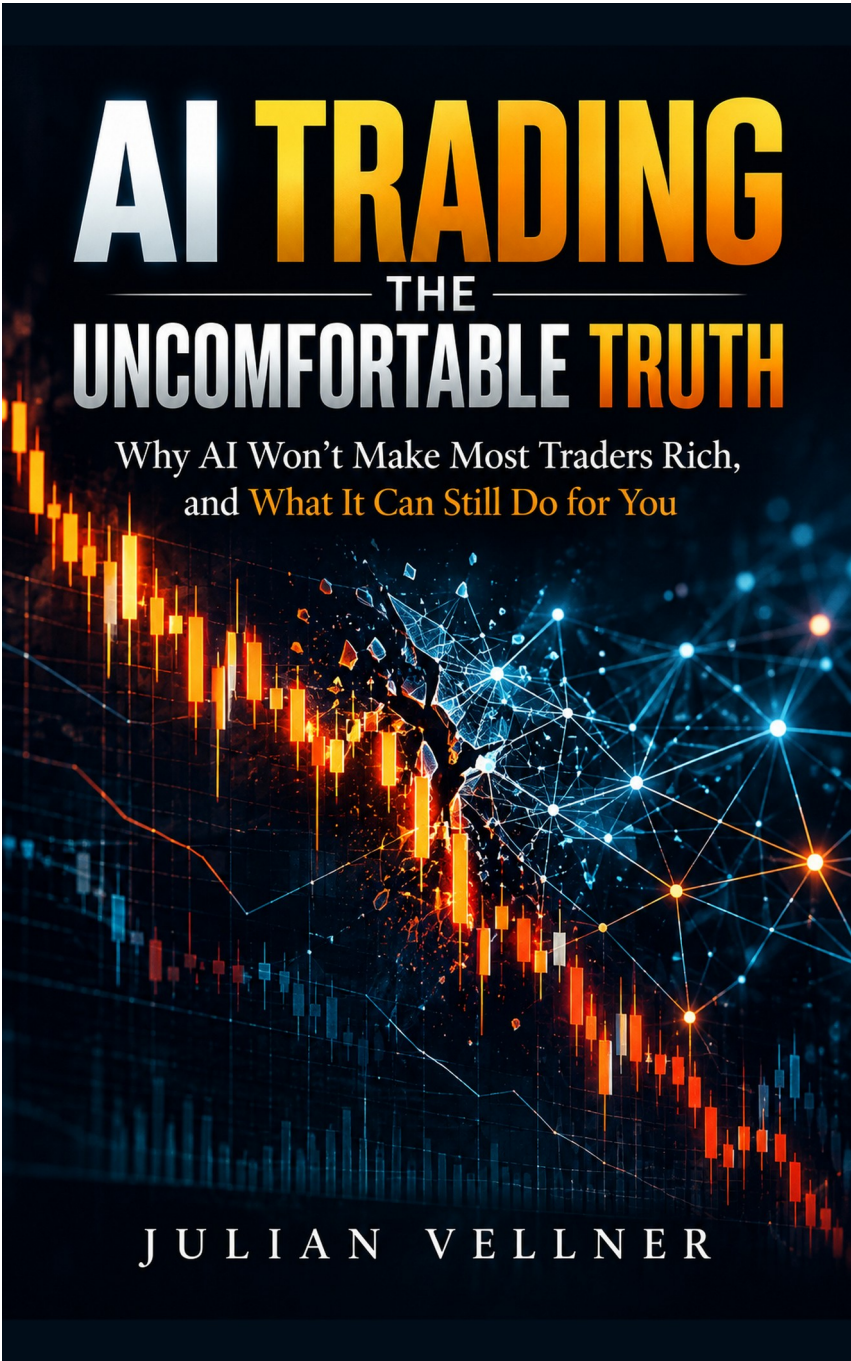


The background of the book cover is a dark blue gradient. It features a complex overlay of financial and technological imagery. On the left, there is a candlestick chart with orange and yellow bars. A line graph with a blue line and a red line is also visible. On the right, there is a network diagram with blue nodes and connecting lines. The overall aesthetic is high-tech and financial.

AI TRADING

THE

UNCOMFORTABLE TRUTH

Why AI Won't Make Most Traders Rich,
and What It Can Still Do for You

JULIAN VELLNER

AI TRADING: THE UNCOMFORTABLE TRUTH

Why AI Won't Make Most Traders Rich, and What It Can Still Do for You

Julian Vellner

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A Note Before We Begin

This book is for education, not personal financial advice. It does not tell you to buy or sell any investment. Trading can lead to substantial losses, including the loss of your entire trading balance. Borrowing money or using leverage can make those losses worse. Examples that use prices, trades, or account balances are clearly identified as illustrations unless a source is provided. No example in this opening section is a record of an actual investment result.

The tools discussed in this book can change. Before trusting a feature, a fee, or a claim about current market data, check the relevant provider yourself. Never share passwords, API keys, or private account information with a chatbot.

Introduction

The Most Expensive Word in Trading

There is a little word that has cost traders a remarkable amount of money.

Easy.

Easy profits. Easy signals. Easy automation. Easy money while you sleep.

You have probably seen some version of that promise. Perhaps it was a video of a trading screen covered in green numbers. Perhaps someone showed a chatbot predicting the next move in Bitcoin. Or perhaps it was an advertisement for a mysterious AI system that had supposedly found a way to beat the market.

The sales pitch changes. The story underneath it does not.

A complicated problem has finally met a clever machine. The clever machine will now solve the problem for you. All you need to do is press a button.

It is a lovely story.

It is also a dangerous one.

Artificial intelligence is genuinely useful. That is what makes this story so persuasive. A chatbot can turn a dense economic report into a short explanation. It can help someone who has never written a line of code build a simple tool for studying prices. It can compare several arguments, organize a research notebook, and point out mistakes a tired person might miss.

These are real abilities. We will use them throughout this book.

But none of them means the chatbot knows where a stock will trade on Friday.

A machine can be excellent at explaining the past and still be poor at predicting the future. In fact, its explanation may sound better than a human expert's even when its forecast is completely wrong.

This is the first trap: **a clear answer feels like a correct answer.**

When money is at stake, that feeling can become very expensive.

A surprisingly ordinary question

Imagine that you are thinking of buying an asset. It could be a share in a company, an ounce of gold, or a small amount of Bitcoin. You open an AI chatbot and type:

"The price went up today. Will it keep rising tomorrow?"

The answer arrives almost at once. It mentions interest rates, investor confidence, recent news, and several technical patterns. It tells a convincing story about buyers being in control.

You read it twice. It sounds informed. It sounds calm. Most of all, it sounds certain.

Then the market opens the next morning, and the price falls.

Does this mean the AI was useless? Not necessarily. Some of the information it gave you may have been accurate. Its explanation might even have helped you understand the previous day's move.

What failed was the leap from *"Here is a possible explanation"* to *"Therefore I know what happens next."*

Those are different claims. Traders often treat them as one.

This book will teach you to separate them.

What I will not promise you

I will not promise a secret prompt that turns a chatbot into a professional trader. I will not give you a magical list of indicators that works in every market. I will not claim that a profitable result on an old chart proves you have discovered a money machine.

I also will not tell you that AI is worthless for trading. That would be just as lazy as promising it can make everyone rich.

There are serious researchers and trading firms using machine learning in useful ways. Some methods may uncover real opportunities. But the people using them still face uncertainty, competition, changing conditions, costs, and the possibility of being wrong. A useful tool does not cancel the rules of the game.

Think of a good AI system as a powerful microscope. It can help you notice things you would otherwise miss. It cannot guarantee that the thing you are looking at is worth buying.

A different kind of trading book

Many books begin by telling you what you could earn. I would rather begin with what you could lose by believing the wrong story.

That is not meant to frighten you away from learning. Quite the opposite. If you understand the limits of a tool, you can use its strengths without asking it to perform miracles.

We will start with the promises made about AI trading. Then we will examine how the technology works, why markets are hard to predict, and how a strategy can look profitable in a test while failing in the real world.

Only after that will we build things.

You will learn how to use AI to study information, challenge your own assumptions, design trading rules, and test them. We will work through verifiable classroom calculations using Bitcoin, a U.S. stock fund, and an oil-related fund. We will also explain how to design a careful gold study, without pretending to have tested gold when we have not. When a result is disappointing, we will report it. A bad test is not a wasted test if it stops you from risking real money on a bad idea.

You will not need to become a mathematician. New terms will be explained in ordinary language, and the examples will start small.

One more thing: you do not need to become a trader to benefit from this book. Learning to check evidence, question confident answers, and notice sales tricks will serve you well far beyond financial markets.

The question worth asking

Before you put money into an AI-generated trading idea, ask three questions:

Where did this information come from?

How would I know if this idea is wrong?

What happens to my money if it is wrong?

They are less exciting questions than *"How much can I make?"*

They are also much more useful.

If this book changes just one habit, let it be this: stop asking AI to sound convincing. Start asking it to help you find out what is true.

Part I

The Great Easy-Money Illusion

Chapter 1

AI Promises a Fortune

The advertisement practically writes itself.

A dark screen. A glowing chart. A robot-shaped logo. Numbers racing upward. Somewhere in the corner, a small message announces that an AI system has spotted a trade before the rest of the market.

The final line is usually simple: *You could be next.*

It is worth asking why that message works so well.

Not because people are foolish. It works because the technology behind it really is impressive. If you have watched a chatbot explain a complicated subject in ten seconds, it is not unreasonable to wonder what else such a system can do.

Could it read every important financial report before breakfast? Could it watch thousands of stocks at once? Could it find a small pattern that you would never notice by yourself?

In some cases, yes. The software may be able to perform those tasks, depending on its tools, data access, and design.

But then comes the much bigger question.

Can it turn that information into reliable profits?

That is where the advertisement usually gets quiet.

The button that sells a dream

Let's invent a product for a moment. We will call it the Perfect Profit Bot. It does not exist; it is simply a way to examine a familiar sales pitch.

The website has a blue button marked *Activate AI*. Above it is a chart showing a trading balance rising almost without interruption. Below it are three claims:

"No experience required."

"Our AI finds winning opportunities for you."

"Trade around the clock, even while you sleep."

Notice what is missing.

There is no clear explanation of the data the system uses. No evidence of how the results were calculated. No account of trading costs. No discussion of what happened during a bad month. No sign of who checked the performance.

Instead, the website sells a feeling: relief.

Trading is difficult. Studying companies, following economic news, testing ideas, and accepting losses can be exhausting. The promise of an automatic system removes all that uncomfortable work from the picture.

The visitor is not just buying software. They are being invited to stop worrying.

That may be the most expensive part of the product.

Why the promise feels believable

An AI system can do things that would have seemed astonishing not long ago. It can summarize a long report, translate a news article, explain a price chart, and produce computer code.

It is tempting to put these abilities together and draw a straight line:

If AI can analyze more information than I can, it must make better trades than I do.

But the line is not straight. There are several gaps in it.

First, more information is not always better information. You can feed a system thousands of posts about a stock without learning anything useful about its future price. You may simply collect thousands of opinions.

Second, a correct observation is not the same as a profitable decision. A company may report strong earnings, and its share price may still fall because investors expected even stronger results.

Third, a good decision can lose money. Suppose you take a trade with a reasonable chance of success. A surprise announcement sends the price in the wrong direction. The loss does not prove that the original reasoning was ridiculous. It proves that the future contained uncertainty.

Finally, the price you pay matters. Even if you correctly expect a company to do well over time, paying far too much for its shares can make the investment disappointing.

The market does not hand out rewards for sounding intelligent. It rewards some decisions, punishes others, and offers no refund for a beautiful explanation.

The difference between an answer and evidence

Consider two statements.

"I believe the price of gold may rise next month because investors are worried about inflation."

"Using data available before each month began, this rule produced better results than a simple comparison strategy in several different periods, after realistic costs."

The first is a view. It may turn out to be right, but it has not yet demonstrated anything.

The second is an evidence claim. It can be checked. We can ask for the data, the rule, the dates, the costs, and the periods when the rule failed.

That is the difference we need to care about.

A chatbot is especially good at producing the first kind of statement. You give it a question, and it creates an answer that fits. The answer may contain useful facts, but an attractive explanation is not a performance record.

To earn trust, a trading idea has to survive questions that are much less glamorous than *"Is this a buy?"*

How many trades were tested? What counted as a win? Were losing trades included? What fees were paid? Were the prices known at the time the decision was made? Was the strategy tested on a fresh period it had not been tuned to?

If these questions sound boring, that is understandable.

They are also exactly the questions a person selling an easy-money dream would prefer you not to ask.

The trick hidden in a beautiful chart

Imagine someone shows you a graph of a trading account growing from \$1,000 to \$8,000. The line moves mostly upward. There are a few dips, but nothing that looks frightening.

You might be impressed. You should also be curious.

Was this a real account or a simulated one? A simulation is an estimate of what might have happened, not a record of what someone actually earned.

Did the person select the best strategy from hundreds of failed attempts? If they tried enough ideas, one might look excellent just by chance.

Does the graph include trading fees and the difference between the expected trade price and the price a trader actually receives?

What happened just before the graph begins? What happened afterward? Were there long periods in which the strategy lost money?

Was the account exposed to a small, manageable loss, or was it risking nearly everything to produce those dramatic gains?

There is nothing wrong with showing a strong result. The problem begins when the chart is presented without the information needed to judge it.

Think of a fitness advertisement that shows a person's photograph after a successful year of training but does not mention the ten thousand people who tried the same program and did not get those results. The photograph may be genuine. It still does not tell you what is likely to happen to you.

Trading charts can have the same problem.

A result can be real and misleading at the same time.

When AI becomes a decoration

Sometimes the words *artificial intelligence* tell you something useful about a product. A genuine AI trading tool may use statistical models to detect unusual market conditions, examine text from financial reports, or estimate relationships in large amounts of data.

Other times, the words tell you almost nothing.

Imagine a basic system that buys whenever a price crosses above a moving average. That rule has existed for decades. A developer adds a chatbot that explains each trade in friendly language and calls the product an *AI-Powered Wealth Engine*.

The explanation may be a nice feature. It does not mean the trading rule itself has improved.

Or perhaps the system really does use machine learning. That is still not enough.

The word *AI* describes a family of techniques. It does not describe a guaranteed level of accuracy. It certainly does not certify a profitable business.

You would never assume that every car is fast simply because it has an engine. You would ask what the engine does, how the vehicle performs, how reliable it is, and what it costs to run.

An AI label deserves the same treatment.

A real warning, not a scare story

This is not a problem invented for a dramatic chapter title.

In January 2024, the U.S. Commodity Futures Trading Commission published a public warning with a blunt message: AI will not turn trading bots into automatic money-making machines. The agency described scams that used claims of guaranteed or extraordinary returns to attract customers. [1]

That same month, the U.S. Securities and Exchange Commission's investor-education office, together with other investor-protection organizations, warned about fraudulent platforms that claim to use AI to find guaranteed winners. [2]

These warnings do not mean every automated strategy is fraudulent. Some systems are legitimate tools, and some may produce profitable results. The warnings point to something simpler: when somebody offers high returns with little risk, the promise itself deserves suspicion.

In the case described by the CFTC, a fraud scheme called Mirror Trading International claimed to use a trading bot and offered unusually high returns. The problem was not that its AI happened to make a few wrong predictions. According to the regulator, the operation was a fraud involving money taken from customers. [1]

That distinction matters. A bad strategy can lose money honestly. A fraudulent business may never have intended to run the strategy it advertised.

Either way, a confident website is not a substitute for checking who operates the service and whether its claims can be verified.

The story everybody wants to tell

There are two very different ways to talk about a trading result.

The exciting version says:

"Our AI predicted a major market move before it happened."

The useful version asks:

"How often did it make similar predictions, including the ones that failed?"

Suppose someone posts a screenshot of a chatbot saying Bitcoin will rise. The next day, Bitcoin rises sharply. The screenshot travels across social media. People congratulate the person who made the prediction.

Now imagine there were thirty previous screenshots from the same account. Some predicted gains. Others predicted losses. Most were never posted because nothing interesting happened.

One successful prediction, taken alone, does not tell us much.

This is not a special weakness of AI. Human analysts have the same problem. We remember the spectacular calls and forget the dozens of ordinary ones.

But AI makes the problem easier to hide. A person can ask a chatbot dozens of slightly different questions, save the answer they like best, and publish only that one.

The audience sees one brilliant prediction. It does not see the pile of failed drafts.

The same thing happens when somebody keeps changing a strategy until it fits an old chart. The final version looks as if it understood the market perfectly. The unsuccessful versions disappear.

You cannot judge a method by its best moment. You have to see how it behaves over many ordinary moments, including the embarrassing ones.

A small account and a very big dream

There is another uncomfortable truth that rarely appears in AI trading advertisements.

Even a good strategy does not make the laws of arithmetic disappear.

Suppose someone begins with \$500. Imagine, purely as an illustration, that they manage to earn a positive 10% return over a year after costs. That would be \$50 before any applicable taxes.

Ten percent is not a promise or a prediction here. It is simply a number chosen to make the example easy to follow.

Fifty dollars might be worth having. But it is not a new life.

Now imagine that the same person wants to turn the \$500 into \$50,000 in one year. That would require multiplying the account by one hundred. The word *AI* does nothing to make that goal safe or ordinary.

To chase a return that large, a trader might borrow money, use high leverage, place enormous bets, or trade assets they barely understand. Those choices can destroy the account quickly.

The advertisement may show the upside. The trader has to live with the downside.

This is why **a tool that improves your decisions by a little is not the same as a tool that can make you rich**. A useful improvement may be worth paying for. It should not be sold as a miracle.

Why professionals do not have an easy answer either

You may be thinking: *Surely professional trading firms have better AI systems than a person with a laptop. So doesn't that prove AI can make money?*

Not quite.

Professional firms can have advantages: specialized employees, faster systems, carefully prepared data, access to markets, and procedures for controlling risk. Some use machine learning as part of a larger process.

But access to sophisticated technology does not guarantee success. Firms still compete against one another. A profitable idea may attract imitation. Costs can rise. Market conditions can change. A pattern that once mattered may fade away.

Also, it is worth separating two claims:

"AI can be one useful tool inside a professional trading operation."

"A beginner can buy a chatbot subscription and reliably earn a large income from trading."

The first may be true. It does not establish the second.

A professional kitchen can make excellent food. Buying the same oven will not automatically turn you into a chef.

And even a good chef sometimes burns dinner.

If the system is wonderful, why is someone selling it?

This question comes up often, and it is a fair one.

If a trading system truly earns money, why would the owner sell access instead of using it privately?

There are legitimate answers. Running software costs money. A company may prefer predictable subscription income. Some tools serve research needs rather than placing trades. A strategy might have limited room for new capital, or its owner might choose to sell education rather than manage investments.

So the fact that somebody sells software does not prove the software is bad.

But it does reveal something about incentives.

The seller may earn money every month whether the customer trades well or badly. The seller's business can succeed even when the customer's trading account does not.

That does not make the business dishonest. It means their success and yours are not automatically the same thing.

Ask what the seller is being paid to provide.

Reliable data? A useful research tool? Clear education? A tested trading service with understandable risks?

Or just the sensation of being one click away from a fortune?

Those are very different products.

How a promise slips past your common sense

There are several familiar tricks that make weak claims feel strong.

The impressive number. A seller announces a 94% success rate but does not explain what success means. It might mean correctly identifying whether a price moved one cent, not making profitable trades.

The missing losers. A page shows five winning trades and says nothing about all the other signals.

The secret formula. A seller refuses to explain even the basic method, saying it is too advanced or too valuable to disclose. Some legitimate systems do protect intellectual property, but secrecy is not evidence of profitability.

The borrowed authority. Technical language, laboratory-style graphics, and the word *neural* create the impression of science. None of these shows that the model was tested properly.

The countdown clock. A limited-time offer pressures you to pay before you have a chance to examine the facts.

The risk-free guarantee. In financial markets, this claim should raise serious questions. Prices move, systems fail, and trading has costs. The existence of an AI model does not erase those risks.

These tactics are not unique to AI. They have appeared in financial advertising for a very long time. AI has simply given them a fashionable new costume.

Five questions to ask before paying for an AI trading tool

You do not need an advanced degree to do an initial check. Start here.

1. What exactly does it do?

Does it summarize news, suggest trades, calculate probabilities, or place orders automatically? Those are different jobs. A clear description is a good first sign.

2. What data does it use, and how current is that data?

A chatbot with no live price feed may be describing yesterday's situation. A system that uses delayed prices may produce signals that are impossible to trade at the advertised price.

3. Where is the full record of results?

Ask for losing periods, maximum losses, trading costs, and how the performance was verified. Screenshots are not a full record.

4. What could make the system fail?

A responsible provider can describe limitations. If the answer is *"Our AI cannot lose,"* you have learned something useful: it is time to leave.

5. Who gets paid even if I lose?

Understand subscription fees, trade commissions, referral payments, and any other financial incentives. Make sure the operator and platform are properly registered where required.

These questions will not identify every bad product. But they can stop you from confusing polished marketing with evidence.

An experiment you can do without risking money

Here is a simple exercise. It takes only a few minutes and does not require opening a trading account.

Find an advertisement for an AI trading tool. Do not buy anything. Copy the main claims into a document.

Create two columns. Name the first one **Claim** and the second one **What would prove it?**

If the claim is *"Our AI predicts Bitcoin,"* the second column might say: *A public record of predictions made before each price move, with dates and complete results.*

If the claim is "90% accuracy," ask: *Accuracy at what task, over what period, and compared with what simple alternative?*

If the claim is "Set it and forget it," ask: *What happens if the system loses its connection, receives incorrect data, or trades during an unexpected market event?*

Do not ask a chatbot to decide whether the advertisement is trustworthy for you. Ask it to help you write better questions. Then verify the answers using reliable, independent sources.

This is one of the best early uses of AI in finance. It can help you become harder to fool.

A prompt worth keeping

I am evaluating a product that claims to use AI for trading. Here are its claims: [paste claims]. Do not assume the claims are true or false. List the evidence I would need to verify each one, the important information that is missing, and the risks I should investigate. Explain everything in plain English. Do not recommend a trade or invent performance data.

The prompt will not uncover secret facts. It will not replace checking registrations, contracts, or actual results. But it can turn a vague feeling of doubt into specific questions.

And specific questions are often what a misleading sales page cannot survive.

The promise we will make instead

This book has no private trading signal to sell you.

We will not ask you to trust a chart just because it points upward. We will not call an idea proven because a chatbot wrote a confident paragraph about it.

We will take useful claims apart, examine what supports them, and rebuild only what deserves to be kept.

That may lead to a less dramatic result than the advertisements promise. An AI tool might save you time reading reports. It might help you avoid a poorly designed trade. It might make it easier to test an idea you would otherwise leave untested.

None of those sounds like instant wealth.

They sound more like ordinary improvements to ordinary work.

That is precisely why they deserve attention.

The next chapter begins with an uncomfortable question: if trading looks so simple when someone draws arrows on a chart, why do so many people find it difficult when real money is involved?

Before we ask AI to solve that problem, we should understand the problem itself.



END OF FREE SAMPLE

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