

Understanding the unpredictability of financial markets

Financial markets can exhibit complex, seemingly “unpredictable” behaviour. We address the question of how this arises by surveying recent work on agent-based modelling, where simple models of financial markets give rise to complex behaviour. In these models, the complexity arises from having a diverse pool of simple agents, rather than from the complexity of the agents themselves. We discuss the potential of agent-based modelling techniques to help to predict financial crises.

Keywords:

- 1 financial markets
- 2 agent-based modelling
- 3 stock market crash
- 4 network effects
- 5 prediction and forecasting