Hi, I am Francis and you can find me at lon.tran@gmail.com. This page tries to summarise a simple question I am working on: Can AI predict future stock patterns? If it can, is it better than the Multi-Factor model?

The data is from Quandl for China market. We used 3 types of data set to represent each stock: Fundamental, Economics and Statistics driven data. And we use them to predict 20 days excess market returns.

There are about 80+ factors covering 3 areas. We want to predict 20 days market excess returns because anything less will be too volatile and any extra alpha will be gone with transaction cost. We want excess return because that shows the true alpha of a stock and not because of the markets.

There are two levels data filtering:

1. We first use wavelet to filter out high frequency noise from low frequency. We use two times filtering with wavelet db6 and sigma type donoho.

2. We use normalization to ensure our data are all centred around zeros and standard deviation of 1.

THE VIDEO: https://www.youtube.com/watch?v=vXTRRmJlwcw