

An Improved Reinforcement Learning Model Based on Sentiment Analysis

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v15-i4/25162> DOI:10.6007/IJARBSS/v15-i4/25162

Published Date: 13 April 2025

Abstract

The progress of artificial intelligence technology has led to the rise of quantitative trading systems, particularly those using reinforcement learning, in the stock trading market. In this article, the deep Q network in reinforcement learning is combined with the emotional quantitative indicator ARBR to develop a high-frequency stock trading model specifically for the Chinese A-share market. In order to improve the model's performance, this study employs the PCA algorithm to reduce the dimensionality of the feature vector and incorporates the impact of market sentiment on long-short power into the spatial state of the trading model. Furthermore, the LSTM layer is used in place of the fully connected layer to overcome the limitations of empirical data storage in the traditional DQN model. This paper analyzes the model's performance based on cumulative income and the Sharpe ratio, while also comparing it to other approaches like the double moving averages strategy. The data indicates that the suggested model exceeds the comparison model in return rates, with a maximum annualized return of 54.5%, emphasizing its ability to substantially improve Reinforcement Learning results in stock trading.

Keywords: Reinforcement learning, Deep recurrent network, Q learning, Deep recurrent Q.

Introduction

The financial industry has been significantly transformed in recent years due to the widespread adoption of computer technologies. Major internet firms and researchers are actively exploring new finance methods, with a particular focus on quantitative trading strategies (Ta, Liu & Tadesse, 2020). Despite its growing application, existing algorithmic strategies remain imperfect (Liu et al., 2020). Investor sentiment significantly affects stock markets, even advanced markets like the U.S. market (Li & Tang, 2021). Investor sentiment is normally quantified with economic sentiment dictionaries in most studies (Jiang, Meng & Tang, 2021). Media sentiment, nevertheless, asymmetrically affects stock returns through the major role of institutional investors in moving prices with "buyer" behavior (Cai, 2021). Media sentiment change may not be the definitive driver of stock price change in markets (Paul,

2012). This article proposes to take the ARBR sentiment indicator—composed of AR and BR—to measure market sentiment and enhance deep reinforcement learning-based trading strategies (Li, 2018). Unlike sentiment dictionaries, ARBR identifies long and short force changes in the market. Our approach integrates ARBR sentiment and a Cycle Q network, enhances the traditional DQN algorithm with the addition of stock technical indicators, and applies PCA for dimensionality reduction. Sophisticated network designs and calibrated profit-loss functions maximize learning efficiency and returns. Empirical results confirm that the method surpasses traditional sentiment quantification techniques, expanding the applicability of reinforcement learning and sentiment analysis in financial markets. This proposed model also presents a refined trading approach for markets influenced by irrational investors, giving investors fresh guidance in their pursuit of improved financial outcomes.

Related Work

Research efforts in finance have significantly advanced deep learning, enhancing the development of deep neural networks. In 2014, Zhang and Wang designed a stock prediction model incorporating neural networks and dimension reduction through genetic algorithms, which boosted the efficiency and accuracy of the training process. Yang and Wang (2019) employed LSTM networks to forecast stock indices at different time scales and demonstrated high generalizability. Sun and Bi (2018) integrated CNN and LSTM to be used in high-frequency trading, with greater profitability and overall generalization compared to traditional artificial neural networks. Wang and Xu (2019) used stock features as input for LSTM to predict next-day price movement and determine stock return patterns. Reinforcement learning has also been researched extensively. Rong (2020) integrated deep reinforcement learning, news sentiment, and knowledge graphs to be used in stock analysis. Zhu and Liu (2020) used Q-learning in stock price fluctuations with consistent returns. Deng and Bao (2017) implemented reinforcement learning and deep neural networks for decision-making with robustness in the stock and futures markets validated. Bekiros (2010) suggested reinforcement learning combined with an adaptive fuzzy inference system for high-frequency trading with encouraging outcomes. Liu et al. (2017) found DRQN to be more effective than DQN in reward and learning, whereas Xiang (2018) proved LSTM-based DRQN models worked better with different architectures. Uriel et al. (2020) applied deep Q and GRU networks for cryptocurrency asset management and the creation of greater returns. Wei Liu (2021) employed deep Q networks for the implementation of sentiment analysis in stock trading to enhance model stability. Dai and Zhang (2021) showed that reinforcement learning-based models were superior to MACD and buy-and-hold strategies in picking stocks.

Methodology

Q-Learning Algorithm

In a reinforcement learning problem, an object with perception and decision-making capabilities is called an Agent, and an Agent accomplishes a task by interacting with the external environment, which is the sum of the external environments that can be influenced by the actions of the intelligent body and give the corresponding feedback (Xiong et al. 2018). For an agent, it perceives the state of the environment and produces an action to make a decision; for the environment, it starts from an initial state and dynamically changes its state by accepting the action of the agent and giving a corresponding reward signal.

The Q-learning algorithm learning process can be described by the following: the Agent in the

target environment can take the action space as A and the state space as S , and make a transfer from the current state to the next state by means of a probabilistic transfer matrix P , while obtaining a reward R . The Q-value corresponding to the state to action is denoted by $Q(s, a)$.

We assume that the Agent's state at moment t is s_t and the action taken at this moment is a_t . The agent performs the action and moves to moment $t + 1$, where the state changes to s_{t+1} and the reward received is r_t . By updating the value of $Q(s, a)$ through all records of $(s_t, a_t, s_{t+1}, a_{t+1})$, it is possible to iterate continuously to find the optimal policy. The detailed formula can be expressed as follows.

$$\hat{Q}(s, a) = \hat{Q}(s, a) + \alpha(r + \gamma \max_a \hat{Q}(s', a) - \hat{Q}(s, a)) \quad (1)$$

In short, the Q-learning algorithm is a reinforcement learning algorithm based on Q-values, in which the variables of state and action are formed into a Q-table and the Q-values of the corresponding combinations are stored. The Q-value is used to continuously improve the strategy by constantly updating the actions that achieve the greatest reward, and finally giving an optimal solution. Its structure is illustrated in Figure 1.



Figure 1: Q learning model structure

Deep Q Network

Minih et al. proposed a DRL algorithm for deep Q-networks by combining CNNs and Q-learning algorithms in traditional RL. This algorithm solves to some extent the problem of algorithm instability when using a nonlinear function approximator to represent a value function (Carta et al. 2021). DQN belongs to a kind of DRL, which is a combination of deep learning and Q-learning. When the combinations of states and actions are not exhaustible, the traditional Q-learning algorithm can no longer select the optimal action by looking up the Q-table, and a suboptimal solution that wirelessly approximates the optimal solution can be found by a deep Q-network without exhausting all combinations.

In a DQN neural network, the inputs are the state s_1 and the action space $\{a_1, a_2, \dots, a_n\}$, and the outputs are the corresponding Q values for each action $q(s_1, a_1), q(s_1, a_2) \dots q(s_n, a_n)$. Finally we choose the action corresponding to the largest Q value to perform the corresponding operation, and the Q value determination formula can be expressed as

$$Q(s_t, a_t) = R_{t+1} + \gamma \max_a Q(s_{t+1}, a) \quad (2)$$

The principle of DQN is to predict the Q estimate for each action by means of a neural network on the action space and select the action with the largest Q estimate to receive the corresponding reward. The structure is shown in Figure 2.

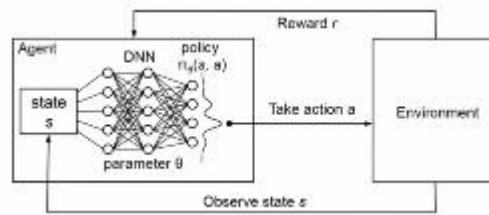


Figure 2: Deep Q network model structure

Quantification of Market Sentiment

In the introduction this paper points out that there is a correlation between large rises or plunges in the stock market and changes in public sentiment. However, as this effect has been shown to be asymmetric, this means that market sentiment affects stock rallies or plunges to different extents. We therefore use market trading data to directly reflect changes in long and short equity forces as an indirect reflection of changes in market sentiment.

The sentiment indicator ARBR consists of the popularity indicator AR and the willingness indicator BR. AR and BR are a pair of data reflecting the strength of long and short forces at different times through the analysis of historical stock prices, which can infer the current trading sentiment of the market and thus predict the reversal point of stock prices more accurately (Qiao and Yang 2016).

The AR indicator reflects the popularity of a target stock in a trading market by comparing the change in the opening, high and low prices over a given period, and it is based on the following formula.

$$AR = \frac{\sum_{i=1}^N \beta_i - \alpha_i}{\sum_{i=1}^N \alpha_i - \mu_i} * 100 \quad (3)$$

The BR indicator reflects the degree of willingness to buy or sell a target stock by comparing the position of the closing price in a given cycle to the price movement in that cycle, and it is expressed by the following formula.

$$BR = \frac{\sum_{i=1}^N \beta_i - \alpha_i'}{\sum_{i=1}^N \alpha_i' - \mu_i} * 100 \quad (4)$$

In the formulae for both indicators, where α_i is the opening price on day i , β_i is the highest price on day i , μ_i is the lowest price on day i , α_i' is the closing price of the previous day's trading on day i and N is the given time period.

PCA Algorithm Delas with Feature Vectors

In our research, the use of large data sets with multiple feature variables will undoubtedly bring more information to our study, but on the other hand, due to the increase in the size of the data set, the data collection and processing work becomes more difficult. In order to improve the performance of the model, we incorporate more stock technical indicators into the spatial state of the model, which to some extent improves the performance of the model, but also makes it significantly more difficult to process the data. This increases the complexity of the problem to a certain extent.

In this paper we use a 2-dimensional vector of z-score-processed price data and factor data for each technical indicator on a timeline as the state. Table 1 shows in detail how we store

these states. This approach increases the level of abstraction of the current day's state while taking into account the influence of historical data on the current day. However, in the data, the factor data are mostly calculated from basic price data or volume turnover, and there is a strong correlation between the columns. Therefore, we use PCA to reduce the dimensionality of the data. By using PCA, we can transform a high-dimensional data set into a low-dimensional data set, removing and merging some unimportant features, and avoiding the impact of large stock technical indicator data on the efficiency of the model. At the same time PCA reduces the size of the analysed data while minimising the loss of data information, thus achieving a comprehensive analysis of the data (Chang and Wu 2015).

Table 1

Storage mode of indicator factor

Date	Open	Close	...	Boll	...	Volume	MACD
t	$V_{(1,1)}$	$V_{(1,2)}$	...	$V_{(1,8)}$	...	$V_{(1,j-1)}$	$V_{(1,j)}$
t-1	$V_{(2,1)}$	$V_{(2,2)}$	...	$V_{(2,8)}$	...	$V_{(2,j-1)}$	$V_{(2,j)}$
t-2	$V_{(3,1)}$	$V_{(3,2)}$	...	$V_{(3,8)}$	...	$V_{(3,j-1)}$	$V_{(3,j)}$
...	...	...	...	...	...	...	...
t-n	$V_{(n,1)}$	$V_{(n,2)}$	...	$V_{(n,8)}$	...	$V_{(n,j-1)}$	$V_{(n,j)}$

PCA is a frequently used method in the field of machine learning data mining, where the main purpose is to reduce the dimensionality of the data and retain the main information. The main idea of PCA is to map the original n-dimensional features onto another set of k-dimensional orthogonal bases. Because of the mapping process of the PCA algorithm, the features are no longer interpretable with each other after the PCA algorithm processing.

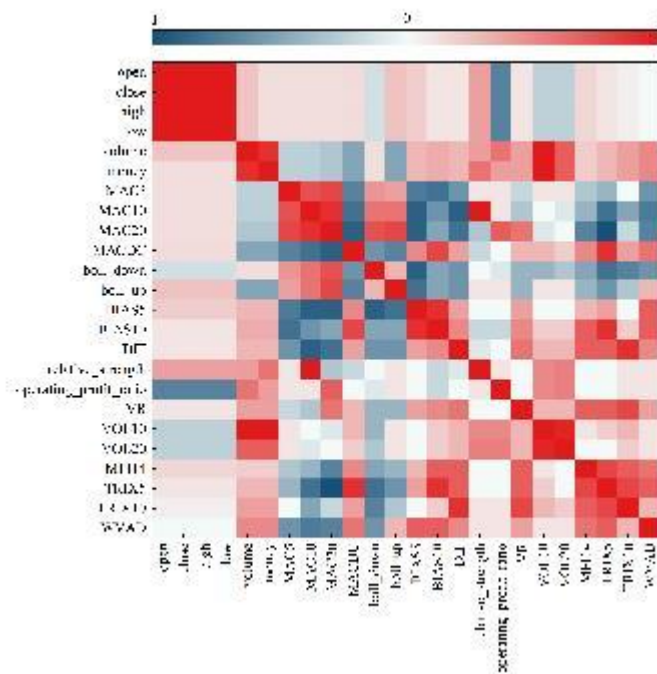


Figure 3: Correlation charts for stock indicators

The graph figure3 shows a heat map of the correlation between the various characteristic fields used, from which it can be seen that there is a large positive correlation between the volume and money fields and vol10 and vol20, and a large negative correlation between BIAS

and MA. There is also a degree of correlation between the other variables. It is worth noting that after the PCA process each feature data is only correlated with itself, the other features are not correlated with each other two by two. Finally, after PCA processing we reduced the 24-dimensional feature vector data of the original data to 20-dimensions, which minimised the computational burden on the program while ensuring maximum retention of the original information.

Stock States and Actions

In the construction of reinforcement learning models, the question of how to abstract the state space of the model is one of the central issues. Acting in the concrete financial domain, a state can be understood as a price position a stock is in. For stock trading, the most basic data describing a stock is the stock price. In addition to this, researchers have calculated some technical indicator factors based on some statistical knowledge, and some financial data of the company's operation can be used as the basis for state abstraction. This paper therefore uses stock price data and related technical indicators as an abstraction of the daily status of a stock.

In order to better represent the complex financial market, this paper encompasses as many relevant factors affecting stock buying and selling behaviors as possible as the spatial state of the stock. After several experiments, this study finally decided to use the grouped closing prices of stocks, 24 stock technical indicators after PCA dimensionality reduction, etc. as the state space of the target stocks, and its specific construction diagram is shown in Figure 4.



Figure 4: Stock state structure

The action space for reinforcement learning is the set of all valid actions of the model, which determines the range of actions used by the Agent. In this paper, we consider buying and selling of nine sector indices in the stock market, and the actions are only buy, sell and hold and watch, so this is the discrete action space.

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is defined as hold and wait, and the action space formula is expressed as follows.

$$a = \begin{cases} 1 \\ 0 \\ -1 \end{cases} \quad (5)$$

It is important to note that the execution of a sell operation means selling a specified amount of shares at the current time and paying a transaction fee. In this study we set the cost per trade to 0.1% of the trade amount and the model is assumed to operate in an ideal environment, which means that the historical price at the moment the order is placed is the actual price traded.

ARBR-DRQN Hybrid Model Development

In considering the structural design of the model, a modified ARBR-DRQN combination model is used in this study in order to allow the model to make better decisions from a large amount of data such as time series and technical indicators, as a way to deeply explore the hidden laws of the input information. The flow chart of the combined model is shown in Figure 5 and is roughly divided into three parts. The first part is to determine the timing of buying and selling stocks based on the ARBR sentiment indicator, the second part is to learn stock strategies based on the DRQN network, and the third part is to synthesize the action signals from the first two parts and execute the corresponding actions.

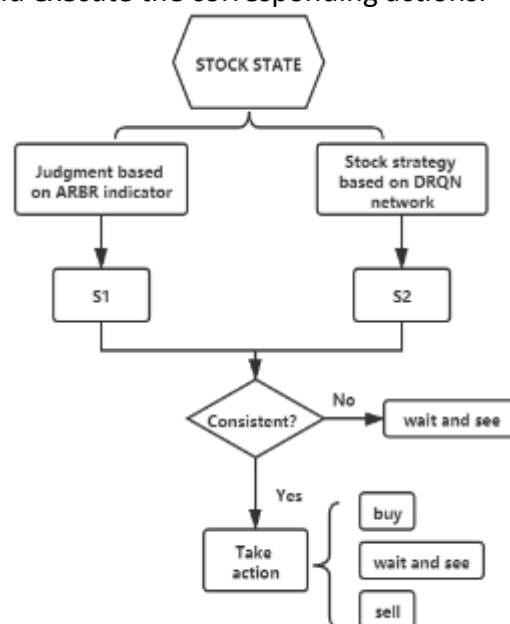


Figure 5: Flow chart of deep Q model based on ARBR

- **Stock Space:** Pre-processing of the basic stock ticker data by grouping, pre-processing of the daily technical indicator data and pre-processing of the daily ARBR values. The integrated all data is used as the spatial state of the stock.
- **Buy and sell strategies based on ARBR sentiment indicator:** Based on the spatial state of the stock, we analyze the stock based on ARBR values and construct a dynamic buy and sell point judgment model for the stock based on sentiment indicator. Through the dynamic comparison of the AR and BR values of the stock, we can determine the best operation at the current time, and issue the corresponding operation signal S1.
- **Stock trading strategy based on DRQN network:** A trading strategy model based on DRQN neural network is constructed through the spatial state of the stock. Using the model to

get the buy and sell signal S2 and compares it with the model signal S1 in (2), and executes the operation if they are the same.

Reward Function

The reward value refers to the reward the agent receives for each action performed. The trading model optimizes the accuracy of the model and adjusts for subsequent actions by setting the reward value. Since this model studies high frequency stock data at the minute level, we define the maximum profit that can be obtained per minute after grouping as the reward value of the model.

$$r_t = P_t - P_{t-1} \quad (6)$$

In the formula, r_t is the current reward value, P_t is the price at time t and P_{t-1} is the price at the previous time. The reward value is the difference between the two momentary prices. When the current price is greater than the past price, the reward value is positive; when the current price is lower than the past price, the reward value is negative. Since the strategy of the model is to find the return under the best strategy, the final cumulative return can be expressed as follows:

$$R_t = \sum_{t=1}^T r_t \quad (7)$$

ARBR-DRQN Model Validity Analysis

This chapter conducts experimental validation on the CSI 9 sector indices to calculate the annualized returns and Sharpe ratios. An ablation experiment is also conducted to explore the experimental effects of the stock buying and selling judgment method incorporating the sentiment indicator ARBR and the stock buying and selling judgment method without ARBR, as well as to discuss the correctness of the buy and sell points of the model proposed in the paper. Besides, in order to explore the stability of the model, this chapter also sets up different initial investment amounts for validation and investigates the impact of different initial investment amounts on the annualized return and Sharpe ratio. Finally, we compare the deep Q-network trading strategy model based on the ARBR sentiment indicator with the double mean and buy-and-hold strategies to explore the magnitude between their annualized returns and Sharpe ratios.

Data Collection

Many quantitative trading systems for the Chinese equity market tend to ignore the impact of input data on the results, resulting in strategies whose back-testing results are far from the true application results. As the Chinese equity trading market is generally immature and investors are predominantly young and irrational, the validity and continuity of a strategy that achieves high returns on individual stocks or over a short period of time should be questioned in this context. To minimize the impact of the particular market environment on quantitative strategies, this study selects five years of one-minute stock data for the CSI Nine Sector Index from 4 January 2016 to 1 October 2021, as shown in table 2. This data includes the daily opening and closing prices of stocks, technical indicators and various other information subsequently used to process ARBR sentiment quantification.

We use grouping to pre-process the huge amount of data. We divide the minute data into 30-minute groups, with the first and last data of each group being the opening and closing prices of the group respectively. Since the closing price of the first group can be regarded as the

opening price of the second group, it is only necessary to record the closing price of each 30-minute period in order to show the state of the stock at any given time in the empirical process.

At the same time, we calculate the log returns of the closing prices of 8 adjacent groups of stocks and treat the results as 8 features of the spatial state of the stocks in the current group at time. The features of these states will be fed back to the LSTM network for further processing by z-score normalization. Where x is the original data, μ is the mean data and σ is the standard deviation.

$$z = \frac{x - \mu}{\sigma} \quad (8)$$

Table 2

Selected Stock Industry Index

Index	Abbreviation	Code
CSI Materials Index	Materials	399929
CSI Telecommunication Services Index	Telecom	399936
CSI Utilities Index	Utilities	399937
CSI Industrials Index	Industrials	399930
CSI Financials Index	Financials	399934
CSI Energy Index	Energy	399928
CSI Consumer Index	Cons	399932
CSI Information Technology Index	IT	399935
CSI Health Care Index	Health Care	399933

Ablation Study

After back testing, we count the returns of the model under different strategies. We compare the method incorporating the sentiment indicator ARBR with the method without ARBR, and the annualized rates as well as Sharpe ratios obtained are shown in Table 3. From Table 3, it can be seen that the improved stock trading strategy model based on deep Q-networks proposed in this chapter is effective and profitable, and is able to obtain a certain annualized rate of return on investment. Among them, the new strategy proposed in the thesis obtained the highest annualized return of 54.5% in the IT sector. It also achieved an annualized return of 10.08% even in the worst-performing Utilities sector. It is worth noting that the approach incorporating the sentiment-based ARBR has higher average annualized returns and higher average Sharpe ratio than the approach without the sentiment-based ARBR. Overall, the annualized returns and Sharpe ratios of the method incorporating the sentiment-based ARBR are higher than those of the method without. In addition, when ARBR is not fused, the strategy has a negative Sharpe ratio on the material index. This paper therefore concludes that fusing the two trading strategies can make the overall trading strategy model more stable, reduce the risk of misspecification and improve the model's returns.

Table 3

Ablation study results based on ARBR deep Q model

Index	Method With ARBR		Method without ARBR	
	Annual Return	Sharpe Ratio	Annual Return	Sharpe Ratio
Materials	12.09	3.03	1.62	-0.46
Telecom	43.73	13.58	20.42	5.81
Utilities	10.08	2.36	7.32	1.44
Industrials	31.56	9.52	21.36	6.12
Financials	49.95	15.65	41.2	12.73
Energy	19.47	5.49	13.17	3.39
Cons	16.09	4.36	15.02	4.01
IT	54.5	17.17	45.24	14.08
Health Care	14.61	3.87	14.08	3.69
Average	28.01	8.54	19.94	5.65

Stability Test

In order to test the stability of the improved model returns, we explore the effect of different initial capital on the final stock returns. We vary the initial investment capital to RMB 100,000, RMB 200,000 and RMB 300,000 to test the index again, and the results are shown in the table 4. These three different amounts of initial capital were chosen as variables because the paper considers that these three gradations of capital settings are appropriate given the limited amount of capital that most individual investors have access to the stock market. As can be seen from the table 4, the change in initial capital does not have a significant impact on the annualized returns and Sharpe ratios of the stocks. This indicates that the model is successful in achieving relatively stable returns under different capital allocations

Table 4

Results of Returns at Different Initial Amounts

Index	100000		200000		300000	
	Annual Return	Sharpe Ratio	Annual Return	Sharpe Ratio	Annual Return	Sharpe Ratio
Materials	12.09	3.03	14.02	3.67	9.51	2.17
Telecom	43.73	13.58	40.27	12.42	38.79	11.92
Utilities	10.08	2.36	11.46	2.82	12.13	3.04
Industrial	31.56	9.52	33.38	10.13	36.96	11.32
Finance	49.95	15.65	40.29	12.43	55.43	17.48
Energy	19.47	5.49	22.45	6.48	16.29	4.43
Consumer	16.09	4.36	15.31	4.10	17.11	4.70
IT	54.5	17.17	56.28	17.76	64.3	20.43
HealthCare	14.61	3.87	18.62	5.21	12.80	3.27

Comparison of Different Strategies

We compare the approach proposed in the paper with various strategy models, and the table5 shows the results of the comparison experiments of the stock trading strategy models. The comparison study selects the double moving average strategy, buy-and-hold strategy and the ARBR-DRQN proposed in this paper for comparison. From the table5, it can be seen that the

stock trading strategy based on the ARBR deep Q network proposed in this paper outperforms both the double moving average strategy and the buy-and-hold strategy in terms of average annualised returns and Sharpe ratios. This also demonstrates that the ARBR-DRQN model is more stable in terms of returns, showing higher investment returns overall.

The least stable strategy is the double moving average strategy, which can achieve higher investment returns for certain stocks, but also has significant losses. Buy-and-hold, a typical passive investment strategy, offers better returns than the double moving average strategy. Finally, we selected the relatively better payoff buy and hold strategy as the baseline to compare with the improved ARBR-based Q-neural network strategy in terms of payoffs. As shown in Figure 6, it can be found that the thesis strategy achieves higher returns overall.

Table 5

Comparison of profit results under different strategies

Index	Evaluation Index	Hold and Buy	Double Moving Average	DRQN-ARBR
Materials	Annual Return	1.42	2.1	12.09
	Sharpe Ratio	-0.53	-0.53	3.03
Telecom	Annual Return	4.82	15.33	43.73
	Sharpe Ratio	0.61	4.11	13.58
Utilities	Annual Return	-3.21	-10.13	10.08
	Sharpe Ratio	NA	NA	2.36
Industrial	Annual Return	-3.17	-4.59	31.56
	Sharpe Ratio	NA	NA	9.52
Finance	Annual Return	3.29	-1.15	49.95
	Sharpe Ratio	0.1	NA	15.65
Energy	Annual Return	6.55	-7.31	19.47
	Sharpe Ratio	1.18	NA	5.49
Consumer	Annual Return	29.51	9.42	16.09
	Sharpe Ratio	8.84	2.14	4.36
IT	Annual Return	6.84	-16.64	54.5
	Sharpe Ratio	1.28	NA	17.17
HealthCare	Annual Return	12.25	12.94	14.61
	Sharpe Ratio	3.08	3.31	3.87

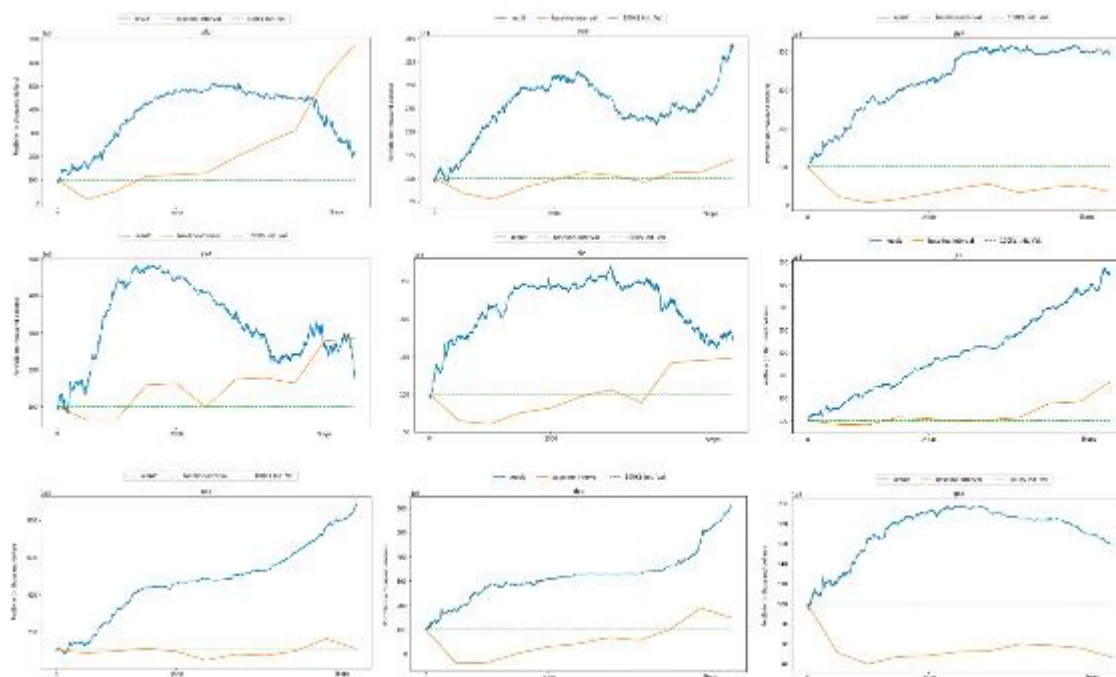


Figure 6: Comparison of model and base-line revenue

Buying and Selling Point Accuracy Test

To further test the accuracy of the deep Q neural network based on ARBR for bid/ask point determination, in this paper, we calculate the number of buy and sell order executions as well as the correct rate of execution for each sector separately, using January 1, 2017 to December 31, 2017 as an example, as shown in the table 6. It is worth noting that execution trades are measured in days and that an order is considered to have successfully captured the timing of a trade if the share price rises after a buy or falls after a sell. As can be seen from the table, throughout 2017, even though there were occasional errors in judgement, overall the trading strategy model proposed in this paper was able to better guide the buying of shares at their lows and the selling of shares at their highs, which was experimentally to yield good returns

Table 6

Accuracy of ARBR-DRQN model

ARBR assisted trading within 1000 days (trade in days)					
Index	Order	Order Placed		Orders Correct	
Materials	Buy	91	59.48%	53	58.24%
	Sell	62	40.52%	28	45.16%
Telecommunication	Buy	72	63.72%	41	56.94%
	Sell	41	36.28%	26	63.41%
Utilities	Buy	84	53.50%	64	76.19%
	Sell	73	46.50%	52	71.23%
Industrial	Buy	90	56.96%	62	68.89%
	Sell	68	43.04%	42	61.76%
Finance	Buy	77	33.48%	52	67.53%
	Sell	153	66.52%	81	52.94%
Energy	Buy	101	59.41%	73	72.28%
	Sell	69	40.59%	56	76.81%
Consumer	Buy	84	60.00%	66	78.57%
	Sell	56	40.00%	38	67.86%
IT	Buy	94	58.75%	67	71.28%
	Sell	66	42.25%	46	69.70%
Health Care	Buy	63	57.80%	47	74.60%
	Sell	46	42.20%	22	47.83%

Kupiec Test

In order to more accurately illustrate the effectiveness of the ARBR-DRQN network for stock purchase and sale timing, this paper further employs the likelihood ratio test proposed by Kupiec (1995) for statistical testing. Let T be the total number of buy and sell orders issued by the ARBR-DRQN model, F be the number of incorrect identifications by the network model, and $T - F$ be the number of times the buy and sell signals are correctly identified by the model. As a result, the statistic LR follows a χ^2 distribution with degree of freedom 1, as shown in the following equation.

$$LR = -2\ln[(1 - \alpha)^{T-F} \alpha^F] + 2\ln[(1 - F/T)^{T-F} (F/T)^F] \quad (9)$$

We have selected the period from 2016 to 2021 as the reference period, which roughly encompasses the complete market sentiment of bull, bear and shock markets and is more representative. In terms of the selection of moving periods, for the reliability of the results, the 12 periods shown in the table 7 below are selected in this paper.

At a given significance level α , if the accompanying probability of the statistic LR is less than the critical value of the distribution, then the original hypothesis that the ARBR-DRQN is not very accurate in choosing the right time to buy and sell stocks will be accepted; conversely, if the accompanying probability of the statistic LR is greater than the critical value of the distribution, then the original hypothesis cannot be rejected and the ARBR-DRQN network's accuracy can be considered to be high. In this paper, the statistic LR is calculated at the 5% significance level and is shown in the table 7. The minimum value of the statistic LR is 0.095, and according to the study of Wang Chunfeng et al, the size of the statistic LR has a positive correlation with its concomitant probability, which is 0.230 when the LR value is 0.085. Since the LR of all the statistics in the table is greater than 0.085, the concomitant probability of all

the statistics in the table will be greater than 0.230, which in turn is greater than the concomitant probability at the Since all the statistics in the table have a LR greater than 0.0.230, all the statistics in the table will have a probability of concomitance greater than 0.230 and thus greater than the threshold value for a 5% significance level distribution $\chi^2(1)$

. This indicates that the ARBR-DRQN network passes the statistical test for stock purchase and sale timing.

Table 7

LR statistics for failure frequency tests

Period	5	10	19	20	21	37	60	73	78	80	120	240
Materials	1.202679151	1.202679151	1.064029	0.778112	0.30684	0.997908	0.5737581	0.36375	0.4356329	0.773245	0.542804	0.529232
Telecom	1.271133974	1.271133974	1.10836	0.74264	0.17849	0.520523	0.8804609	0.98694	1.0210111	0.164799	0.126693	0.422475
Utilities	0.406951619	0.406951619	0.615726	0.842981	1.208092	1.011637	0.2512388	1.24891	0.1382878	0.528183	1.287119	0.208437
Industrial	0.69470835	0.69470835	0.71233	0.754749	0.48908	0.539925	0.4192871	0.65256	0.9661755	0.990257	0.767005	0.107898
Finance	0.753872978	0.753872978	0.975709	1.207443	0.787722	0.540526	0.7474884	0.57982	0.9935066	0.407147	1.003683	1.121222
Energy	0.554514999	0.554514999	0.978181	0.947281	0.927779	0.685749	0.9932533	0.58887	0.965804	0.456733	1.232499	0.566225
Consumer	0.32532933	0.32532933	0.343003	0.295808	1.343794	0.746469	1.2993597	0.39935	1.1817397	0.2762	1.167173	0.270036
IT	0.594759861	0.594759861	0.956146	0.946809	0.145534	0.812977	0.3213393	0.91554	1.131969	0.367799	0.1437	0.16336
Health Care	0.464868898	0.464868898	0.747278	1.217503	0.76186	0.278797	0.6111825	0.92823	0.9747978	0.515061	1.163258	0.555702

Model Complexity

The computational complexity of a deep Q-network-based stock trading strategy model is related to the stock data dimension d , the number of stock data n and the model structure. The model structure includes the stock buying and selling point judgment method based on the sentiment indicator ARBR and the deep Q network. We note that the complexity of the stock buying and selling point judgment model based on ARBR is t , the complexity of the model of the deep Q network is q , and the structure of the two models in the stock trading strategy model based on the deep Q network is a parallel structure with no loops, then the complexity of the model structure of the stock trading strategy based on the deep Q network is $O(t+q)$. With a stock data dimension of d and a stock data volume of n , the computational complexity of the whole model is $O(nd(t+q))$, which is much lower than that of the sentiment stock trading model built through financial dictionaries or big data analytics.

Theoretical and Contextual Contributions

This study contributes both in theory and context to existing research literature. From the theoretical perspective, it expands the use of deep reinforcement learning methods in financial decision-making areas by combining the deep Q-learning framework with market sentiment metrics. This integration offers a new way to develop stock trading strategies, which includes a wider range of information about stock states and signals based on market sentiment. By using spatial modeling for stock conditions along with sentiment-aware decision systems, the work builds on previous algorithmic trading studies while giving a more flexible, data-focused alternative to conventional technical analysis approaches. In terms of context, the research focuses specifically on China's stock market environment, using nine major sector indexes from Chinese financial markets. This emphasis provides useful observations about how effective AI-driven trading systems can be in developing markets that show high volatility and are mainly shaped by individual investors. The framework demonstrates stronger performance in both return metrics and risk-adjusted ratios, showing its potential as a reliable method for enhancing trading results and controlling investment

risks in such conditions. That is to say, the research not only introduces an innovative system but also delivers practical applications for automated trading strategies in China and comparable markets, particularly where market dynamics tend to shift unpredictably.

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