2 Surprising Ways Artificial Intelligence Impacts Your Retirement!

Description

TMX Group (TSX:X) released news on Friday that its revenue for the third quarter of 2019 hit a new record due to higher derivatives trading and clearing. The company's energy trading platform Trayport, in particular, brought in most of the additional revenue. Still, the stock was down this morning by 5.39% to $107.53 from yesterday's close of $113.66.

The fall in price represents a significant buying opportunity for Canadian savers. Your Tax-Free Savings Account and Registered Retirement Savings Plan will thank you 20 years from now if you invest in the TMX Group today. Not only has the stock brought in a nearly 1,000% return over the past 18 years, but it is also a monopoly institution with enough market power to keep it alive as long as Canada remains a sovereign state.

Even better, TMX Group gives shareholders a dependable $0.66-per-share dividend, or a 2.31% annual dividend yield, at the current market price.

If you can't beat them, join them

Artificial intelligence impacts your portfolio in more ways than you likely understand. Artificial intelligence and machine learning algorithms are likely behind much of the trading activity on the Toronto Stock Exchange.

This impacts your retirement in two ways: high-frequency trading and spoofing. These trading activities on the stock exchange are just another reminder of why long-term, value investing is the key to financial freedom.

Everyday Canadian investors should understand how high-frequency trading impacts their retirement portfolio and why long-term investing is the only way to beat the artificial intelligence underneath the market.

High-frequency trading creates an unbeatable market

The rise of algorithmic trading created established rules for buying and selling stocks and bonds. The problem is that you don’t know the rules — only the investment banks understand how the algorithm is set up to trade. This creates a problem for investors like you or me who want to grow our wealth.

Even if you think you might be able to guess how the algorithm makes decisions, you might still be walking into a trap; the exchange might be prepared to predict how other investors may perceive their algorithms to work. The only way to avoid short-term algorithmic trading moves is to invest for the long term.

These trading algorithms work so quickly that they can make decisions and execute trades in a matter of fractions of a millisecond. If you haven’t read the book *Flash Boys* by Michael Lewis, you might want to pick it up and learn more about how high-frequency trading has caused even professional traders at large banks like the **Royal Bank of Canada** significant headaches.

Traders are sending false buy and sell orders

A concept known as “spoofing” among traders defines bid and ask requests which are deceptive and meant to manipulate the market. Smart investors who understand the formula for these algorithms may be able to submit manipulative bids to beat the code inside the black box of the exchange. Likewise, retail investors or the system itself could be written to manipulate market prices intentionally.

Although these types of trade are illegal, finance is a competitive business. Every trade submission is essentially a part of a negotiation process between you and another unknown party. Thus, a strategy is involved in every click of your mouse when you trade on the stock exchange, giving even large investment firms an incentive to break the rules.

No one can successfully negotiate with an algorithm without spoofing the market. The algorithm is set up to beat you in the negotiation process, and it will win every time. The only way average investors can succeed in stock market negotiations is through long-term investing. And, if you can’t beat them — join them by purchasing shares directly in the stock exchange.

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