

AI and the Game of Markets

Ben Hunt
April 2018

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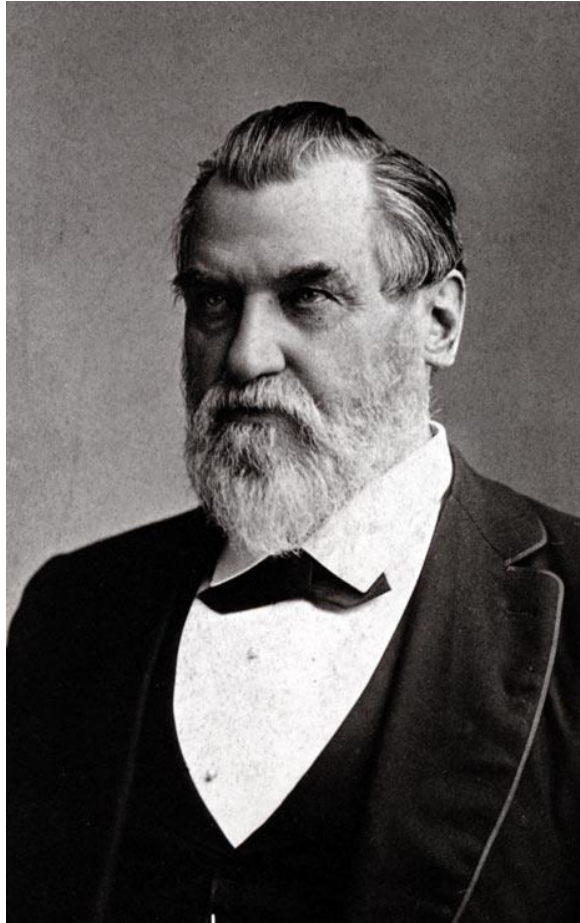
How Does a Horse Run?



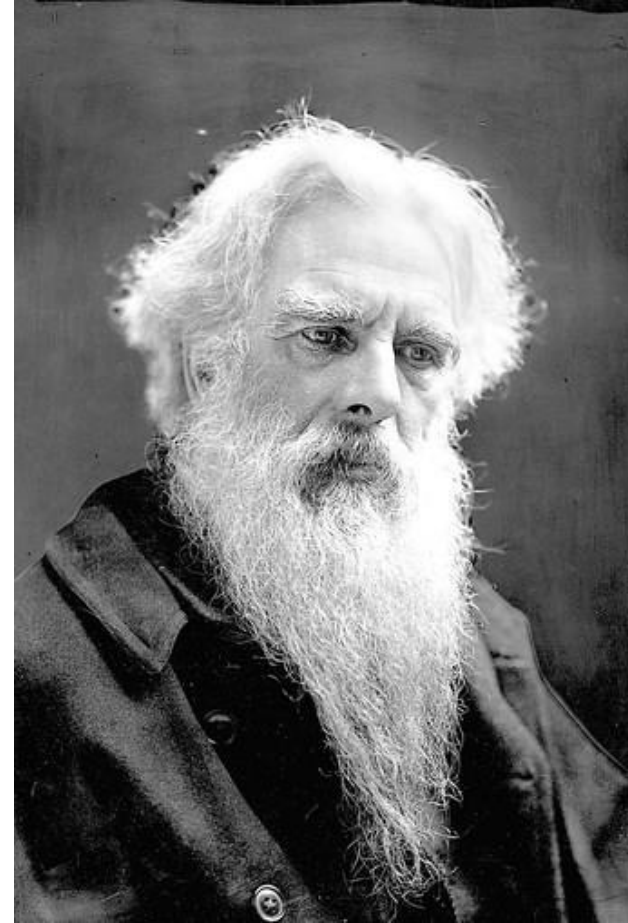
Frederic Remington, *A Dash for the Timber* (1889)

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How Does a Horse Run?



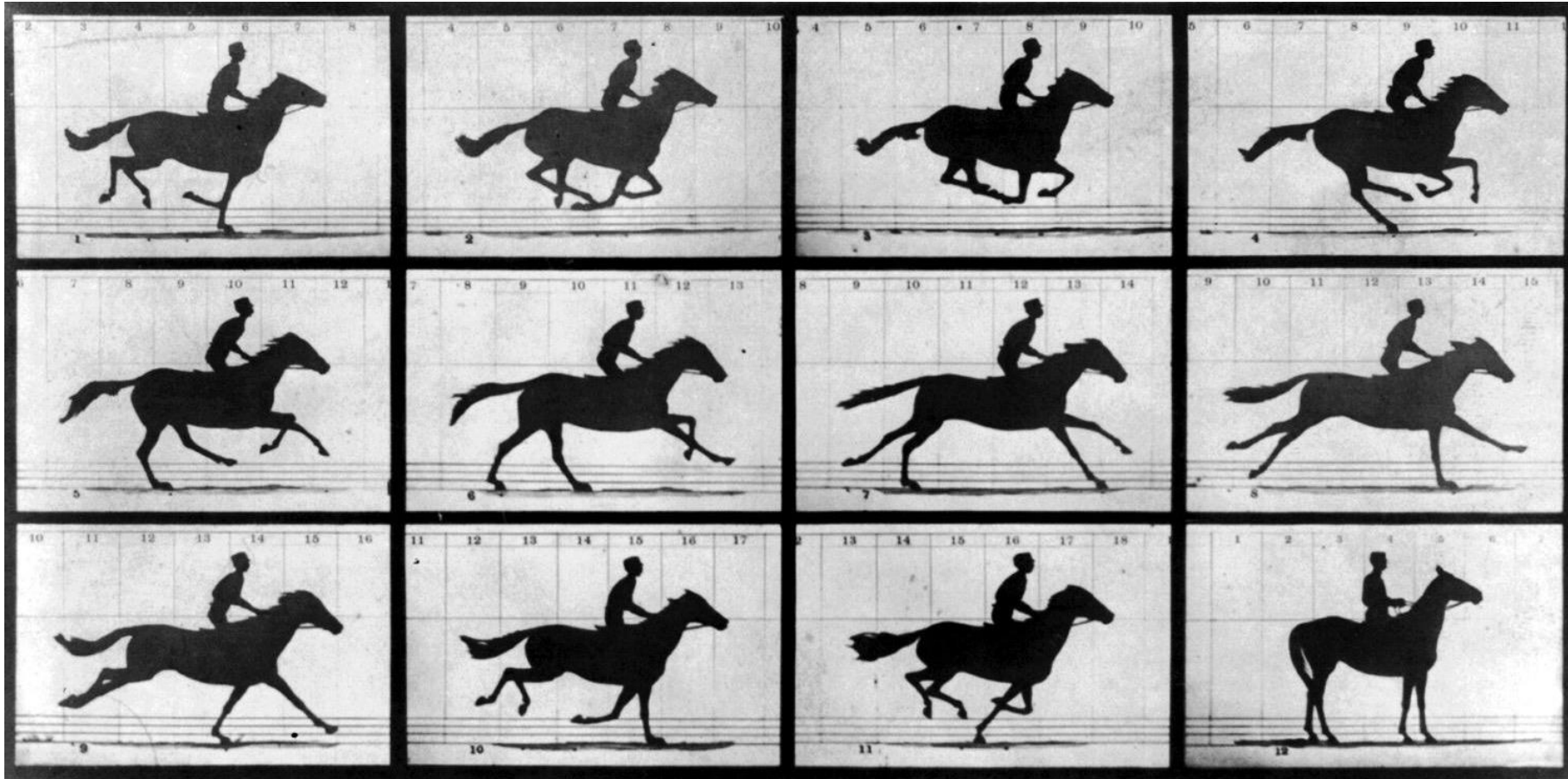
Leland Stanford



Eadweard Muybridge

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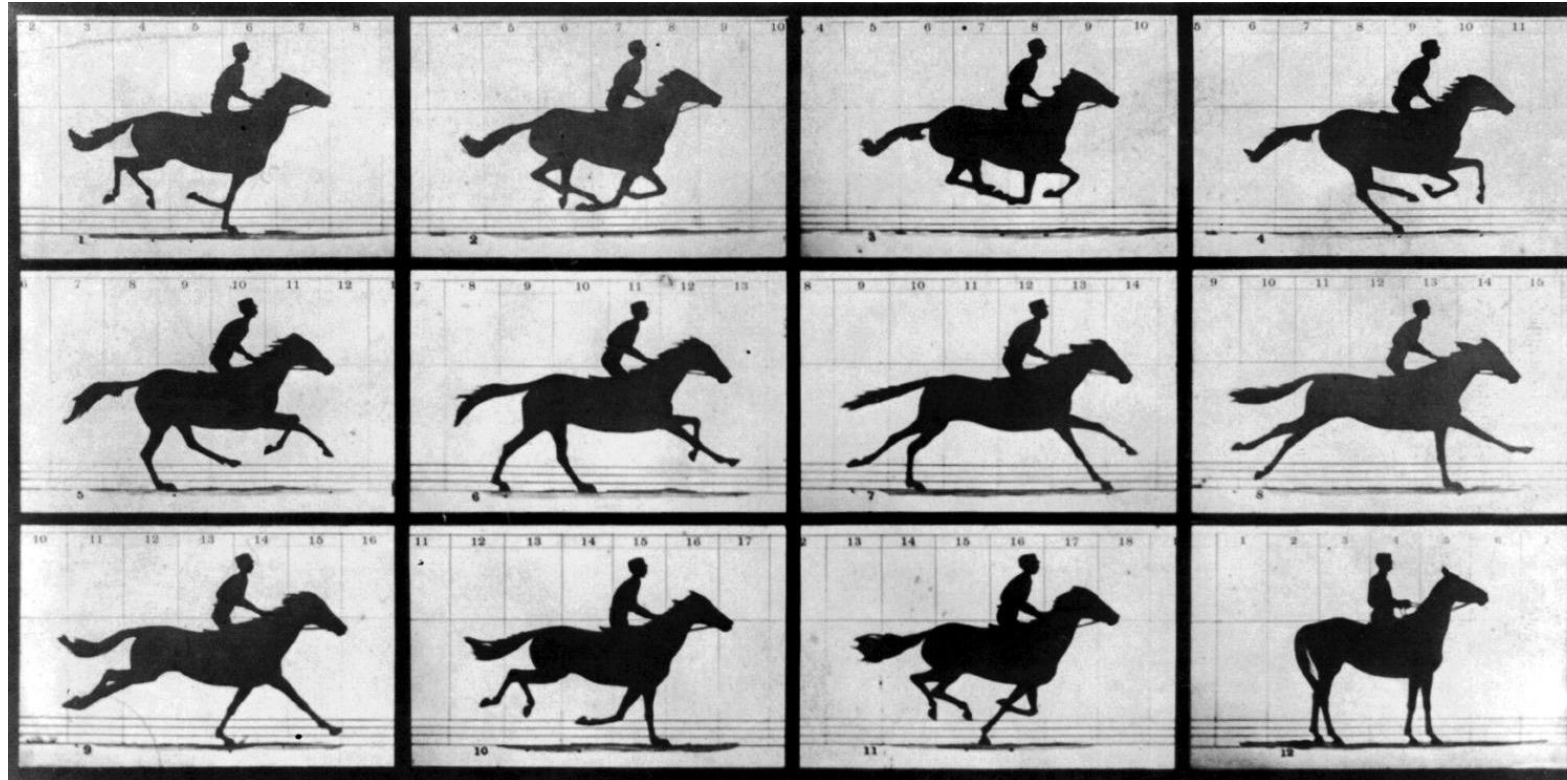
How Does a Horse Run?



The Unromantic Truth

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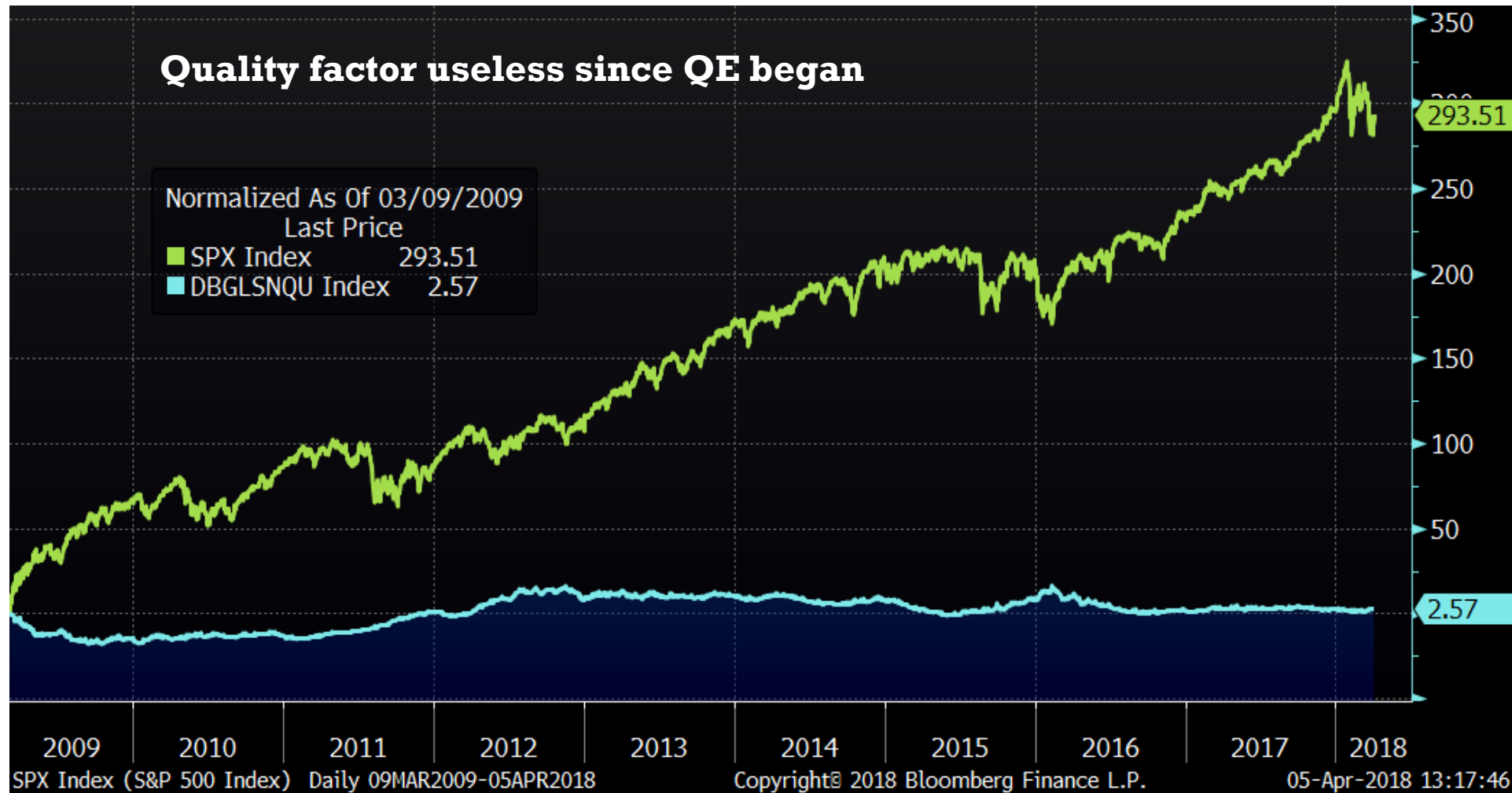
AI Processes (Visualizes) Unstructured Data



AI lets us ask better questions.

Even if the answers are unromantic!

Another Unromantic Truth

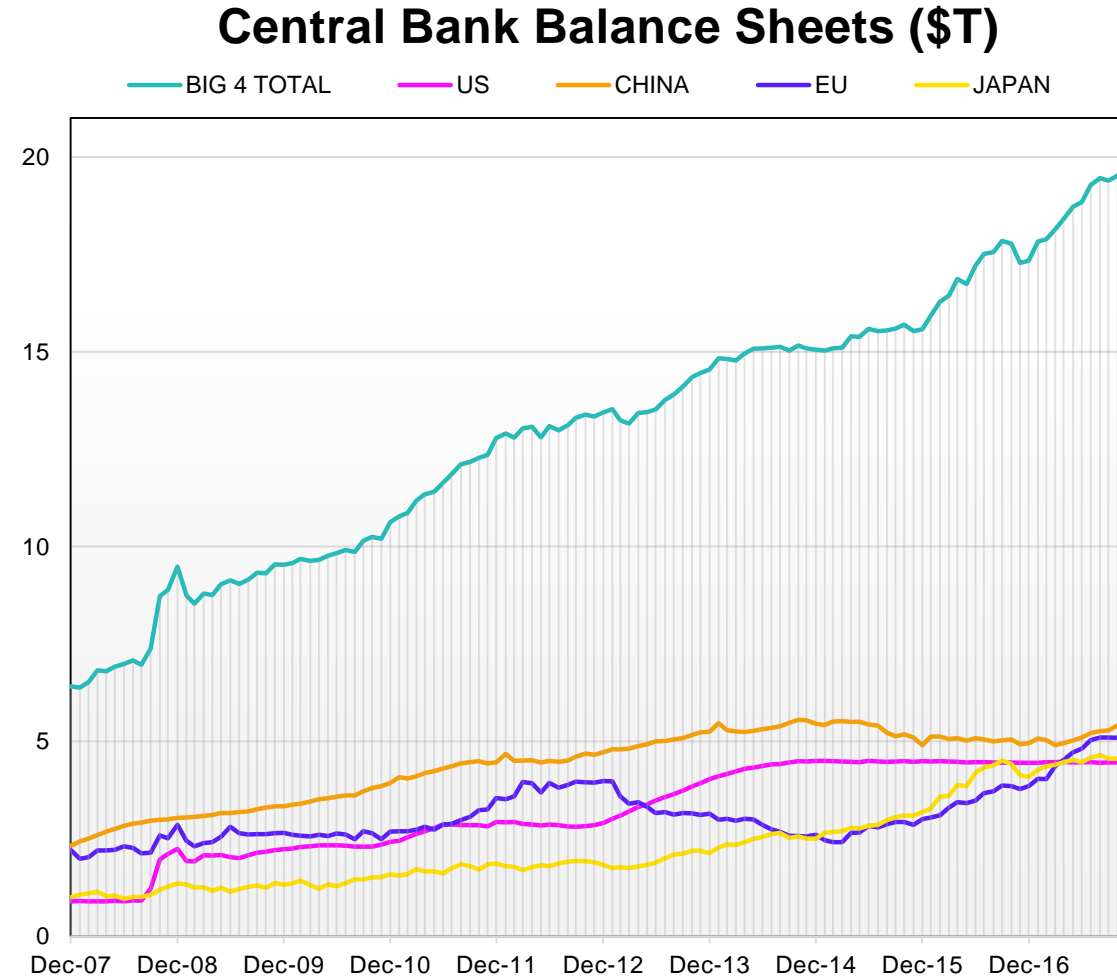


Source: Bloomberg L.P., as of 4/5/2018. For illustrative purposes only.

How Does a Market Run Without Quality?

Central banks have purchased more than \$20 Trillion of financial assets, lifting the price of ALL financial assets.

How does that work?



Source: Bloomberg L.P., as of 12/19/2017. For illustrative purposes only.

Central Bankers Call it Communication Policy



The crisis has passed, but I think the Fed's need to educate and explain will only grow.
— ***Ben Bernanke, November 19, 2013***

For illustrative purposes only.

Game Theory Calls It Common Knowledge



For illustrative purposes only.

And Our Missionary-in-Chief



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The Power of the Crowd Watching the Crowd



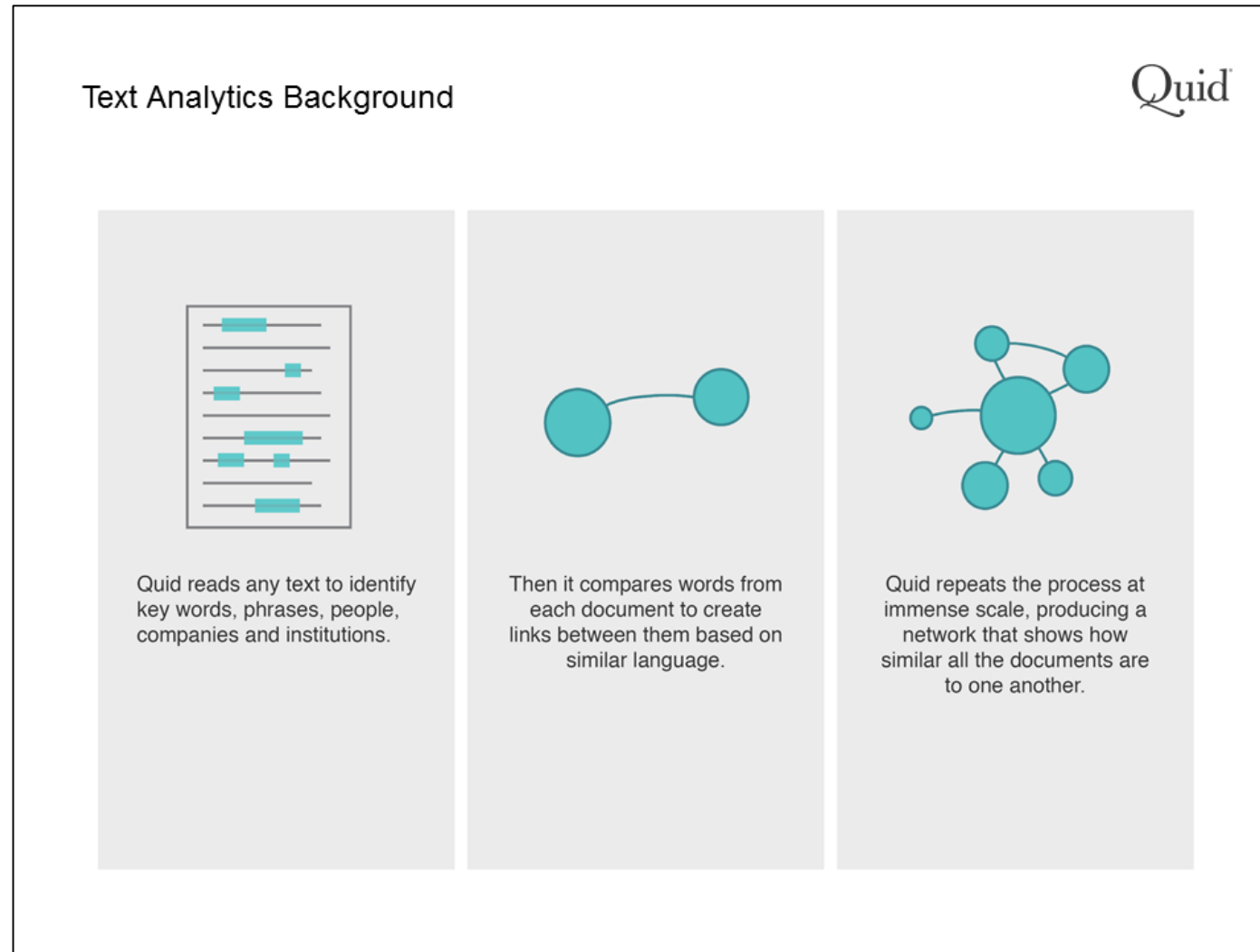
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Use AI to Visualize Missionary Narratives



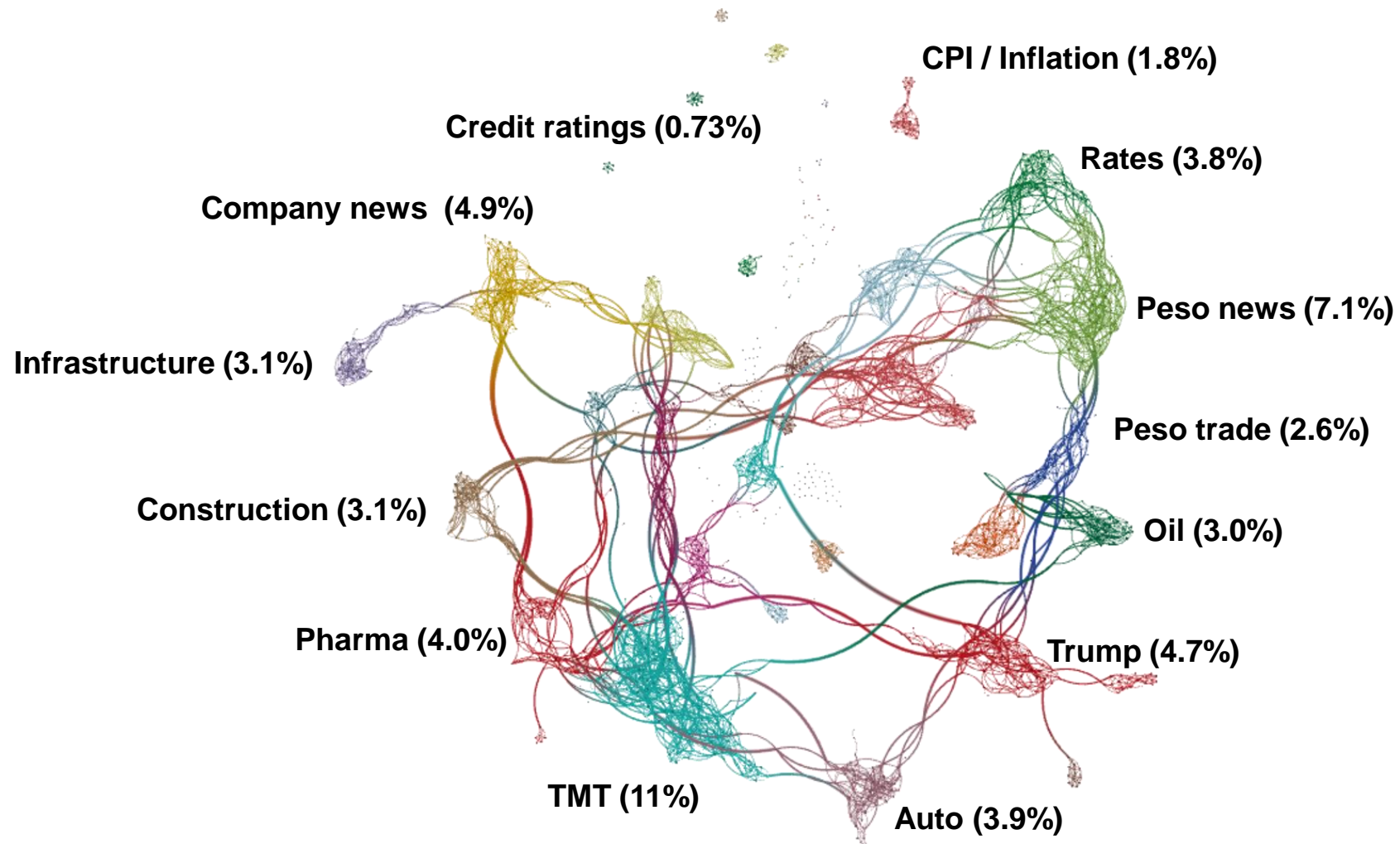
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Use AI to Visualize Narrative Networks



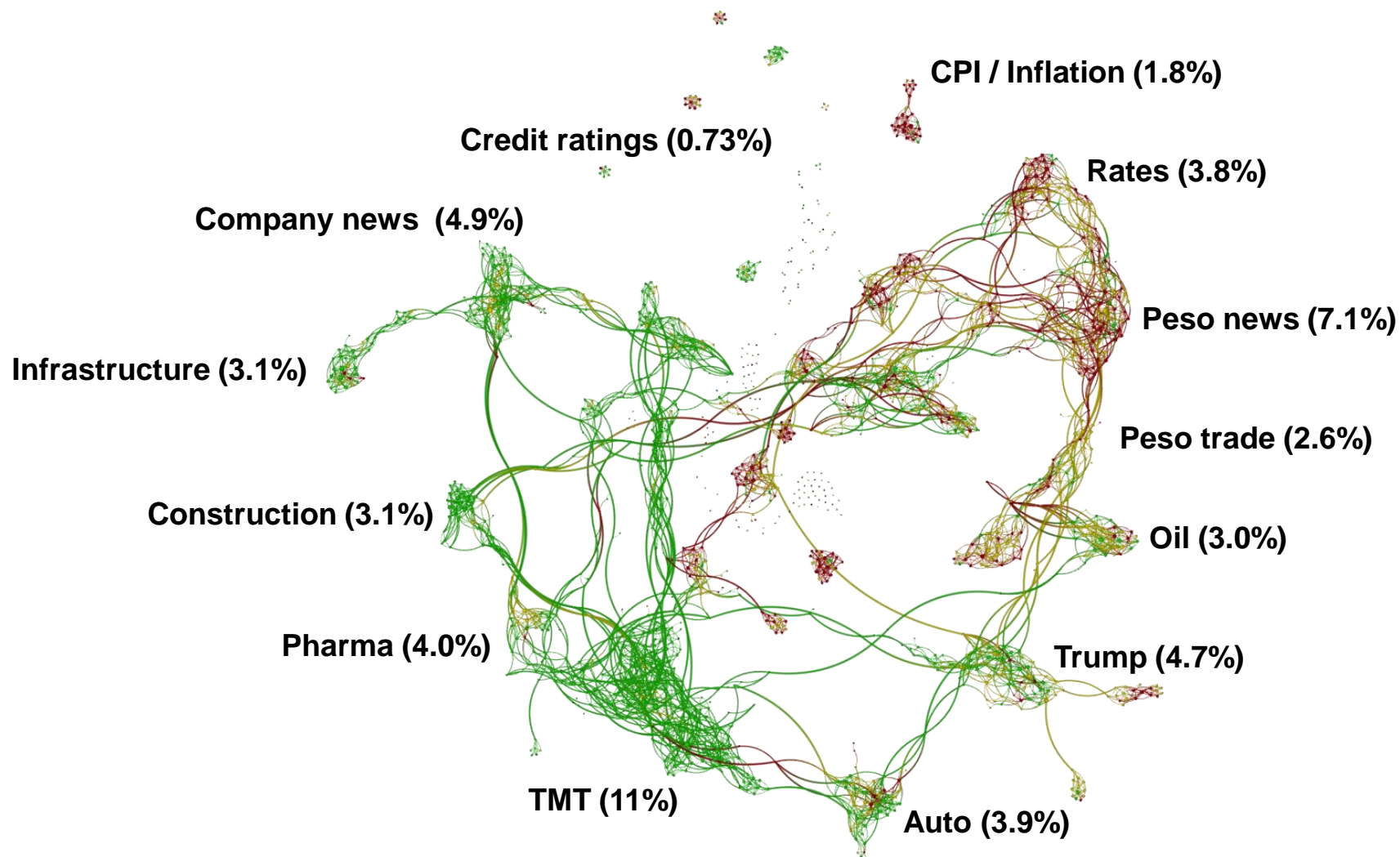
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What Does the Mexico Narrative Look Like?



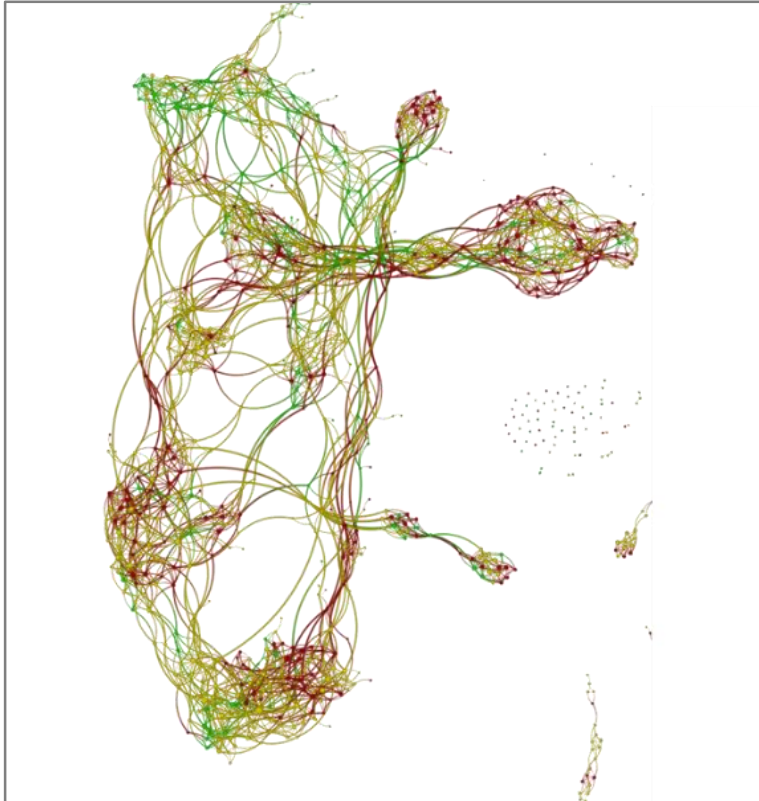
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What Does the Mexico Narrative Look Like?

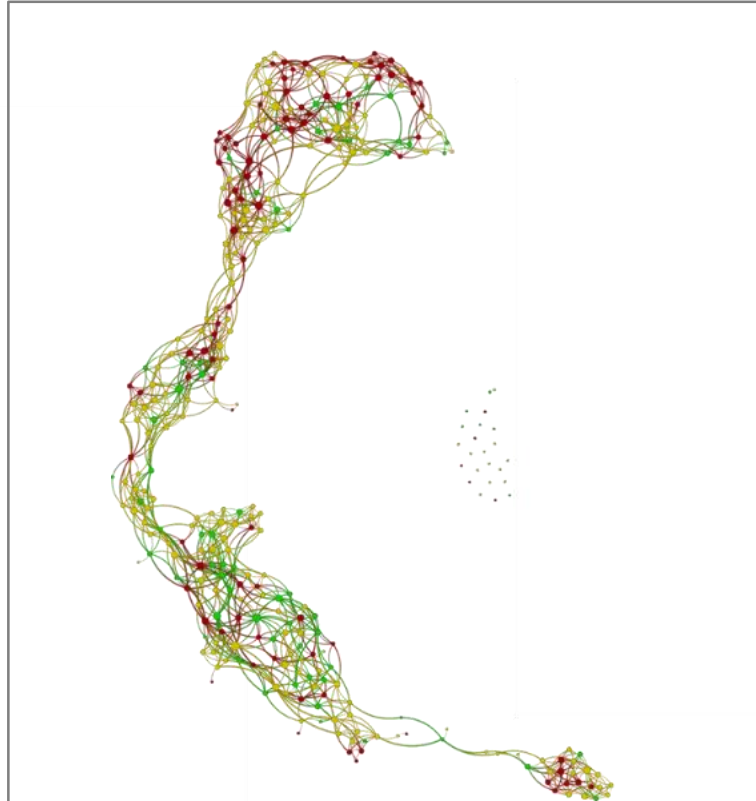


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What Does the Trump Narrative Look Like?



Bloomberg Narrative re: Trump
Election week T-5 to T-2



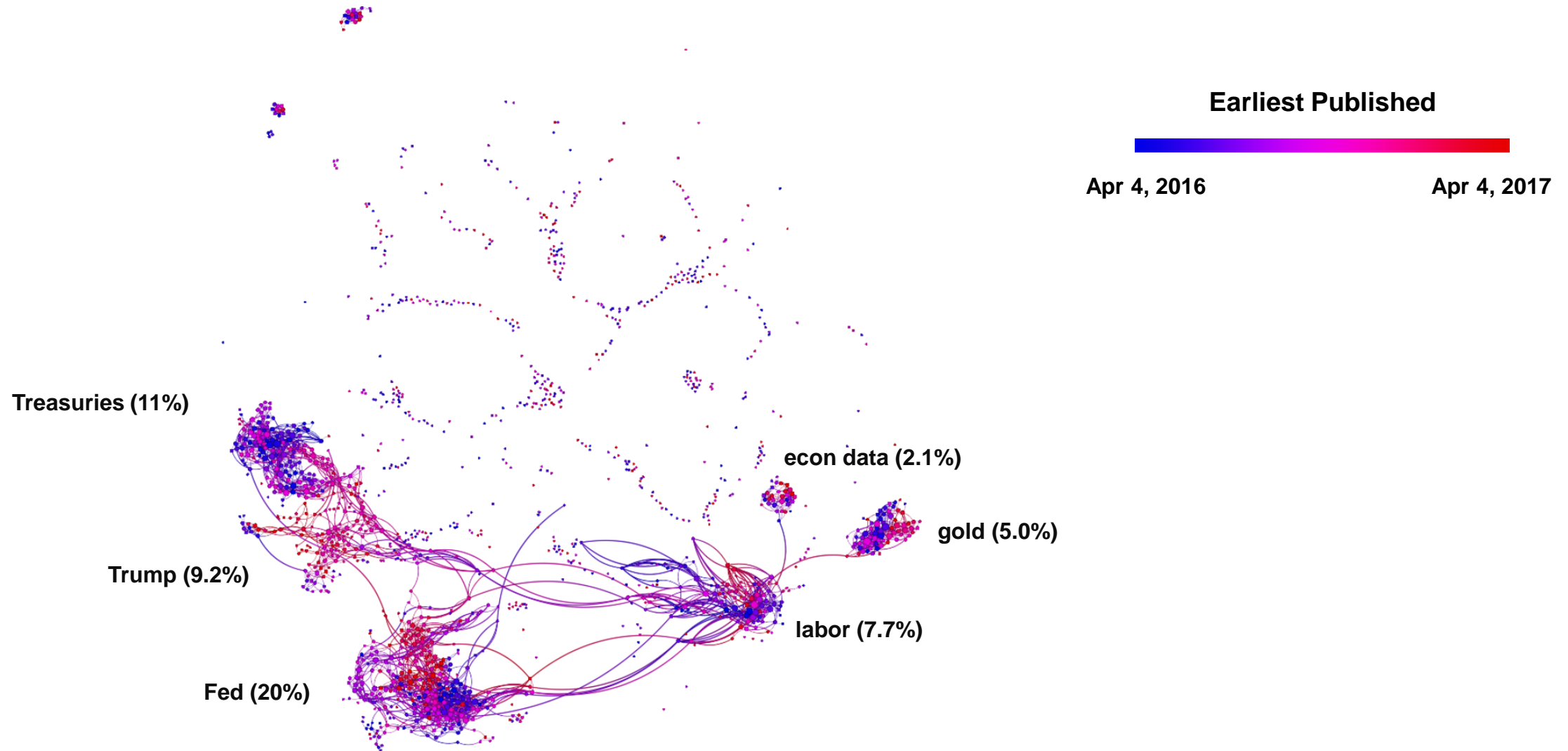
Bloomberg Narrative re: Trump
Election week T-1



Bloomberg Narrative re: Trump
Election week T+1

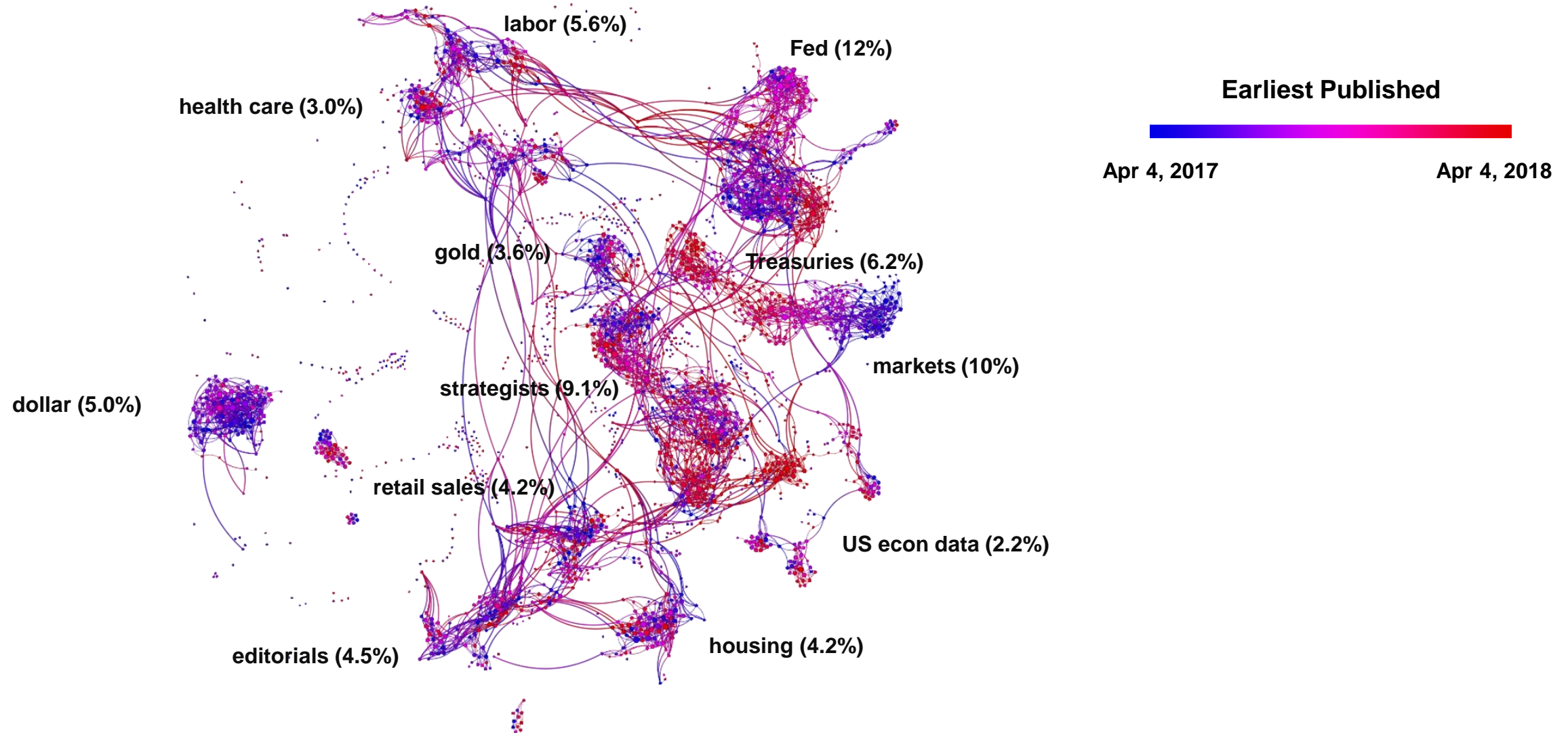
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What Does the Inflation Narrative Look Like?



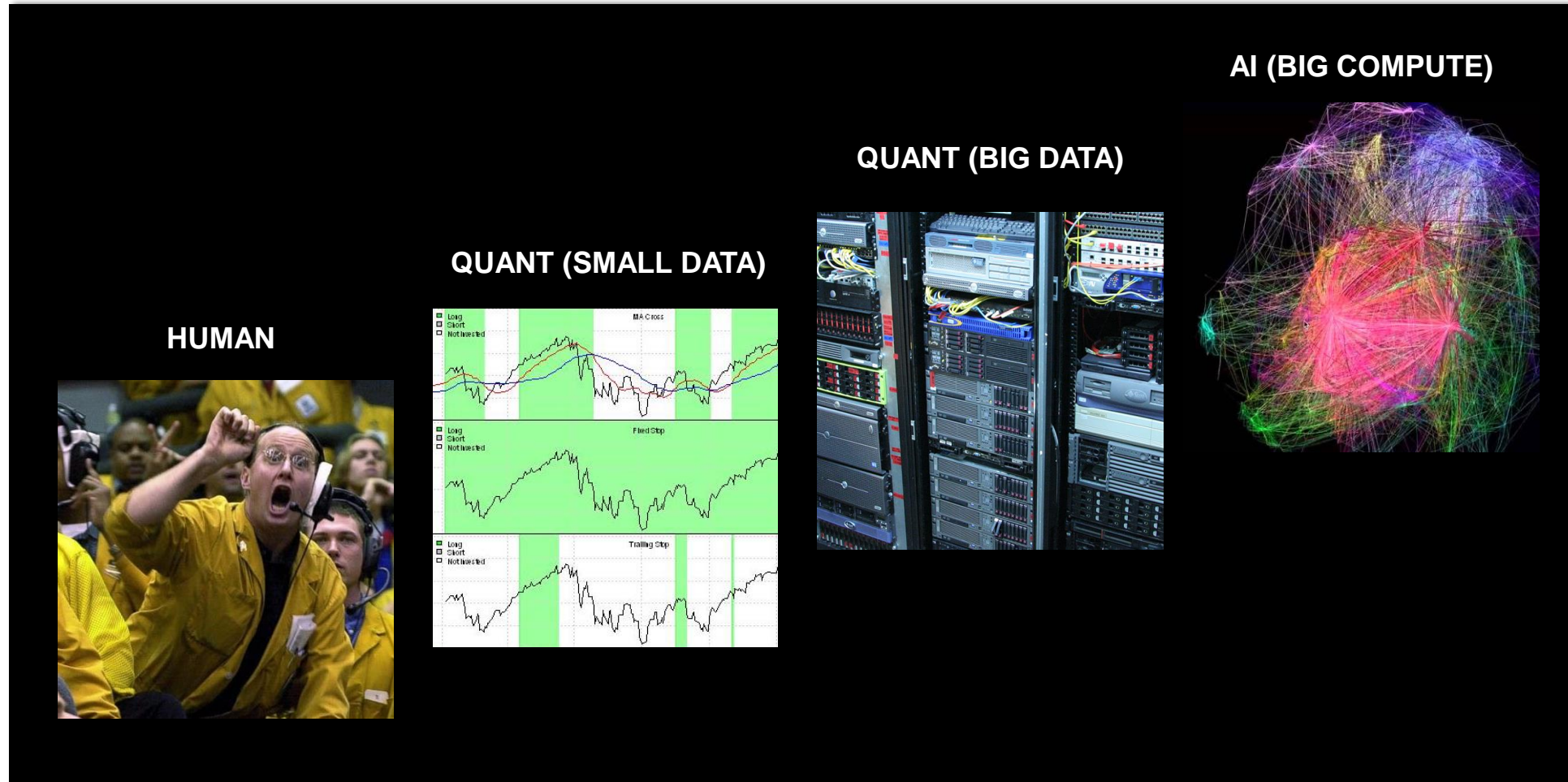
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What Does the Inflation Narrative Look Like?



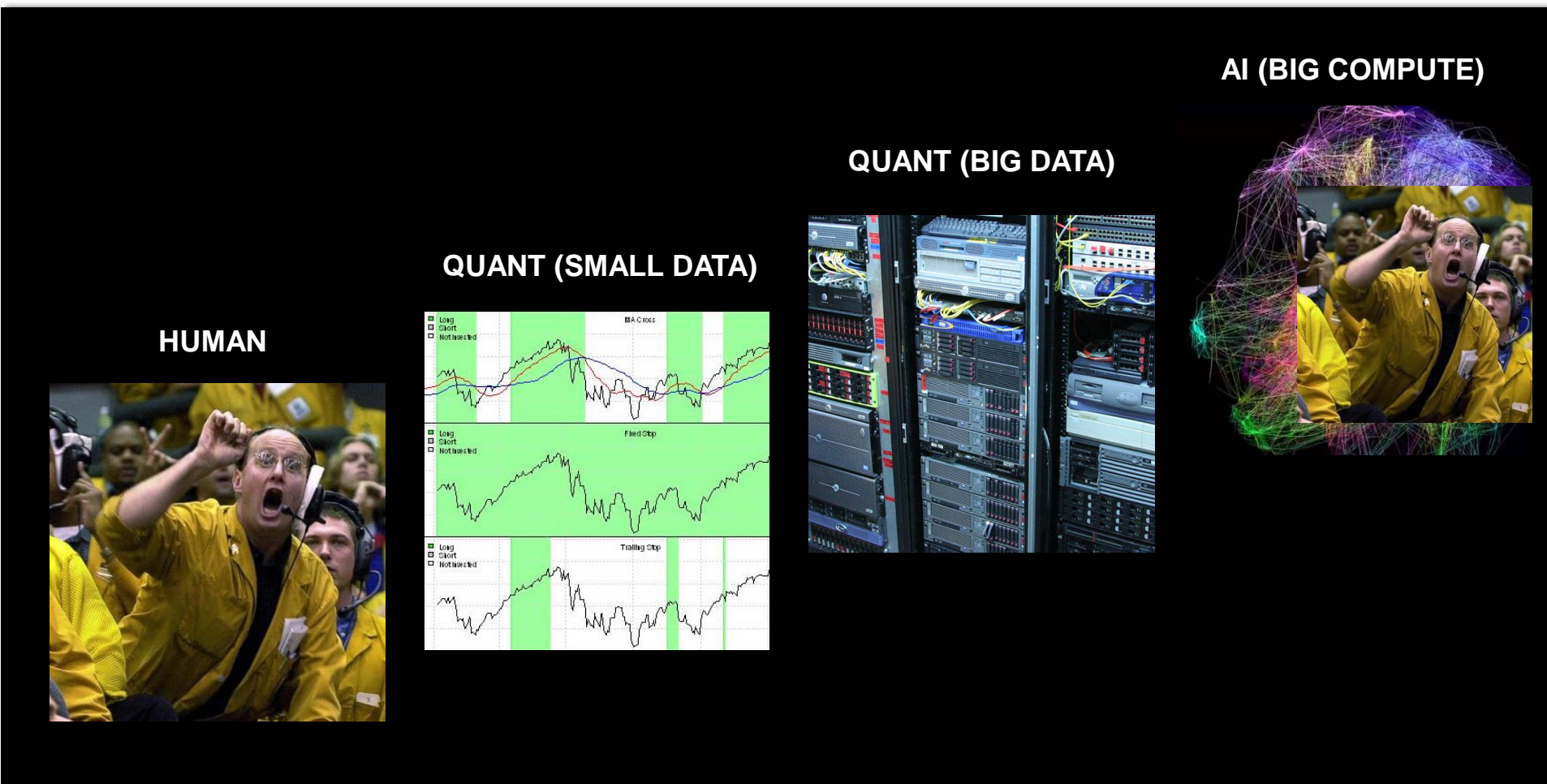
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The Evolution of Market Technology



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AI Doesn't Replace Humans - It Saves Them



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AI Doesn't Replace Humans (Yet)



$$n^2 \text{ vs. } 2^n$$

1,000 squared is 1,000,000

2 to the 1,000th power is 1 with 300 zeros

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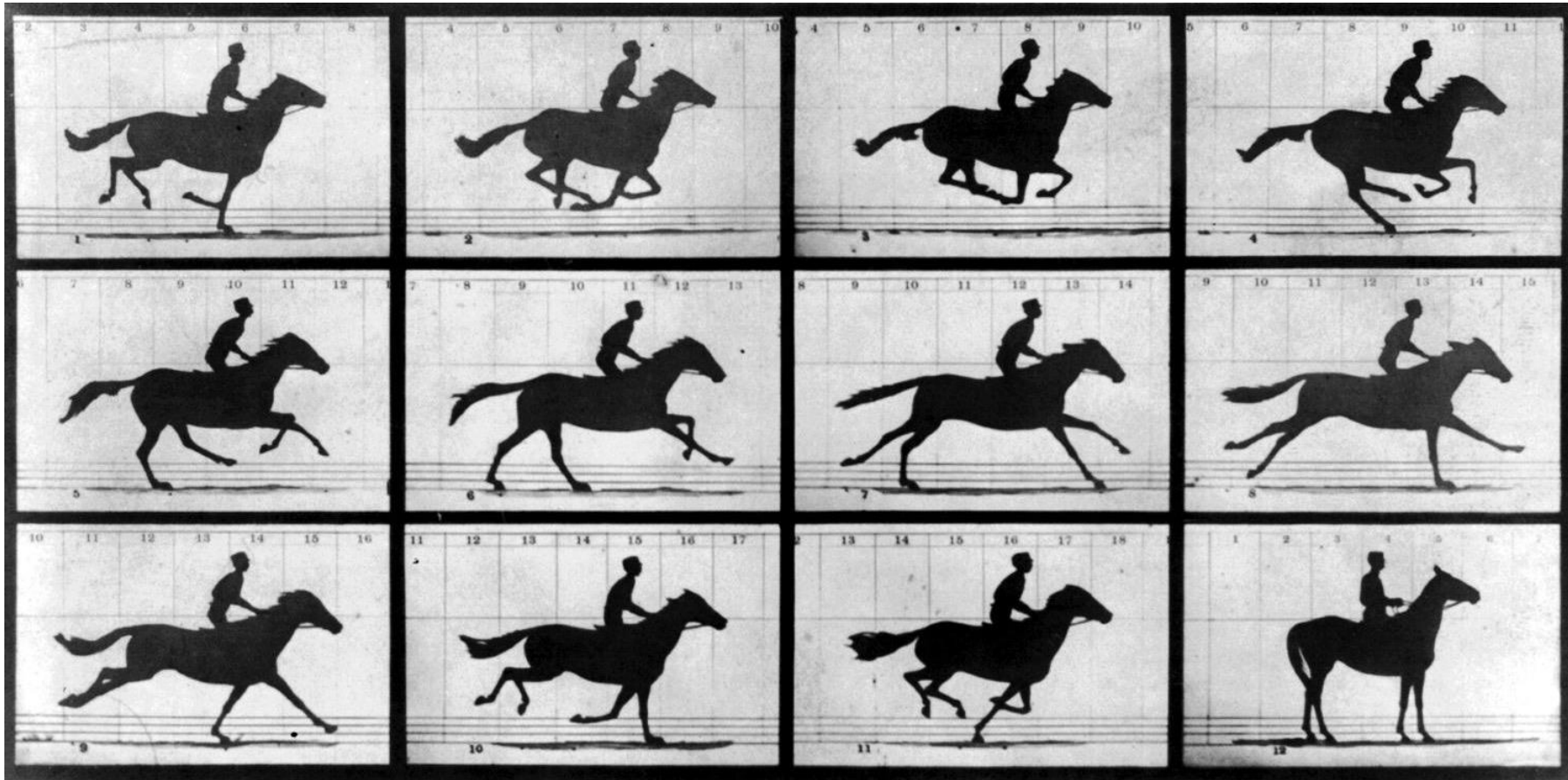
What To Do? Think Critically



Don't Be the Sucker at the Table

For illustrative purposes only.

What To Do? Think Differently



Agnostic, Narrative-Aware Portfolios

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