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LLM-era Trading: Volatility and Accelerated Alpha Decay

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LLM-era trading

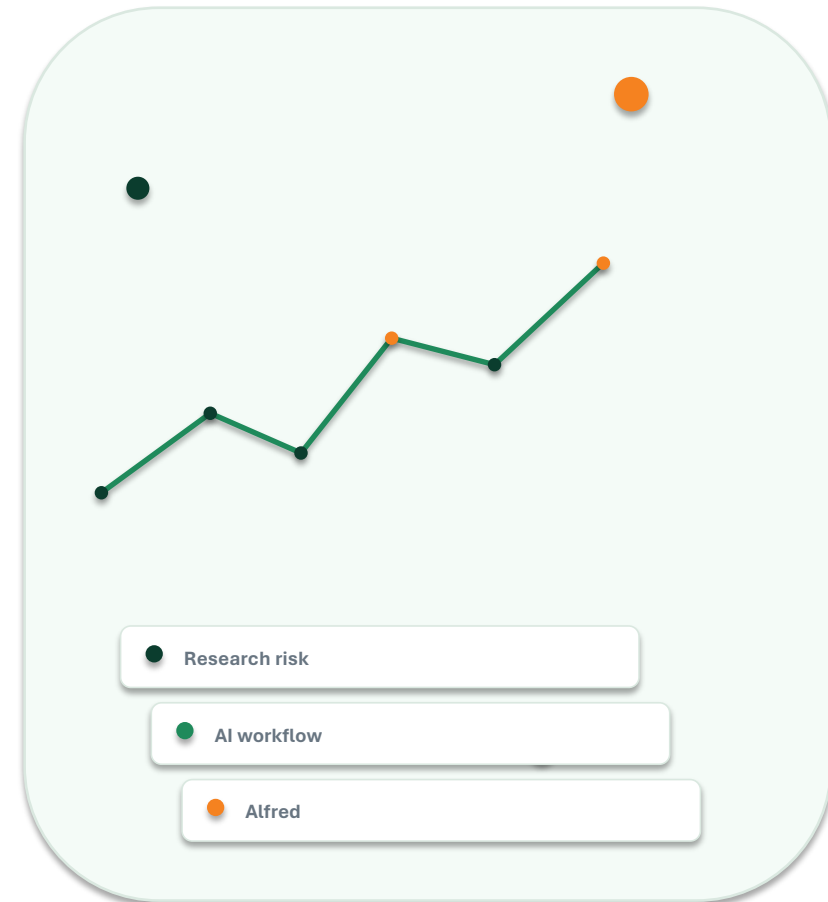
Volatility & alpha decay

A simple operating model for using AI in research without letting it turn your process into the crowd.

Research risk

AI workflow

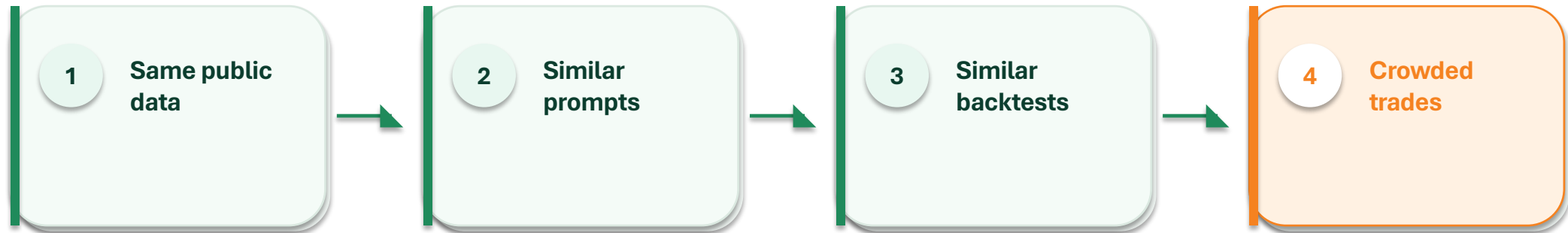
Alfred



Webinar deck

LLMs make research faster. They can also make research more similar.

Quoting same sources leads to similar suggestions



The risk is: many people use AI to discover and trade the same copyable edge at the same time

Source: IBKR Quant, "LLMs and the Shortening Shelf Life of Copyable Alpha," April 2026.

And this already happens at scale

Investing.com March 2026 poll

Investing.com

AI Tools Used by Retail Investors

53.5% use AI chatbots (such as ChatGPT) for investing research

53.5%



use AI chatbots
(e.g. ChatGPT)

30.6%



use AI research or
stock screening tools

6.4%



use AI portfolio
management tools

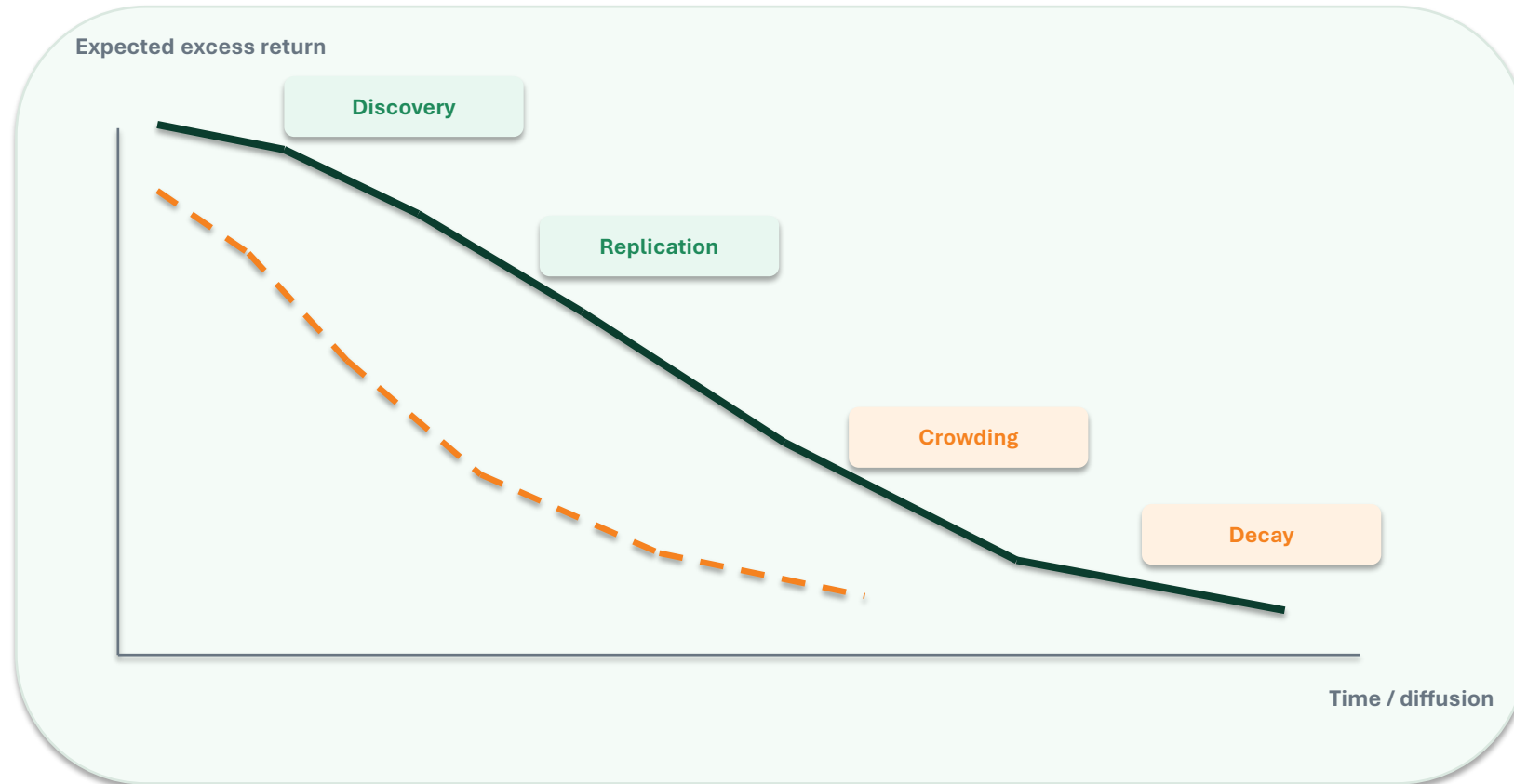
4.5%



use automated
trading algorithms

Strategies stop delivering

Copyable alpha becomes perishable when discovery and replication get cheap.

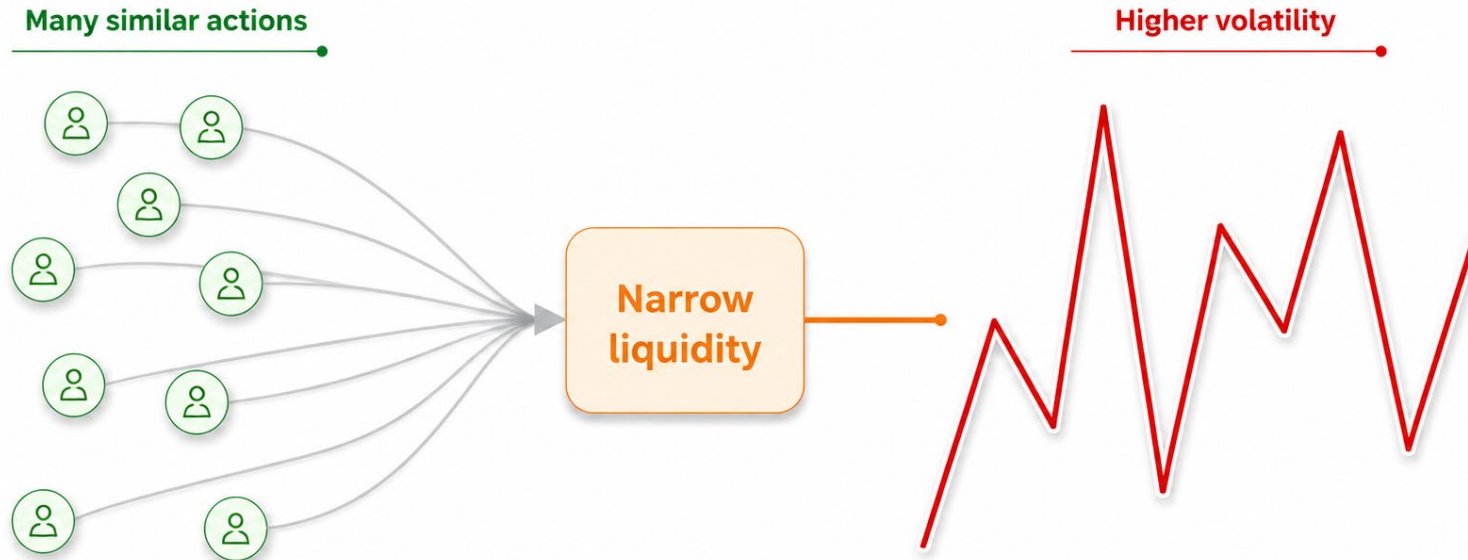


The LLM effect:

**the whole curve
can compress.**

Research shows: volatility is a risk

Overcrowding creates a fragile exit problem.



More participants can enter from the same research signal. The volatility event happens when they all need the exit.

What LLMs can — and cannot — do

Use LLMs where ambiguity is high. Keep deterministic controls outside the model.

LLMs are good at

- Read filings, docs, notes, and papers
- Search and compare evidence
- Interpret charts and backtests
- Draft hypotheses and variants
- Explain assumptions in plain English

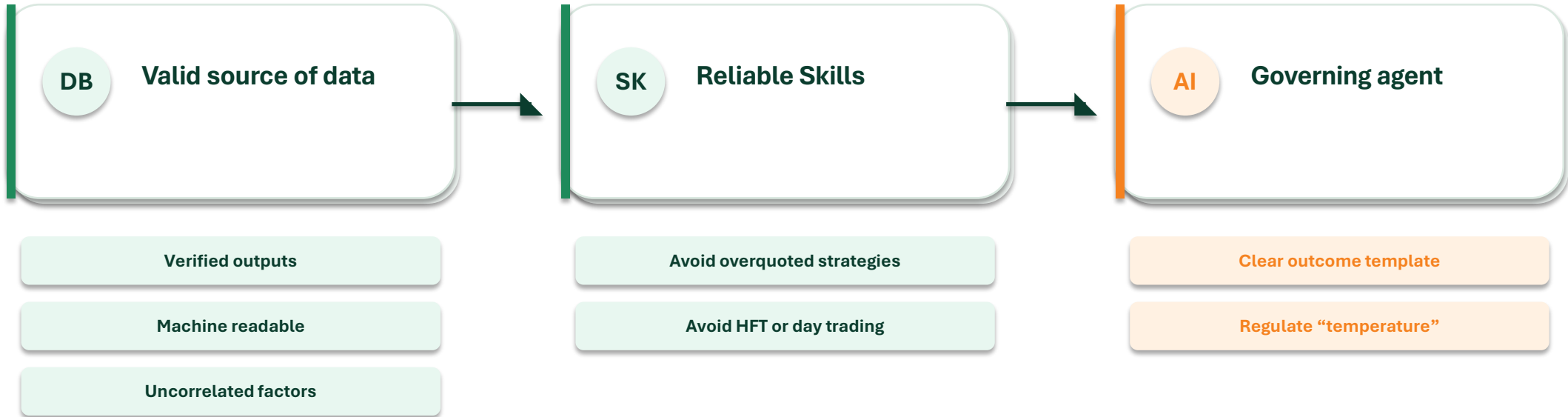
LLMs are not good at

- Guarantee truth or returns
- Run deterministic risk controls
- Replace broker/order safeguards
- Maintain cheap data pipelines alone
- Validate data it cannot inspect

Rule of thumb: LLM for thinking support. Code, data and risk systems for execution.

How to arrange the research process

Separate retrieval, analysis and governance.



The governing agent summarizes agreements, disagreements, and confidence for high-confluence decisions.

Step 1: inputs are key

Top 5 free sources

1 Fundamentals



2 Technical analysis

ALPHA VANTAGE

3 News and Sentiment

yahoo!finance

4 Macro



5 Strategies and frameworks

SSRN

This reduces hallucination because the AI is constrained by inspected evidence.

Step 2: Make AI follow skills

Reusable instructions beat one-off prompts – available online

SK

Skill file

Skill = the house style of reasoning.

Financial ratios

Help understand earnings effects on longer-term fundamentals and explain the risks

Macro effect on the markets

Economy and liquidity trends

Technical analysis

Trend, regime, indicators

Risk rules

Position sizing, trade planning

Factors explanations

Derive fundamental forces from news

Final output template

Make the answer easy to audit and act on.

Cover

- Thesis
- Evidence used
- Entry / exit levels
- Scenarios
- Risks and invalidation

Return

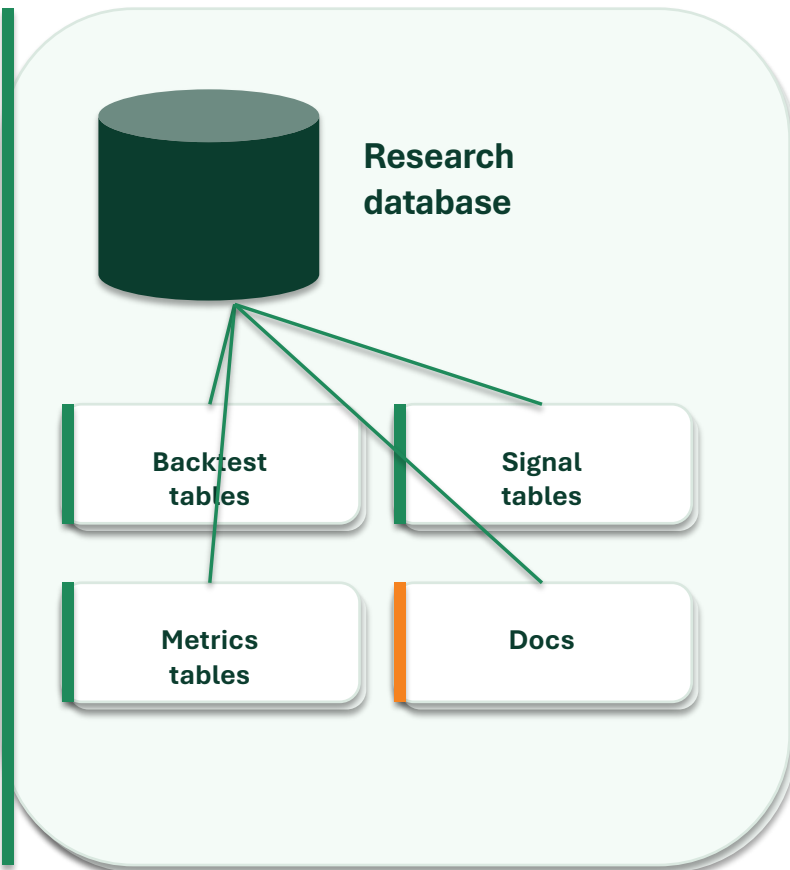
- Short summary
- Table of levels
- Source list
- Confidence rating
- “Do not trade if...” caveat

A consistent template helps you build execution discipline and increase clarity

How we did it: database access

Give the assistant controlled access to structured research assets.

NB! Our AI Assistant is not allowed to use external information



| AZ | ticker | AZ | shortname | AZ | side | 123 | window_days | 128 | 123 | bounce_magnitude_pct |
|----|--------|----|---------------------|----|---------|-----|-------------|-----|-----|----------------------|
| | AAPL | | opt_dex_rr_total | | Support | | 14 | | 1 | 10.6259058313 |
| | AAPL | | opt_dex_wa_total_30 | | Support | | 7 | | 1 | 6.7725579673 |

```

vs_ai
├── Tables
│   ├── 005_levels_column_descriptions
│   ├── 005_levels_docs
│   ├── 005_levels_metrics
│   ├── 005_levels_tests_summary
│   └── 005_selected_levels
  
```

The assistant answers from the data layer. That's why we called it Alfred, the Quant Librarian

Source: Visual Sector playbook: free S/R data, AI assistant and entry/exit planning wedge.

AI assistant: Alfred

A research copilot for planning trades — not an execution engine.

Alfred, the Quant Librarian

Where is the resistance level now?

| Level Price | Direction | Probability | Pc |
|-------------|------------|-------------|-----|
| 738.51 | Resistance | 0.81 | 3.7 |
| 744.06 | Resistance | 0.80 | 3.4 |
| 734.46 | Resistance | 0.70 | 3.4 |

Top resistance at \$738.51 shows highest historical win rate (81%) for holds on SPY over days. Current price \$723.77 is below; for short, consider stop 0.5-1 ATR (~\$6-12) above this level to avoid whipsaws while preserving capital; nearest major overhead ~1.9 ATR away.



Free Support and Resistance levels data

Entry / exit points

Stop-loss placement

Confluence levels

Breakout + reversal trades

Best use: generate a trade plan, expose assumptions, show invalidation, and keep the human in control.

Source: Visual Sector playbook: free AI assistant for entry, exit, stop placement, and clearer probabilities.

Use AI to move faster.

Try Alfred and S/R levels chart (it's free)



1

Backtested entry/exit levels

2

Clear breakout and stop-loss prices

3

Gamma and Delta levels – free forever