MATH 4070 R Session 6: Stationary Processes

Whitney

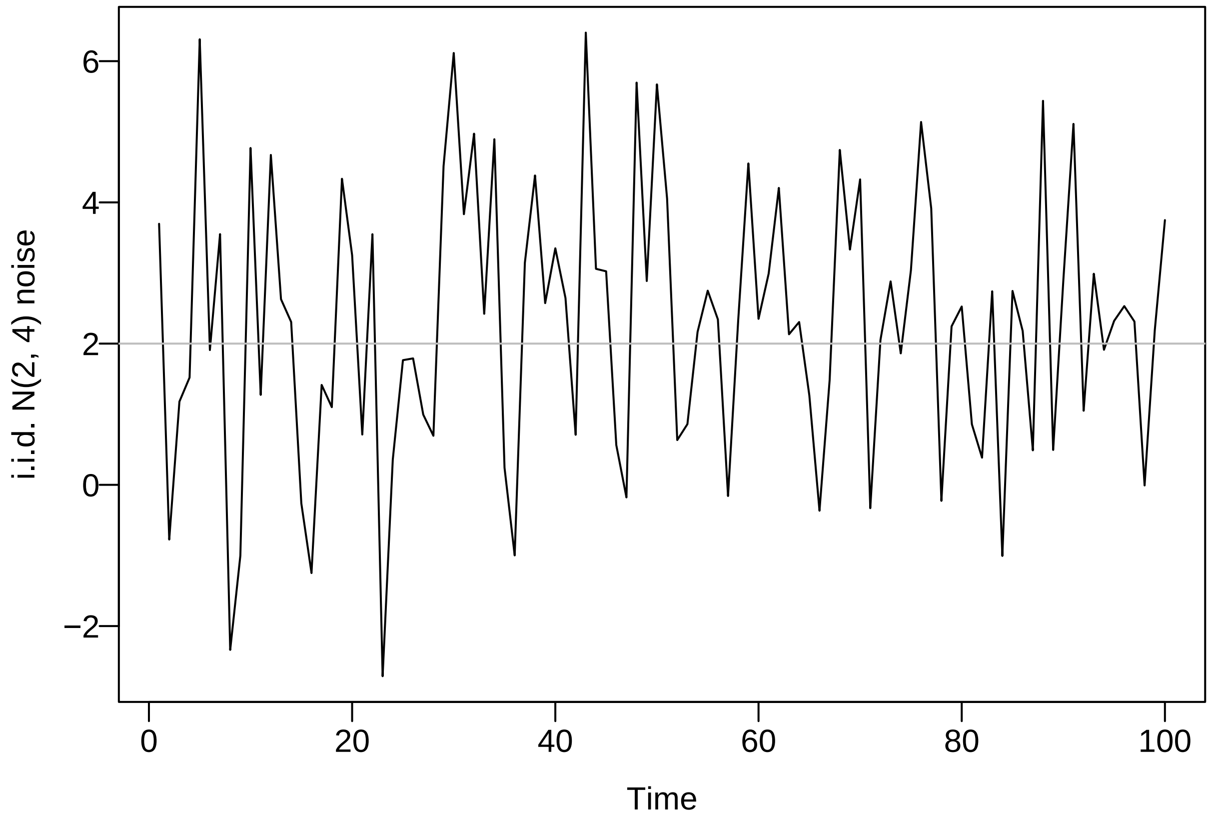
Contents

Examples realizations of white noise processes

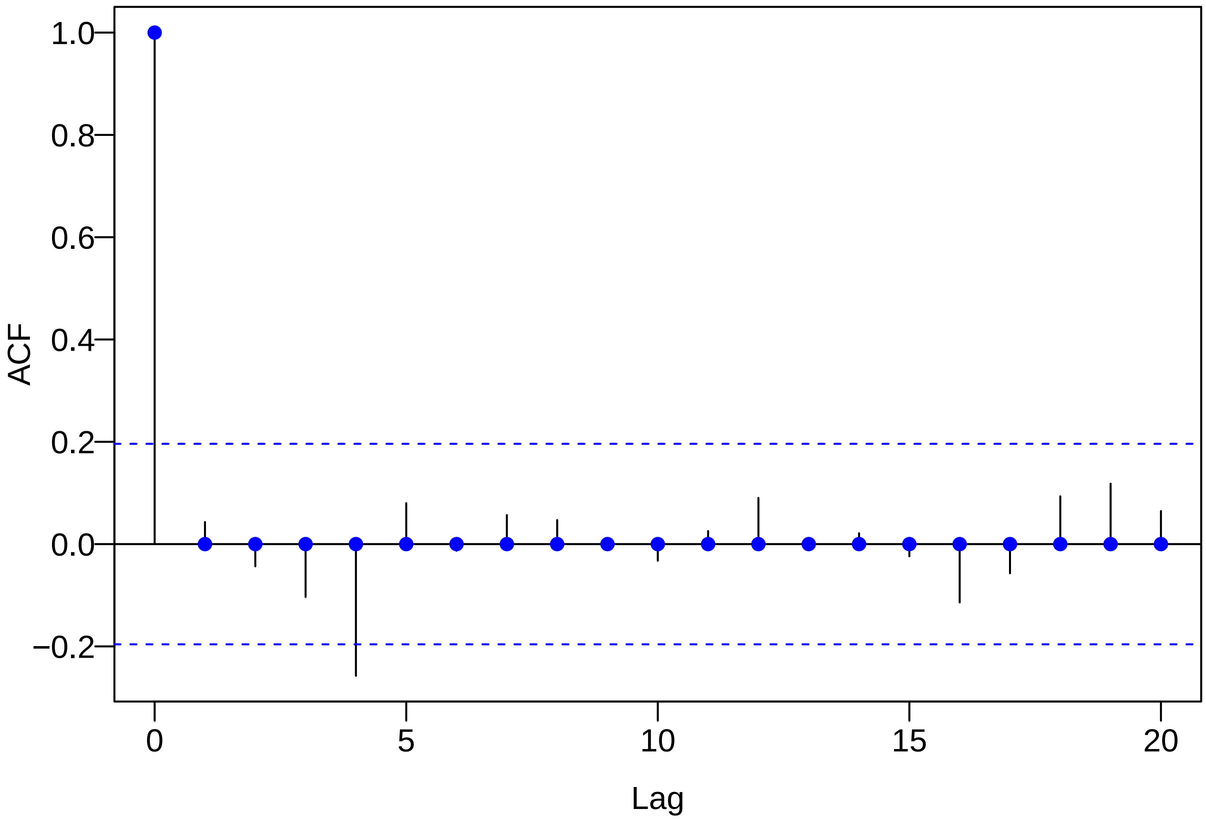
If Z_t is a *white noise* process, then its mean and variance are constants and uncorrelated in time

Note: here we do not require the sequence follow the same distribution.

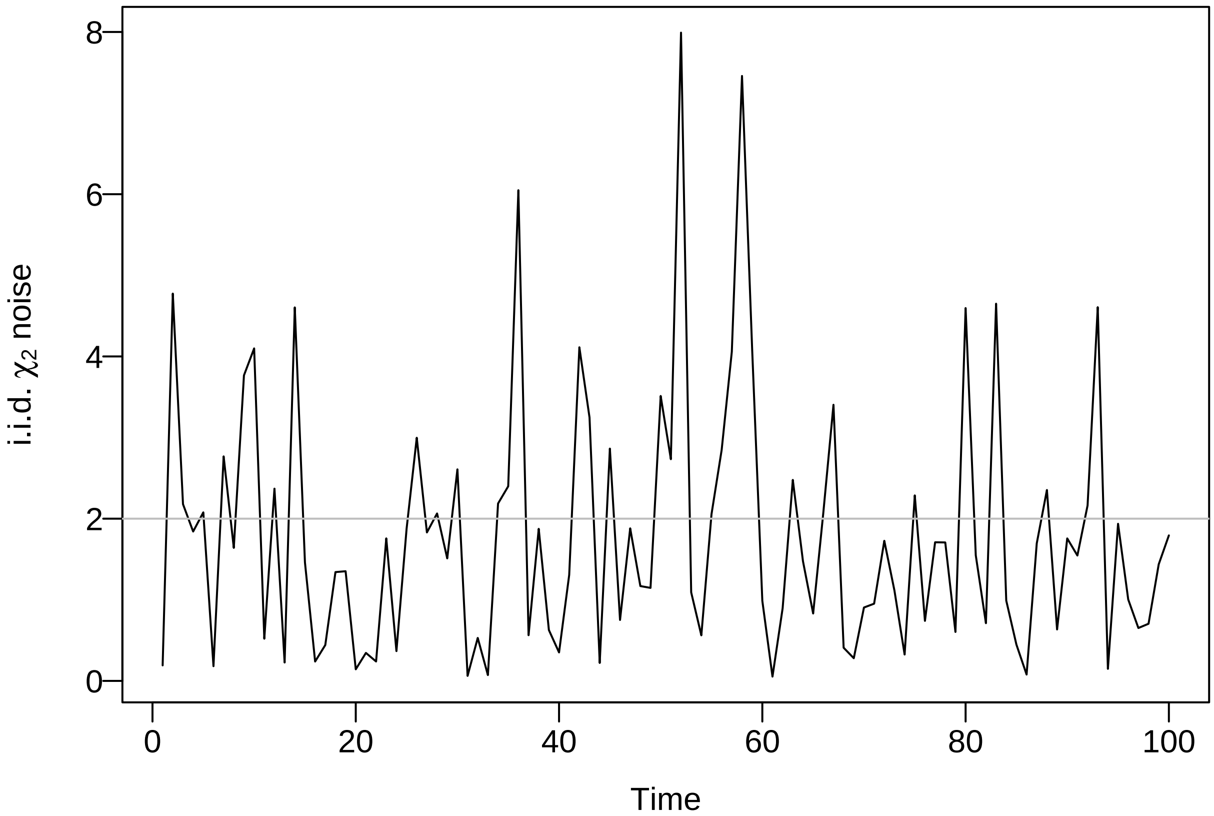
```
T = 100
t <- 1:T
WN1 <- rnorm(n = T, mean = 2, sd = 2)

par(las = 1, mgp = c(2, 0.5, 0), mar = c(3.6, 3.6, 0.8, 0.6))
plot(t, WN1, type = "l", xlab = "Time", ylab = "i.i.d. N(2, 4) noise")
abline(h = 2, col = "gray")
```



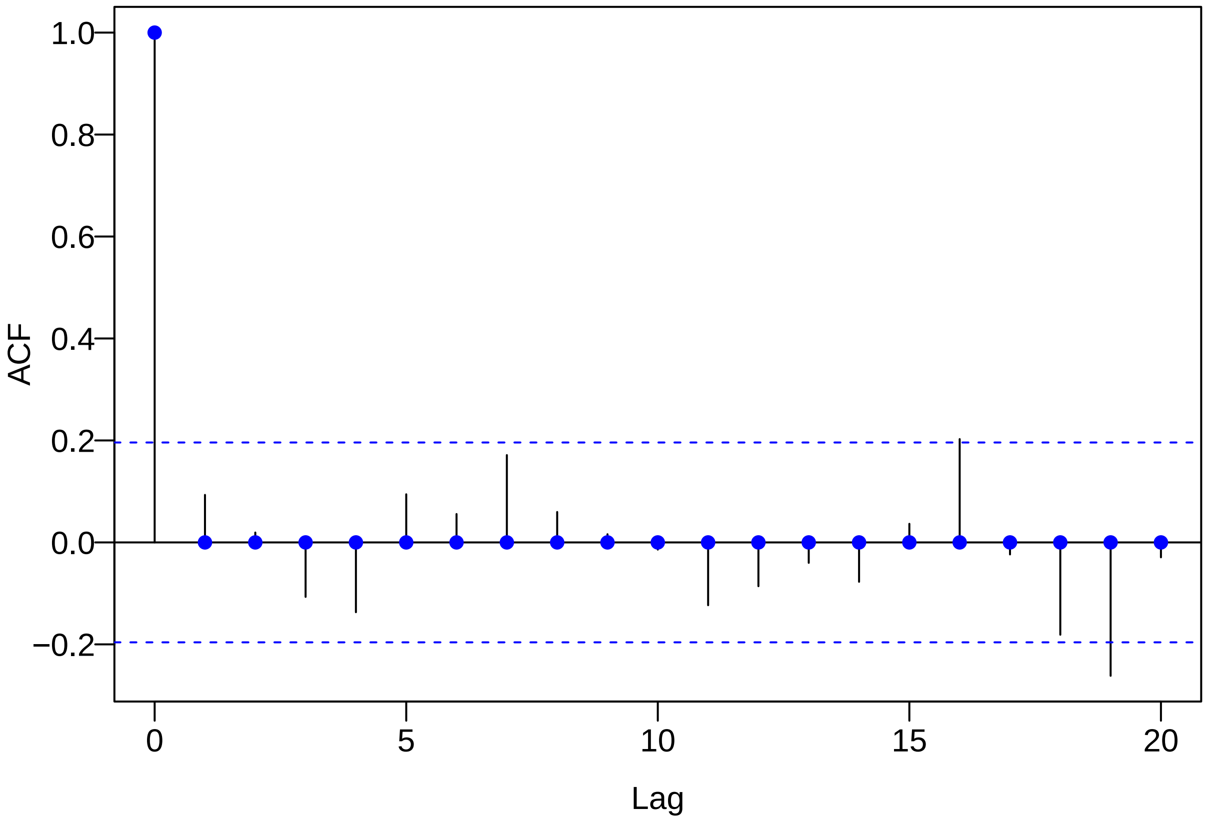

```
acf(WN1)
points(0:20, c(1, rep(0, 20)), pch = 16, col = "blue")
```



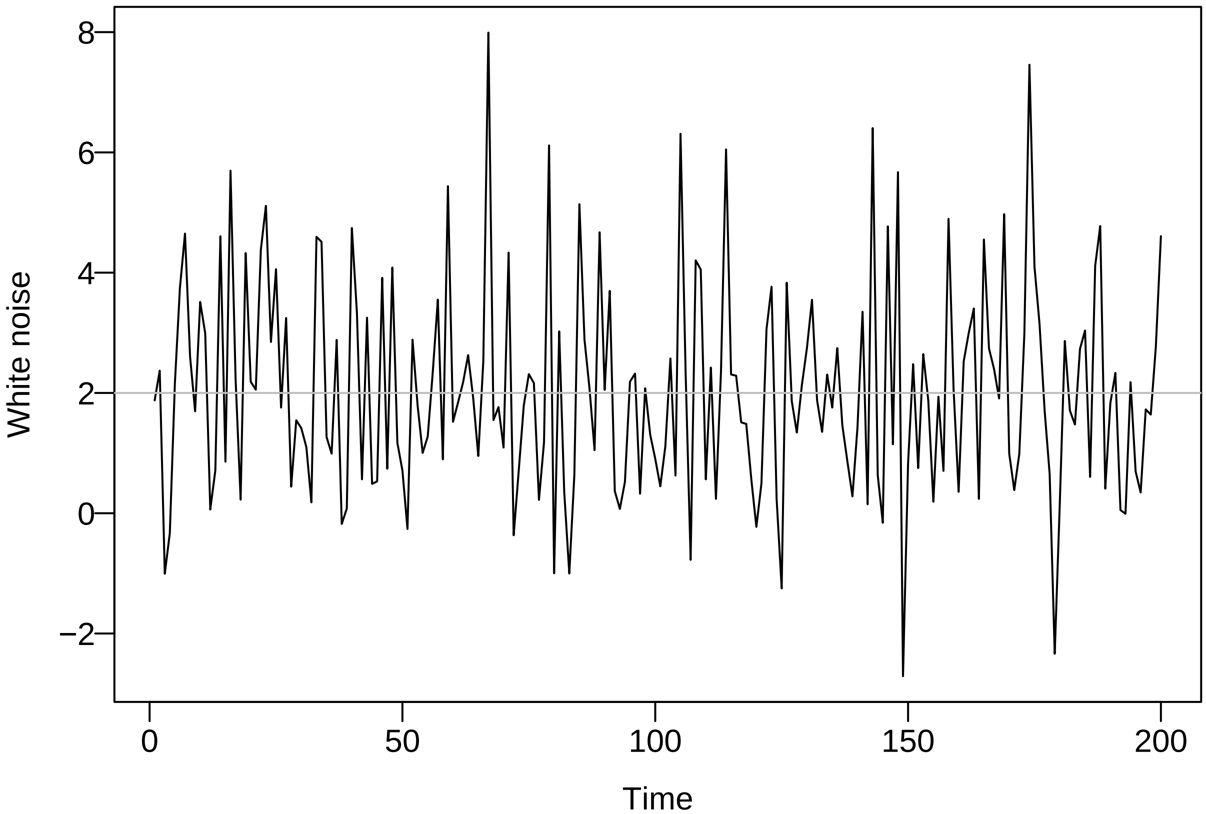

```
WN2 <- rchisq(n = T, df = 2)

plot(t, WN2, type = "l", xlab = "Time", ylab = expression(paste("i.i.d. ", chi[2], " noise")))
abline(h = 2, col = "gray")
```



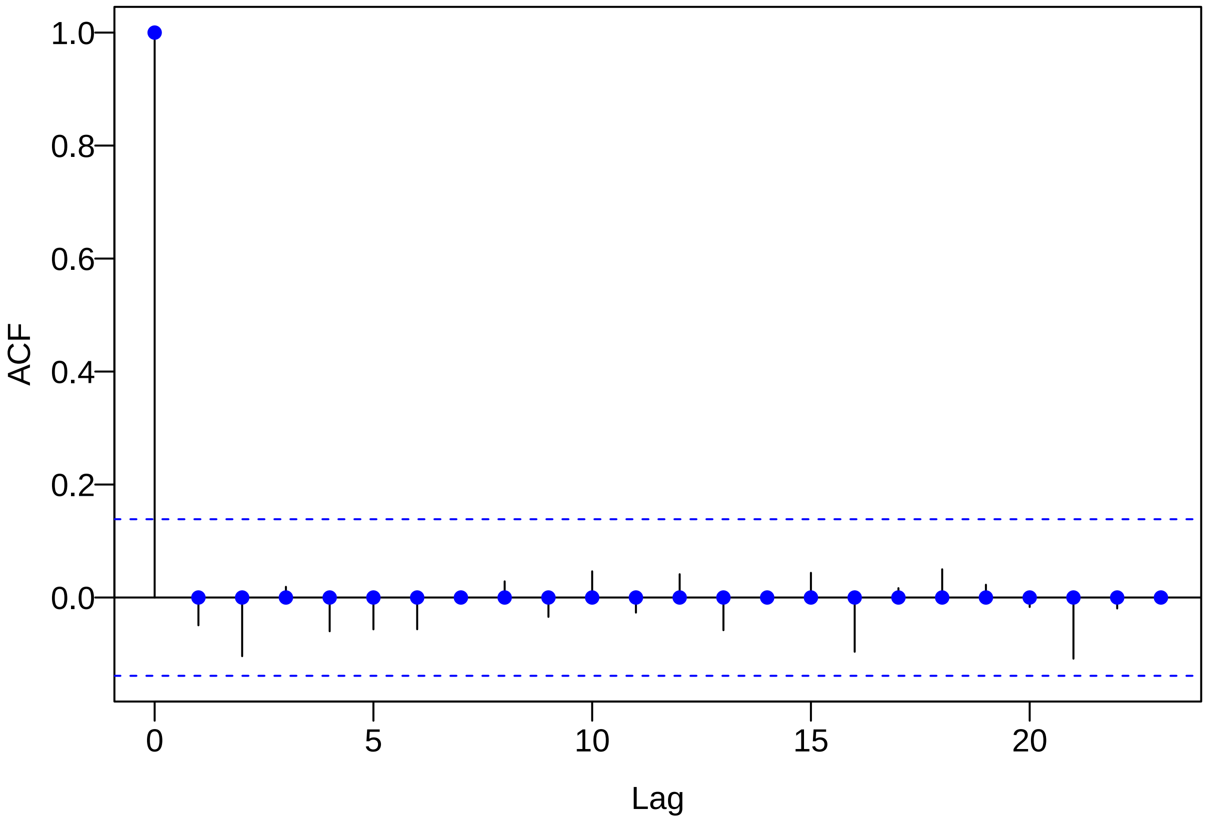

```
acf(WN2)
points(0:20, c(1, rep(0, 20)), pch = 16, col = "blue")
```




```
WN3 <- c(WN1, WN2)[sample(1:200)]
plot(1:200, WN3, type = "l", xlab = "Time", ylab = expression(paste("White noise")))
abline(h = 2, col = "gray")
```




```
acf(WN3)
points(0:23, c(1, rep(0, 23)), pch = 16, col = "blue")
```

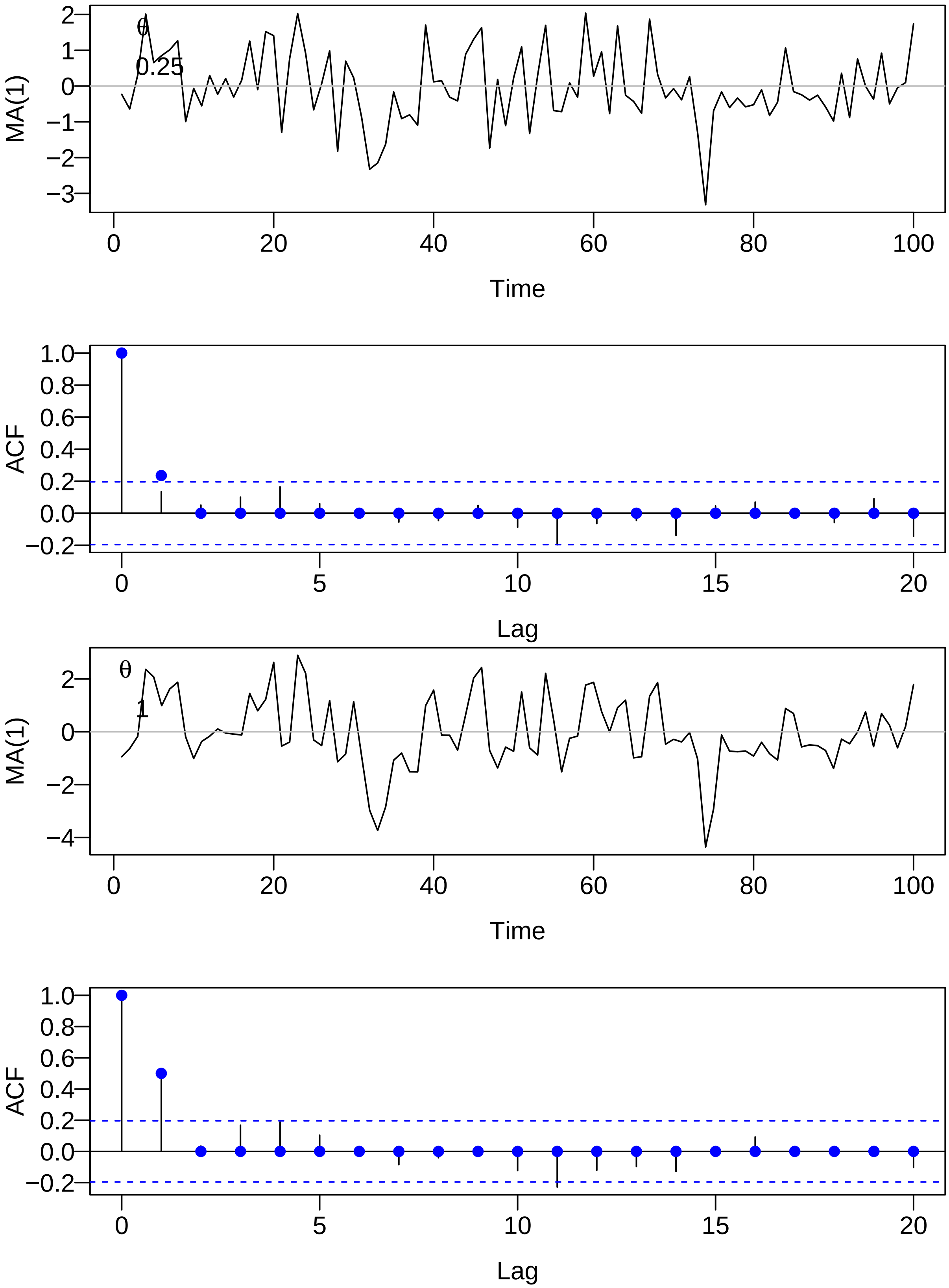


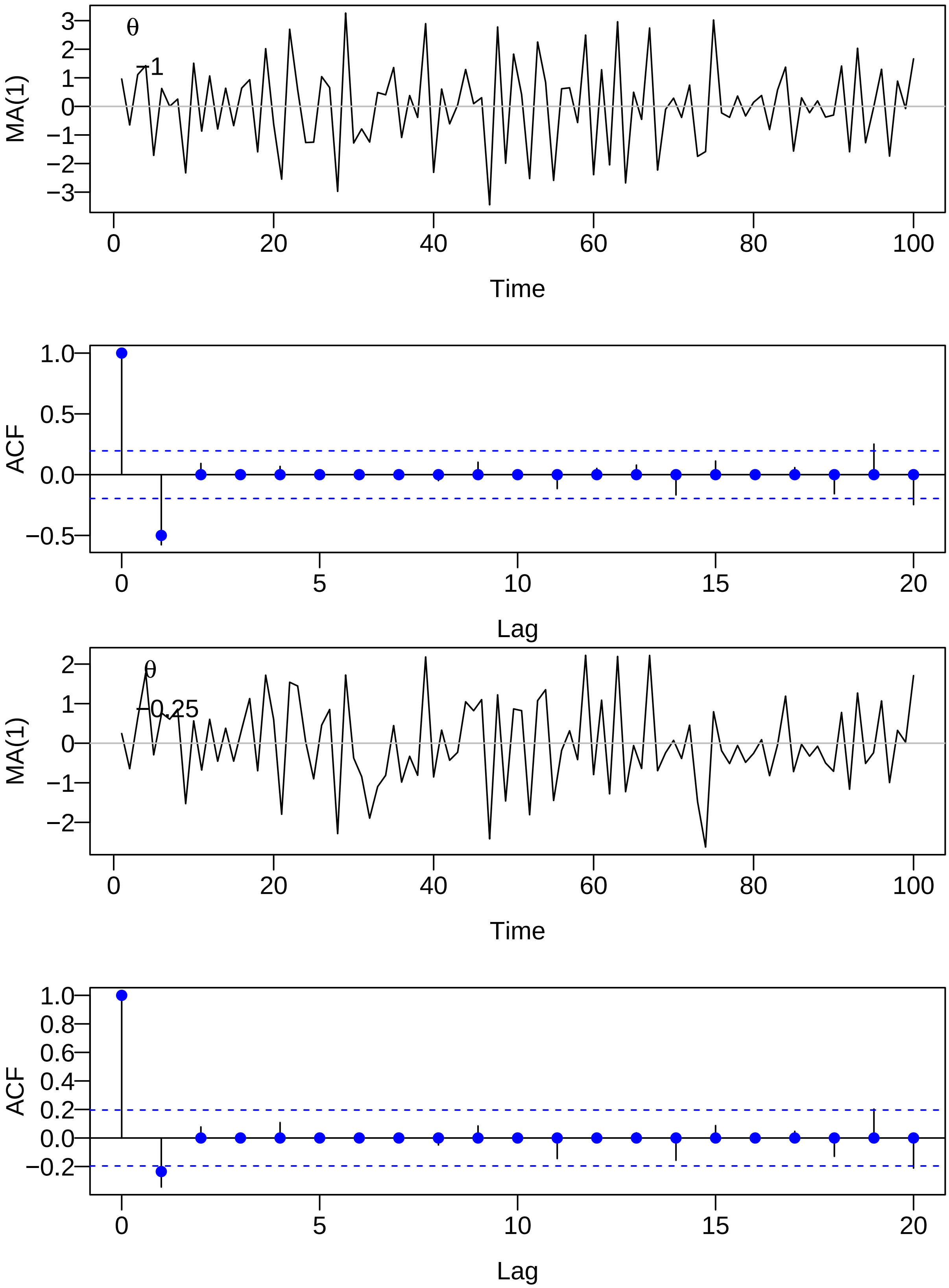
MA(1) processes

$$\eta_t = Z_t + \theta Z_{t-1},$$

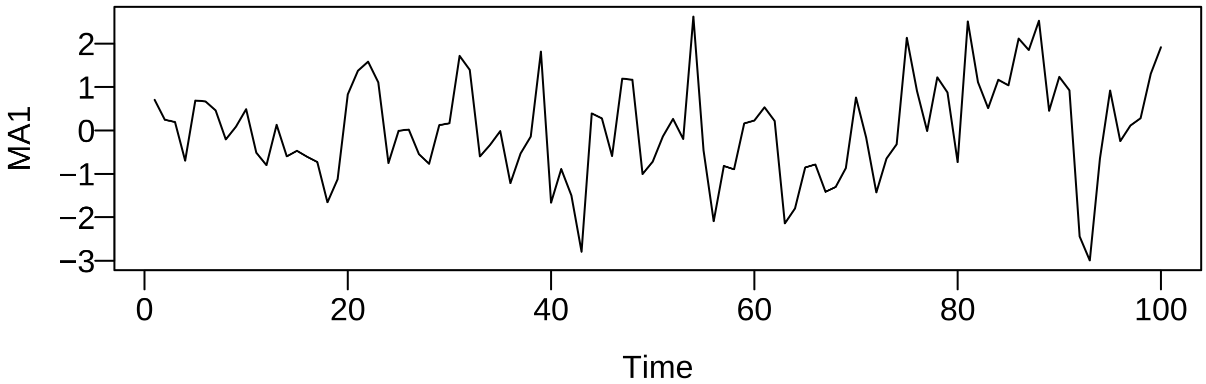
where $Z \sim \mathrm{WN}(0, \sigma^2)$.

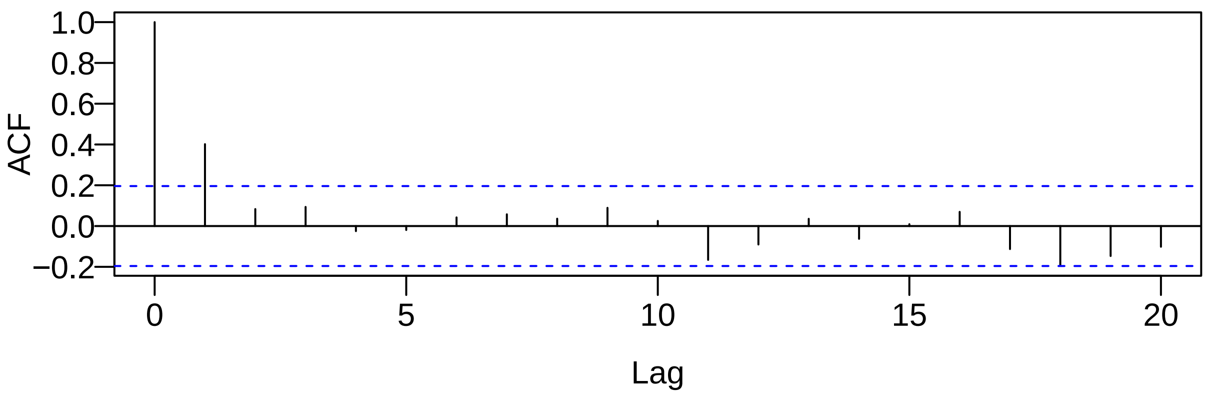
```
T = 100
t <- 1:T
z <- rnorm(110)
theta <- c(0.25, 1, -1, -0.25)

par(las = 1, mgp = c(2, 0.5, 0), mar = c(3.6, 3.6, 0.8, 0.6), mfrow = c(2, 1))
for (i in 1:4){
  MA1 <- filter(z, sides = 1, c(1, theta[i]))[-(1:10)]
  plot(t, MA1, type = "l", xlab = "Time", ylab = "MA(1)")
  abline(h = 0, col = "gray")
  legend("topleft", legend = theta[i], title = expression(theta),
         bty = "n")
  acf(MA1)
  points(0:20, c(1, theta[i] / (1 + theta[i]^2), rep(0, 19)),
         pch = 16, col = "blue")
}
```


θ
0.25
MA(1)
Time
ACF
Lag
θ
1
MA(1)
Time
ACF
Lag


θ
−1
MA(1)
Time
ACF
Lag
θ
−0.25
MA(1)
Time
ACF
Lag

```r
##another way to simulate MA(1)
MA1 <- arima.sim(n = 100, list(ma = c(0.5)))
plot(MA1)
acf(MA1)
```



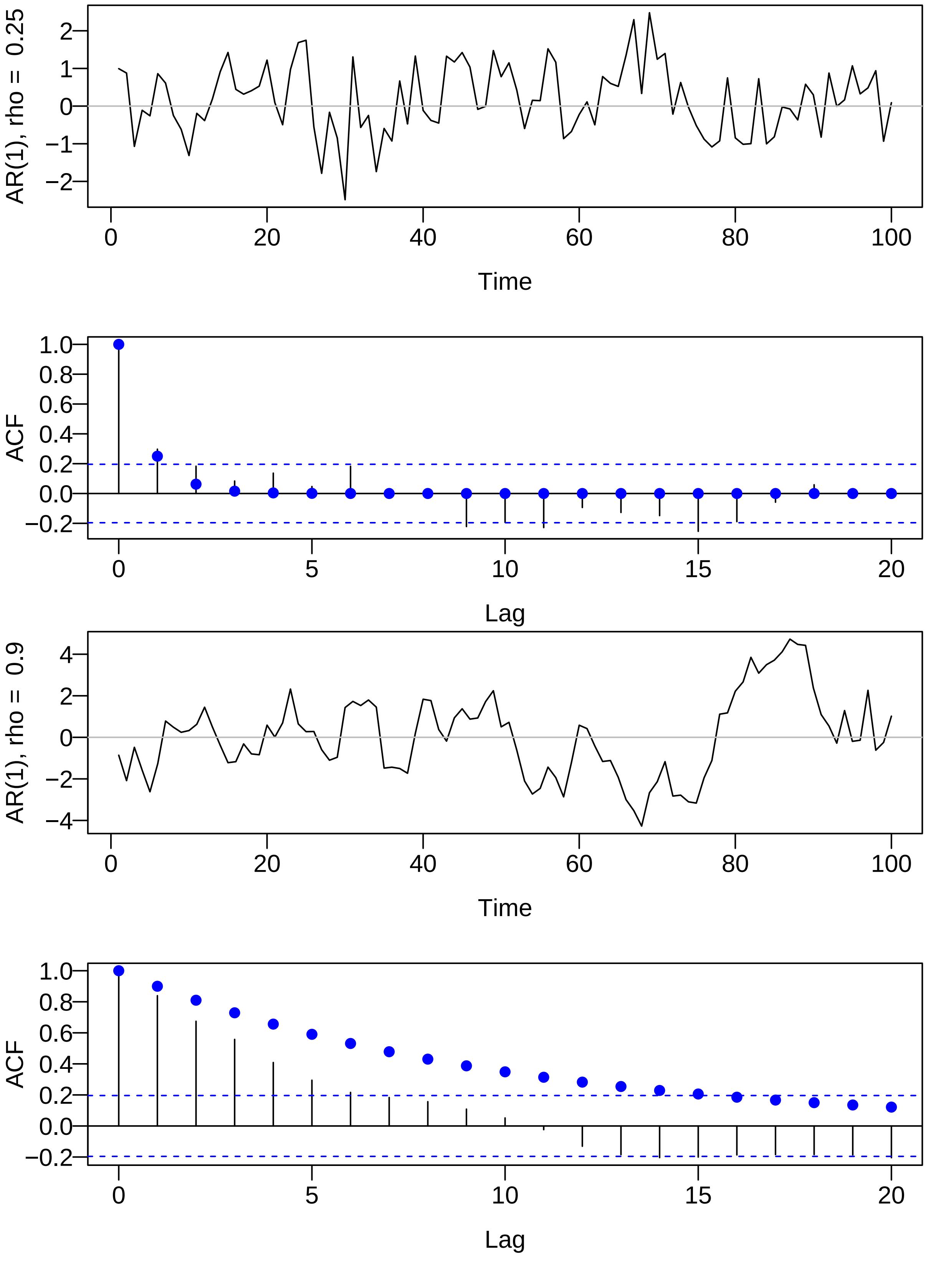


AR(1) processes

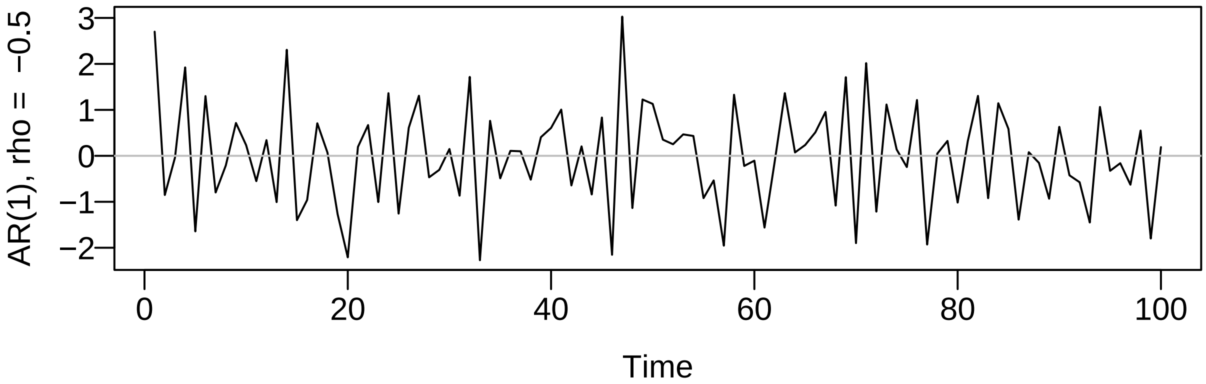
$$\eta_t = \phi\eta_{t-1} + Z_t,$$

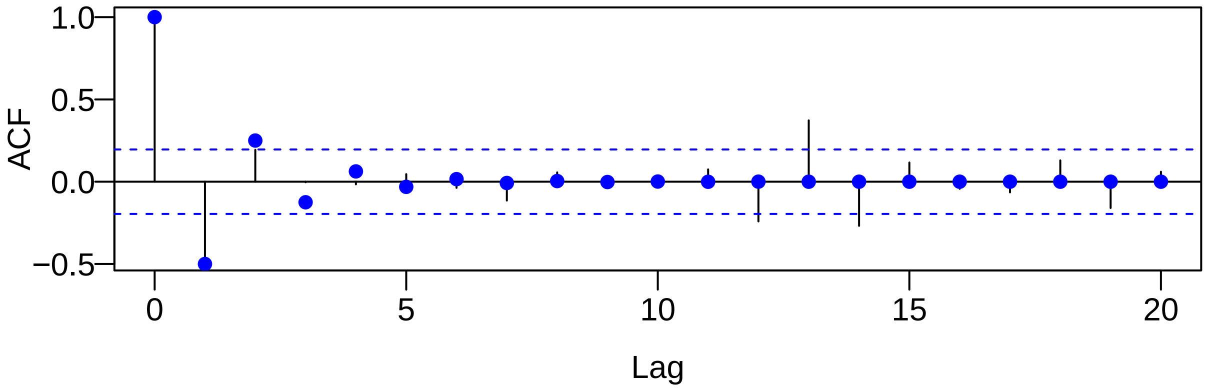
where $|\rho| < 1$ is a constant and η_s and Z_t are uncorrelated for all $s < t \Rightarrow$ future noise is uncorrelated with the current value.

```r
phi <- c(0.25, 0.9, -0.5)

par(las = 1, mgp = c(2, 0.5, 0), mar = c(3.6, 3.6, 0.8, 0.6), mfrow = c(2, 1))
for (i in 1:3){
  AR1 <- arima.sim(n = 100, list(ar = c(phi[i])))
  plot(t, AR1, type = "l", xlab = "Time",
       ylab = paste("AR(1), rho = ", phi[i]))
  abline(h = 0, col = "gray")
  acf(AR1)
  points(0:20, phi[i]^(0:20), pch = 16, col = "blue")
}
```



AR(1), rho = 0.25
Time
ACF
Lag
AR(1), rho = 0.9
Time
ACF
Lag

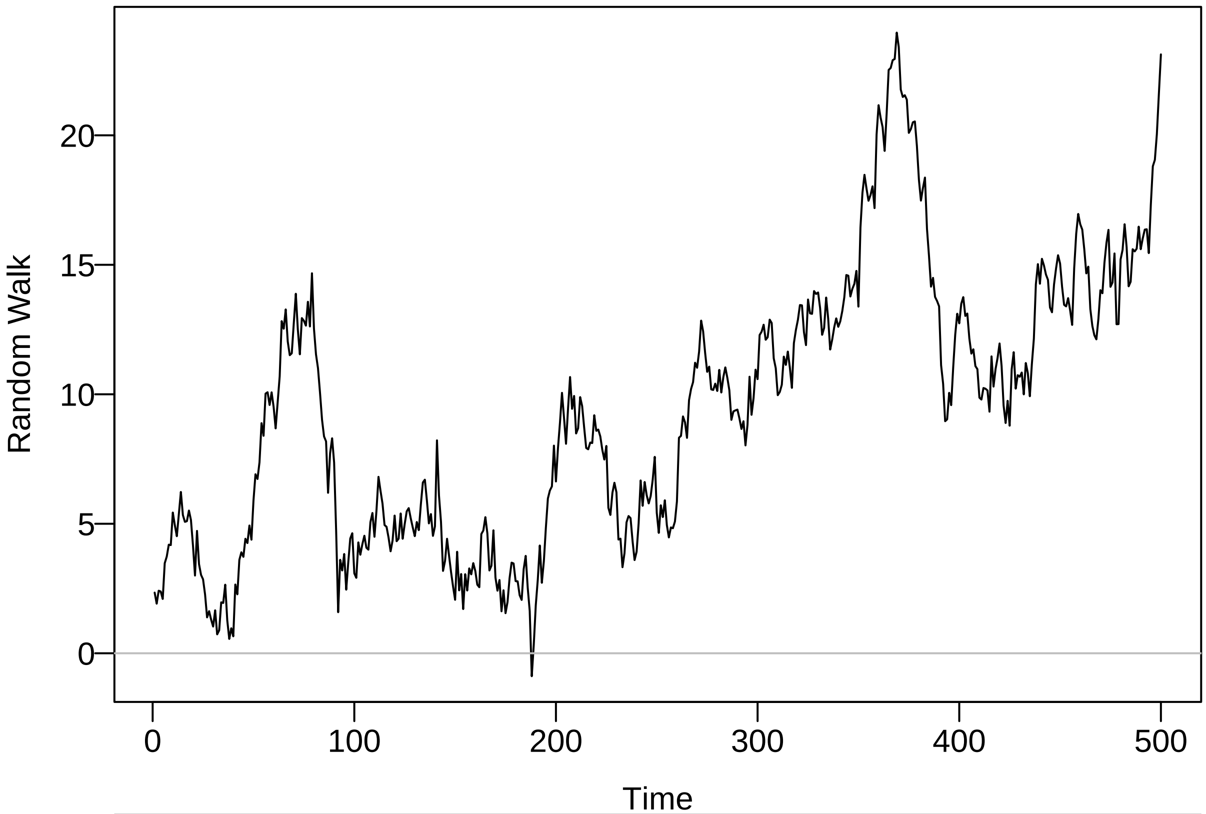


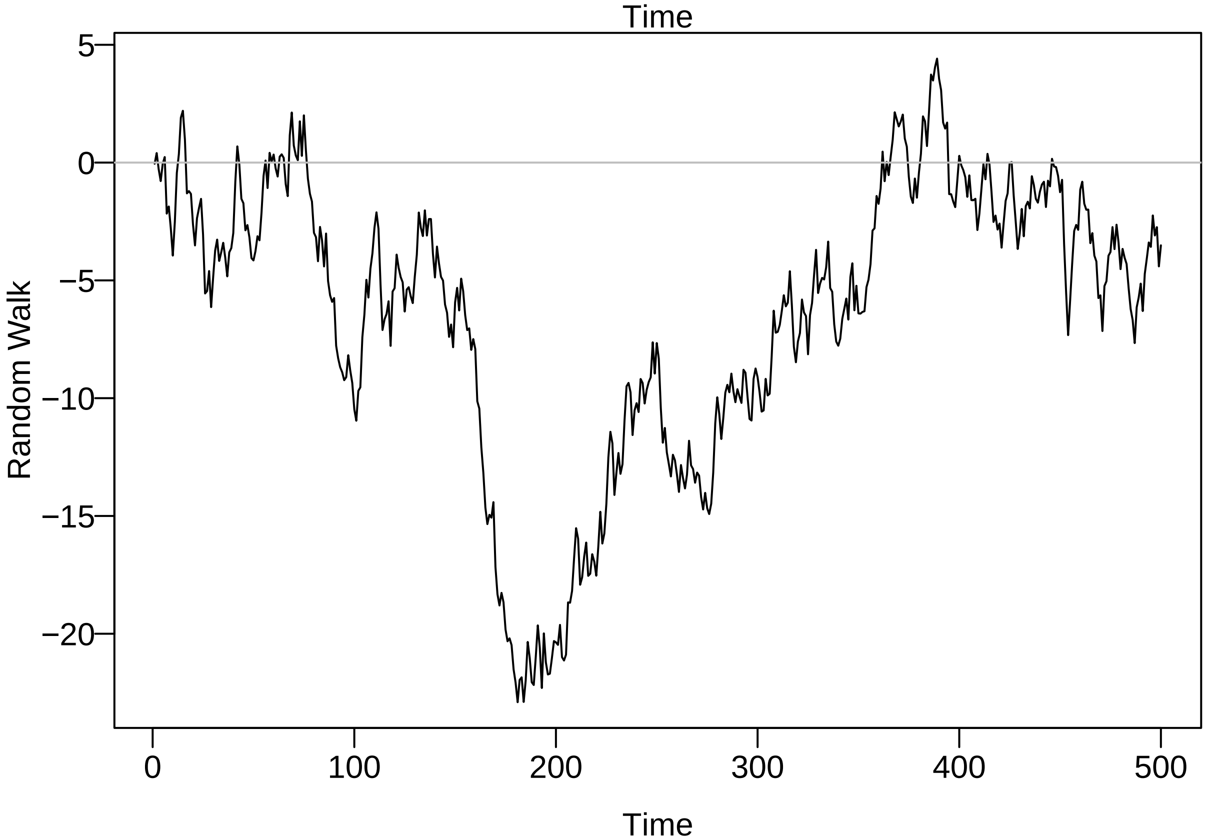


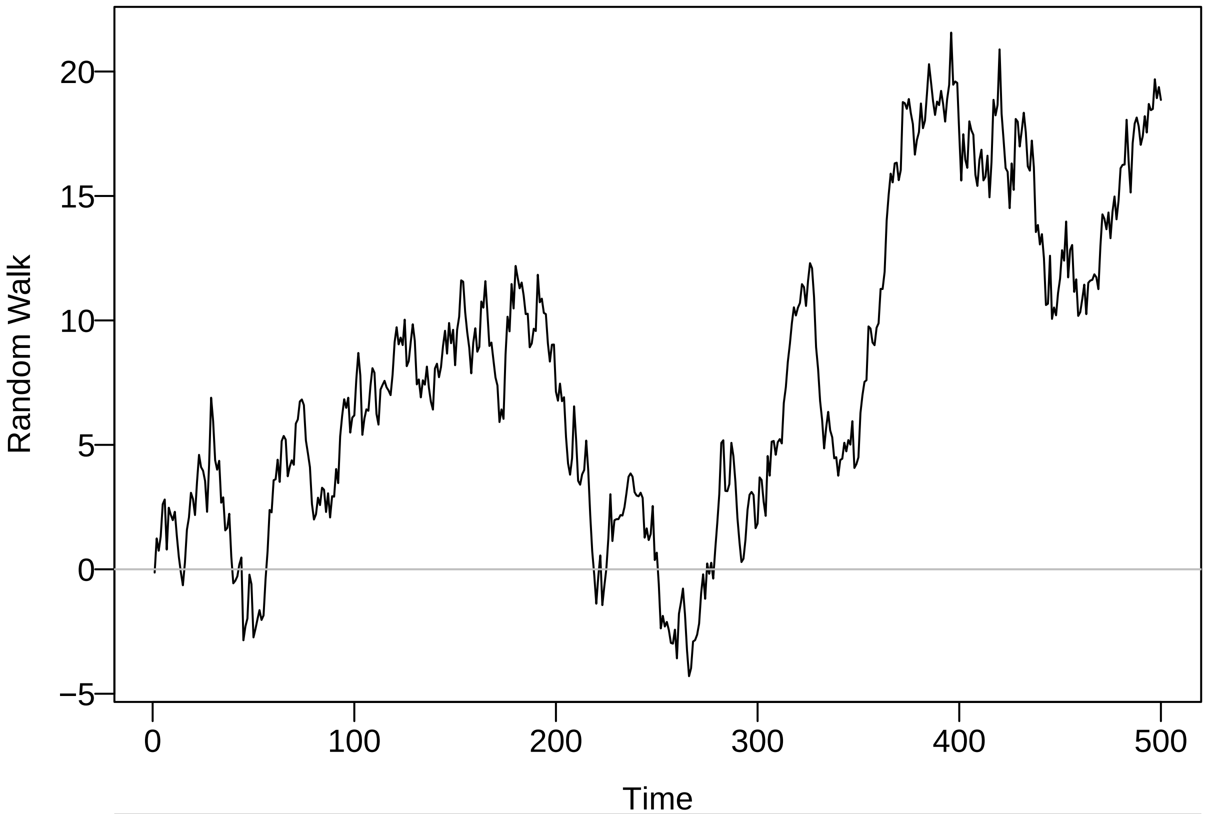
Random walk

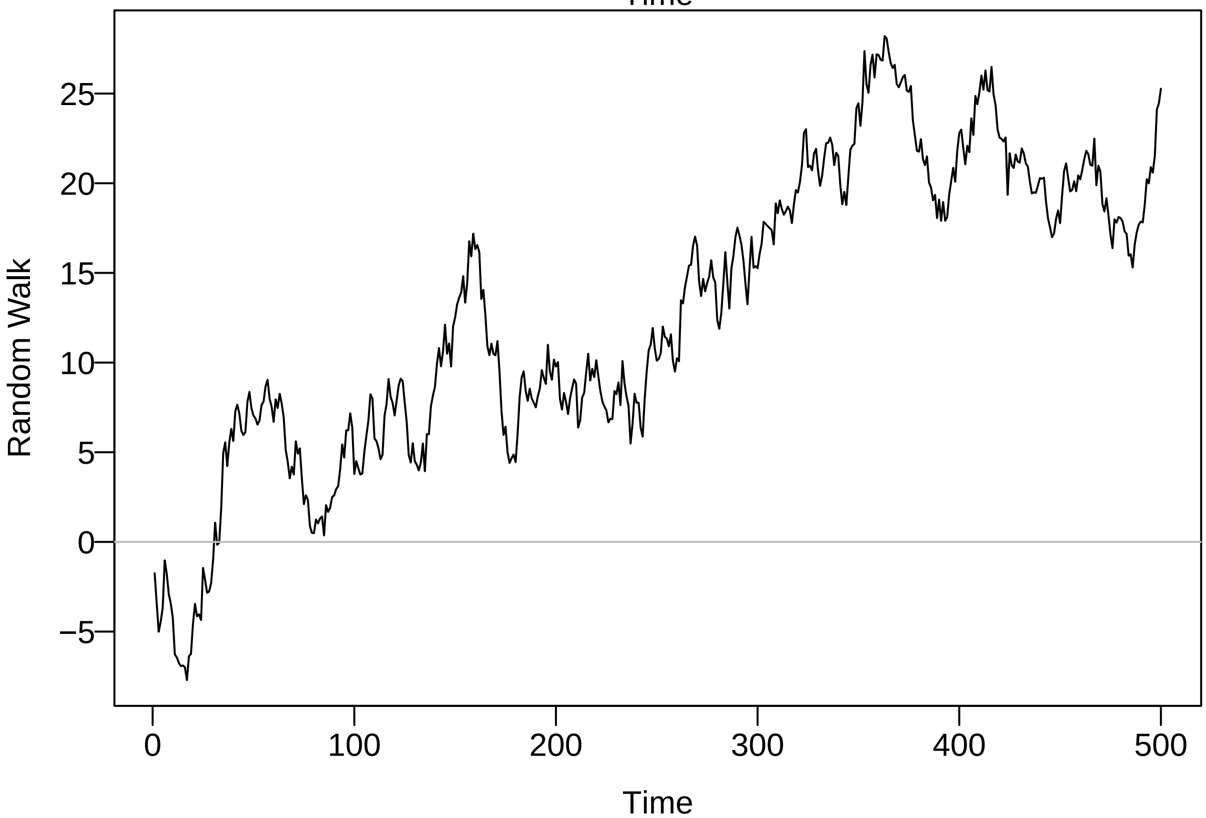
$$\eta_t = \sum_{s=1}^{t} Z_s.$$

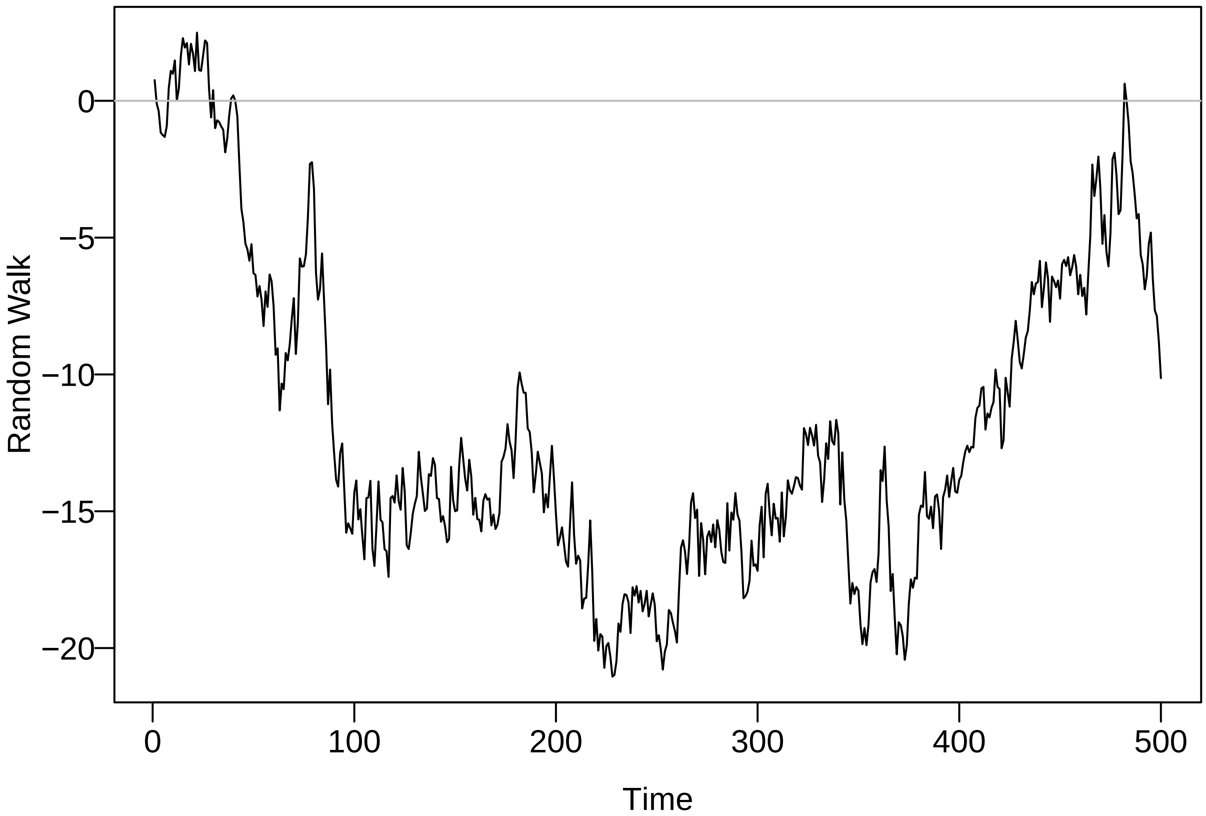
```r
par(las = 1, mgp = c(2, 0.5, 0), mar = c(3.6, 3.6, 0.8, 0.6))
for (i in 1:5){
  z <- rnorm(500)
  plot(1:500, cumsum(z), type = "l", xlab = "Time",
       ylab = "Random Walk")
  abline(h = 0, col = "gray")
}
```


Random Walk
0
5
10
15
20
0
100
200
300
400
500
Time


Random Walk
5
0
−5
−10
−15
−20
0
100
200
300
400
500
Time


Random Walk
20
15
10
5
0
−5
0
100
200
300
400
500
Time

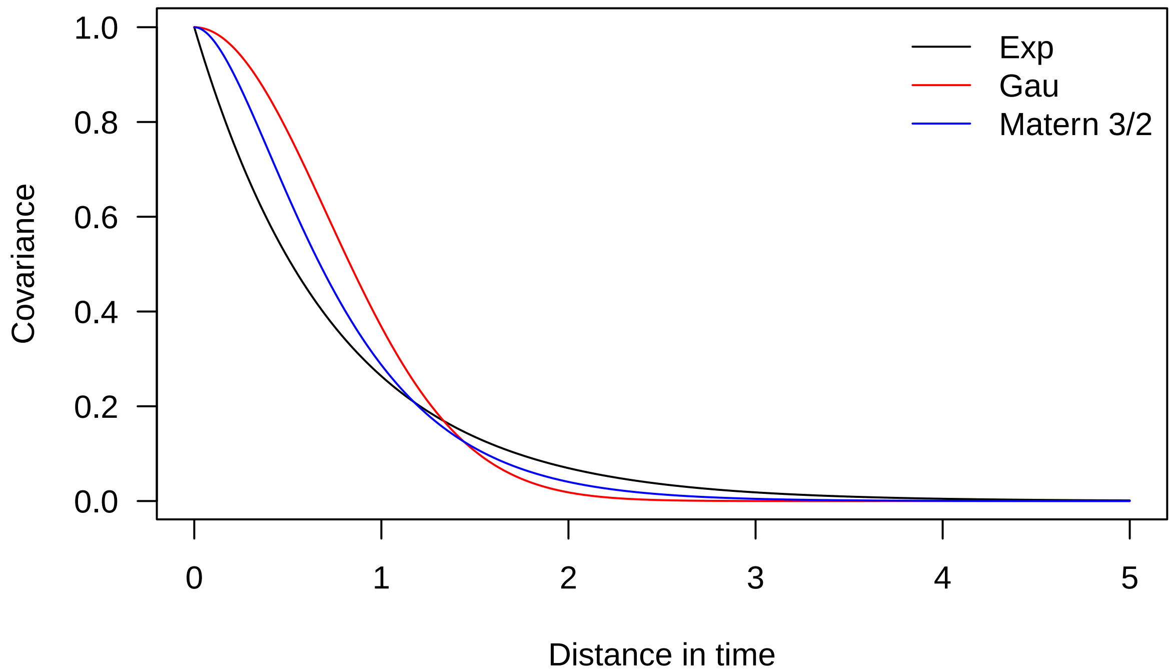

Random Walk
25
20
15
10
5
0
−5
0
100
200
300
400
500
Time



Gaussian process

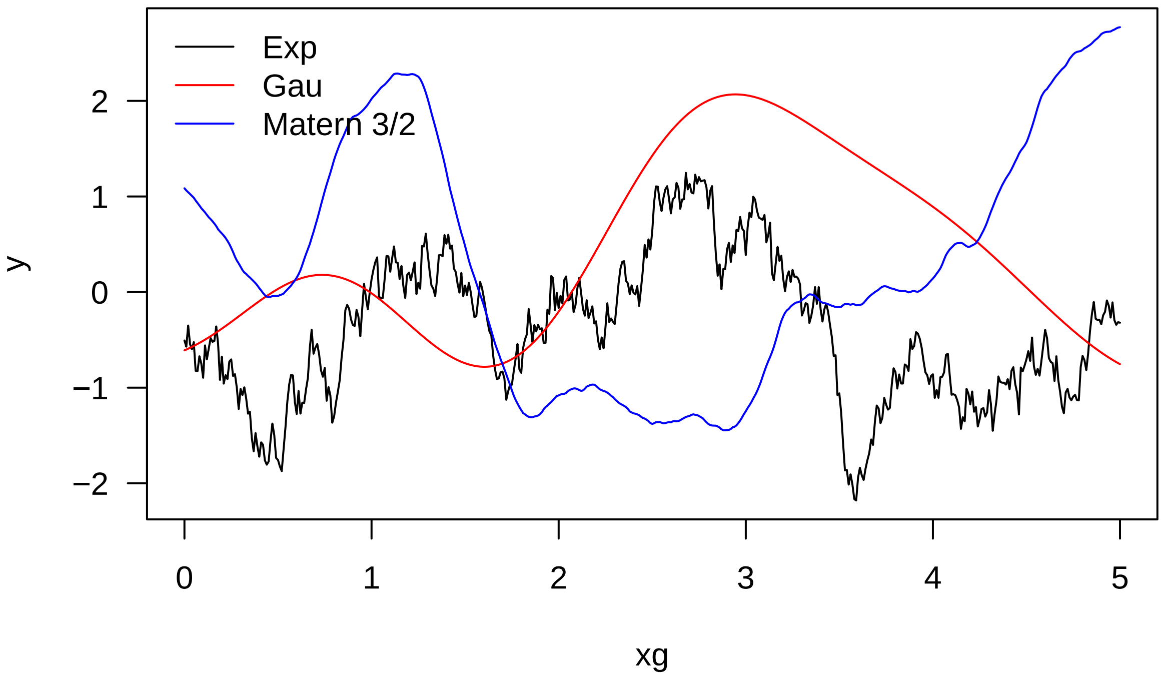
Different covaraince functions (kernels)

```
library(fields)
# Commonly used covariance functions
cov.exp <- function(h, pars) pars[1] * exp(-h / pars[2])
cov.doubleExp <- function(h, pars) pars[1] * exp(-(h / pars[2])^2)
cov.Matern <- function(h, pars) Matern(h, phi = pars[1], range = pars[2], smoothness = pars[3])

xg <- seq(0, 5, 0.01)
c_exp <- cov.exp(xg, c(1, 0.75))
c_doubleExp <- cov.doubleExp(xg, c(1, 1))
c_Matern <- cov.Matern(xg, c(1, 0.4, 1.5))

plot(xg, c_exp, type = "l", ylab = "Covariance", xlab = "Distance in time", las = 1)
lines(xg, c_doubleExp, col = "red")
lines(xg, c_Matern, col = "blue")
legend("topright", legend = c("Exp", "Gau", "Matern 3/2"),
       col = c("black", "red", "blue"), lty = 1, bty = "n")
```



Generate one sample from each Gaussian Process with different kernels

```
Sigma_exp <- cov.exp(rdist(xg), c(1, 0.75))
Sigma_doubleExp <- cov.doubleExp(rdist(xg), c(1, 1))
Sigma_Matern <- cov.Matern(rdist(xg), c(1, 0.4, 1.5))
library(MASS)
set.seed(123)
sim_exp_1d <- mvrnorm(n = 1, rep(0, 501), Sigma_exp)
sim_doubleExp_1d <- mvrnorm(n = 1, rep(0, 501), Sigma_doubleExp)
sim_Matern_1d <- mvrnorm(n = 1, rep(0, 501), Sigma_Matern)

plot(xg, sim_exp_1d, type = "l", ylim = range(sim_exp_1d, sim_doubleExp_1d,
                                              sim_Matern_1d), ylab = "y", las = 1)
lines(xg, sim_doubleExp_1d, col = "red")
lines(xg, sim_Matern_1d, col = "blue")
legend("topleft", legend = c("Exp", "Gau", "Matern 3/2"),
       col = c("black", "red", "blue"), lty = 1, bty = "n")
```



Mean Estimation and Inference

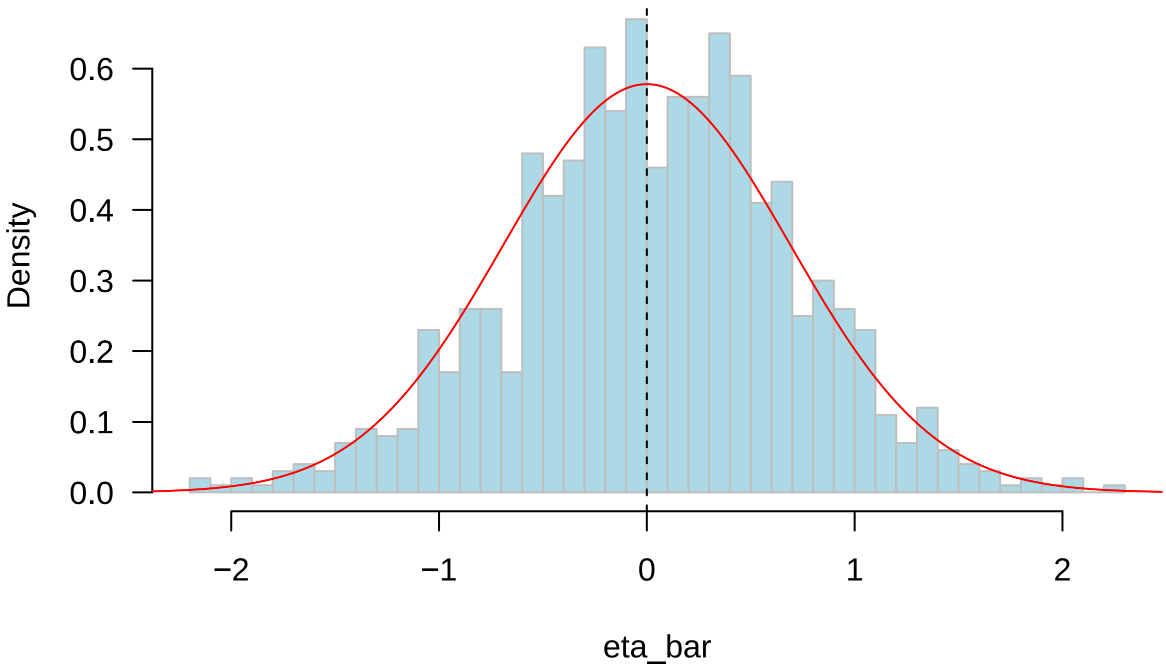
Given a stationary process $\{\eta_t\}_{t=1}^T$, the point estimator is $\bar{\eta} = \frac{1}{T}\sum_{t=1}^T \eta_t$. The varaince of this estimator is

$$\nu_T = \mathrm{Var}(\bar{\eta}) = \mathrm{Var}\left(\frac{1}{T}\sum_{t=1}^T \eta_t\right) = \frac{1}{T}\sum_{h=-(T-1)}^{T-1}\left(1 - \frac{|h|}{T}\right)\gamma(h)$$

```r
# Monte Carlo approximation
M = 1000; T = 200; phi = 0.9
set.seed(123)
sim <- replicate(M, arima.sim(n = T, list(ar = c(phi))))
eta_bar <- apply(sim, 2, mean)
hist(eta_bar, 40, col = "lightblue", border = "gray", las = 1, prob = T, main = "")
(nu_T_hat <- var(eta_bar))
```

```
## [1] 0.4659671
```

```r
# Theoretical sampling dist
mu = 0
h <- -(T-1):(T-1)
nu_T <- (1 / T) * sum((1 - (abs(h) / T)) * (phi^(abs(h)) / (1 - phi^2)))
## Superimpose the true density curve
xg <- seq(-2.5, 2.5, 0.01)
abline(v = mu, lty = 2)
lines(xg, dnorm(xg, sd = sqrt(nu_T)), col = "red")
```




```r
## Compare nu_T and nu
(nu_T <- (1 / T) * sum((1 - (abs(h) / T)) * (phi^(abs(h)) / (1 - phi^2))))
```

```
## [1] 0.4763158
```

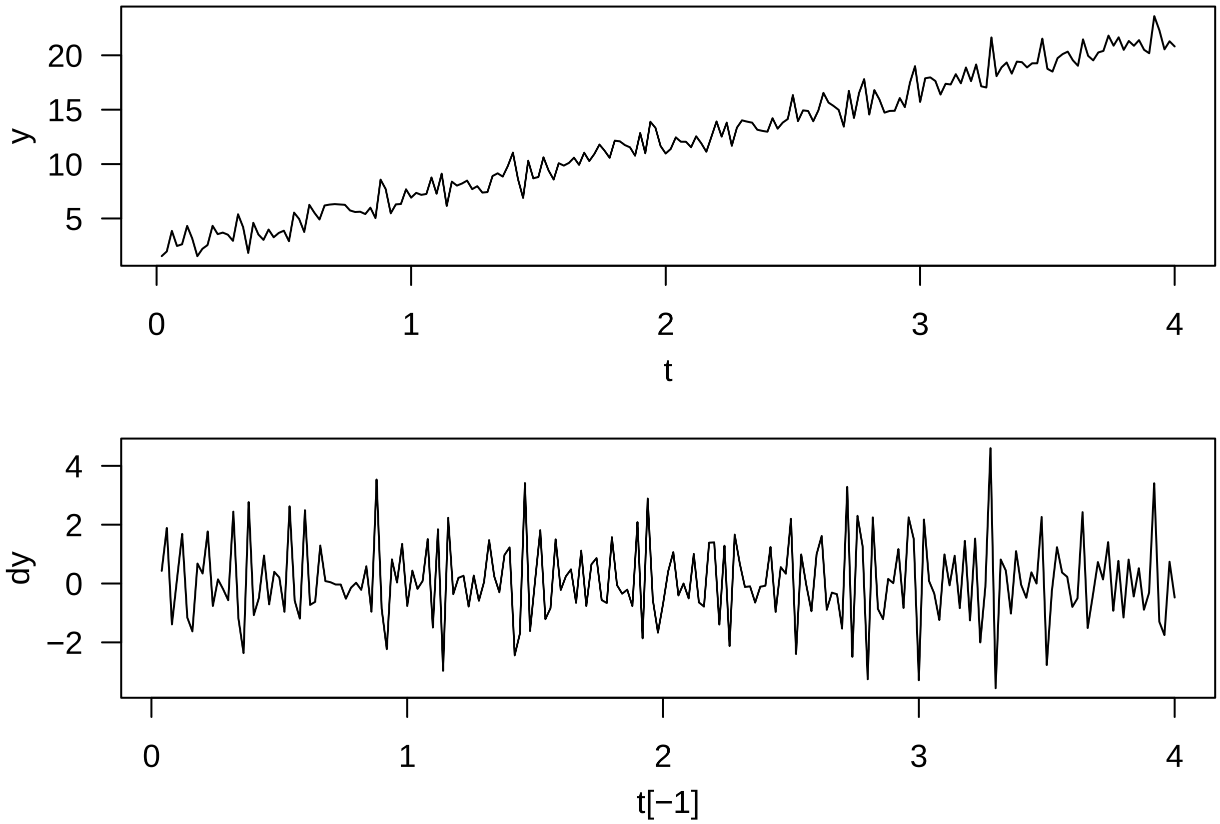
```r
(nu <- (1 / T) * (1 / (1 - phi)^2))
```

```
## [1] 0.5
```

Differencing

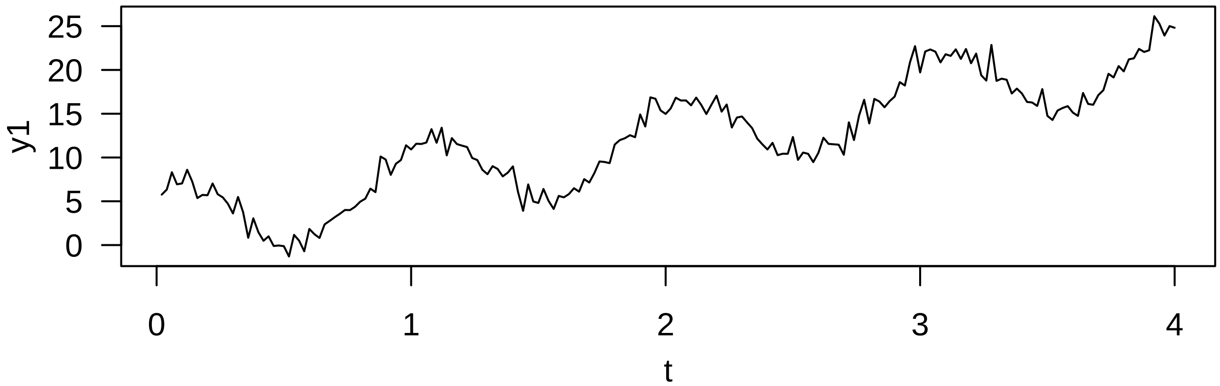
First-order differencing to remove linear trend

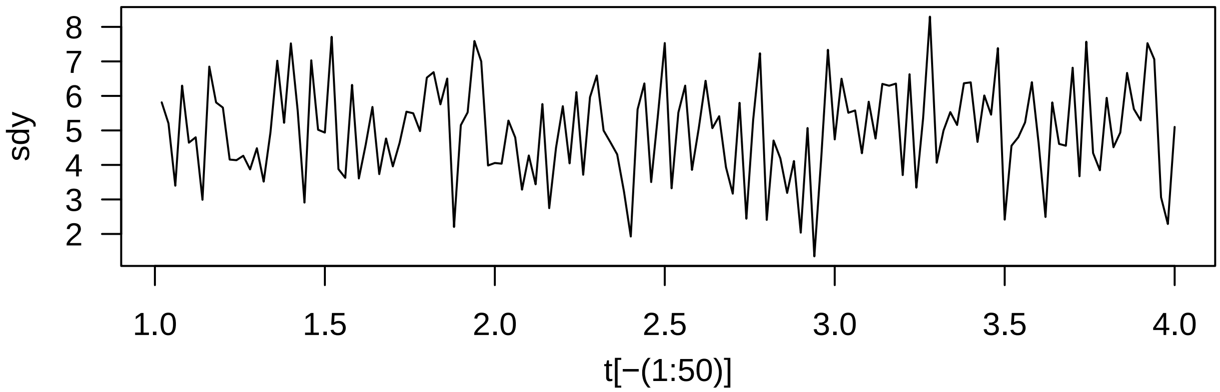
```r
T = 200
t <- (1:T) / 50
set.seed(123)
y = 2 + 5 * t + rnorm(T)
dy <- diff(y)
par(las = 1, mar = c(3.5, 3.5, 1, 0.5), mgp = c(2.2, 1, 0), mfrow = c(2, 1))
plot(t, y, type = "l")
plot(t[-1], dy, type = "l")
```



Seasonal Differening

```
y1 = y + 4 * cos(2 * pi * t) + 2 * sin(2 * pi * t)
sdy <- diff(y, lag = 50)
par(las = 1, mar = c(3.5, 3.5, 1, 0.5), mgp = c(2.2, 1, 0), mfrow = c(2, 1))
plot(t, y1, type = "l")
plot(t[-(1:50)], sdy, type = "l")
```


y1
25
20
15
10
5
0
0
1
2
3
4
t


sdy
8
7
6
5
4
3
2
1.0
1.5
2.0
2.5
3.0
3.5
4.0
t[−(1:50)]