Package 'MixedTS'

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Description We provide detailed functions for univariate Mixed Tempered Stable distribution.

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Contents

MixedTS-package *Mixed Tempered Stable Distribution*

Description

This package provides detailed functions for univariate Mixed Tempered Stable distribution distribution with Gamma density. This distribution encompasses, Variance Gamma and Symmetric Geo-Stable as special cases. The package contains routine for mle estimation, for the computation of density, probability, quantile and random numbers

Details

Package:	MixedTS
Type:	Package
License:	GPL (>= 2)

Author(s)

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References

Barndorff-Nielsen,O.E., Kent,J. and Sorensen, M. (1982): Normal variance-mean mixtures and z-distributions, *International Statistical Review*, 50, 145-159.

Kuchler, U. and Tappe, S. (2014): Exponential stockmodels driven by tempered stable processes. *Journal of Econometrics*,181 (1), 53-63.

Madan, D.B. and Seneta E. (1990): The variance gamma (V.G.) model for share market returns, *Journal of Business*, 63, 511-524

Rroji, E and Mercuri, L.(2014): Mixed Tempered Stable distribution *UNIMI-Research Papers in Economics, Business, and Statistics*, 64.

dMixedTS-methods *Density of Mixed Tempered Stable distribution*

Description

This Method returns the density of a Mixed Tempered Stable

Methods

`signature(object = "param.MixedTS", x = numeric(), setSup=NULL,setInf=NULL,N=2^10)`
: This method returns an object of class `MixedTS` where the slot `dens` contains the value of the density evaluated on the `x`. `setSup` and `setInf` are used to choose + `infinity` and - `infinty`. `N` is the number of point used for discretization in `fft` algorithm.

Examples

```
# First Example

# Density of MixedTS with Gamma

ParamEx1<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=1.5,
                           alpha=0.8, lambda_p=4, lambda_m=1,
                           Mixing="Gamma")

# support

x<-seq(-3,1,length=100)

dens1<-dMixedTS(x=x,object=ParamEx1,setSup=10,setInf=-10,N=2^7)

plot(dens1)

# Density of MixedTS with IG

Mix<-"User"

logmgf<-("lamb/mu1*(1-sqrt(1-2*mu1^2/lamb*u))")

parMix<-list(lamb=1,mu1=1)

ParamEx2<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=logmgf,
                           alpha=0.8, lambda_p=4, lambda_m=1,
                           Mixing=Mix,paramMixing=parMix)

x<-seq(-3,1,length=100)

dens2<-dMixedTS(x=x,object=ParamEx2,setSup=10,setInf=-10,N=2^7)

plot(dens2)
```

MixedTS-class *"MixedTS": A class for informations about Mixed Tempered Stable*

Description

Mathematical description of the Mixed Tempered Stable distribution.

This class inherits from the class param.MixedTS and is a superclass for MixedTS.qmle-class.

Objects from the Class

This object is built by the following methods:

dMixedTS, pMixedTS, qMixedTS, rMixedTS.

Slots

Data: Object of class "numeric" containing a random number. This slot is filled when the method rMixedTS is used.

dens: Object of class "numeric" that contains the density of the MixedTS. This slot is filled by dMixedTS.

prob: Object of class "numeric" that contains the probability of the MixedTS. This slot is filled by pMixedTS and pMixedTS.

xMixedTS: Object of class "numeric" that contains the support for the density and probability.

quantile: Object of class "logical". If TRUE the object is built by the method qMixedTS. If FALSE the object is built by the method qMixedTS.

mu0: Object of class "numeric". See param.MixedTS.

mu: Object of class "numeric". See param.MixedTS.

sigma: Object of class "numeric". See param.MixedTS.

a: Object of class "vector". See param.MixedTS.

alpha: Object of class "numeric". See param.MixedTS.

lambda_p: Object of class "numeric". See param.MixedTS.

lambda_m: Object of class "numeric". See param.MixedTS.

Mixing: Object of class "character". See param.MixedTS.

paramMixing: Object of class "list". See param.MixedTS.

MixingLogMGF: Object of class "OptionalFunction". See param.MixedTS.

Extends

Class "param.MixedTS", directly.

Methods

plot signature(x = "MixedTS", ...)

MixedTS.qmle-class MixedTS.qmle: *a class for Maximum Likelihood of Mixed Tempered Stable*

Description

This class is constructed by function MixedTS.qmle. It is a subclass for the MixedTS-class

Objects from the Class

Objects can be created by function MixedTS.qmle.

Slots

time: Object of class "numeric". Computational Time.

coef: Object of class "numeric". Estimated parameters.

vcov: Object of class "matrix". Approximate variance-covariance matrix.

min: Object of class "numeric". Minimum value of objective function.

details: Object of class "list". A list as returned from constrOptim

nobs: Object of class "integer". Number of observation.

method: Object of class "character". The optimization method used.

Data: Object of class "numeric". See MixedTS-class.

dens: Object of class "numeric". See MixedTS-class.

prob: Object of class "numeric". See MixedTS-class.

xMixedTS: Object of class "numeric" . See MixedTS-class.

quantile: Object of class "logical". See MixedTS-class.

mu0: Object of class "numeric". See MixedTS-class.

mu: Object of class "numeric". See MixedTS-class.

sigma: Object of class "numeric". See MixedTS-class.

a: Object of class "vector". See MixedTS-class.

alpha: Object of class "numeric". See MixedTS-class.

lambda_p: Object of class "numeric". See MixedTS-class.

lambda_m: Object of class "numeric". See MixedTS-class.

Mixing: Object of class "character". See MixedTS-class.

paramMixing: Object of class "list" . See MixedTS-class.

MixingLogMGF: Object of class "OptionalFunction". See MixedTS-class.

Extends

Class "MixedTS", directly. Class "param.MixedTS", by class "MixedTS", distance 2.

Methods

summary `signature(.Object = "MixedTS.qmle")`

coef `signature(.Object = "MixedTS.qmle")`

vcov `signature(.Object = "MixedTS.qmle")`

logLik `signature(.Object = "MixedTS.qmle")`

BIC `signature(.Object = "MixedTS.qmle")`

AIC `signature(.Object = "MixedTS.qmle")`

`mle.MixedTS` *Maximum Likelihood Estimation for MixedTS distribution*

Description

Estimate MixedTS parameters using the Maximum Likelihood Estimation procedure.

Usage

```
mle.MixedTS(object, start = list(), Data = NULL,
          method = "L-BFGS-B", fixed.param = NULL,
          lower.param = NULL, upper.param = NULL,
          setSup = NULL, setInf = NULL, N = 2^10)
```

Arguments

`object`	an object of class `param.MixedTS` that contains informations about the model.
`start`	a list of parameter for the mle.
`Data`	a numeric object containing the dataset.
`method`	methods for optimization routine. See `optim` for more details.
`fixed.param`	a list of the model parameter that must be fix during optimization routine. Choosing `alpha=2` the function returns the estimate parameters for the Normal Variance Mean Mixture distribution.
`lower.param`	a list containing the lower bound for the parameters.
`upper.param`	a list containing the upper bound for the parameters.
`setSup`	Internal parameter. see documentation for `dMixedTS` for more details.
`setInf`	Internal parameter. see documentation for `dMixedTS` for more details.
`N`	Internal parameter. see documentation for `dMixedTS` for more details.

Value

The function returns an object of class `MixedTS.qmle`.

Examples

```
# First Example:
# We define the Mixed Tempered Stable using the function setMixedTS.param


ParamEx1<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=1.5,
                           alpha=0.8, lambda_p=4, lambda_m=1, Mixing="Gamma")

# We generate a sample using the rMixedTS method
set.seed(100)
Rand1 <- rMixedTS(x=5000,object=ParamEx1, setSup=10,setInf=-10,N=2^9)

# Estimate procedure
## Not run:
est1<-mle.MixedTS(object=Rand1 , setSup=10,setInf=-10,N=2^9)
# Show results

summary(est1)

## End(Not run)
```

`param.MixedTS-class` *"`param.MixedTS`": A mathematical Description of the Mixed Tempered Stable*

Description

Main class of the package `MixedTS`.

Objects from the Class

Objects can be created by calls of the form `setMixedTS`.

Slots

`mu0`**:** a numeric object. mu0 parameter belongs to the real axis.

`mu`**:** a numeric object. mu parameter belongs to the real axis

sigma a numeric object. `sigma` parameter assumes value from zero to infinity.

a a vector object. If numeric, the mixing density `V` is a Gamma and `a` is the value of the shape parameter. If string, `a` is the log of the moment generating function of the mixing density `V`.

alpha a numeric object that takes value from 0 to 2. If alpha is fixed to 2, the Mixed Tempered Stable becomes the Normal Variance Mean mixture.

lambda_p a positive numeric object. It is the right tempering parameter of the random variable `X`.

lambda_m a positive numeric object. It is the left tempering parameter of the random variable `X`

Mixing a string object indicating the nature of the mixing density V. If Mixing="Gamma" (default value), the V randm variable is a Gamma. If Mixing="Gamma", the user have to specify the log of the moment generating function of the V random variable.

paramMixing a list object. It is an empty list when Mixing="Gamma". If Mixing="User", it is used to pass the values of the Mixing density parameters defined by the User through slot a.

MixingLogMGF**:** This slot contains a function that returns the logarithm of mgf for the Mixing density. The function is built internally using the information contains into the slots a, paramMixing.

Parametrization**:** String that indicates the parametrization used by user for the MixedTS

Methods

dMixedTS signature(object = "param.MixedTS"): Method for computing density of MixedTS. See "dMixedTS-methods" for more details.

pMixedTS signature(object = "param.MixedTS"): Method for computing probability of MixedTS. See "pMixedTS-methods" for more details.

qMixedTS signature(object = "param.MixedTS"): Method for computing quantile of MixedTS. See "qMixedTS-methods" for more details.

rMixedTS signature(object = "param.MixedTS"): Method for computing random numbers of MixedTS. See "rMixedTS-methods" for more details.

initialize signature(object = "param.MixedTS").

Qparam.MixedTS signature(object = "param.MixedTS").

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pMixedTS-methods *Probability of Mixed Tempered Stable distribution*

Description

This Method returns the cdf of a Mixed Tempered Stable

Methods

signature(object = "param.MixedTS",x = numeric(), setSup=NULL,setInf=NULL,N=2^10) This method returns an object of class MixedTS where the slot prob contains the value of the probability evaluated on the x. setSup and setInf are used to choose + infinity and - infinty. N is the number of point used for discretization in fft algorithm.

Examples

```
# First Example

# Density of MixedTS with Gamma

ParamEx1<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=1.5,
                           alpha=0.8, lambda_p=4, lambda_m=1,
                           Mixing="Gamma")
# support
```

```
x<-seq(-3,1,length=100)

prob1<-pMixedTS(x=x,object=ParamEx1,setSup=10,setInf=-10,N=2^7)

plot(prob1)

# Prob of MixedTS with IG

Mix<-"User"

parMix<-list(lamb=1,mu1=1)

logmgf<-("lamb/mu1*(1-sqrt(1-2*mu1^2/lamb*u))")

ParamEx2<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=logmgf,
                           alpha=0.8, lambda_p=4, lambda_m=1,
                           Mixing=Mix,paramMixing=parMix)

x<-seq(-3,1,length=100)

prob2<-pMixedTS(x=x,object=ParamEx2,setSup=10,setInf=-10,N=2^7)
plot(prob2)
```

---

qMixedTS-methods *Quantile of Mixed Tempered Stable distribution*

Description

This Method returns the quantile of a Mixed Tempered Stable.

Methods

`signature(object = "param.MixedTS", x = numeric(), setSup=NULL,setInf=NULL,N=2^10)`
: This method returns an object of class `MixedTS` where the slot `prob` contains the value of the quantile evaluated on the `x` (x is the probability). `setSup` and `setInf` are used to choose + `infinity` and - `infinty`. `N` is the number of point used for discretization in `fft` algorithm.

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rMixedTS-methods *Random number of Mixed Tempered Stable distribution*

Description

This Method returns the quantile of a Mixed Tempered Stable.

Methods

signature(object = "param.MixedTS",x = numeric(), setSup=NULL,setInf=NULL,N=2^10)
: This method returns an object of class MixedTS where the slot Data contains a set of size x of random numbers. setSup and setInf are used to choose + infinity and - infinty. N is the number of point used for discretization in fft algorithm.

---

setMixedTS.param *Mixed Tempered Stable distribution*

Description

setMixedTS describes the Mixed Tempered Stable distribution introduced in Rroji and Mercuri (2014):

Definition

We say that a continuous random variable Y follows a Mixed Tempered Stable distribution if:

Y= mu0+ mu*V + sigma*sqrt{V}*Z

The conditional distribution of random variable given V=v is a standardized Tempered Stable with parameters (alpha, lambda_p*sqrt{v}, lambda_m) (see Kuchler, U. and Tappe, S. 2014). The distribution of V is infinitely divisible defined on the positive axis.

Usage

```
setMixedTS.param(mu0 = numeric(), mu = numeric(),
  sigma = numeric(), a, alpha = numeric(),
  lambda_p = numeric(), lambda_m = numeric(),
 param = numeric(), Mixing = "Gamma", paramMixing = list(), Parametrization = "A")
```

Arguments

mu0	a numeric object. mu0 parameter belongs to the real axis.
mu	a numeric object. mu parameter belongs to the real axis
sigma	a numeric object. sigma parameter assumes value from zero to infinity.
a	a vector object. If numeric, the mixing density V is a Gamma and a is the value of the shape parameter. If string, a is the log of the moment generating function of the mixing density V.
alpha	a numeric object that takes value from 0 to 2. If alpha is fixed to 2, the Mixed Tempered Stable becomes the Normal Variance Mean mixture.
lambda_p	a positive numeric object. It is the right tempering parameter of the random variable X.
lambda_m	a positive numeric object. It is the left tempering parameter of the random variable X
param	a numeric object containing the Mixed Tempered Stable parameters. It is not necessary if we use the previous inputs for defining the distribution. See documentation for more details.

`Mixing` a string object indicating the nature of the mixing density `V`. If `Mixing="Gamma"` (default value), the `V` randm variable is a Gamma. If `Mixing="Gamma"`, the user have to specify the log of the moment generating function of the `V` random variable.

`paramMixing` a list object. It is an empty list when `Mixing="Gamma"`. If `Mixing="User"`, it is used to pass the values of the Mixing density parameters defined by the User through slot `a`.

`Parametrization`

a character string. If `Parametrization="A"` the default, we use the following definition for MixedTS with gamma density

`Y= mu0+ mu*V + sqrt{V}*Z`

where `V` is distributed as a `Gamma(a, sigma^2)`. Otherwise if `Parametrization="B"` we have:

`Y= mu0+ mu*V + sigma*sqrt{V}*Z`

where `V` is distributed as a `Gamma(a, 1)`.

Details

For particular choices of the tempering parameters the tails of the MixedTS distribution can be heavy or semi-heavy. In particular if the Mixing density is a Gamma, we get the Variance Gamma (Madan and Seneta 1990) and the symmetric Geo-Stable distribution as special cases.

Value

This function returns an object of class "`param.MixedTS`".

Note

This class of distributions has the Normal Variance Mean Mixture (Barndorff-Nielsen et al. 1982) as special case.

References

Barndorff-Nielsen,O.E., Kent,J. and Sorensen, M. (1982): Normal variance-mean mixtures and z-distributions, *International Statistical Review*, 50, 145-159.

Kuchler, U. and Tappe, S. (2014): Exponential stockmodels driven by tempered stable processes. *Journal of Econometrics*,181 (1), 53-63.

Madan, D.B. and Seneta E. (1990): The variance gamma (V.G.) model for share market returns, *Journal of Business*, 63, 511-524

Rroji, E and Mercuri, L.(2014): Mixed Tempered Stable distribution *UNIMI-Research Papers in Economics, Business, and Statistics*, 64.

Examples

```
# Mixed Tempered Stable with Gamma Mixing density.

ParamEx1<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=1.5,
                           alpha=0.8, lambda_p=4, lambda_m=1)
```

```
# Mixed Tempered Stable with Inverse Gaussian Mixing density.
## As first step we set the "a" parameter
## equal to the log mgf of the inverse gaussian random variable
# The log mgf of an Ig with parameter (lamb, mu1) is defined as:

logmgf<-("lamb/mu1*(1-sqrt(1-2*mu1^2/lamb*u))")
Mix<-"User"

# The parameters of the mixing density are set by the following command
# line:

parMix<-list(lamb=1,mu1=1)

ParamEx2<-setMixedTS.param(mu0=0, mu=0, sigma=0.4, a=logmgf,
                           alpha=0.8, lambda_p=4, lambda_m=1,
                           Mixing=Mix,paramMixing=parMix)
```

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