

Machines over man to help in stock selection

Custom-made stock advice using artificial intelligence and machine learning is here

TINESH BHASIN

Artificial intelligence (AI) and Machine Learning (ML) are the new buzzwords in the broking community. The larger brokers are using these technologies to help their customers make better investment decisions and get personalised services of the kind offered by e-commerce giants such as Amazon and Flipkart.

Sample this: HDFC Securities uses AI to crunch numbers of all listed companies on different fundamental parameters and offer a score to customers to help them take a more informed call. "If a customer wants information on a stock that our research team doesn't cover, the machines can still analyse the company's financials and display results that are easy to understand," says Nandkishore Purohit, head-digital business, strategy, HDFC Securities.

Research is just one part of the AI and ML offering. Stockbrokers are also using these technologies to personalise client servicing, and to improve upon the experience they have with their relationship manager (RM).

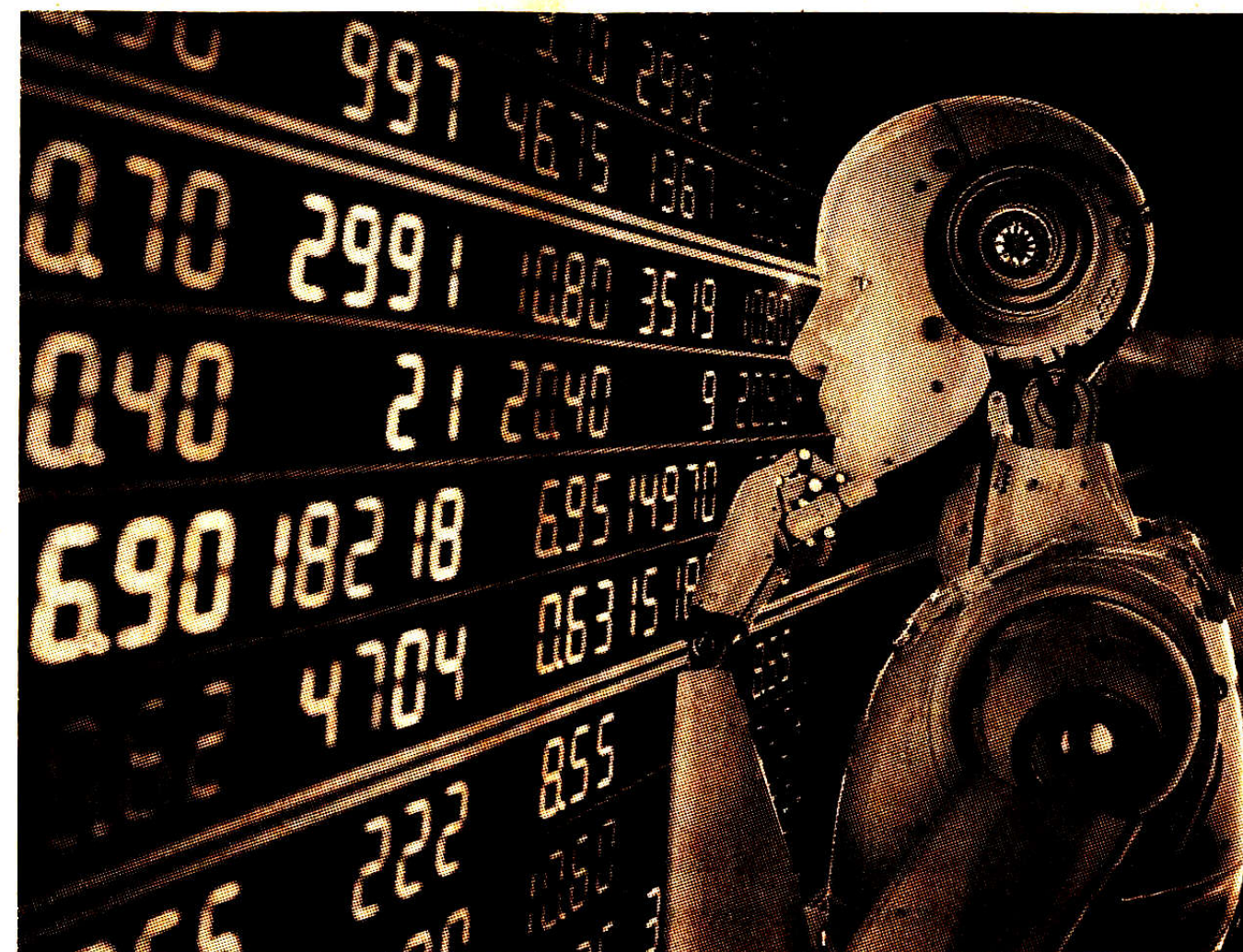
Alternative research tools: Brokers like HDFC Securities, Axis Securities and Reliance Securities offer alternative means of research using AI, based on recent quarter data. Apart from providing a score based on fundamentals, HDFC Securities also offers a strategy builder for

day traders. Based on a trader's input, AI suggests various strategies and probability of a trader achieving the goal. The broker also offers real time screening of stocks that can show bearish or bullish patterns. A trader can select a timeframe, say 15 minutes, and see the emerging pattern on any stock or index. Axis Securities also provides data based on fundamentals of all listed companies such as price-to-earnings, earnings-per-share, and so on.

Reliance Securities provides sentiments rating (negative, positive or neutral) on a stock by tracking 1.5 million sources of information. "Based on the price and volume movement, the machines suggest strategies to a day trader who uses technical analysis," says B Gopkumar, executive director and chief executive officer, Reliance Securities.

Tailormade advice: Most brokers using AI and ML are heavily focussed on personalisation. "Not all customers are the same. We have identified clients in three buckets – those who trade daily, short-term investors, and long-term investors. We tailor our offerings accordingly," says Amit Golia, chief business officer, Axis Securities. Many other brokers follow a similar approach. Customers are segmented based on their trades. As a client's trading pattern changes, the machine changes his profile in real time.

Earlier, brokers sent all reports and calls to all client. As they can identify transaction patterns now, they send only relevant recommendations to each cus-



tomers. If a person is a day trader, he receives recommendations for trading calls. A person who is a long-term investor is not sent trading calls. Instead, recommendations based on in-depth research are sent to him so that he can hold those stocks for a long horizon.

Stockbrokers are also tracking usage behaviour on the platform and customising home screens and other offerings. After logging in, if a client first checks his portfolio, next time onwards his stocks appear on the home screen. If he checks

the status of an order, that is displayed.

Then there are portfolio-specific suggestions and recommendations. If, based on the broker's research, a stock in the client's portfolio doesn't have any upside left, an alert is sent offering alternative stocks in the same sector or category (large-, mid- or small-cap) along with the research reports on them. ICICI Securities provides real-time and periodic updates on companies that are part of a customer's portfolio. "Retail investors, typically, don't have the bandwidth to track corporate

AI-ENABLED CHATBOT
Place a buy or sell order

PERSONALISATION
Get alerts and recommendations based on profile and portfolio

AI RESEARCH
Get a report on any listed company's based on fundamentals

EASE OF USE
Trade execution as simple as shopping online

SENTIMENT METER
Analysis of news to determine sentiment on the stock

INDIA'S TOP BROKERAGES

Broker	Active clients
Zerodha	8,68,360
ICICI Securities	8,30,368
HDFC Securities	6,69,931
Sharekhan	5,28,983
Kotak Securities	4,24,024
Axis Securities	4,16,775
Angel Broking	4,13,156
Motilal Oswal Securities	3,22,042
Karvy Stock Broking	2,69,327
Data as on Jan 31, 2019 Source: NSE	

actions in all the companies they hold in their portfolios. We, therefore, provide real-time and periodic updates on changes in promoter holding, large transactions involving institutional investors, major price movements, etc," says Vishal Gulecha, head-equity, ICICI Securities.

Talk, chat to order: Some brokers, like HDFC Securities, have integrated their platforms with chatbots and also with Google Home and Amazon Alexa. A client can talk to the chatbot and execute trades

and get the information he wants. Axis Security is awaiting approval to offer trading on chat services like WhatsApp. The same facility can also be offered on Facebook Messenger.

Replacing relationship managers: Many stockbrokers have a large client base, but the proportion of active clients could be low. Using AI and ML, they are able to acquire new clients and increase engagement with existing ones. Many millennials want to buy shares and hold them. They want the transaction to be similar to shopping on the internet — select the product, decide the quantity, and pay. Brokers are trying to replicate this experience on their platforms. But there are many who prefer a relationship manager (RM), who understands their profile, availability, stock preferences, and so on. "Use of AI and ML can be intuitive and free of human biases. Chatbots have already replaced many of RM's functions," says Gopkumar.

While these are welcome developments, do keep track of your portfolio to ensure that these AI and ML based recommendations help you make money.