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# Stock Price Prediction Using Machine Learning Models: A Study of NSE Stocks

Akash Mahendra Kushwaha<sup>1</sup>, Ronit Rohit Malhotra<sup>2</sup>, Nikhil Naresh Manchhani<sup>3</sup>, Vansh Gopal Narwani<sup>4</sup>

<sup>1, 2, 3, 4</sup>Students, Department of Information Technology, Thadomal Shahani Engineering College, Mumbai-400071, India

**Abstract:** *This paper presents a study on stock price prediction utilizing the ARIMA and Linear Regression algorithms, focusing on companies listed on the National Stock Exchange (NSE) of India. The aim is to compare the predictive accuracies of these models while considering the lifetime data of stocks obtained through the Yahoo Finance API. Through comprehensive analysis, historical stock data spanning the entire lifespan of the stocks is utilized, enabling a thorough exploration of long-term trends and patterns. It was inferred that for NSE (Indian Company) stocks and Linear Regression prove to be more efficient than ARIMA. The research methodology involves data retrieval, preprocessing, and model training, with Python being the primary programming language for implementation. Findings indicate the effectiveness of ARIMA and Linear Regression models in forecasting NSE stock prices, with implications for financial decision-making and investment strategies. This study contributes to the understanding of machine learning applications in the stock market domain, emphasizing the importance of leveraging comprehensive historical data for enhanced predictive performance.*

**Keywords:** *Machine Learning, ARIMA, Linear Regression, Stock Market, Prediction, Stock Exchange, Historical Data*

## I. INTRODUCTION

In the ever-evolving landscape of financial markets, the ability to accurately predict stock prices is paramount for investors, traders, and financial analysts. With the proliferation of machine learning algorithms, particularly in the realm of time series forecasting, there has been a growing interest in leveraging these techniques to forecast stock prices. This paper embarks on a comprehensive exploration of stock price prediction methodologies, focusing on companies listed on the National Stock Exchange (NSE) of India. The primary objective of this research is to evaluate the efficacy of two widely-used forecasting algorithms, namely Autoregressive Integrated Moving Average (ARIMA) and Linear Regression, in predicting NSE stock prices. Additionally, the study aims to compare the predictive accuracies of these models while considering the lifetime data of stocks obtained through the Yahoo Finance API.

The research draws upon insights from existing studies in the field. Yoo, Kim, and Jan [1] conducted a comparative evaluation of machine learning techniques for stock market prediction, highlighting the superior predictive ability of Neural Networks. Adebisi, Adewumi, and Ayo [3] utilized the ARIMA model to predict stock prices on the New York Stock Exchange (NYSE) and Nigeria Stock Exchange (NSE), demonstrating its effectiveness for short-term prediction. Furthermore, Naik and Mohan [4] delved into the intricacies of predicting stock price movements, emphasizing the superiority of deep learning models over traditional machine learning techniques.

By harnessing historical stock data spanning the entire lifespan of NSE-listed companies, this research seeks to provide insights into long-term trends and patterns within the market. The choice of the NSE as the focus of analysis stems from its significance as one of the leading stock exchanges in India, playing a pivotal role in shaping the country's financial landscape. The methodology employed in this study encompasses various stages, including data retrieval, preprocessing, and model training, all conducted within the Python programming environment. Through rigorous analysis and experimentation, the research endeavors to shed light on the comparative performance of ARIMA and Linear Regression models in forecasting NSE stock prices. Finally, the findings of this research are expected to have significant implications for financial decision-making and investment strategies within the Indian stock market. By enhancing our understanding of machine learning applications in stock price prediction, this study aims to contribute valuable insights to the broader discourse on financial forecasting methodologies.

## II. LITERATURE REVIEW

### A. Machine Learning Techniques and Use of Event Information for Stock Market Prediction

Paul D. Yoo, Maria H. Kim and Tony Jan compared and evaluated some of the existing ML techniques used for stock market prediction.

After comparing simple regression, multivariate regression, Neural Networks, Support Vector Machines and Case Based Reasoning models they concluded that Neural Networks offer the ability to predict market directions more accurately as compared to other techniques. Support Vector Machines and Case Based Reasoning are also popular for stock market prediction. In addition, they found that incorporating event information with prediction models plays a very important role for more accurate prediction. The web provides the latest and latest event information about the stock market which is required to yield higher prediction accuracy and to make predictions in a short time frame [1].

#### *B. NSE Stock Market Prediction Using Deep-Learning Models*

Hiransha M, Gopalakrishnan E.A, Vijay Krishna Menon, and Soman K.P explored the use of deep learning architectures for stock price prediction using historical data. They employed Multilayer Perceptron (MLP), Recurrent Neural Networks (RNN), Long Short-Term Memory (LSTM), and Convolutional Neural Network (CNN) models. The study utilized day-wise closing prices from both the National Stock Exchange (NSE) of India and the New York Stock Exchange (NYSE). Training the network with data from a single NSE company, they subsequently tested it on five companies from both NSE and NYSE. CNN emerged as the most effective model, outperforming other architectures. Surprisingly, the CNN model accurately predicted NYSE stock prices despite being trained solely on NSE data, suggesting shared underlying dynamics between the markets. Comparative analysis with the ARIMA model showcased the superior predictive performance of neural networks over traditional linear models [2].

#### *C. Stock Price Prediction Using ARIMA Model*

Ayodele A. Adebisi, Aderemi O. Adewumi and Charles K. Ayo used the ARIMA model to predict the stock price on the data obtained from New York Stock Exchange (NYSE) and National Stock Exchange (NSE). They made use of a data set consisting of four features: open, low, close and high price. In their work, they have taken the closing price as the target feature to be predicted. The reason behind this is that the Closing price is the most relevant price at the end of the day. They have demonstrated that there is no relation between the autocorrelation functions (ACFs) and partial autocorrelation functions (PACFs) using Q-statistics and Correlation plots. Moreover, for non-stationary data, it was made stationary with the help of differencing techniques. It was concluded towards the end of the research that the ARIMA model is very useful for short-term prediction [3].

#### *D. Stock Price Movements Classification Using Machine & Deep Learning Techniques-The Case Study of Indian Stock Market*

Nagaraj Naik and Biju R. Mohan explored the intricacies of predicting stock price movements, recognizing its significance for traders and analysts seeking profitable investment decisions. Given the volatile nature of stock markets, precise daily predictions pose a formidable challenge, necessitating robust predictive models. In their study, Naik and Mohan addressed two key challenges: first, the identification and selection of relevant technical indicators from a pool of 33 extracted indicators, accomplished through the Boruta feature selection technique. Second, the development of accurate prediction models for stock price movements, leveraging both machine learning and deep learning approaches. Notably, their findings demonstrated the superior performance of deep learning models over traditional machine learning techniques, resulting in a noteworthy improvement of 5% to 6% in classification accuracy rates. The experiment focused on stocks listed on the National Stock Exchange, India (NSE), highlighting the practical relevance of their research in the Indian stock market context [4].

### **III. METHODOLOGY**

#### *A. Linear Regression*

Linear Regression is a fundamental statistical method used for modeling the relationship between a dependent variable and one or more independent variables by fitting a linear equation to observed data. It is widely employed in various fields, including economics, finance, engineering, and social sciences, for tasks such as prediction, forecasting, and trend analysis.

In Linear Regression model, the simulation of equation linearity is used to combine an input data set of values ( $x$ ) to the predicted output data set of input values ( $y$ ). Both the input and output variables and values are treated as integers. The variable integer assigned by the equation of Linear Regression is represented using the capital Greek letter Beta ( $B$ ) and is most commonly known as the coefficient. In addition to this, another coefficient is added to give the line an extra degree of freedom. This extra term is commonly known as the bias coefficient. Often, the bias coefficient is calculated or otherwise estimated by finding the distance of our equation points from the best fit line. This may be represented as a straight line at right angles to the vertex and calculated using slope of the line. Mathematically, the tangent of the line is used to estimate its proximity to the relative equation of Linear Regression



The equation of a problem model in Linear Regression would be given as follows:

$$y = \beta_0 + \beta_1 \cdot x_i + \epsilon_i$$

Here,  $\beta_0$  represents the bias coefficient,  $\beta_1$  represents the coefficient associated with the input variable  $x_i$ , and  $\epsilon_i$  represents the error term.

This same line is also called a plane or a hyper-plane when we are dealing with more than one input. This is often the case with higher dimensional data. The model of Linear Regression is therefore, represented in the form of the equation and introverted and estimated values used for specific coefficients. However, before using this linear equation, we are faced with several issues. These issues often increase the complexity of the model making precise estimation difficult. This complexity is usually discussed in terms of the number of dependent and independent variables.

The influence of the input variable on the model is effectively hampered when a particular coefficient becomes zero. Therefore, due to null values, the accuracy is reduced for the prediction made from the model ( $0 * x = 0$ ). When we analyze regularization methods which are capable of modifying learning algorithm to reduce the complexity of models by emphasizing the importance on the absolute size of the coefficients, driving some to zero, this specific case becomes relevant.

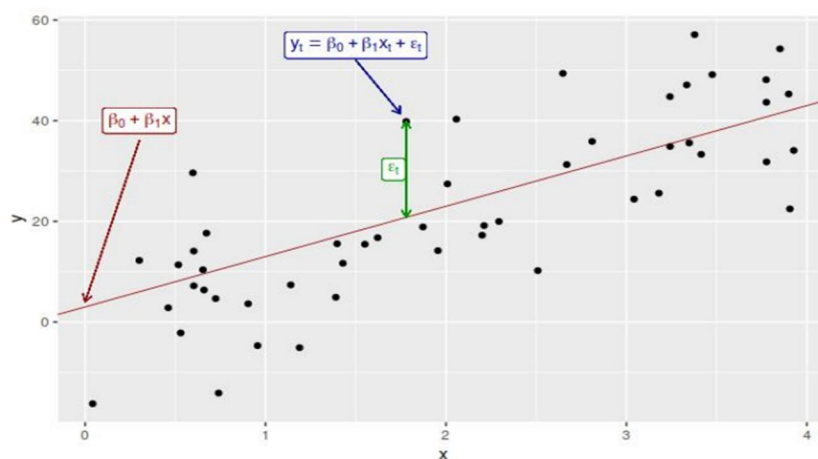


Fig 3.1: Linear Regression

### B. Auto Regressive Integrated Moving Average (ARIMA)

ARIMA, short for AutoRegressive Integrated Moving Average, stands as a powerful tool in time series forecasting, offering two primary variants: seasonal ARIMA and non-seasonal ARIMA. For our stock data analysis, we adopt the non-seasonal ARIMA model, tailored to the unique characteristics of stock market data.

The ARIMA model relies on three essential parameters:

**p (Autoregressive Component):** This parameter determines the number of past observations used in the autoregressive calculation. For instance, with  $p=4$ , the model considers the previous four time steps to adjust the fitting line of the time series.

**d (Integrated Component):** In ARIMA,  $d$  represents the number of differencing operations applied to convert the relative time series into a standard time series. It specifies the count of differencing computations necessary to make the data stationary.

**q (Moving Average Component):**  $q$  denotes the lag of the error component, capturing the unexplained variation in historical data. It helps address residual errors not accounted for by the autoregressive and differencing components.

The Autoregressive Component relies on historical values, akin to classical linear regression. Its usage is determined by certain patterns observed in the autocorrelation function (ACF) and partial autocorrelation function (PACF). Specifically, the Autoregressive Component is utilized when:

- 1) The ACF shows a decreasing slope towards zero.
- 2) A positive correlation is observed at lag-1 in the ACF plot.
- 3) The PACF exhibits a sudden drop to zero.

Moving Averages address random jumps in the data, which may span multiple periods, either consecutive or non-consecutive. Their application is guided by characteristics observed in the ACF and PACF plots:

- A significant drop in the ACF, especially after a few lags.
- The presence of negative lag in the model.
- A decreasing trend in the PACF slope.

The Integrated Component comes into play when the time series data lacks stationarity or exhibits seasonality. It involves differencing the data to eliminate trends and seasonality, ensuring it becomes stationary. The number of differencing operations required defines the order of the integrated component.

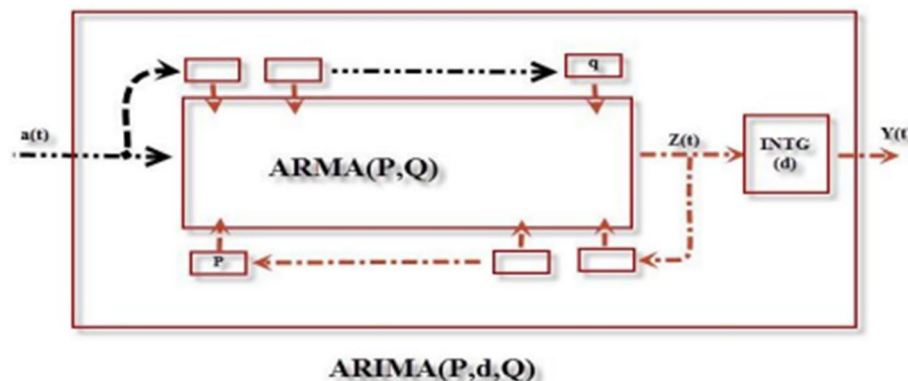


Fig 3.2: ARIMA Model

#### IV. EXPERIMENTAL RESULTS AND ANALYSIS

##### A. Fetching and Visualising for 1st National Stock Exchange (NSE) Data

The lifetime performance of a NSE stock along with the performance for the past 2 years along with real time prices is fetched from the Yahoo Finance API and visualized in python.

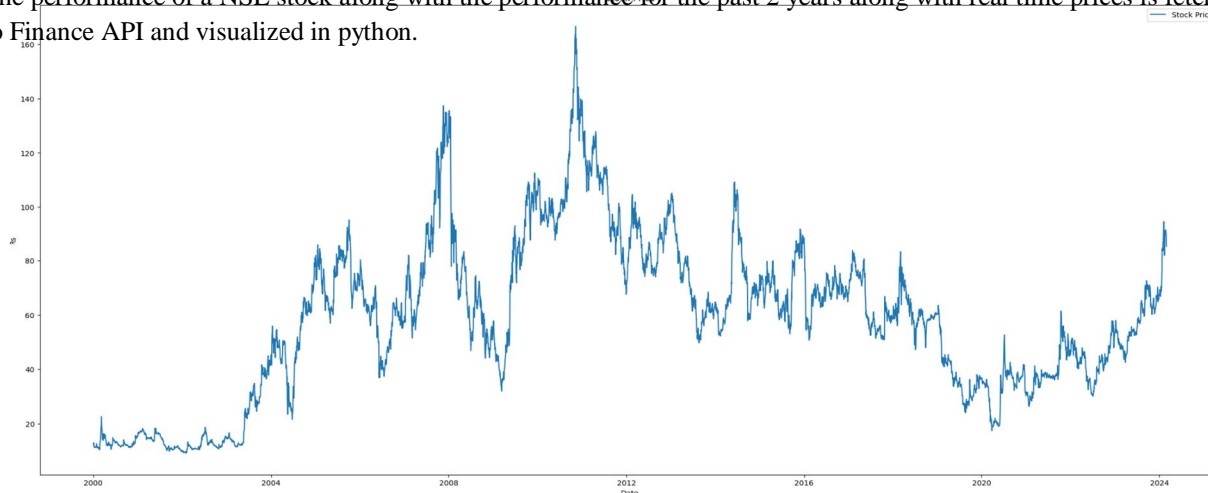


Fig 4.1: Lifetime performance of IDBI.NS

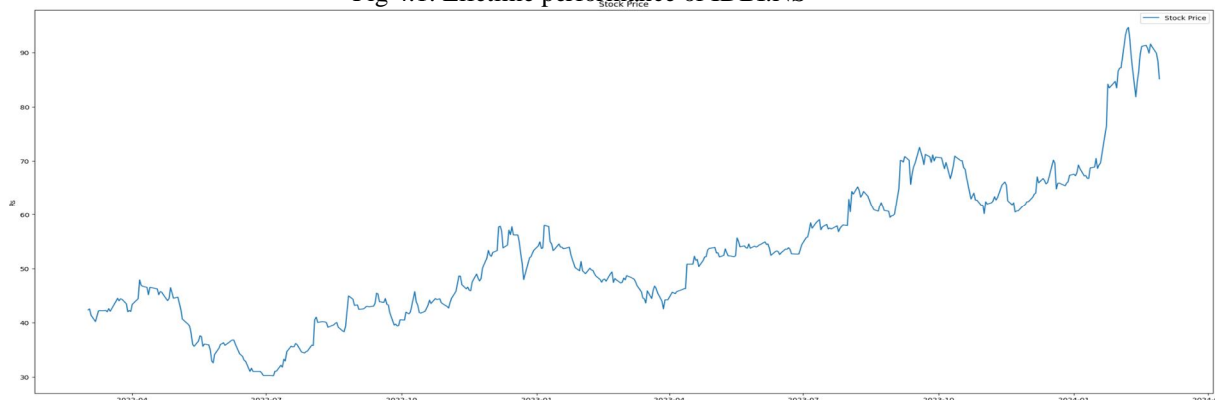


Fig 4.2: Performance of IDBI.NS for the last 2 years

	Open	High	Low	Close	Adj Close	Volume
Date						
2024-02-28	89.0	89.150002	84.25	85.150002	85.150002	10860145

Fig 4.3: Real-time stock data of IDBI.NS

#### B. ARIMA forecast for 1st National Stock Exchange (NSE) Stock

ARIMA model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

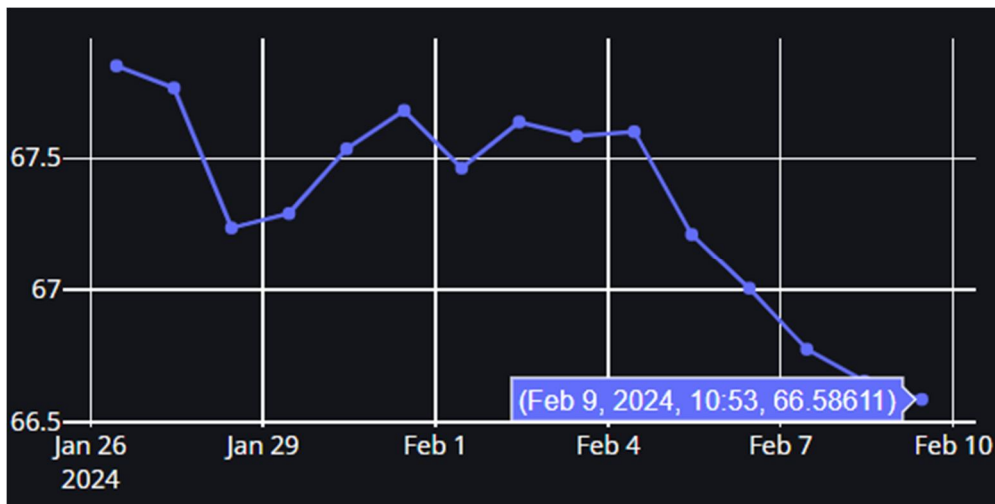


Fig 4.3: ARIMA forecast for NSE (IDBI.NS) stock



Fig 4.4: Real-time Data for NSE (IDBI.NS) stock

ARIMA Prediction for Closing Price for IDBI.NS on 9th February,2024 : Rs.66.58  
 Real-Time/Actual Closing Price for IDBI.NS on 9th February,2024 : Rs.90.15  
 Percentage of Deviation : 26.1%

Fig 4.5: ARIMA prediction and Percentage of Deviation for NSE (IDBI.NS) stock

#### C. Linear Regression forecast for 1st National Stock Exchange (NSE) Stock

Linear Regression model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

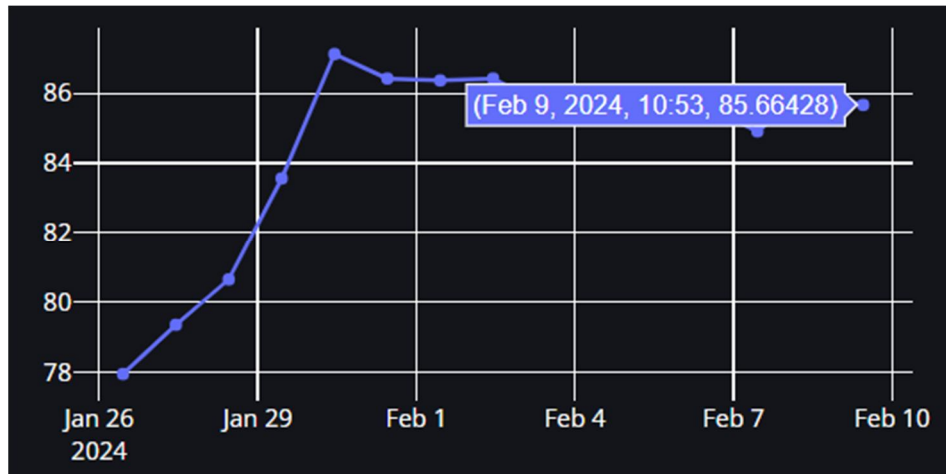


Fig 4.6: Linear Regression forecast for NSE (IDBI.NS) stock



Fig 4.7: Real-time Data for NSE (IDBI.NS) stock

Linear Regression Prediction for Closing Price for IDBI.NS on 9th February,2024 : Rs.85.66  
 Real-Time / Actual Closing Price for IDBI.NS on 9th February,2024 : Rs.90.15  
 Percentage of Deviation : 4.98%

Fig 4.8: Linear Regression prediction and Percentage of Deviation for NSE (IDBI.NS) stock

#### D. Fetching and Visualising for 2nd National Stock Exchange (NSE) Data

The lifetime performance of a NSE stock along with the performance for the past 2 years along with real time prices is fetched from the Yahoo Finance API and visualized in python.

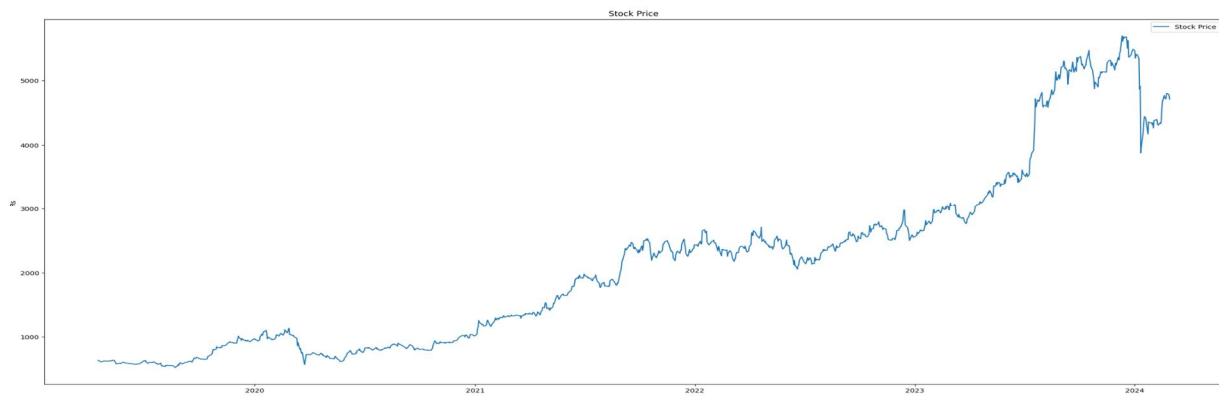


Fig 4.9: Lifetime performance of POLYCAB.NS

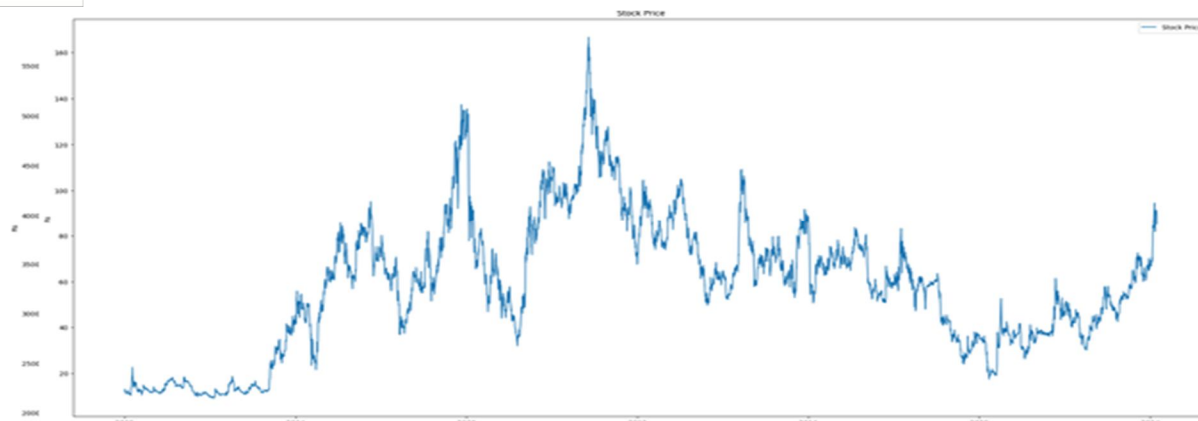


Fig 4.10: Performance of POLYCAB.NS for the last 2 years

Date	Open	High	Low	Close	Adj Close	Volume
2024-02-28	4785.0	4788.0	4666.0	4709.899902	4709.899902	309601

Fig 4.11: Real-time stock data of IDBI.NS

#### E. ARIMA forecast for 2nd National Stock Exchange (NSE) Stock

ARIMA model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

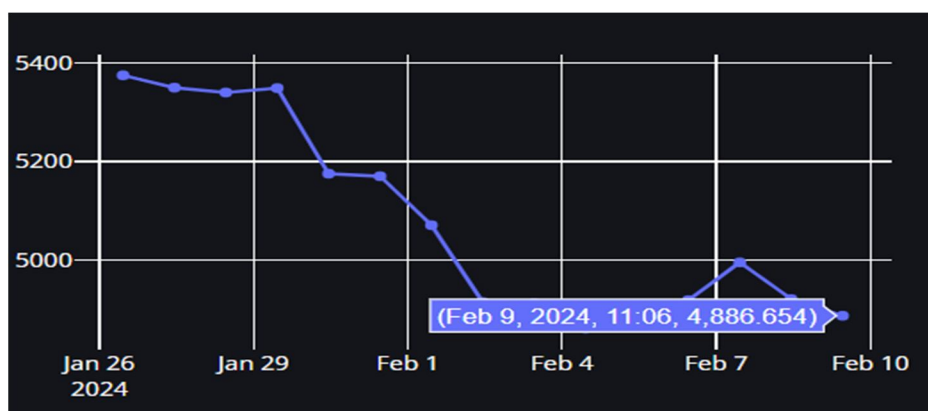


Fig 4.12: ARIMA forecast for NSE (POLYCAB.NS) stock



Fig 4.13: Real-time Data for NSE (POLYCAB.NS) stock



ARIMA Prediction for Closing Price for POLYCAB.NS on 9th February, 2024 : Rs.4886.65  
Real-Time/Actual Closing Price for POLYCAB.NS on 9th February, 2024 : Rs.4307.35  
Percentage of Deviation : 13.45%

Fig 4.14: ARIMA prediction and Percentage of Deviation for NSE (POLYCAB.NS) stock

#### F. Linear Regression forecast for 2nd National Stock Exchange (NSE) Stock

Linear Regression model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

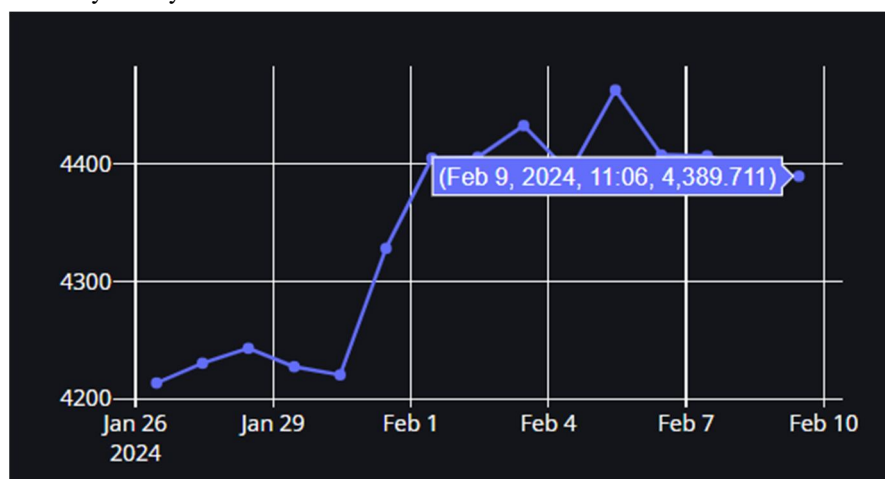


Fig 4.15: Linear Regression forecast for NSE (POLYCAB.NS) stock

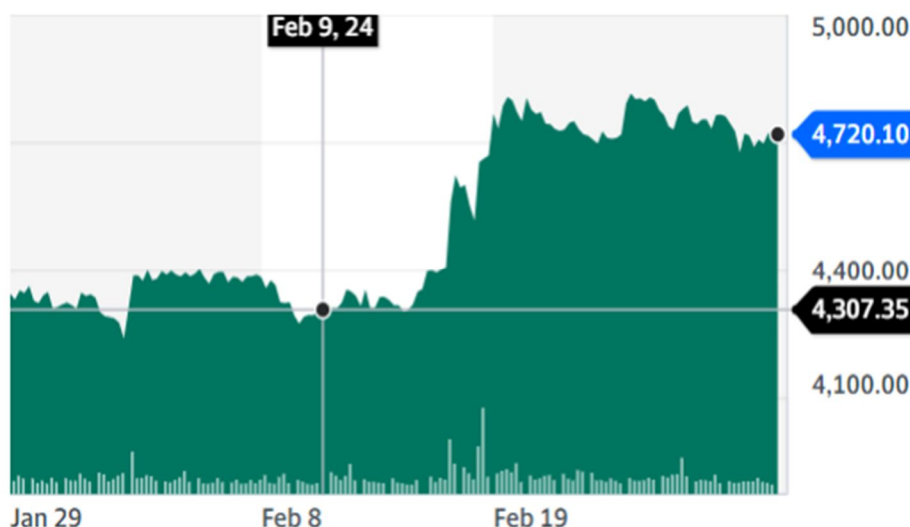


Fig 4.16: Real-time Data for NSE (POLYCAB.NS) stock

Linear Regression Prediction for Closing Price for POLYCAB.NS on 9th February, 2024 : Rs.4389.71  
Real-Time / Actual Closing Price for POLYCAB.NS on 9th February, 2024 : Rs.4307.35  
Percentage of Deviation : 1.91%

Fig 4.17: Linear Regression Prediction and Percentage of Deviation for NSE (POLYCAB.NS) stock

### G. Fetching and Visualising for 3rd National Stock Exchange (NSE) Data

The lifetime performance of a NSE stock along with the performance for the past 2 years along with real time prices is fetched from the Yahoo Finance API and visualized in python.

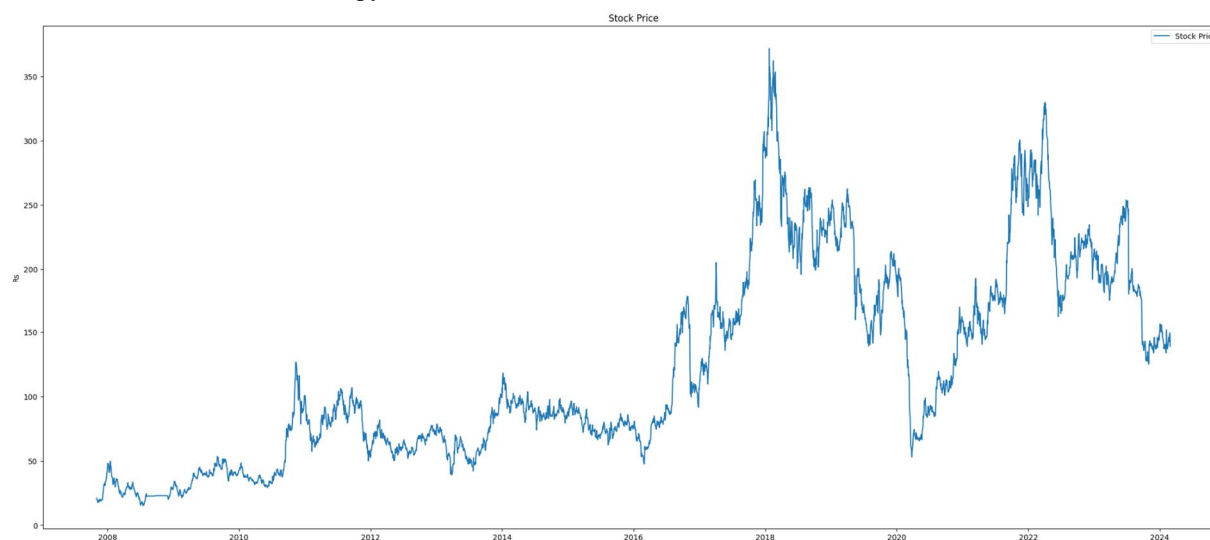


Fig 4.18: Lifetime performance of DELTACORP.NS

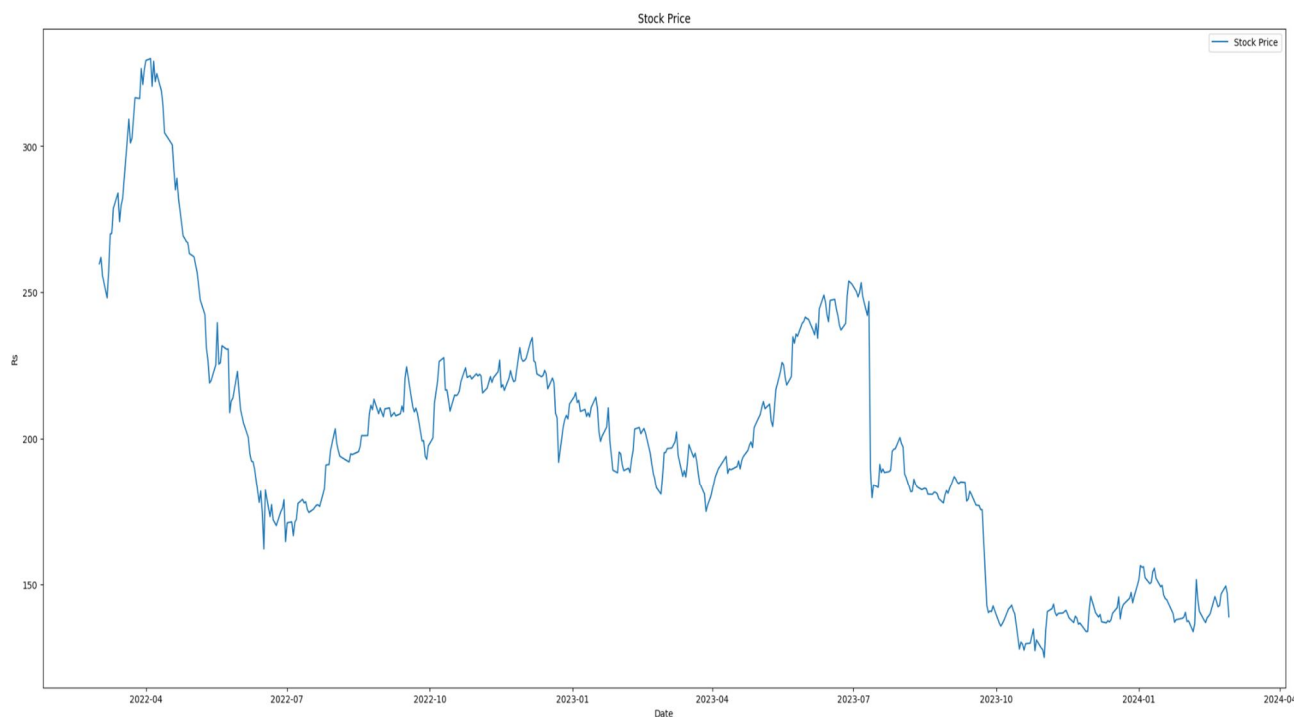


Fig 4.19: Performance of DELTACORP.NS for the last 2 years

	Open	High	Low	Close	Adj Close	Volume
Date						
2024-02-28	146.0	148.25	136.100006	139.0	139.0	3722703

Fig 4.20: Performance of DELTACORP.NS for the last 2 years

#### H. ARIMA forecast for 3rd National Stock Exchange (NSE) Stock

ARIMA model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

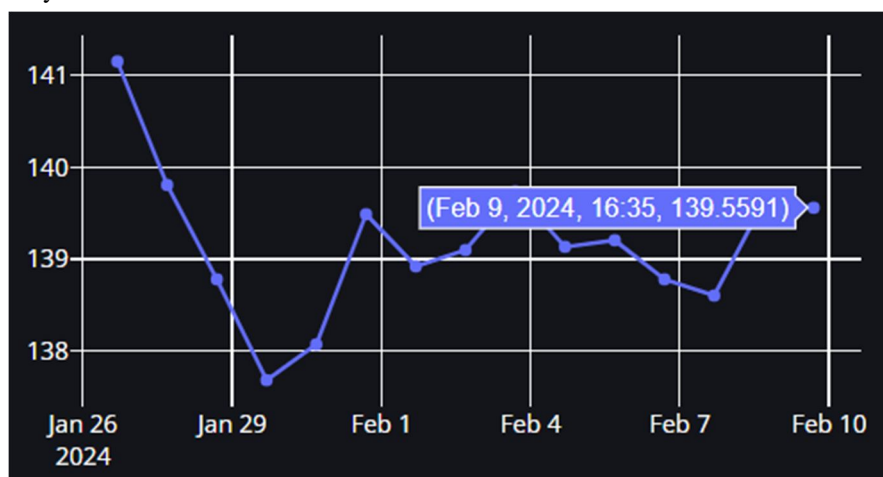


Fig 4.21: ARIMA forecast for NSE (DELTACORP.NS) stock



Fig 4.22: Real-time Data for NSE (DELTACORP.NS) stock

ARIMA Prediction for Closing Price for DELTACORP.NS on 9th February,2024 : Rs.150.38  
Real-Time/Actual Closing Price for DELTACORP.NS on 9th February,2024 : Rs.140.60  
Percentage of Deviation : 6.96%

Fig 4.23: ARIMA prediction and Percentage of Deviation for NSE (DELTACORP.NS) stock

#### I. Linear Regression forecast for 3rd National Stock Exchange (NSE) Stock

Linear Regression model was applied to the test set data (20% of the entire dataset). We plotted the prediction for the next 7 days based on the output processed by our Python code .

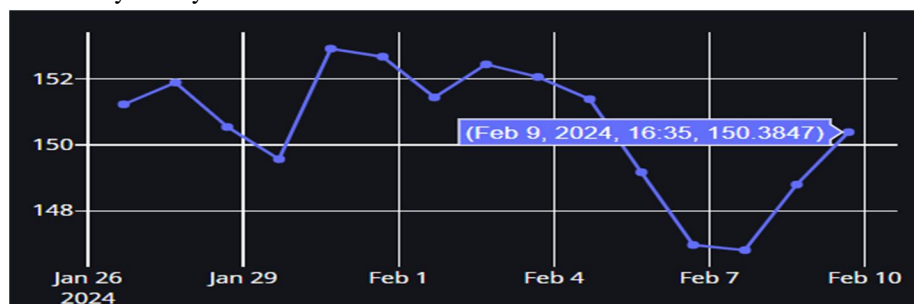


Fig 4.24: Linear Regression forecast for NSE (DELTACORP.NS) stock



Fig 4.25: Real-time Data for NSE (DELTACORP.NS) stock

Linear Regression Prediction for Closing Price for DELTACORP.NS on 9th February,2024 : Rs.139.885  
Real-Time / Actual Closing Price for DELTACORP.NS on 9th February,2024 : Rs.140.60  
Percentage of Deviation : 0.74%

Fig 4.26: Linear Regression prediction and Percentage of Deviation for NSE (DELTACORP.NS) stock

#### J. Comparison of Model Performance of Implemented Models

The comparison of the Percentage Error between ARIMA and Linear Regression models for three NSE stocks reveals interesting insights into their respective forecasting accuracies. In this analysis, we specifically focused on one large-cap, one mid-cap, and one small-cap stock listed on the National Stock Exchange (NSE). Upon examining the prices and predictions for these stocks, it was observed that the Linear Regression model consistently exhibited a lower error rate compared to the ARIMA model. This implies that, for the given NSE stocks, the Linear Regression model provided more accurate predictions of stock prices when compared to the ARIMA model. The lower error rate associated with Linear Regression suggests that it was better able to capture the underlying trends and patterns in the stock data, leading to more precise forecasts. This could be attributed to the inherent characteristics of the data or the specific features used in the Linear Regression model.

Table 4.1: Comparison of Performance of Model

	IDBI.NS (Large Cap Stock)	POLYCAB.NS (Mid Cap Stock)	DELTACORP.NS (Small Cap Stock)
ARIMA Prediction Error Percentage	26.1%	13.45%	6.96%
Linear Regression Prediction Error Percentage	4.98%	1.91%	0.74%

#### V. CONCLUSION

In conclusion, our analysis of the Percentage Error between ARIMA and Linear Regression models for three NSE stocks sheds light on their respective forecasting accuracies. Focusing on stocks across different market capitalizations on the National Stock Exchange (NSE), we found that the Linear Regression model consistently outperformed the ARIMA model in terms of accuracy. The superior performance of the Linear Regression model suggests its effectiveness in capturing the underlying trends and patterns present in the stock data, resulting in more precise predictions. This observation holds significance for investors and analysts seeking reliable forecasts for their investment decisions. Furthermore, our findings underscore the importance of selecting appropriate models and algorithms tailored to the characteristics of specific stocks and market indices. While ARIMA and Linear Regression models demonstrated varying levels of effectiveness for NSE stocks, the choice between these models should be informed by factors such as data characteristics, market dynamics, and investment objectives. Overall, our study underscores the utility of machine learning techniques in forecasting stock prices, offering valuable insights that can inform smarter investment decisions in the dynamic landscape of the stock market.





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