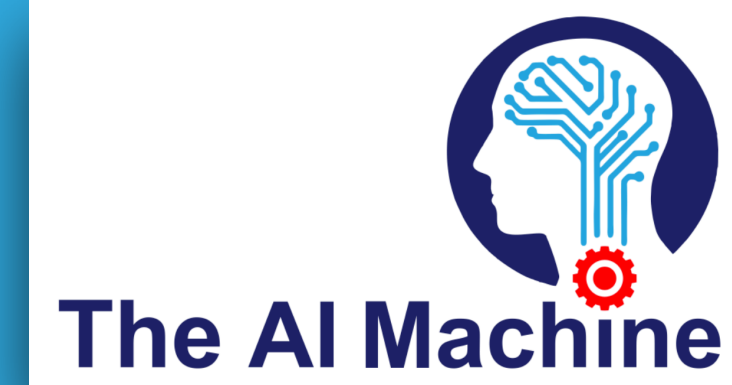
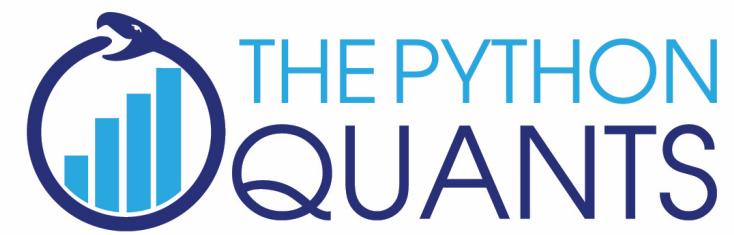


# DIY Quantitative Stock Market Investing with Python

Dr. Yves J. Hilpisch

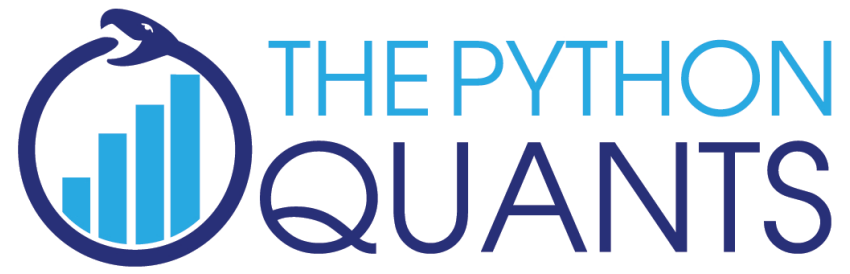
Saarbruecken, 6. SaarPython Meetup, 30. August 2022



## **AGENDA**

- **Introduction**
- **Data-Driven Finance**
- **Case Study: APIs**
- **Case Study: MVP**
- **Case Study: Risk**

# Introduction



**SERVICES**  
for financial institutions globally

The illustration shows a globe with a circular arrow around it, indicating global reach. Below the globe, there are several call center agents wearing headsets and working at computers.

**EVENTS**  
for Python quants & algorithmic traders

The illustration shows a group of seven people in business suits, representing a professional network or event attendees.

**TRAINING**  
about Python for finance  
& algorithmic trading

The illustration shows a man in a suit pointing at a presentation board that displays the Python Quants logo and some charts.

**CERTIFICATION**  
in cooperation with university

The illustration shows a certificate with a red ribbon seal, symbolizing a formal certification.

**PLATFORM**  
for browser-based  
data analytics

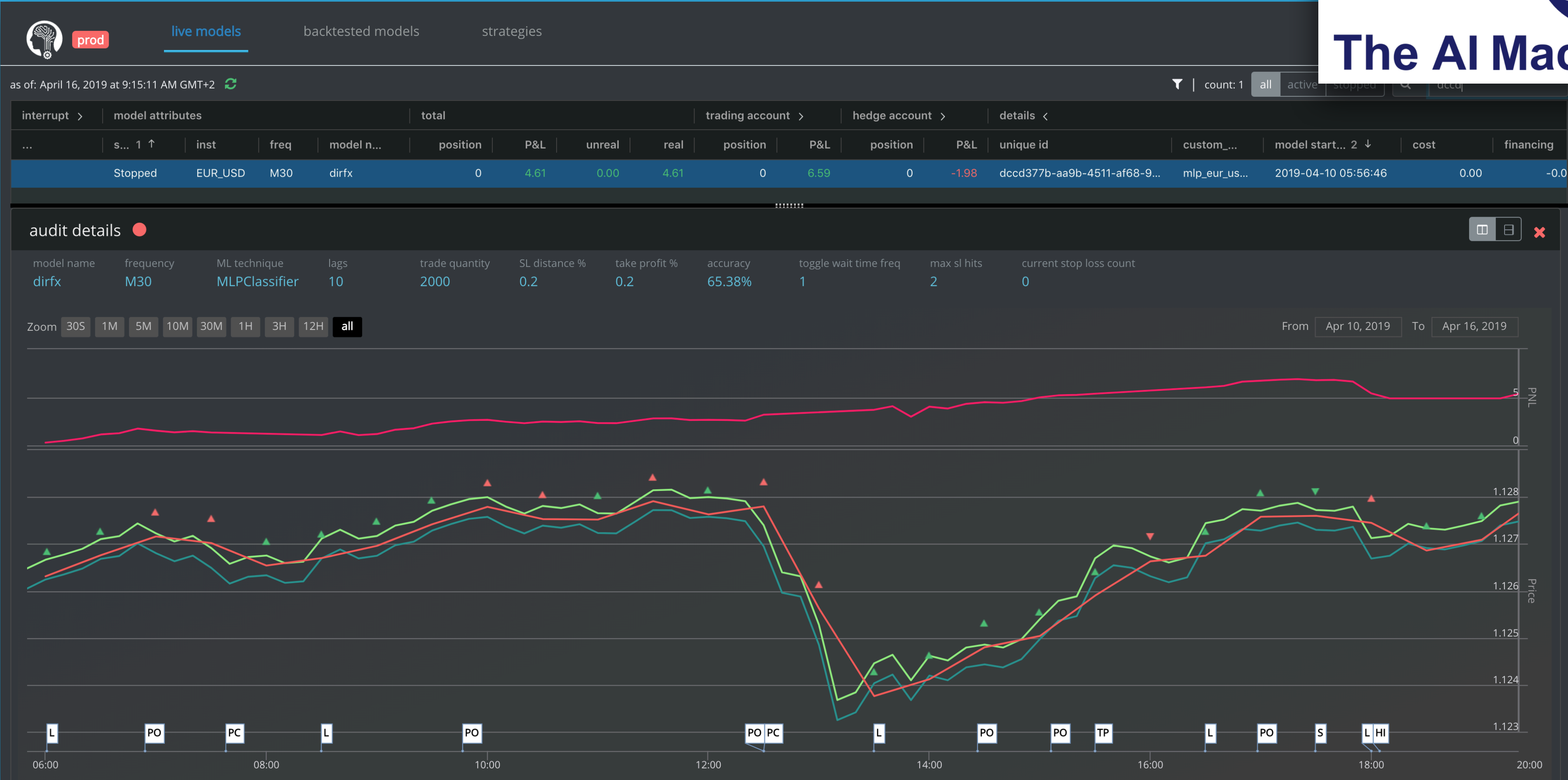
The illustration shows a white paper airplane with a yellow tail, symbolizing a platform or launch.

**OPEN SOURCE**  
Python library  
for financial analytics

The illustration shows a white paper airplane with a yellow tail, symbolizing an open-source project or launch.

**BOOKS**  
about Python and  
finance

The illustration shows a person sitting at a desk reading a book. There are various icons around them, including a target, a lightbulb, a globe, a calculator, and a laptop with the Python logo.



<http://aimachine.io>

Dr. Yves J. Hilpisch is founder and CEO of **The Python Quants** (<http://tpq.io>), a group focusing on the use of open source technologies for financial data science, artificial intelligence, algorithmic trading, and computational finance. He is also the founder and CEO of **The AI Machine** (<http://aimachine.io>), a company focused on AI-powered algorithmic trading based on a proprietary strategy execution platform.

Yves has a Diploma in Business Administration, a Ph.D. in Mathematical Finance, and is Adjunct Professor for Computational Finance.

Yves is the author of six books (<https://home.tpq.io/books>):

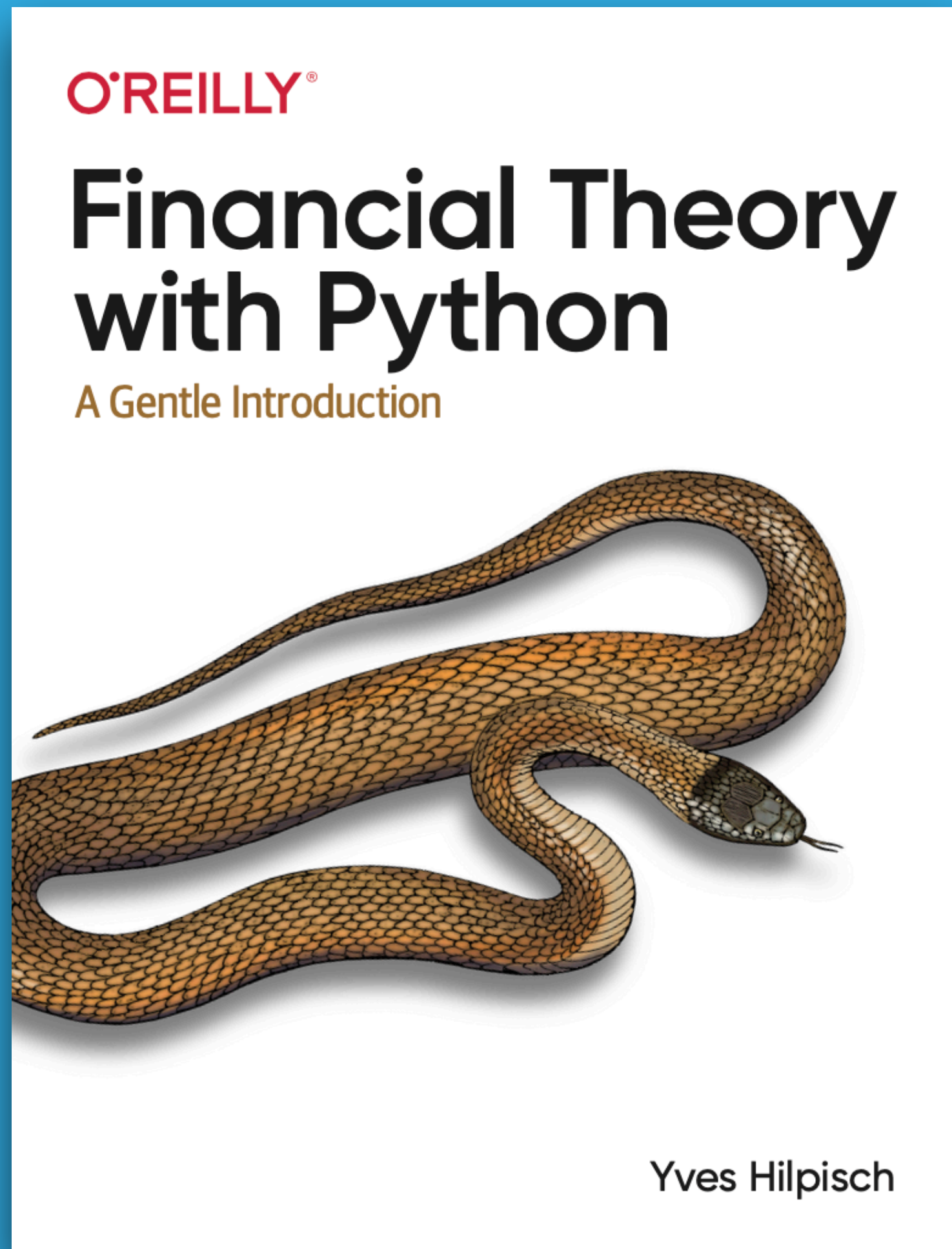
- \* Financial Theory with Python (2021, O'Reilly)
- \* Artificial Intelligence in Finance (2020, O'Reilly)
- \* Python for Algorithmic Trading (2020, O'Reilly)
- \* Python for Finance (2018, 2nd ed., O'Reilly)
- \* Listed Volatility and Variance Derivatives (2017, Wiley Finance)
- \* Derivatives Analytics with Python (2015, Wiley Finance)



Yves is the director of the first online training program leading to **Certificates in Python for Algorithmic Trading** (<https://home.tpq.io/certificates/pyalgo>), **Asset Management** (<https://home.tpq.io/certificates/pyam>), and **Computational Finance** (<https://home.tpq.io/certificates/compfin>). He also lectures on computational finance, machine learning, and algorithmic trading at the **CQF Program** (<http://cqf.com>).

Yves is the originator of the financial analytics library **DX Analytics** (<http://dx-analytics.com>) and organizes Meetup group **events, conferences, and bootcamps** about Python, artificial intelligence and algorithmic trading in London (<http://pqf.tpq.io>), New York (<http://aifat.tpq.io>), Frankfurt, Berlin, and Paris. He has given **keynote speeches** at technology conferences in the United States, Europe, and Asia.

# Financial Theory with Python – A Gentle Introduction



Finance with Python and Python environments

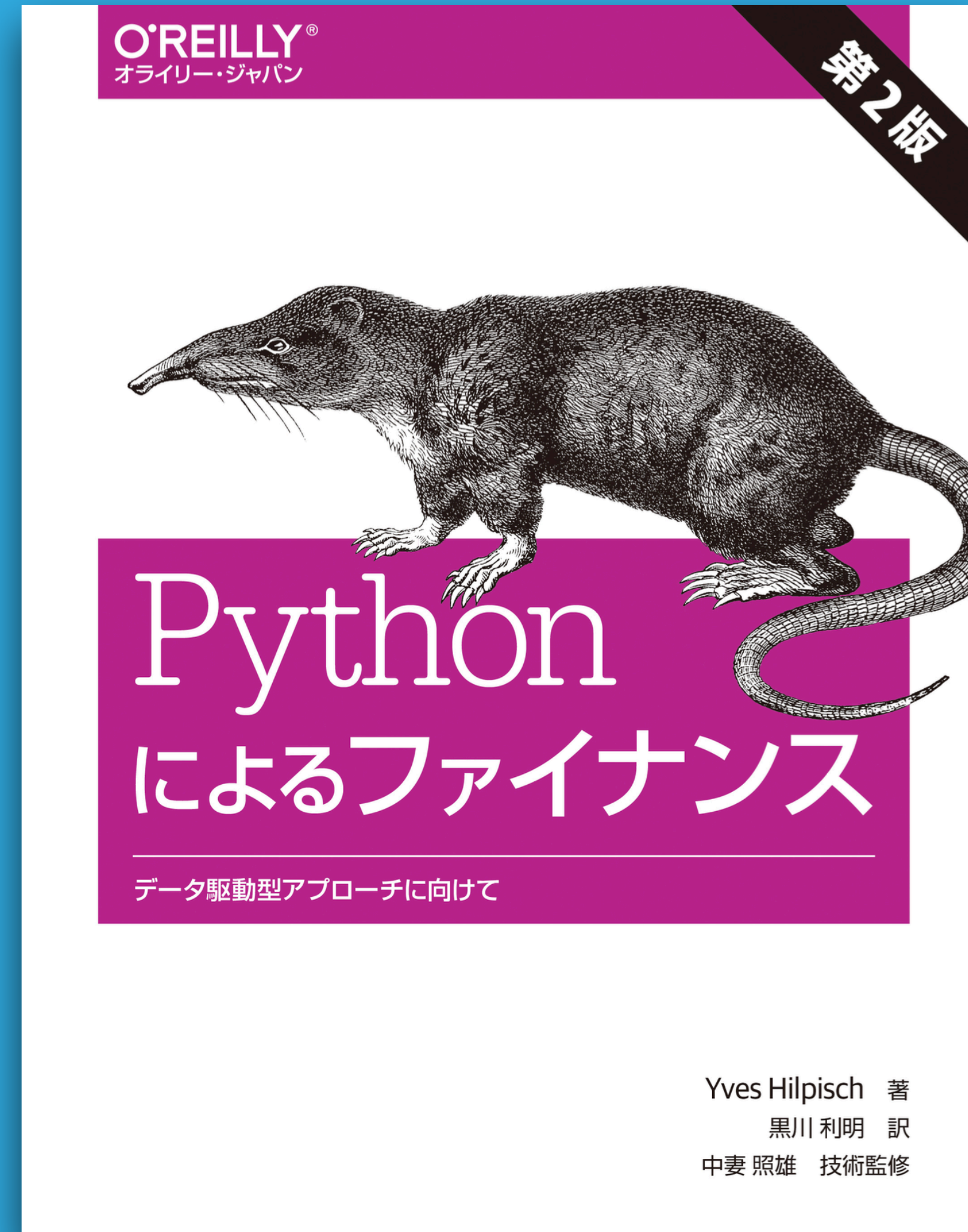
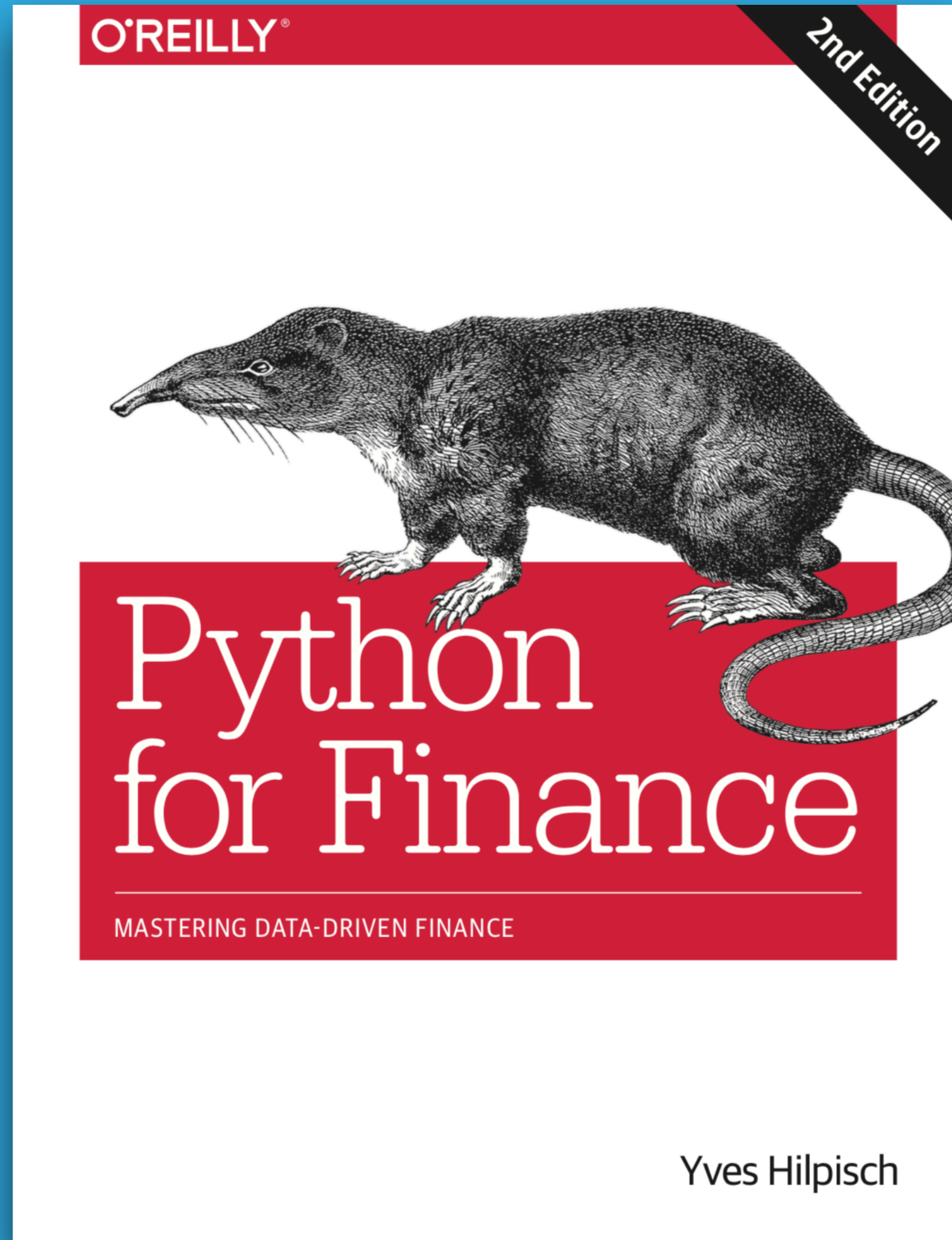
Basic Finance Concepts and Models:

- Risk–Return
- Pricing of Instruments
- Expected Utility Theory
- Mean–Variance Portfolio Theory
- Capital Asset Pricing Model
- Portfolio Optimization

Basic Python Concepts and Packages:

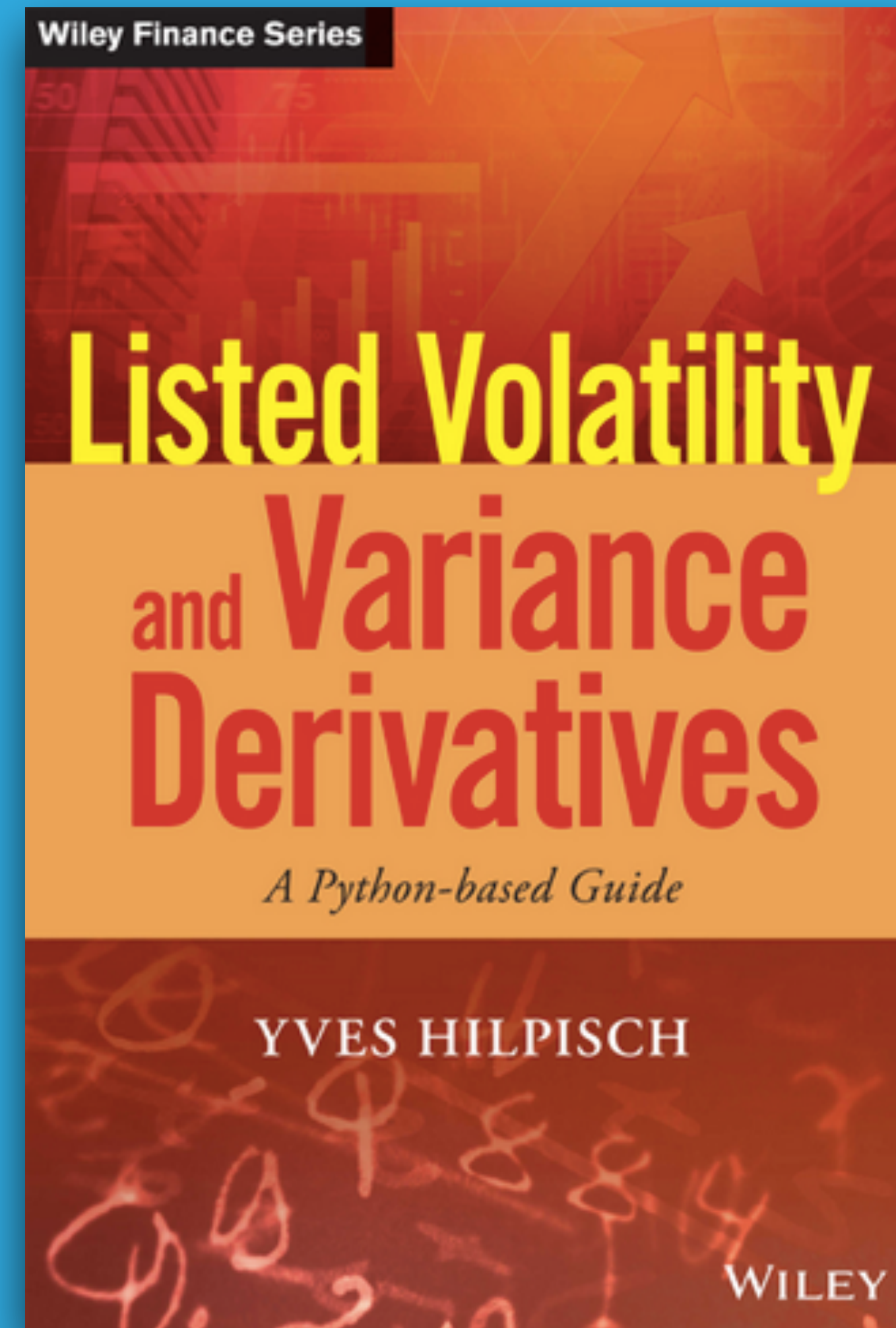
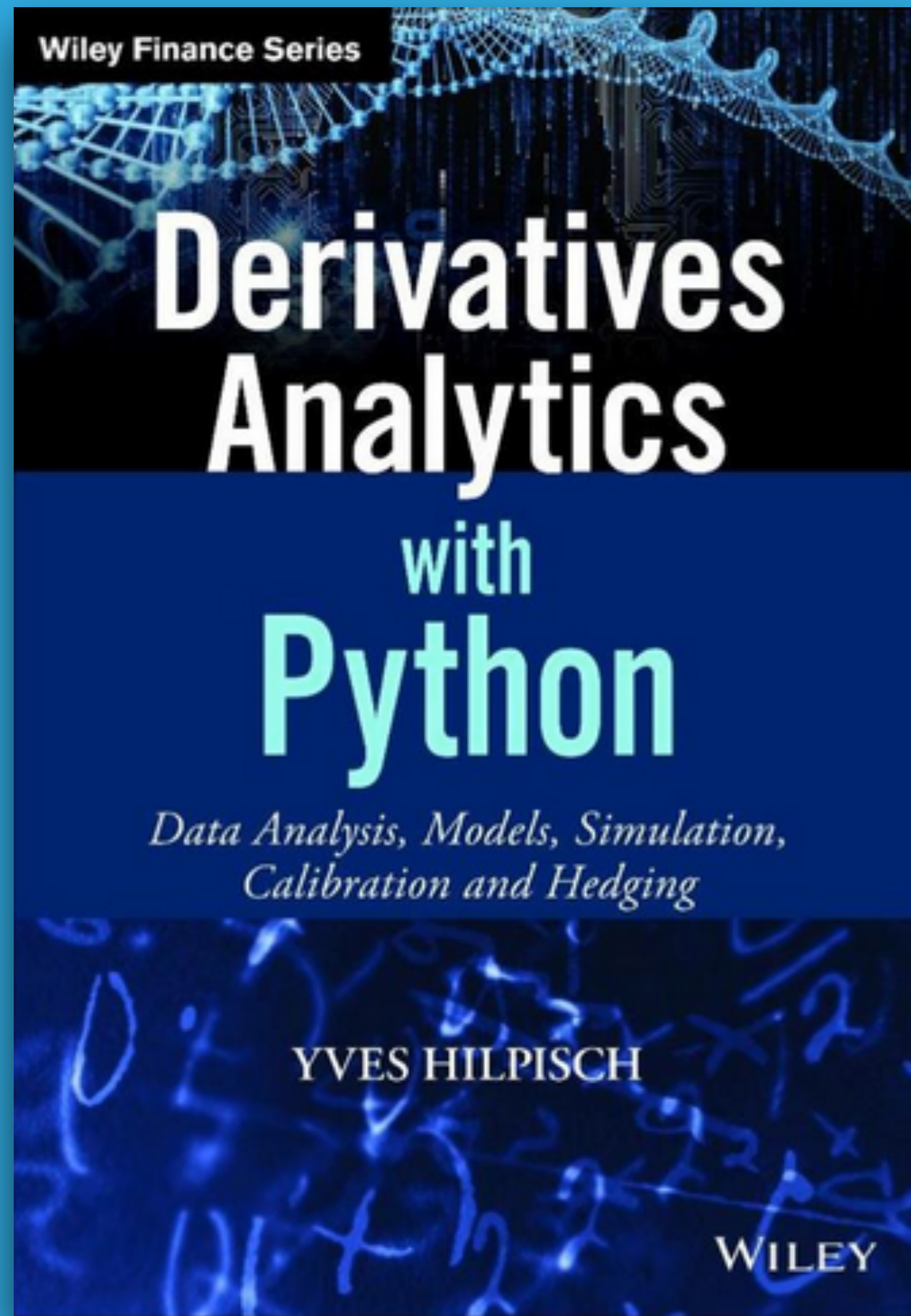
- Major Python Idioms
- NumPy Package
- SciPy & SymPy Packages

# Python for Finance





# Quant Finance with Python

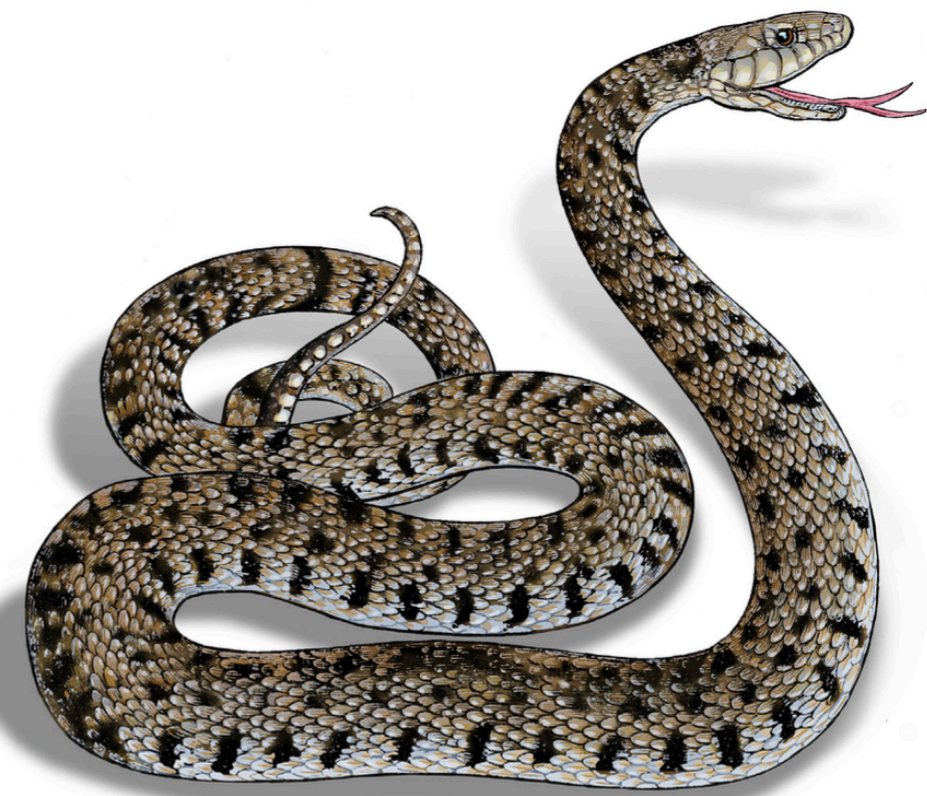


# Python & AI for Finance & Trading

O'REILLY®

## Python for Algorithmic Trading

From Idea to Cloud Deployment

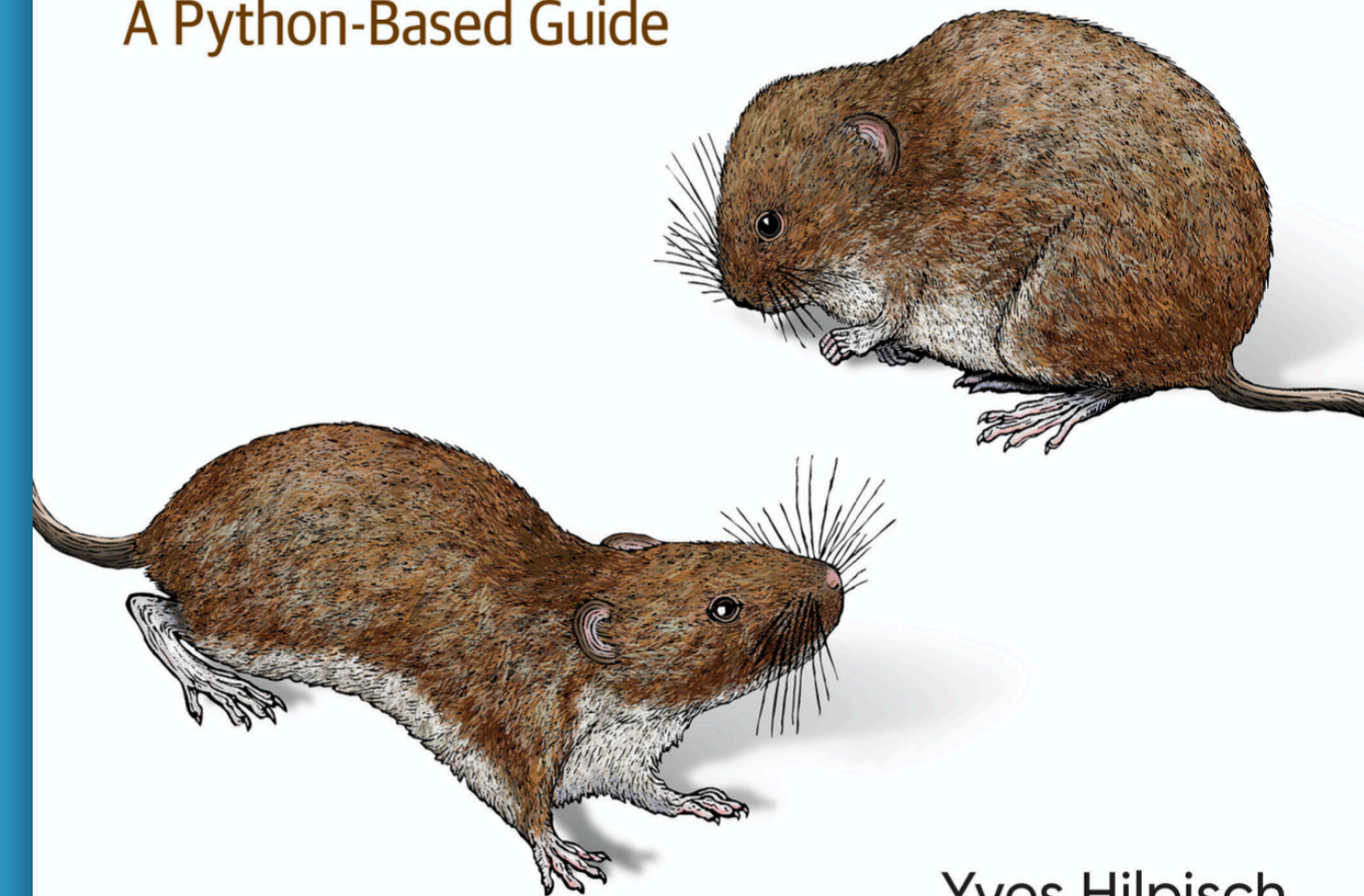


Yves Hilpisch

O'REILLY®

## Artificial Intelligence in Finance

A Python-Based Guide



Yves Hilpisch

O'REILLY®  
オライリー・ジャパン

# Pythonからはじめる アルゴリズムトレード

自動売買の基礎と機械学習の本格導入に向けた  
Pythonプログラミング



Yves Hilpisch 著  
村上 振一郎 訳

YVES HILPISCH

# Trading con Python



Creare algoritmi  
per la compravendita  
e l'analisi di mercato

APQ&EO

O'REILLY®

# Python 演算法交易

從創意發想到雲端部署



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www.getop.com.tw

Yves Hilpisch 著  
藍子軒 譯

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# 金融AI 人工智慧的金融應用

運用 Python 的學習指南

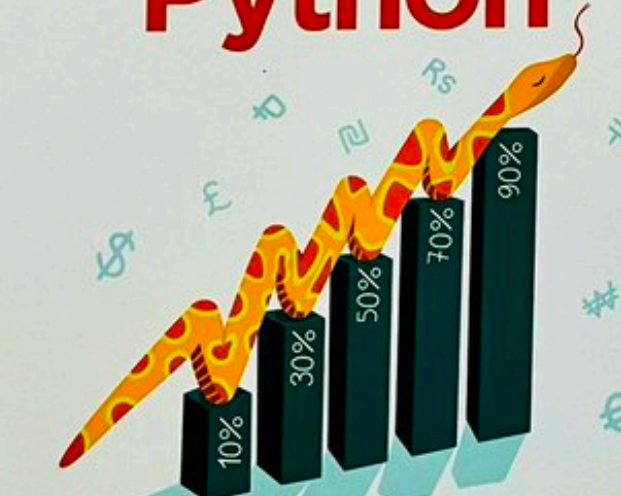


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Yves Hilpisch 著  
陳仁和 譯

YVES HILPISCH

# Trading con Python



Creare algoritmi  
per la compravendita  
e l'analisi di mercato

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# 파이썬을 이용한 알고리즘 트레이딩

Python for Algorithmic Trading  
From Idea to Cloud Deployment

아이디어 도출부터  
클라우드 배포까지



이브스 힐피쉬 지음  
박진수 옮김

Jpub

(pro)  
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~ \$

Community of  
professional & aspiring  
quant developers &  
quant researchers.

700 Members  
and growing.

Webinar series  
“Reinforcement Learning  
in Finance”

[https://bit.ly/quants\\_dev](https://bit.ly/quants_dev)

# Data-Driven Finance

# FINANCIAL TIMES

FRIDAY 12 NOVEMBER 2021

NEWS PROVIDER OF THE YEAR

UK £3.95 Channel Islands €3.20 Republic of Ireland €3.20

## COP clock runs down



Summit's 'blah blah blah' is welcomed — GILLIAN TRITT, PAGE 25  
Business climate pledges' credibility gap — BIG READ, PAGE 25  
The struggle to write the carbon market rule book — PAGE 4

## Protest legacy

Huge Hong Kong police population keeps itself busy — NOTEBOOK, PAGE 24

## Iran impasse

Long wait for liberty goes on

Richard Ratcliffe holds up a picture of his wife, Nazanin Zaghari-Ratcliffe, the British human rights lawyer who has been imprisoned by Tehran since 2016. Ratcliffe has been on hunger strike outside the Foreign, Commonwealth and Development Office for 19 days, trying to get pressure on the government to do more to secure her release.



## Briefing

• **NHS waiting list soars to almost 6m** New data have shown 5.6m people were waiting for hospital care in England in September, up by more than 1m in a year. Medical bodies said the figures were "unacceptable" and "shocking". — PAGE 1

• **Wall St coaxes in on GE's decline and fall** General Electric has paid more than 37% in losses to banks since 2009 as lenders sought rewards from the financial de-risking that culminated in a falling share price and the break-up of the group. — PAGE 4

• **Johnson's Matthew can battery chemicals** The 204-year-old company has done a U-turn in its ambition to develop a national champion in the new-to-power electric cars with a division to stop making chemicals for batteries. — PAGE 28, PAGE 29

• **Uber chief flies in to its London crisis** Uber's chief executive has held the FT that revealing a shortlist of 20,000 drivers in the UK was a priority. The taxi company has raised fares and paid out several lawsuits. — PAGE 1

• **Rivian priced its highly anticipated IPO at \$78 a share**, well above its raised expectations, valuing the electric-vehicle maker at more than \$77 billion on a fully diluted basis. — PAGE 1

• **Race to feed Afghan as winter looms** Aid agencies have said they have weeks to supply food to remote regions before winter sets in for millions, as Afghanistan faces the world's worst humanitarian crisis. — PAGE 1, PAGE 2

• **Lukashenko threatens EU gas supplies** The Belarusian president has threatened to cut the transit of gas and goods to Europe if the EU imposes further sanctions on his regime over the migrant crisis on his country's border with Poland. — PAGE 1

• **Foreign buyers triple home ownership** The number of homes in England and Wales owned by overseas buyers has tripled in the past decade, with cities outside London also their target. Foreign ownership in Liverpool has risen from 4% to 14%. — PAGE 1

• **Semiconductor makers** have earmarked less than 17% of the roughly \$146 billion the industry will devote to capital spending this year to legacy chips, Gartner estimates. — PAGE 1

• **Hertz, which emerged from bankruptcy this summer**, listed on the Nasdaq, with shares closing down nearly 10% in the first day of trading. — PAGE 1

• **DoorDash said it agreed to acquire European food-delivery company Wolt in a deal valued at over \$5 billion**. — PAGE 1

• **Presto is close to a deal to combine with a SPAC and go public in a merger that would value the restaurant-technology firm at about \$1 billion**. — PAGE 1

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## Xi cements grip on China after vote puts him on par with Mao

Party says nation 'rejuvenated' • Third five-year term likely • New emphasis on socialism

### FT REPORTERS

China's Communist party has passed its first "historical resolution" in 40 years, paving the way for President Xi Jinping to serve until at least 2028. The resolution, formally adopted by the party's central committee at the end of its annual meeting, set the scene for Xi's second five-year term in office. It also declared that Xi's leadership was "the key to the great rejuvenation of the Chinese nation". According to the official Xinhua news agency, "This week's annual plenum is particularly significant as it comes just a year before a party congress is expected to elect a new leadership team to serve until 2027. Communist China has almost reached the end of its 100th anniversary, and similar milestones to secure

its grip on power in 1949 and 1989, respectively. By declaring "the great rejuvenation of the Chinese nation has entered an irreversible historical process" under Xi's leadership, the party has in effect elevated him as an equal of Mao and Deng, replacing his predecessor as the party's central committee secretary in 2017. Xi's plenum said that "rejuvenated many problems that [the party] failed to address for a long time despite setbacks and setbacks". Xi and Jiang presided over peaceful and orderly transitions of power, with their successors identified five years in advance. Xi's report to dispense with that tradition and secure a third five-year term as the party's general secretary late next year. Xi did not directly announce at the start of his second term

in 2017, this third term as president would begin in March 2023. "The central purpose of the plenum is to ensure Xi Jinping's leadership", said the resolution. "The plenum declared that 'the Chinese people are not only good at governing old worlds but also good at building new worlds'. 'Only socialism' is added, 'can save and develop China'. Xi's plenum said that "rejuvenated many problems that [the party] failed to address for a long time despite setbacks and setbacks". Xi and Jiang presided over peaceful and orderly transitions of power, with their successors identified five years in advance. Xi's report to dispense with that tradition and secure a third five-year term as the party's general secretary late next year. Xi did not directly announce at the start of his second term



Xi Jinping

Xi Jinping's leadership was declared to have rejuvenated many problems that [the party] failed to address for a long time despite setbacks and setbacks. Xi and Jiang presided over peaceful and orderly transitions of power, with their successors identified five years in advance. Xi's report to dispense with that tradition and secure a third five-year term as the party's general secretary late next year. Xi did not directly announce at the start of his second term

### Datawatch

#### Coffee hit

• Change in hot roasts in Starbucks in its stores compared with 2019. Starbucks has seen a 10% increase in hot roasts in its stores since 2019. Starbucks has seen a 10% increase in hot roasts in its stores since 2019.



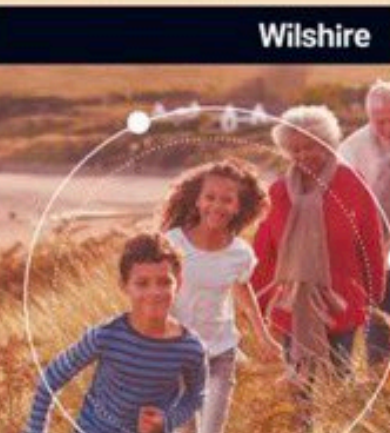
• **Walt Disney's coffee** was offered in its cafes since 2019. Starbucks has seen a 10% increase in hot roasts in its stores since 2019.

## De Klerk, last president of apartheid era, dies at 85

De Klerk, who shared the Nobel Peace Prize with Nelson Mandela for dismantling apartheid, had died at the age of 85. As South African president he had the courage to initiate the country's engagement in social engineering had not worked and that South Africa's role was inevitable. But he refused to remain more practical than moral and having left politics, he often attracted outrage for his defence of a separate but equal society.

## Johnson's £4m outside earnings open him to charges of hypocrisy from MPs

Baron Johnson, who this week ordered his MPs to donate themselves "where all to your constituents" instead of working on second jobs, has himself earned more than £4m from his own outside interests in the past 14 years. Since he was elected parliament in 2010 he made £3.6m, mostly in his last year as a backbencher in 2019 and 2020 when he worked as a financial adviser and private investor, according to Financial Times calculations based on the register of MPs' financial interests. These earnings include £4.5 million from speeches, £400,000 from columns and £1,000,000 from book advances and royalties. He was mayor of London between 2016 and 2021. Tax returns released when he was mayor showed earnings of £2.5m from 2017 to 2019. He



Boris Johnson

Johnson is at the centre of a debate over what he has done with his money. Johnson has not declared any new sources of private income since becoming prime minister in July 2019. Downing Street has not denied claims that the prime minister has continued to work as a Shakespearean biographer. Johnson is at the centre of a debate over what he has done with his money. Johnson has not declared any new sources of private income since becoming prime minister in July 2019. Downing Street has not denied claims that the prime minister has continued to work as a Shakespearean biographer.

### World Markets

INDEX	11 NOV	10 NOV	CHG
FTSE 100	7,512.50	7,485.00	+27.50
NASDAQ	14,812.00	14,785.00	+27.00
DAX	15,812.00	15,785.00	+27.00
Nikkei	28,812.00	28,785.00	+27.00
Hong Kong	23,812.00	23,785.00	+27.00
Shanghai	33,812.00	33,785.00	+27.00
Hang Seng	23,812.00	23,785.00	+27.00
ASX	7,512.50	7,485.00	+27.50
IBEX	10,512.50	10,485.00	+27.50
NYSE	14,812.00	14,785.00	+27.00
EURO	1.1812	1.1811	+0.0001
USD	1.3812	1.3811	+0.0001
GBP	1.3812	1.3811	+0.0001
JPY	138.12	138.11	+0.01
AUD	1.3812	1.3811	+0.0001
CAD	1.3812	1.3811	+0.0001
CHF	1.3812	1.3811	+0.0001
SEK	13.812	13.811	+0.001
NOK	13.812	13.811	+0.001
DKK	13.812	13.811	+0.001
PLN	4.3812	4.3811	+0.0001
CZK	23.812	23.811	+0.001
HUF	33.812	33.811	+0.001
TRY	23.812	23.811	+0.001
RUB	138.12	138.11	+0.01
INR	75.125	75.120	+0.005
BRL	5.3812	5.3811	+0.0001
MXN	23.812	23.811	+0.001
SGD	1.3812	1.3811	+0.0001
HKD	7.5125	7.5120	+0.0005
TWD	23.812	23.811	+0.001
THB	33.812	33.811	+0.001
VND	23.812	23.811	+0.001
PHP	53.812	53.811	+0.001
IDR	13,812	13,811	+0.001
MYR	4.3812	4.3811	+0.0001
SGD	1.3812	1.3811	+0.0001
HKD	7.5125	7.5120	+0.0005
TWD	23.812	23.811	+0.001
THB	33.812	33.811	+0.001
VND	23.812	23.811	+0.001
PHP	53.812	53.811	+0.001
IDR	13,812	13,811	+0.001
MYR	4.3812	4.3811	+0.0001

COUNTRY	11 NOV	10 NOV	CHG
USA	100.00	100.00	0.00
UK	100.00	100.00	0.00
EU	100.00	100.00	0.00
JP	100.00	100.00	0.00
HK	100.00	100.00	0.00
SH	100.00	100.00	0.00
HN	100.00	100.00	0.00
AS	100.00	100.00	0.00
IB	100.00	100.00	0.00
NY	100.00	100.00	0.00
EU	100.00	100.00	0.00
US	100.00	100.00	0.00
JP	100.00	100.00	0.00
HK	100.00	100.00	0.00
SH	100.00	100.00	0.00
HN	100.00	100.00	0.00
AS	100.00	100.00	0.00
IB	100.00	100.00	0.00
NY	100.00	100.00	0.00

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# THE WALL STREET JOURNAL

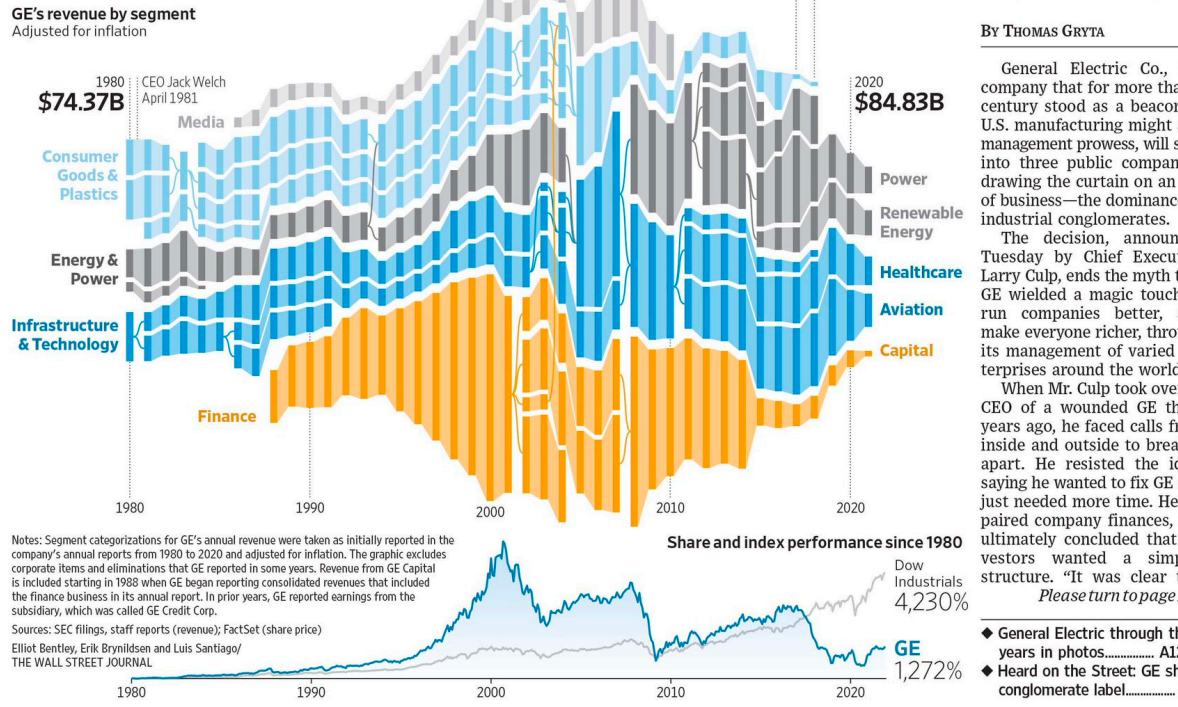
WEDNESDAY, NOVEMBER 10, 2021 - VOL. CCLXXVIII NO. 112 WSJ.com \$5.00

## What's News

### Business & Finance

## GE Breakup Marks End of an Era

Over the past four decades, GE's revenue swelled and ebbed under four CEOs as it focused on different businesses, including a shift away from consumer goods and a bet on finance.



## Tax Bill Looms as Musk Eyes Share Sale

Elon Musk's pledge to sell 10% of his Tesla Inc. stock highlights the complex financial web the world's richest man has spun around his personal fortune.

## Facebook Rife With Stolen Content

Facebook has allowed plagiarized and recycled content to flourish on its platform despite having policies against it, the tech giant's researchers warned in internal memos. About 40% of the traffic to Facebook pages at one point in 2018 went to pages that stole or repurposed most of their content, according to a research report that year by Facebook senior data scientist Jeff Allen, one of a dozen internal communications reviewed by The Wall Street Journal. Pages are used by businesses and organizations to disseminate content on Facebook, while individual users put content on what Facebook calls "profiles." The researchers also wrote Facebook has been slow to crack down on copyright infringement for fear of opening itself to legal liability. "What's the easiest (lowest effort) way to make a big Facebook Page?" Mr. Allen wrote in an internal slide presentation the following year. "Step 1: Find an existing, engaged community on [Facebook]. Step 2: Scrape/Aggregate content popular in that community. Step 3: Repost most popular content on your Page." Mr. Allen, who left Facebook in late 2019, wrote that Facebook pages seeking big follow-

## A \$115,000 USC Degree Yields Low Pay, Huge Debts

Elite school hired for-profit firm to woo students to social-work master's

Over the past decade, the University of Southern California has used a for-profit company to help enroll thousands of students in its online social-work master's program. The nonprofit school used its status-symbol image to attract students across the country, including low-income minority students it targeted for recruitment, often with aggressive tactics. Most students piled on debt to afford the tuition, which last year reached \$115,000 for the two-year degree. The majority never set foot on the posh Los Angeles campus but paid the same rate for online classes as in-person students. Recent USC social-work graduates who took out federal loans borrowed a median \$12,000. Half of them were earning \$52,000 or less annually two years later, a Wall Street Journal analysis of newly released U.S. Education Department data found. Compared with other master's-degree programs debt to afford the tuition, which last year

## Democracy Loses Favor

Is Santa

# From print ...

Financial Times | ft.com

FTSE 100 -0.01% | S&P 500 -0.00% | Euro/Dollar +0.04% | Pound/Dollar +0.25% | Brent Crude Oil +0.96% | 10 Year US Gov +2.50%

# FINANCIAL TIMES

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**US-China relations**

## Biden urges Xi not to allow competition to 'veer into conflict'

Leaders hold first virtual meeting as ties between US and China fray over Taiwan

UPDATED 43 MINUTES AGO

- Biden and Xi to tackle Taiwan and nuclear build-up in virtual meeting
- Australia vows to help US defend Taiwan from Chinese attacks
- Joe Biden and Xi Jinping to hold virtual summit on Monday



**The Big Read**

## Investors pivot to India after China's tech crackdown

4 HOURS AGO






About WSJ

29808.12 0.11% ▲ | U.S. 10 Yr 1/32 Yield 1.616% ▲ | Crude Oil 81.53 0.80% ▲ | Euro 1.1373 0.05% ▲ | DJIA 36087.45 0.04% ▼

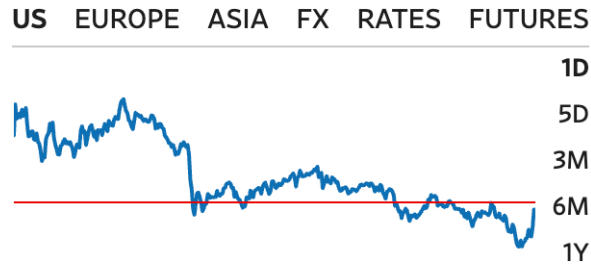
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Yves Hilpisch

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Index	Value	Change	% Change
DJIA	36087.45	-12.86	-0.04%
S&P 500	4682.80	-0.05	-0.00%
Nasdaq	15853.85	-7.11	-0.04%
Russell 2000	2400.93	-10.84	-0.45%
DJ Total Mkt	48582.45	-17.28	-0.04%

View Watchlist | View All Market Data →


**OPINION**

### America Will Be Number One—in Taxes

By The Editorial Board | Review & Outlook

**Beto O'Rourke Announces Bid for Texas Governor**

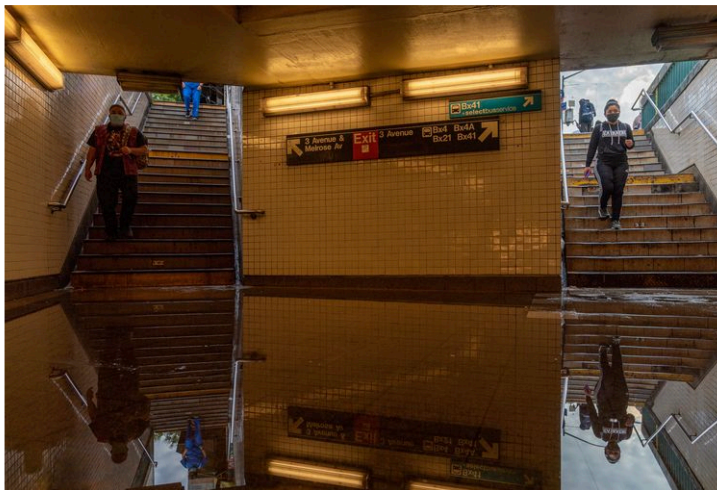
4 min read



**America's Infrastructure Struggles With New Weather Forecast**

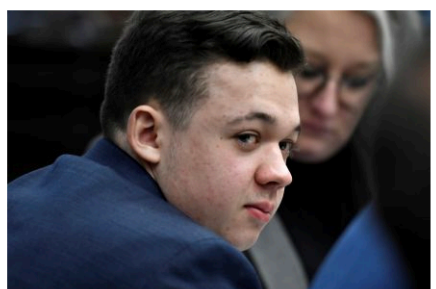
Historically anomalous heat and rain have overwhelmed systems designed to withstand old meteorological patterns, and climatologists expect still worse with climate change. "We've never seen destruction like this before."

523 | Long read



**Kyle Rittenhouse Homicide Trial Wraps Up**

5 min read



**Shell to Move Headquarters to London Amid**

## Virtual Meeting

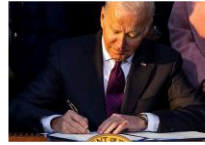
The White House said the U.S. and Chinese presidents discussed a variety of topics including Afghanistan, North Korea and Iran, as well as human rights, climate change and concerns over Taiwan. 492 | 7 min read

► **How U.S. Plays Catch-Up on China's Push for Influence**

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### President Signs Infrastructure Bill Into Law

The passage of the \$1 trillion bill to repair roads and bridges, upgrade the electrical grid and expand access to broadband internet marks a rare bipartisan policy win for the White House. 6 min read



- What's in the Bill? From Amtrak to Roads to Water Systems**

The image displays a financial terminal interface for Apple Inc. (AAPL). The main window shows the stock price at 123.08 USD, with a volume of 13,358. The interface is divided into several sections:

- Overview:** Includes a price chart for AAPL.O showing a price of 123.13. The chart shows a general upward trend with some volatility.
- Price Performance:** Lists key metrics such as Open (123.08), Prev. Close (123.08), Bid / Ask (123.24 / 123.35), VWAP, Turnover, Volume (13,358), Short Interest (0.500%), and YTD (67.66%).
- News & Research:** A list of recent news items, including "Refinitiv Newscasts - Evidence of Belarus providing migrants tourist visas" and "S. Korea's new law on in-app payment is 'monumental': CAF chief".
- STARLINE MODELS:** A table of valuation models with scores: Price Momentum (97), Analyst Revisions (79), Smart Holdings (77), Short Interest (95), Earnings Quality (95), Credit Risk - Combined (96), Credit Risk - Smart Ratios (92), Credit Risk - Structural (88), Credit Risk - Text Mining (85), and Combined Alpha Model (72).
- RECOMMENDATIONS:** A table showing analyst recommendations: Strong Buy (11), Buy (19), Hold (8), Sell (1), and Strong Sell (1). The Price Target (Mean) is USD 125.92, with an Upside of 2%.
- ESTIMATES:** A table of financial estimates for QTR Dec-2020 and FY Sep-2021, including EPS and Rev.
- NEWS:** A list of news items, including "Apple sued over old iPhones in Europe Tech giant i..." and "《A股动向》苹果因旧款手机电池问题在欧洲多国面临诉讼".
- RESEARCH:** A list of research reports, including "Equiti Global Arabic Smart Report" and "Trefis Report: Apple - \$99.92 Trefis Price Estimate".
- EVENTS:** A list of upcoming events, including "AAPL34.SA Final Cash Dividend of gross BRL 0.123473 paid on Nov 18, 2021 going" and "Q1 2021 Apple Inc Earnings Release".
- PEERS:** A table comparing Apple Inc. with other companies like HP Inc. across metrics like Mkt Cap, % Chan..., Reven..., EBITD..., and EV/...

... to the Terminal ...



## Tick Data

```
[4]: %%time
data = ek.get_timeseries('AAPL.O',
                        start_date='2021-11-15 15:00:00',
                        end_date='2021-11-15 15:30:00',
                        interval='tick',
                        fields=['*'])
```

```
CPU times: user 120 ms, sys: 14.5 ms, total: 135 ms
Wall time: 2.7 s
```

```
[5]: data.info()
```

```
<class 'pandas.core.frame.DataFrame'>
DatetimeIndex: 41213 entries, 2021-11-15 15:00:00.004000 to 2021-11-15 15:29:59.936000
Data columns (total 2 columns):
#   Column  Non-Null Count  Dtype
---  -
0   VALUE   41145 non-null    Float64
1   VOLUME  41213 non-null    Int64
dtypes: Float64(1), Int64(1)
memory usage: 1.0 MB
```

```
[14]: data.tail()
```

```
[14]:
```

	AAPL.O	VALUE	VOLUME
	Date		
	2021-11-15 15:29:59.134	150.4456	10
	2021-11-15 15:29:59.313	150.445	1
	2021-11-15 15:29:59.588	150.4409	150
	2021-11-15 15:29:59.745	150.445	1
	2021-11-15 15:29:59.936	150.4488	5

... to powerful APIs.

Apple Event on 18. October 2021 (<https://www.apple.com/de/apple-events/october-2021/>).

```
[9]: headlines = ek.get_news_headlines(query='R:AAPL.0 macbook',  
                                     count=5,  
                                     date_from='2021-10-18',  
                                     date_to='2021-10-19')
```

```
[10]: headlines
```

```
[10]:
```

	version	Created	text	storyId	sourceCode
	2021-10-18 23:30:18.401	2021-10-18 23:30:18.401000+00:00	Apple is finally fixing the things people hate...	urn:newsml:reuters.com:20211018:nNRAh2psl1:1	NS:WASHPO
	2021-10-18 23:10:18.012	2021-10-18 23:10:18.012000+00:00	Apple event – live: Macbook Pro and other new ...	urn:newsml:reuters.com:20211018:nNRAh2kj3a:1	NS:INDEPE
	2021-10-18 21:41:19.927	2021-10-18 21:41:19.927000+00:00	New MacBook Pro features ultra-fast chips, ret...	urn:newsml:reuters.com:20211018:nNRAh2u38b:1	NS:EFEING
	2021-10-18 21:33:50.860	2021-10-18 21:33:50.860000+00:00	Apple Event: MacBook Pro 2021 alleged pictures...	urn:newsml:reuters.com:20211018:nNRAh2u1wj:1	NS:TIMIND
	2021-10-18 21:33:50.623	2021-10-18 21:33:50.623000+00:00	Apple launches new MacBook Pro: Price, specs a...	urn:newsml:reuters.com:20211018:nNRAh2u1vv:1	NS:TIMIND

... to powerful APIs.

```
[11]: story = headlines.iloc[0]
```

```
[12]: story
```

```
[12]: versionCreated      2021-10-18 23:30:18.401000+00:00  
text      Apple is finally fixing the things people hate...  
storyId      urn:newsml:reuters.com:20211018:nNRAh2psl1:1  
sourceCode      NS:WASHPO  
Name: 2021-10-18 23:30:18.401000, dtype: object
```

```
[13]: news_text = ek.get_news_story(story['storyId'])
```

```
[14]: from IPython.display import HTML
```

```
[15]: HTML(news_text)
```

```
[15]: The demise of MagSafe charging. An inelegant Touch Bar. Limited selection of ports. The laundry list of complaints about Apple's laptops has steadily grown over the past five years. Now, Apple is finally walking back those changes.
```

On Monday, the Cupertino, Calif., company unveiled a pair of new MacBook Pro laptops, powered by its latest homegrown processors and free of the many limitations that plagued earlier models. It also showed off a set of updated AirPods and colorful HomePod mini smart speakers. Riding high from record Mac sales last year, Apple made sure to make its new MacBooks the star of its virtual event Monday.

Still, computers that run Apple's MacOS software account for only a fraction of the overall PC landscape — just over 7 percent as of the end of the second quarter, according to market research firm IDC. Its market share has slipped from 8 percent in the first quarter and 7.6 percent a year earlier, IDC data showed. The changes on display Monday seem to be geared more toward

... to powerful APIs.



```
IP[y]:  
IPython
```



NumPy



pandas  
 $y_{it} = \beta' x_{it} + \mu_i + \epsilon_{it}$



Keras

## Code & Slides

- [http://bit.ly/spm\\_diy](http://bit.ly/spm_diy) (Gist)
- [http://certificate.tpq.io/spm\\_diy.pdf](http://certificate.tpq.io/spm_diy.pdf) (Slides)

# Case Study: Financial Data APIs

AAPL 163.1900 AMZN 129.79 BTC-USD 20405.9300 ETH-USD 1586.7600 EURUSD 1.0026 TSLA 289.9100



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# Case Study: Asset Allocation



PORTFOLIO SELECTION\*

HARRY MARKOWITZ  
The Rand Corporation

THE PROCESS OF SELECTING a portfolio may be divided into two stages. The first stage starts with observation and experience and ends with beliefs about the future performances of available securities. The second stage starts with the relevant beliefs about future performances and ends with the choice of portfolio. This paper is concerned with the second stage. We first consider the rule that the investor does (or should) maximize discounted expected, or anticipated, returns. This rule is rejected both as a hypothesis to explain, and as a maximum to guide investment behavior. We next consider the rule that the investor does (or should) consider expected return a desirable thing *and* variance of return an undesirable thing. This rule has many sound points, both as a maxim for, and hypothesis about, investment behavior. We illustrate geometrically relations between beliefs and choice of portfolio according to the "expected returns—variance of returns" rule.

One type of rule concerning choice of portfolio is that the investor does (or should) maximize the discounted (or capitalized) value of future returns.<sup>1</sup> Since the future is not known with certainty, it must be "expected" or "anticipated" returns which we discount. Variations of this type of rule can be suggested. Following Hicks, we could let "anticipated" returns include an allowance for risk.<sup>2</sup> Or, we could let the rate at which we capitalize the returns from particular securities vary with risk.

The hypothesis (or maxim) that the investor does (or should) maximize discounted return must be rejected. If we ignore market imperfections the foregoing rule never implies that there is a diversified portfolio which is preferable to all non-diversified portfolios. Diversification is both observed and sensible; a rule of behavior which does not imply the superiority of diversification must be rejected both as a hypothesis and as a maxim.

\* This paper is based on work done by the author while at the Cowles Commission for Research in Economics and with the financial assistance of the Social Science Research Council. It will be reprinted as Cowles Commission Paper, New Series, No. 60.

1. See, for example, J. B. Williams, *The Theory of Investment Value* (Cambridge, Mass.: Harvard University Press, 1938), pp. 55-75.

2. J. R. Hicks, *Value and Capital* (New York: Oxford University Press, 1939), p. 126. Hicks applies the rule to a firm rather than a portfolio.

For fixed probability beliefs ( $\mu_i, \sigma_{ij}$ ) the investor has a choice of various combinations of  $E$  and  $V$  depending on his choice of portfolio  $X_1, \dots, X_N$ . Suppose that the set of all obtainable ( $E, V$ ) combinations were as in Figure 1. The  $E$ - $V$  rule states that the investor would (or should) want to select one of those portfolios which give rise to the ( $E, V$ ) combinations indicated as efficient in the figure; i.e., those with minimum  $V$  for given  $E$  or more and maximum  $E$  for given  $V$  or less.

There are techniques by which we can compute the set of efficient portfolios and efficient ( $E, V$ ) combinations associated with given  $\mu_i$



FIG. 1

and  $\sigma_{ij}$ . We will not present these techniques here. We will, however, illustrate geometrically the nature of the efficient surfaces for cases in which  $N$  (the number of available securities) is small.

The calculation of efficient surfaces might possibly be of practical use. Perhaps there are ways, by combining statistical techniques and the judgment of experts, to form reasonable probability beliefs ( $\mu_i, \sigma_{ij}$ ). We could use these beliefs to compute the attainable efficient combinations of ( $E, V$ ). The investor, being informed of what ( $E, V$ ) combinations were attainable, could state which he desired. We could then find the portfolio which gave this desired combination.

Two conditions—at least—must be satisfied before it would be practical to use efficient surfaces in the manner described above. First, the investor must desire to act according to the  $E$ - $V$  maxim. Second, we must be able to arrive at reasonable  $\mu_i$  and  $\sigma_{ij}$ . We will return to these matters later.

Let us consider the case of three securities. In the three security case our model reduces to

- 1)  $E = \sum_{i=1}^3 X_i \mu_i$
- 2)  $V = \sum_{i=1}^3 \sum_{j=1}^3 X_i X_j \sigma_{ij}$
- 3)  $\sum_{i=1}^3 X_i = 1$
- 4)  $X_i \geq 0$  for  $i = 1, 2, 3$ .

From (3) we get

$$3') \quad X_3 = 1 - X_1 - X_2$$

If we substitute (3') in equation (1) and (2) we get  $E$  and  $V$  as functions of  $X_1$  and  $X_2$ . For example we find

$$1') \quad E = \mu_3 + X_1(\mu_1 - \mu_3) + X_2(\mu_2 - \mu_3)$$

The exact formulas are not too important here (that of  $V$  is given below).<sup>8</sup> We can simply write

- a)  $E = E(X_1, X_2)$
- b)  $V = V(X_1, X_2)$
- c)  $X_1 \geq 0, X_2 \geq 0, 1 - X_1 - X_2 \geq 0$

By using relations (a), (b), (c), we can work with two dimensional geometry.

The attainable set of portfolios consists of all portfolios which satisfy constraints (c) and (3') (or equivalently (3) and (4)). The attainable combinations of  $X_1, X_2$  are represented by the triangle  $\bar{abc}$  in Figure 2. Any point to the left of the  $X_2$  axis is not attainable because it violates the condition that  $X_1 \geq 0$ . Any point below the  $X_1$  axis is not attainable because it violates the condition that  $X_2 \geq 0$ . Any

8.  $V = X_1^2(\sigma_{11} - 2\sigma_{12} + \sigma_{22}) + X_2^2(\sigma_{22} - 2\sigma_{23} + \sigma_{33}) + 2X_1X_2(\sigma_{12} - \sigma_{13} - \sigma_{23} + \sigma_{33}) + 2X_1(\sigma_{13} - \sigma_{23}) + 2X_2(\sigma_{23} - \sigma_{33}) + \sigma_{33}$

# *Primitives*

**financial assets**

$$n = 1, 2, \dots, N$$

**points in time**

$$t = t_1, t_2, \dots, t_M$$

**historical returns**

$$r_t^n, t = t_1, \dots, t_M$$

**mean returns**

$$\mu_n = \frac{1}{M} \sum_t r_t^n$$

**expected returns**

$$\mu = (\mu_1, \mu_2, \dots, \mu_N)^T$$

# *Primitives*

**variance**

$$\mathbf{Var}_n = \frac{1}{M} \sum_t (r_t^n - \mu_n) (r_t^n - \mu_n)$$

**volatility (std)**

$$\sigma = \sqrt{\mathbf{Var}_n}$$

**covariance**

$$\mathbf{Cov}_{i,j} = \frac{1}{M} \sum_t (r_t^i - \mu_i) (r_t^j - \mu_j)$$

**covariance matrix**

$$\Sigma \in \mathbb{R}^{N \times N}$$

# *Portfolio Statistics*

**weights**

$$\phi = (\phi_1, \dots, \phi_N)^T \in \mathbb{R}^N$$

**portfolio return**

$$\mu_P = \phi\mu$$

**portfolio variance**

$$\mathbf{Var}_P = \phi^T \Sigma \phi$$

**portfolio volatility**

$$\sigma_P = \sqrt{\mathbf{Var}_P}$$

# Case Study: Risk Parity

Thierry Roncalli

**Introduction to  
Risk Parity and  
Budgeting**

Chapman & Hall/CRC FINANCIAL MATHEMATICS SERIES

# *Marginal Risk Contributions*

**weights**

$$\phi = (w_1, \dots, w_N)^T \in \mathbb{R}^N$$

**risk measure**

$$\mathcal{R}(\phi)$$

**risk contribution**

$$\mathcal{RC}_n = \phi_n \frac{\partial \mathcal{R}(\phi)}{\partial \phi_n}$$

**Euler decomposition**

$$\mathcal{R}(\phi) = \sum_n \mathcal{RC}_n$$

# *Marginal Volatilities*

**portfolio volatility**  $\sigma(\phi) = \sqrt{\phi^T \Sigma \phi}$

**marginal volatilities**  $\frac{\partial \sigma(\phi)}{\partial \phi} = \frac{\Sigma \phi}{\sqrt{\phi^T \Sigma \phi}}$

**risk contributions**  $\mathcal{RC}_n = \phi_n \cdot \frac{(\Sigma \phi)_n}{\sqrt{\phi^T \Sigma \phi}}$



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