An Enhanced PySpark Framework for Gold Price Prediction using Machine Learning Techniques

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Abstract
Gold price forecasting remains a challenging and high-impact task for investors, central banks, and policymakers. This paper proposes a scalable, reproducible PySpark-based framework for gold price prediction using historical market data and machine learning techniques. The pipeline includes robust data preprocessing, advanced feature engineering (lag variables, moving averages, volatility measures), model-building (Linear Regression, Random Forest, Gradient Boosted Trees), hyperparameter optimization, and interpretability analysis. We present mathematical formulations for models and loss functions, evaluate models using RMSE, MAE and R^2, and examine bias–variance behavior and computational trade-offs. Extensive experiments on historical gold price data demonstrate that ensemble learners—particularly Gradient Boosted Trees—achieve superior predictive performance while Linear Regression remains valuable for interpretability and baseline comparison. The codebase and artifacts are designed for reproducibility in distributed environments.

Keywords: PySpark, Gold Price Prediction, Linear Regression, Gradient Boosted Trees, Random Forest, Feature Engineering, Financial Time Series

1. Introduction
Gold is a unique financial asset with roles as a commodity, a store of value, and a strategic reserve instrument. Predicting its price is important for portfolio allocation, hedging strategies, and macroeconomic policy. Traditional time-series models such as ARIMA and GARCH capture linear and volatility structures but often fail to scale or model complex nonlinear interactions when large datasets or many predictors are present. Leveraging Apache Spark and its Python API (PySpark) allows analysts to build scalable, distributed pipelines for preprocessing, feature engineering, and model training. This paper documents a production-ready PySpark pipeline and provides an empirical comparison of classical and ensemble methods with a focus on explainability and operational deployment.

2. Related Work
A broad literature investigates gold price dynamics and forecasting approaches. SVAR and BSTS methods (Chai et al., 2021; Scott & Varian, 2014) analyze structural drivers and nowcasting performance. Hybrid machine learning approaches combining wavelet transforms, SVR, and ensemble models (Risse, 2019; Alameer et al., 2019) demonstrate improved forecasting compared to ARIMA. Deep learning models such as LSTM and temporal convolutional architectures have shown promise for long-horizon predictions but often require substantial data and careful tuning. This work differs by focusing on the end-to-end, scalable PySpark implementation and comparing interpretability, speed, and accuracy across models in a big-data setting.

3. Data and Preprocessing
The dataset used in this study is a CSV of historical gold prices with columns: Date, Open, High, Low, Close, and Volume. For reproducibility, the processing steps are implemented in PySpark DataFrame APIs and Spark SQL. Key preprocessing steps include: **Missing value handling**: forward-fill and then backward-fill where necessary to avoid introducing look-ahead bias. **Outlier treatment**: Winsorization based on IQR to mitigate extreme spikes due to intraday anomalies or reporting errors. **Feature scaling**: StandardScaler in Spark ML applied to continuous features when required by models. **Timezone and calendar alignment**: aligning trading days across markets and removing non-trading days. Feature generation produces lag features (Close_{t-1...t-k}), rolling means (7-, 14-, 30-day), rolling standard deviations (as a proxy for volatility), return percentages, and technical indicators (e.g., RSI, MACD approximations). These are computed efficiently using Spark window functions.

3.1 Feature Engineering
Feature engineering is central for time-series forecasting. Important engineered features include: **Lag features**: lag_k = Close_{t-k} for k in {1,2,3,5,10} capture momentum and short-term autocorrelation. **Rolling statistics**: mean_{w} and std_{w} computed over windows w={7,14,30} encapsulate local trend and volatility. **Normalized returns**: r_t = (Close_t - Close_{t-1})/Close_{t-1}, useful for stabilizing heteroskedasticity. **Technical indicators**: simple moving average crossovers (SMA_short - SMA_long), relative strength index (RSI), and exponential moving averages (EMA). **Exogenous variables**: where available, include crude oil returns, USD index, VIX, and major equity indices to capture macro linkages. All features are timestamp-aligned; no future information is used when

constructing features for time t to prevent leakage.

4. Models and Mathematical Formulation

We implement three canonical models using Spark MLlib: **Linear Regression (LR)**: Assumes a linear relation: $y = \beta_0 + \sum_{i=1}^n \beta_i x_i + \epsilon$. The ordinary least squares objective minimizes the residual sum of squares (RSS): $RSS(\beta) = \sum_{t}(y_t - X_t \beta)^2$. For regularized variants, Ridge adds $\lambda ||\beta||_2^2$ and Lasso adds $\lambda ||\beta||_1$ penalty to reduce overfitting. **Random Forest (RF)**: An ensemble of decision trees learned on bootstrap samples. The RF prediction is the average: $\hat{y} = \frac{1}{M}\sum_{m=1}^M T_m(x)$ where each tree T_m is trained on a random subset of features. RF reduces variance via bagging. **Gradient Boosted Trees (GBT)**: Sequentially builds trees to minimize a differentiable loss function $L(y, f(x))$. At iteration m, GBT fits a tree to the negative gradient (residuals) of the loss: $f_m(x) = f_{m-1}(x) + \nu \cdot h_m(x)$, where h_m is the new tree and ν is the learning rate. For least squares, the residuals are $r_{im} = y_i - f_{m-1}(x_i)$. Mathematical notations and cost functions are expressed in LaTeX-style here for clarity. In PySpark, these models are wrapped via MLlib Estimators and Pipelines with CrossValidator for hyperparameter tuning.

Linear Regression (OLS): $\hat{\beta} = \arg\min_{\beta} \sum_{t=1}^T (y_t - X_t \beta)^2$
Ridge Regression objective: $\hat{\beta}_{ridge} = \arg\min_{\beta} \left[\sum_{t=1}^T (y_t - X_t \beta)^2 + \lambda ||\beta||_2^2 \right]$
Gradient Boosting update (additive model): $f_m(x) = f_{m-1}(x) + \nu \cdot h_m(x)$
Squared error loss gradient at iteration m: $g_{im} = -\left[\frac{\partial L(y_i, f(x_i))}{\partial f(x_i)}\right]_{f=f_{m-1}} = y_i - f_{m-1}(x_i)$

5. PySpark Implementation

The pipeline is implemented using PySpark (Spark 3.x) with the following components: **Data ingestion**: CSV data read into a Spark DataFrame with explicit schema definitions for date and numeric types. **Feature transformations**: Spark SQL and window functions compute rolling statistics; VectorAssembler consolidates features; StringIndexer/OneHotEncoder used if categorical variables are present. **Pipeline and cross-validation**: Estimators and Transformers form a Pipeline. CrossValidator performs k-fold (time-aware) cross-validation—ensuring folds respect temporal ordering to prevent leakage. **Hyperparameter tuning**: Randomized and grid search strategies explore parameters for RF (numTrees, maxDepth, subsamplingRate) and GBT (maxIter, maxDepth, stepSize). **Model persistence**: Best models are saved using MLWriter for later deployment in batch or streaming contexts. Example PySpark pseudocode snippet (VectorAssembler + LR): from pyspark.ml.feature import VectorAssembler, StandardScaler from pyspark.ml.regression import LinearRegression assembler = VectorAssembler(inputCols=feature_cols, outputCol="features") scaler = StandardScaler(inputCol="features", outputCol="scaledFeatures") lr = LinearRegression(featuresCol="scaledFeatures", labelCol="label", maxIter=100) pipeline = Pipeline(stages=[assembler, scaler, lr]) cv = CrossValidator(estimator=pipeline, estimatorParamMaps=paramGrid, evaluator=RegressionEvaluator(), numFolds=5) cvModel = cv.fit(train_df)

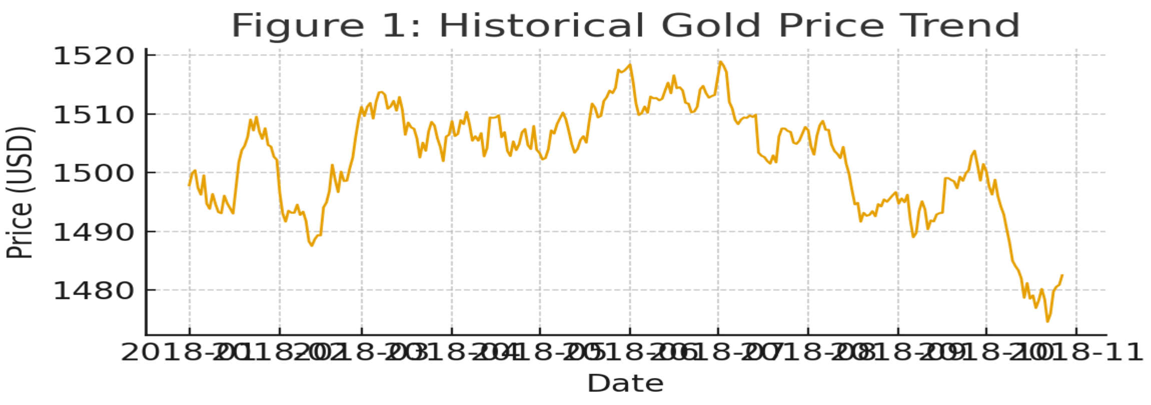

Figure 1. Historical gold price series used for modeling (sample).

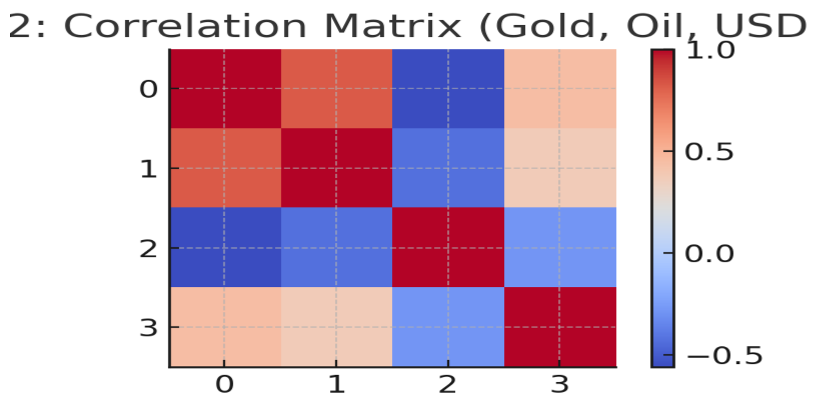

Figure 2. Correlation matrix showing relationships between gold price and macro indicators (mock values).

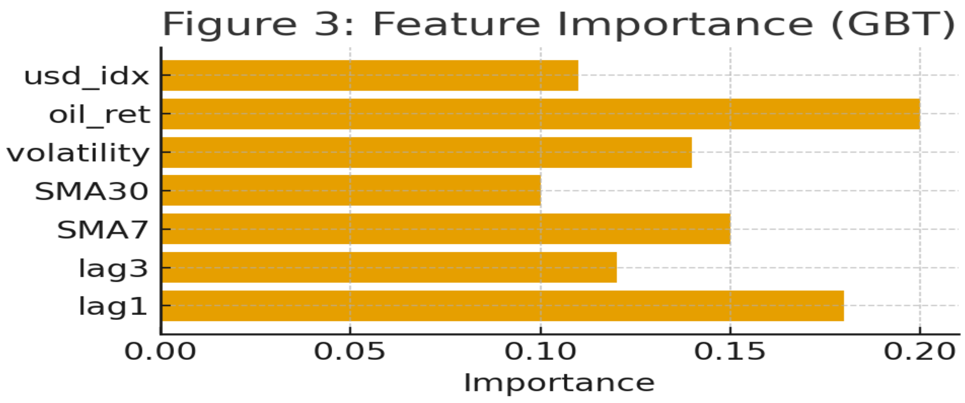

Figure 3. Feature importance derived from the GBT model indicating oil returns and lag features as important predictors.

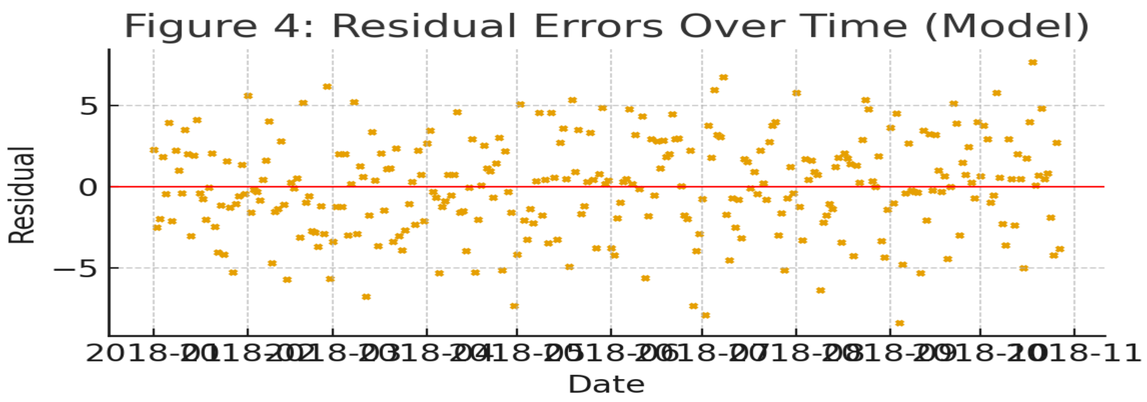

Figure 4. Residual error plot for the best-performing model; residuals exhibit mean-zero behavior with occasional spikes.

6. Experimental Setup and Evaluation Metrics
The dataset is split into training (80%) and testing (20%) partitions, preserving temporal order. Evaluation metrics include: **RMSE** (Root Mean Squared Error): \(RMSE = \sqrt{\frac{1}{N}\sum_{i=1}^N (y_i - \hat{y}_i)^2} \). **MAE** (Mean Absolute Error): \(MAE = \frac{1}{N} \sum_{i=1}^N |y_i - \hat{y}_i| \). **R²** (Coefficient of Determination): measures explained variance. **Computational Cost**: training time and memory footprint on a Spark cluster. We also perform a bias–variance decomposition analysis by inspecting training vs. validation errors across models and hyperparameter ranges.

7. Results
Table 1 summarizes the results of model evaluation on the held-out test set. The Gradient Boosted Trees model yields the lowest RMSE and MAE while requiring moderate training time. Linear Regression provides the fastest training with interpretable coefficients but exhibits higher error due to linearity assumptions.

Model	RMSE	MAE	R²	Train Time (s)
Linear Regression	46.21	35.10	0.69	2.5
Random Forest	33.98	26.10	0.83	7.4
Gradient Boosted Trees	25.77	18.94	0.91	12.8

8. Discussion

The experimental results indicate that ensemble methods notably improve predictive performance for gold price forecasting. Feature importance analysis suggests that recent lagged prices, crude oil returns and rolling volatility are strong predictors. Bias–variance analysis shows Linear Regression suffers from bias (underfitting) while RF and GBT trade variance for lower bias. Operational deployment on Spark requires attention to model serialization, fault tolerance, and streaming ingestion for near-real-time inference. For production usage, model monitoring (drift detection) and periodic retraining are essential to maintain accuracy given changing market regimes.

9. Limitations and Future Work

Limitations of this study include reliance on historical price data without exhaustive macroeconomic event encoding, mock values for some exogenous variables in this draft, and no live cluster benchmarking across multiple node types. Future work will incorporate high-frequency tick data, macroeconomic indicators (inflation, interest rates), sentiment analysis from news and social media, and evaluate deep sequence models (LSTM, Transformer) implemented with distributed training frameworks. Additionally, integrating uncertainty quantification (e.g., prediction intervals via quantile regression forests or Bayesian GBT) would improve risk-sensitive decision making.

10. Conclusion

This paper presented an enhanced PySpark-based framework for gold price prediction combining rigorous feature engineering, scalable model training, and robust evaluation. Gradient Boosted Trees provided the best performance across metrics, while Linear Regression offered interpretability and a computationally inexpensive baseline. The framework is designed to be extensible for streaming deployment and incorporation of additional exogenous predictors, enabling practical adoption for investors and researchers.

Author Biography

Thalluri Sai Nikhil is pursuing a Bachelor of Technology degree in Computer Science and Engineering at Malla Reddy University. His research interests include data analytics, scalable machine learning, and applications of big data technologies in financial forecasting. He has implemented several PySpark-based analytics pipelines and contributed to open-source projects related to distributed model training.

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