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IMPACT OF ARTIFICIAL INTELLIGENCE ON TRADING AND INVESTING

ВЛИЯНИЕ ИСКУССТВЕННОГО ИНТЕЛЛЕКТА НА ТОРГОВЛЮ ЦЕННЫМИ БУМАГАМИ И ИНВЕСТИЦИИ

Artificial Intelligence (AI) allows replacing human beings with machines. In the 1980s, AI research focused primarily on expert systems and fuzzy logic. With computational power becoming cheaper, using machines to solve large-scale optimization problems became economically reasonable. In many ways, Artificial Intelligence and Finance are perfectly complement each other. Machine learning and other techniques make it easier to identify patterns that might otherwise not be defined and seen by the human eye, and finance is quantitative to begin with, that is why it's hard not to find traction. As a result of the advances in hardware and software, nowadays AI focuses on the use of neural networks and other learning methods for analyzing and identifying predictors, also known as features, or factors, that have economic value and can be used with classifiers to develop profitable models. This particular application of AI often goes by the name Machine Learning (ML). Financial firms have also invested heavily in AI in the past, and more are starting to tap into the financial applications of ML and deep learning.

The application of methods for developing trading strategies based on AI, both in short-term frames and for longer-term investing, is gaining popularity and there are some hedge funds which are really active in this field and generate superior returns for their investors. Take as an example the hedge fund Renaissance Technologies that is said to have “the best physics and mathematics department in the world“. The Medallion Fund at Renaissance, run mostly for employees of the company, has one of the best records in investing history having returned +35% annualized over 20 years. Other people definitely can use AI for stock trading and they have used it to modify one of the best returns in the history of investing.

At least 6 companies are using artificial intelligence for generating alpha through algorithmic stock trading. Trading is one of the top 10 places that AI can make a difference. A trading algorithm can analyze the data, make a decision, act and repeat – you can have full autonomy.

However, broad acceptance of this new technology is slow due to different factors, the most important being that AI requires investment in new tools and human