

# MAN VS MACHINE: HOW AI ROBOTS ARE TAKING OVER ONLINE TRADING

**Talal Al Ajmi**, founder and CEO of VI Markets, shares his insights on how artificial intelligence (AI) and machine learning technologies are becoming a disruptive and prominent force in the online trading world

BY LARA ABOUELKHEIR

**W**hen stock trading first emerged, transactions were carried out on active trading floors filled with brokers and traders, with the key tool driving the reasoning behind these trades being the human brain.

By utilising the pattern-spotting nature of the brain and sequential reasoning, traders communicated verbally to convey trading information, along with their intentions and acceptance of trades in the trading pit.

The services of the human floor trader are gradually becoming redundant as exchanges go virtual, paving the way for individual investors to participate in markets on an equal footing for the first time.

As online trading continues to evolve, Talal Al Ajmi, a young Kuwaiti entrepreneur and CEO and founder of Version International Markets (VI Markets), believes that algorithms and







machine learning technologies are the upcoming game-changers for the industry and the new norm for the future.

**Mimicking the human brain**

Traditionally, human traders would track the prices of stock and try recalling them, creating memories to form a pattern. AI can do the same task efficiently and can include more data points, mimicking a vital part of the human brain activated when trading.

Algorithmic trading, the most widely used form of AI in the financial industry, uses complex and advanced mathematical models to make transaction decisions on behalf of humans. Rules built into this model attempt to determine the optimal time to trade, with the least repercussions on stock prices.

AI systems operate by crunching through data, trying to find correlations, and teaching themselves how to approximate future outcomes.

The process of AI systems repeatedly going through data and trying to learn from it and find insights is known as machine learning.

In other words, by effectively mirroring the

approach and patterns of human traders, AI and machine learning are making trading more accessible to a greater number of people by decreasing dependency on human advisors.

“Many investors believe that most of the information presented at the market is not enough for them to take the decision of investing alone,” says Al Ajmi.

Retail investors are now increasingly using AI-driven investment platforms, which are promising them secure and stable returns, citing their cost-effectiveness, simplicity and accessibility.

**Covid-19 impacts**

Over the past few years, the online trading world has been gradually moving towards being dominated by AI and machine learning technologies.

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**TECHNOLOGY ENABLING THE MASSES TO INVEST**

Retail investors are increasingly turning to AI-driven investment platforms to try and secure stable returns.

Of late, the coronavirus pandemic has greatly accelerated this transition, with retail investors finally beginning to unlock the full potential of these tools.

“I believe that Covid-19 has shown the world that technology is the only saviour,” adds Al Ajmi.

“It accelerated the development phase, in which most trading is being done remotely and without the need to be physically available. During Covid times, a lot of people have become more interested in trading because technology has eased the process of learning and entering the markets.”

**Emerging technologies**

In term of new and emerging technologies, Al Ajmi believes that the focus for the next five years will be on copy trading technology.

“Beginners will have the opportunity to learn from experienced traders and copy their trades from a well-developed app, that will allow people to meet, chat, discover, learn and more.”

The premise of copy trading is as simple as its name suggests, involving tracking and duplicating trades executed by other investors in the financial markets. Copy trading, also known as mirror trading or social trading, allows investors to automatically copy the trades of high-profile investors.

Al Ajmi says this technology will just cost a subscription fee or percentage fee set by the trader.

“Today, any trader who wishes to link his account with any investor can do so through copy trading. This new technology will provide the market with new investors and change the market movement along with its trends.”

The Kuwaiti entrepreneur added that, while markets are still being swayed by people’s emotions, AI technologies are slowly evolving to be able to interpret these sentiments and patterns.

“The market changes every period; its movement and the method of liquidity in it, and even the strategy of people who trade in the market varies from period to period.”

When there is negative news, he adds, we see the trend shift towards selling, while positive news moves people to buy. “Programming and the use of technology is based on reading these emotions and interpreting them. I think the behaviour of human traders will be reduced, but their behaviour will remain visible in the market.

“The use of AI and automated trading in the market will be a leap for every trader, as it will manage the risk levels.”

**Filling the gap**

Al Ajmi hopes to soon allow VI Markets users to link their accounts with others for programmed



▲ The pandemic has accelerated the development of remote trading options, believes Al Ajmi

copying, in addition to providing tech tools that analyse a client’s position through a report that focuses on their successful strategies.

“VI Markets possesses a huge market share in the Middle East, and most of our clients are asking for this kind of technology and want it launched as soon as possible. So, this [copy trading] is what we will be offering during August, in order to serve our clients with excellence.”

With a well-established presence throughout the region, VI Markets provides investors in Kuwait a tailored online trading service, partnered with One Financial Markets, which was established in London in 2007.

One Financial Markets is regulated in the UK by the Financial Conduct Authority (FCA) and offers global reach with local expertise through its wholly owned and affiliated offices across the Middle East, Europe, South America and Central and Southeast Asia.

**Coupling knowledge sharing with the power of AI**

As he believes that anything is possible through education, Al Ajmi is a strong advocate for the untapped opportunities that knowledge sharing can unlock.

Speaking directly to his regional followers via his growing online platforms, Al Ajmi believes this connection serves as an effective means of spreading essential information around online trading.

With terrible advice and bad-faith actors widespread on social media, Al Ajmi decided to bypass traditional marketing channels and speak directly to the public, in a bid to help people make more informed decisions with investing their money online.





“With online webinars, we were able to provide the same quality and content to a bigger audience, being located in different parts of the world without worrying about all the Covid-19 restrictions. This allowed us to reach a huge number of clients and provide them with everything they needed.”

Al Ajmi also believes that the key to success in the world of online trading lies in empowering novice investors in the Middle East through financial education coupled with utilising AI and machine learning technologies.

“This technology will solve many problems and reduce many risks, but I think that the right decision for anyone thinking of investing is to have an understanding of the basics of trading before turning to using this technology only. This will educate those interested in investing and give them a better chance to manage their risks.”

Besides downloadable desktop programmes and smartphone apps for trading, the VI Markets site has a training academy that outlines, in accessible language and textbook detail, concepts such as CFD trading, forex, analysis tools, investor types and, perhaps most importantly, trading psychology.



▲ **Al Ajmi hopes to soon allow VI Markets users to link their accounts with others for automatic copying**

# 96.7k

The number of followers Talal Al Ajmi has across Instagram and Twitter

“THE USE OF AI AND AUTOMATED TRADING WILL BE A LEAP FOR EVERY TRADER, AS IT WILL MANAGE THE RISK LEVELS.”

### Shift in investment priorities

With the rise in robo-advisers, investment priorities are shifting as well, placing great value on more diverse investments. In the MENA region, exchange-traded funds (ETFs) are slowly becoming a disruptive force, adding value to the investment sector.

An ETF is an exchange-listed investment fund that may consist stocks, bonds, commodities or other financial assets, which can be bought and sold throughout the trading day. Previously, investing in stock markets meant buying stocks, however ETFs combine the trading flexibility of a stock with the diversification and low costs of a mutual fund.

Investors can track a particular set of equities (stock ETFs); track the price of a commodity (commodity ETFs); invest in currencies (currency ETFs); or gain exposure to various types of bonds (bond ETFs), among other activities.

With the pandemic accelerating public interest in investing and ETFs offering exposure to a basket of stocks at a lower cost and reduced management fees, ETFs have elicited promising responses from first-time investors.

Robo-advisors and AI are playing a key role in this shift, given that they greatly invest in ETFs to give investors broad diversification with low underlying expenses. By selecting different types of ETFs, robo-advisors are helping manage investment returns and market risk with diversification.

### Looking ahead

Al Ajmi predicts a slow and steady transition to automated trading, with the upcoming period being mainly focus on copy trade technology aided by human advisor expertise.

“The next three to five years will focus on using copy trading and utilising platforms that have more interactions between dealers in the markets.

“There will be more use for automated trading and growing reliance of programming on reading, implementing and dealing with data in the market.”

He reiterates that before fully integrating AI into the world of online trading, it is imperative to educate investors about the basics of trading and empowering them to be able to fully utilise these emerging technologies. **AB**

## Mutual funds vs ETFs:

The differences investors need to consider



**While mutual funds and exchange-traded funds (ETFs) have much in common, demand for ETFs has recently skyrocketed, with investors citing the low fees and great diversification they offer.**

Considering the key differences could be crucial in deciding what fund is right for your financial goals:

1. Mutual funds are typically actively managed to buy or sell assets within the fund, while ETFs are mostly passively managed, as they typically track a specific market index.
2. ETFs can be traded like stocks, while mutual funds only can be purchased at the end of each trading day based on a calculated price.
3. As ETFs are traded like any other share on the exchange, investors need to pay commissions on sale and purchase of units. While in case of mutual funds, there is no requirement to pay any commission for the sale and purchase.
4. ETFs do not have a minimum holding period, and the investors are free to sell the investment as and when they like. Mutual funds come with a lock-in period, and during this timeframe, it is not possible to liquidate the investment.