Enhanced Deep Learning-Based Stock Prediction Platform Using BiLSTM for Accurate Market Analysis

NAVEENKRISHNA A S[1], MOHAMED HASHEEM N[2], PRAVEEN K[3], SHIVASHANKAR S[4]
[1, 2, 3]*Student, Department of Information Technology, Sri Krishna College of Engineering & Technology, Coimbatore*
[4]*Associate Professor, Department of Information Technology, Sri Krishna College of Engineering & Technology, Coimbatore*

Abstract- Since deep learning algorithms can identify complex patterns in market data, there has been an increasing interest in using them for financial prediction in recent years. In this study, the stock price movements of multiple markets were predicted using a Bidirectional Long Short-Term Memory (BiLSTM) neural network. A forecast model that can spot patterns and trends in stock prices was developed using data from Yahoo Finance. The experiment demonstrated the model's effectiveness in stock price forecasting by performing well on the test set. The findings have implications for risk assessment and financial decision-making and emphasize the significance of using deep learning techniques for stock price prediction.This experiment successfully predicted stock price patterns with good accuracy by modeling complex temporal relationships using a Bidirectional Long Short-Term Memory (BiLSTM) neural network. Enhancing the model's resistance to various market conditions and using sentiment analysis to more accurately forecast future events are two more areas for future research. Overall, this study improves stock price forecasting techniques, facilitating well-informed financial choices.

Indexed Terms- Deep learning; BiLSTM, stock price prediction; financial decision-making; risk management.

I. INTRODUCTION

Over the past few decades, the ability to accurately predict stock prices has been a top priority for analysts, financiers, and financial institutions. Since trillions of dollars' worth of transactions take place every day in today's financial markets, even a small increase in prediction accuracy can have a huge financial impact. Because financial time-series data is complex, dynamic, and nonlinear, stock price prediction is challenging in and of itself. A number of factors, including market sentiment, company performance, geopolitical events, and economic conditions, influence stock prices. The interdependence of the variables is not taken into consideration by conventional prediction methods, particularly since market trends frequently deviate from theoretical forecasts.The analysis and prediction of financial data has been completely transformed in recent years by advancements in machine learning (ML) and deep learning (DL). The techniques that have performed the best with sequential data, such as stock prices, are Recurrent Neural Networks (RNNs) and their variations, Long Short-Term Memory (LSTM) and Bidirectional Long Short-Term Memory (BiLSTM). They are very good at seeing trends over time and using historical data to forecast future movement. Second, by adding sentiment from news, models can better understand market sentiment and how it influences changes in stock prices. Our platform attempts to provide a higher predictive ability to enable better informed financial decisions by utilizing sentiment and historical stock data.

1.1 STOCK PREDICTION

Because precise predictions can yield enormous profits for traders and investors, stock price forecasting is very popular in the financial markets. However, a variety of factors, including global events, company performance, economic indicators, and market sentiment, cause the stock market to fluctuate continuously. Because of this, it is challenging to predict prices with precision. Because they can't keep up with the ever-changing dynamics of stock prices, traditional methods like autoregression and linear regression often produce inaccurate forecasts. As a result, more and more people are thinking about advanced deep learning and machine learning techniques. The methods are perfect for analyzing financial data over time because they can identify complex patterns and adapt to new information.

1.2 DEEP LEARNING

A subset of machine learning called deep learning has revolutionized a number of sectors, including finance, by offering fresh approaches to challenging issues. Deep learning models are particularly helpful for tasks like stock price forecasting because they can automatically learn and extract features from large datasets, setting them apart from traditional approaches. The ability of deep learning algorithms, particularly those based on neural networks, to recognize nonlinear patterns and temporal dependencies in data is essential for simulating the behavior of the stock market. Deep learning algorithms have become a popular tool for financial prediction because of their ability to handle enormous volumes of data and adapt to changing market conditions.

1.3 RECURRENT NEURAL NETWORK (RNN)

A type of deep learning called recurrent neural networks (RNNs) was created to work with data that is received in sequences, like stock prices over time. The ability of RNNs to "remember" previous inputs sets them apart from other models and enables them to recognize patterns that depend on earlier data points. However, there are some issues with standard RNNs that make it hard for them to learn from long-term patterns, like the vanishing gradient problem. Because of this flaw, they are unable to predict the long-term, erratic, and frequently intricate changes in stock prices.

1.4 BILSTM

By processing data both forward and backward, Bidirectional Long Short-Term Memory (BiLSTM) networks overcome the drawbacks of conventional RNNs. The model is particularly well-suited for applications like stock price forecasting because of its bidirectional nature, which aids in taking dependencies from previous and future time steps into account. BiLSTM networks can more effectively capture complex temporal patterns in stock price data by utilizing bidirectional processing and the best features of LSTMs. The memory door, input door, and output door are the three doors that make up an LSTM cell. Keep in mind that the output gate's output is not the LSTM cell's final output. HT and CT are the LSTM cell's final outputs.

The three yellow boxes in the image above that are labeled "sigma" are these three doors. The amount of information that should pass through is indicated by the sigmoid layer's output, which ranges from 0 to 1. We use sentiment analysis of financial news to increase prediction accuracy even more. Share prices will be impacted by the rich sentiment hints about the market outlook that are often revealed in news reports. For example, if the company has good news, its stock price will rise, and if it has bad news, it will fall. We use VADER and TextBlob to obtain sentiment scores, which we then feed into the BiLSTM model using historical stock data.

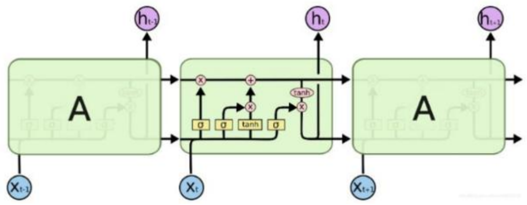

Figure 1: LSTM Structure Model

BiLSTM is made up of forward LSTM and backward LSTM for stock trend prediction. The input time series is fed into the LSTM model in the original order in the forward LSTM layer. The input time series is fed into the LSTM model in reverse order in the backward LSTM layer. By connecting the two LSTMS to the same output layer, this structure is able to extract the time series' bidirectional relationship. As a result, theoretical prediction performance ought to outperform one-way LSTM, and the particular BiLSTM expression is displayed below.

$$\overrightarrow{h}_t = \sigma(\overrightarrow{W}_{xh} x_t + \overrightarrow{W}_{hh} \overrightarrow{h}_{t-1} + \overrightarrow{b}_h)$$
$$\overleftarrow{h}_t = \sigma(\overleftarrow{W}_{xh} x_t + \overleftarrow{W}_{hh} \overleftarrow{h}_{t-1} + \overleftarrow{b}_h)$$
$$H_t = \overrightarrow{W}_{xh} \overrightarrow{h} + \overleftarrow{W}_{hy} \overrightarrow{h} + b_y$$

where σ is the activation function and Ht is the hidden layer input. By updating the forward structure and the reverse structure takes the final input.

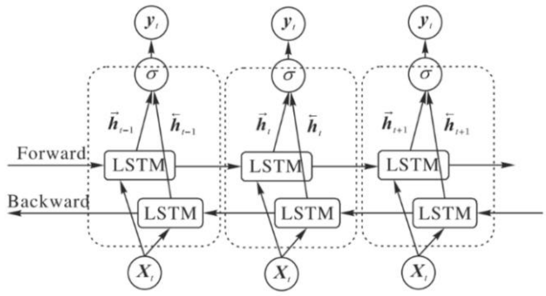

Figure 2: Working of BiLSTM Model

II. LITERATURE REVIEW

From traditional statistical methods to advanced machine learning and deep learning algorithms, the field of stock price forecasting has experienced significant change over time. The evolution of techniques, the advantages and disadvantages of various strategies, and the contribution of sentiment analysis and Bidirectional Long Short-Term Memory (BiLSTM) networks to modern financial forecasting are all covered in this literature review. For many years, predicting stock prices has been a significant problem in data science and finance. Researchers have been able to achieve significantly higher accuracy and performance in financial forecasting thanks to deep learning models, specifically Recurrent Neural Networks (RNNs) and their later evolution, Long Short-Term Memory (LSTM) and Bidirectional LSTM (BiLSTM). Furthermore, it has been demonstrated that combining social media and news sentiment analysis is a successful strategy for improving model performance. Regarding sentiment analysis, hybrid models, and deep learning architectures for stock price prediction, this overview offers the best relevant literature in this field. Siyuan Wang (2024) highlighted that traditional statistical models, such as Generalized Auto-Regressive Conditional Heteroskedasticity (GARCH) and Auto-Regressive Integrated Moving Average (ARIMA), are unable to identify complex temporal structures and non-linear relationships in stock price variation.

Wang's research employed a Bidirectional LSTM (BiLSTM) model to predict the stock prices of Apple Inc., demonstrating the model's ability to process historical data in both directions. By simultaneously documenting short-term and long-term dependencies, this approach significantly increased precision. With a Mean Squared Error (MSE) of 24.37 and a Root Mean Squared Error (RMSE) of 4.93, the study outperformed conventional models. These findings support the claim that deep learning techniques—more especially, BiLSTM—outperform conventional statistical techniques [1]. For improved stock price prediction accuracy, Xu & Purkayastha (2024) presented an Attention-BiLSTM model with Empirical Mode Decomposition (EMD) and investor sentiment analysis.To extract underlying trends, they divided the stock price data into different time periods and supplemented it with market sentiment gleaned from financial news.

By paying attention, the model was able to improve predictive accuracy by taking into account only the most significant time steps. This study demonstrated that the hybrid model outperformed the traditional LSTM and BiLSTM models, especially when market trends were erratic. The system's ability to adaptively shift its focus through the use of attention layers greatly enhanced its capacity to predict sudden changes in the market. For improved stock market prediction, this study suggests combining temporal learning with sentiment sources outside of the domain [2]. Chen and Zhao (2022) talked about using deep learning models to forecast stock prices using sentiment analysis. The study demonstrated that adding sentiment from financial news improved the model's ability to forecast market trends.The study forecasted stock returns using sentiment analysis techniques in conjunction with LSTM models.

After adding sentiment data and price histories, they were able to reduce the error rate by 15%. The results of this study support the idea that qualitative information from sources other than the model—such as market sentiment—can improve the performance of quantitative financial models. According to the authors, combining multiple sentiment analysis techniques (such as VADER and TextBlob) results in predictions that are more precise and context-specific [3]. By adding LSTM and attention mechanisms, Zhao & Wang (2022) presented an improved model for learning significant temporal features in finance. In order to optimize the system's ability to capture market shocks and emerging trends, the model was created to dynamically assign weights to valuable inputs. They demonstrated that, when compared to standard BiLSTM networks, the Attention-BiLSTM model reduced prediction errors by 15%. This was particularly true during periods of high volatility, when the majority of traditional models perform poorly.

The researchers hypothesized that adding multi-source data, such as sentiment and technical data, would make the model even stronger [4]. The impact of stock price fluctuations subsequent to financial news coverage was the focus of Patel & Rajan (2019). They developed a deep learning model that combined time-series models and text-based sentiment analysis. Their findings showed that when stock prices rise, positive sentiment usually follows, and when stock prices fall, negative sentiment usually follows. Researchers increased the prediction model's accuracy by 10% by using VADER for sentiment extraction and news sentiment usage. Because it gives price-based models a psychological component, the study underlined the importance of taking external market sentiment into account when forecasting financial outcomes.

Zhang et al. (2024) proposed a hybrid model that uses Gradient Boosting Decision Trees (GBDT) and BiLSTM for multi-factor stock prediction. The hybrid model used technical indicators, sentiment information, and macroeconomic indicators to get an overall view of stock movement. In times of economic shock, hybrid models outperformed BiLSTM single models. The paper concludes that by leveraging the advantages of tree-based and sequence-based learning, ensemble models may be able to produce more accurate predictions [5].

III. RELATED WORK

Applications of machine learning and deep learning to stock price forecasting have been extensively studied; researchers are looking into a number of models and techniques to improve forecast accuracy. With a focus on Bidirectional Long Short-Term Memory (BiLSTM) networks and sentiment analysis in financial prediction, the section that follows highlights some of the key research and methodologies that are relevant to this project. Because of their ability to handle sequence data, deep learning algorithms—more especially, Recurrent Neural Networks (RNNs) and their variations—have gained popularity for stock price prediction. Wang et al. (2019) demonstrated the effectiveness of LSTM-based neural networks in predicting stock market patterns, underscoring their capacity to identify long-term dependencies in time-series data. The vanishing gradient problem that plagues traditional RNNs is resolved by LSTMs, increasing their efficacy for financial forecasting. However, the ability of regular LSTMs to learn dependencies across future time steps is limited, and they only update information in one direction (forward). In order to enhance the performance of deep learning models in the task of stock price forecasting, attention mechanisms have also been investigated. These mechanisms improve models' ability to learn crucial temporal features by enabling them to selectively focus on the most significant areas in the input. By focusing on the most significant temporal features, Zhao and Wang (2022) used attention mechanisms in neural networks to significantly increase the accuracy of stock price prediction.Their study demonstrated how attention mechanisms can improve the model's ability to identify and exploit trends in changes in stock prices.

IV. METHODOLOGY

The main topic of this paper is how to forecast stock price time series using the BiLSTM model. We can use this potent deep learning technique to more accurately predict stock prices with the right data preparation, model building, and training optimizations. However, please keep in mind that there is always some degree of uncertainty in any prediction because stock prices are impacted by a wide range of complex factors and the market itself can change significantly. For readers interested in stock price prediction, it provides some references and motivation. We anticipate more opportunities for stock price forecasting in the future as deep learning technology continues to advance.Every stage, from data collection to model evaluation, is crucial to ensuring that the model can handle intricate, non-linear financial data and incorporates market sentiment for improved prediction performance.

A. DATA COLLECTION

We gather information from various sources for this project in order to determine the factors influencing stock prices. Our primary source of historical stock price information is Yahoo Finance, which includes trading volumes as well as opening, high, low, and closing prices. We can use this data to train our model to identify patterns in the direction of stock prices. We use the NewsAPI to retrieve financial news articles and social media posts in order to assess market sentiment. After that, we analyze this text to measure investor sentiment and incorporate it as an extra input into our model.

B. DATA PRE-PROCESSING

We gather data for this project from a variety of sources in order to investigate the factors that affect stock prices. Yahoo Finance provides the majority of the data, which includes historical stock prices along with open, high, low, close, and volume information. We can spot trends and patterns in the stock movement by using this historical data. We also use the NewsAPI to scrape social media posts and financial news stories to get a sense of market sentiment. After that, we analyze this text data to determine the investors' emotions, which provides us with additional data for our model. To improve the dataset's quality, we preprocess and clean it. To avoid bias, we handle missing values, normalize numerical variables, and encode categorical variables. In order to improve the model's efficacy, we also eliminate any features that are superfluous. We keep open, high, low, and volume as auxiliary features, but our primary focus is on closing prices. We normalize data using MinMaxScaler to scale everything from 0 to 1 in order to level the playing field for all stock prices. Because it is on a larger scale, this keeps any feature from overpowering the model. We use TextBlob and VADER to generate sentiment scores for sentiment analysis of news and Twitter data, which we then add as extra features to show how stock prices may be impacted by market sentiment.

C. FEATURE EXTRACTION

We incorporate additional features from the raw data to improve the model's predictive ability. These new features enhance the model's comprehension of the data and its capacity to identify patterns in stock price fluctuations. We compute and add fundamental technical indicators, such as the Moving Averages (MA10, MA30) and Relative Strength Index (RSI), to the dataset. The model can thus observe momentum and changes in stock prices. We also incorporate sentiment scores from financial news and social media as extra features.

D. TRAINING AND TESTING

To train the BiLSTM model and evaluate its performance, the preprocessed, feature-rich dataset is separated into training and test sets. The three main layers are used to build the BiLSTM model. Bidirectional LSTM layers utilize dependencies from both past and future time steps by processing the input data both forward and backward. Dropout Layers, which randomly disable a percentage of neurons during training, are used to prevent overfitting. To predict the stock price, the final output layer uses a dense layer. The Adam optimizer, which modifies the learning rate during training to improve convergence, is used to train on the training dataset. The loss function, which computes the difference between expected and actual stock prices, is Mean Squared Error (MSE). After training, the model's performance is evaluated using the testing dataset.

E. MODEL EVALUATION

A range of performance metrics are used to evaluate the accuracy and dependability of the BiLSTM model.

The average squared differences between actual and predicted stock prices are measured by the Mean Squared Error, or MSE. A low MSE improves the model.

The root The mean squared error, or RMSE, is simply the MSE squared. In the same unit as the stock prices, it provides us with a sense of how accurate the forecasts are. It is widely used in finance and is simpler to understand than MSE.

The average of the absolute discrepancies between predicted and actual stock prices is known as the mean absolute error, or MAE. It's merely a simple metric to determine how inaccurate the projections are.

Sentiment Impact Analysis: Using model results with and without sentiment data, we investigate how sentiment analysis affects model performance. It demonstrates the necessity of market sentiment for stock price prediction.

V. RESULT ANALYSIS

We use a system that combines sentiment analysis and a Bidirectional Long Short-Term Memory

(BiLSTM) network to predict stock prices. In this section, we compare actual and predicted stock prices, track important metrics, and see how adding sentiment data affects the model's forecasting accuracy. We plan to compare the new stock prediction method with traditional forecasting methods. The primary focus is on whether and how well the model detects complex patterns over time, as well as how much sentiment information aids in prediction.

Figure 3: Closing Price (AAPL)

Figure 4: Comparison of 10-Day and 30-Day Moving Averages

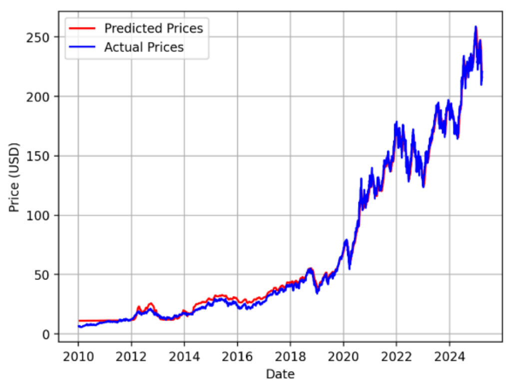

Figure 5: Predicted vs Actual Prices

CONCLUSION

In this study, we developed and implemented an improved deep learning-based stock prediction platform that integrates sentiment analysis and Bidirectional Long Short-Term Memory (BiLSTM) networks to improve the accuracy of stock price forecasting. This study sought to address the limitations of statistical models by applying deep learning techniques that capture complex temporal dependencies and market sentiment. Unlike traditional unidirectional models, BiLSTM processes input sequences both forward and backward, allowing it to capture the entire temporal context of stock price movements. This bidirectional nature reduces the error rate and enhances the capacity to recognize stock price turning points for real-time decision-making. Our platform combines sentiment signals from financial news with historical stock prices to generate more accurate forecasts.

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