

AI Trading: A Beginner's Guide Without Hype

Free educational guide

CorporateTrader

No guaranteed returns • Verify important information

What AI trading can and cannot do

AI-assisted trading uses software to process data, generate rules, rank opportunities or automate parts of execution. It cannot guarantee profits or predict every market move. A useful evaluation begins with a defined decision, a measurable output and a comparison against a simple baseline.

A practical evaluation checklist

Define the market, time horizon and decision. Identify the exact inputs. Check whether data is historical, delayed or live. Separate backtested results from live results. Include fees, slippage and failed orders. Look for out-of-sample testing. Check drawdown, not only return. Verify that the user can override or stop automation.

Common evidence problems

A screenshot is not a track record. A high win rate can hide rare large losses. Backtests may be overfit to past data. Survivorship bias can remove failed assets or strategies. Changing parameters after seeing results creates data-mining risk. Any claim should state period, benchmark, costs and limitations.

Safe workflow for beginners

Start with education and paper testing. Write entry, exit and risk rules before testing. Use a small set of understandable inputs. Compare with buy-and-hold or another relevant baseline. Record every change. If moving to real money, use position limits and a manual emergency stop.

Questions to ask a tool provider

What data is used? How often is it updated? Are returns net of costs? Is the model tested outside its training period? What is the maximum historical drawdown? Can results be exported? Who is responsible for order errors? How are credentials and API keys protected?

Final perspective

AI can support research and consistency, but uncertainty remains. Prefer transparent tools that expose assumptions over tools that promise certainty. This guide is educational and is not investment advice.