts of interest are:

<conflicts-of-interest>

None

</conflicts-of-interest>