AI Trading: The Future of AI Trading

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The article was written by Blair Goldenberg, a Financial Analyst at [I Know First](), and enrolled in a Masters of Finance at Colorado State University.
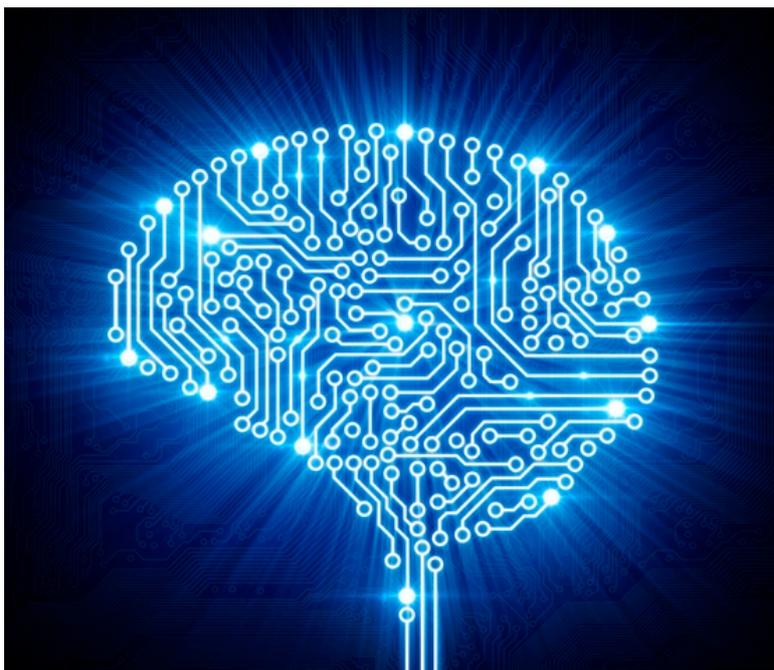
AI Trading

"Risk comes from not knowing what you're doing." – Warren Buffet

Summary:

- Background on Artificial Intelligence Trading and I Know First
- Future of AI Trading
- The Issues of AI Trading
- What Makes Our Algorithm Different

Background on Artificial Intelligence and I Know First

The emergence of Artificial Intelligence in the financial sector–FinTech–has brought about new startups trying to compete to make the best, most accurate system. At I Know First "the underlying technology of the algorithm is based on artificial intelligence, machine learning, and incorporates elements of artificial neural networks and genetic algorithms through which we analyze, model, and predict the stock market. The algorithm is adaptable, scalable, and features a Decision Support System (DSS) to optimize the information produced by the years of data inputted. The I Know First

algorithm is designed for large financial institutions, banks, and hedge funds in the capital market as well as private investors looking for an advanced algorithmic support system." More information on how our algorithm works can be found here.

Analysts at Bernstein are setting their sights to artificial intelligence for financial trends. The Robo-advising is becoming attractive in the financial sector because of the ease of use and transparency that it brings to financial advisors and clients alike. The up and coming technology will be adopted by the large financial firms and will dominate the market; however, Google and Facebook are also looking into the area, which will ultimately compete with the already existing finance giants.

Although we'd like to think that our company is the best in the field, the leaders in FinTech currently are "Wealthfront and Betterment in the US and Nutmeg, MoneyFarm, and Wealthify in the UK," says Bernstein.

Future of AI Trading

With all of the hype around the FinTech sector, traditional finance companies are wondering what the future of finance will look like. The biggest FinTech company in America held assets of about $60 billion, comparing this figure to the top traditional finance firm in America, their assets totaled $5.1 trillion. Analysts believe that traditional banking isn't going to go away because of the emergence and takeover of AI in the finance sector. Bernstein disagrees though because of the rate at which the Robo-advising companies are acquiring large chunks of the market.

Finance is moving towards algorithmic, Robo-trading at a fast pace. It is a cheaper alternative than paying for a financial advisor to hand pick stocks based on their previous experience. In fact, one of our analysts wrote an interesting article that includes how financial advisors are paid high premiums but underperform in the market. Human error is also a factor in the finance industry, which has been shown time and time again. The fact that FinTech essentially eliminates the human error makes it a safer alternative. Consumers of FinTech companies want to be smart with their money, they want to take out the possibility of loss because of panic and chaos in the market. While the consumer themselves have the control of their assets and can cause their own panic, the artificial intelligence projections can also help tame the rest of the finance sector from following suit.

The Issues of AI Trading

The problem that FinTech companies are running into is the acquisition of clients. Many people want to connect with someone when they're entrusting them with their money. The fact that their money is being controlled primarily by a computer is foreign and a bit terrifying. What companies are beginning to realize is that the best way to acquire and keep their customers is to have someone who is already established in the financial field backing their program. Established tech companies are also favorable for consumers, such as Facebook and Google. Branding is just as important in the finance world as it is in any other market. Though these tech companies don't have experience, or have very minimal experience, in the finance sector, customers trust their judgment and their expertise because of previous successful and gratifying use of other services they already provide.

Even with the issues that are currently plaguing the FinTech market, it is still one of the fastest growing products in finance. While more and more companies begin to research ways in which to predict the stock market and build more accurate machines, the FinTech industry will continue growing within itself. More companies will enter the market, increasing competition, pushing existing FinTech companies to continually update and and improve their technologies.

What Makes Our Algorithm Different

Our algorithm is self-learning. Detecting trends in the market is one aspect of artificial intelligence in FinTech, but our product detects the trend, learns from the trends that have occurred in the past and adjusts accordingly. We are lucky enough to have a brilliant CTO, Dr. Lipa Roitman who came up with the algorithm and it's learning platform.

The I Know First self-learning algorithm analyzes, models, and predicts the stock market. The algorithm is based on Artificial Intelligence (AI) and Machine Learning (ML), and incorporates elements of Artificial Neural Networks and Genetic Algorithms. The system outputs the predicted trend as a number, positive or negative, along with a wave chart that predicts how the waves will overlap the trend. This helps the trader to decide which direction to trade, at what point to enter the trade, and when to exit.

Since the model is 100% empirical, the results are based only on factual data, thereby avoiding any biases or emotions that may accompany human derived assumptions. The human factor is only involved in building the mathematical framework and providing

the initial set of inputs and outputs to the system.

The algorithm produces a forecast with a signal and a predictability indicator. The signal is the number in the middle of the box. The predictability is the number at the bottom of the box. At the top, a specific asset is identified. This format is consistent across all predictions.

Conclusion

Technology is becoming part of our every day life, whether it be increasing use of cell phones, technology in vehicles, and now finance. Traditional ways of trading may never go away, but in the future, traditional trading will be aided by AI trading. Consumers will embrace the ease of use and economical standpoint that FinTech offers with their products, as they have in other fields. It's only a matter of time that FinTech will dominate the finance world. More advantages of our algorithm can be found here.