

Abstract

There have been numerous stock-related publications, including analyses and forecasts. Diverse approaches and methods have been applied to studying stock price fluctuations. Recent research in many fields of study uses machine learning for forecasting. To find the best prediction model, various machine learning models have been employed. Data collection and analysis techniques have also affected prediction outcomes. Cross-sectional is a rarely employed technique, but it potentially yields enhanced prediction results compared to conventional time-series methods. This final project compares cross-sectional machine learning with time-series machine learning to forecast the stock returns comprising the LQ45 index on the Indonesia Stock Exchange. Real-world applications of the prediction results, specifically portfolio construction, are used to evaluate the performance of both prediction models. In every test, cross-sectional based machine learning demonstrated superior performance to time-series-based machine learning.

Keywords: Stock Return, LQ45, Cross-Sectional