Package ‘temStaR’

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Title Tempered Stalbe Distribution

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Description This package provides useful tools to use the multivariate normal tempered stable distribution and process

License `use_mit_license()`

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Imports functional,
nloptr,
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Matrix

Suggests functional,
nloptr,
pracma,
spatstat,
Matrix

R topics documented:

`chf_NTS` *chf_NTS*

Description

`chf_NTS` calculates Ch.F of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If a time parameter value is given, it calculates Ch.F of the NTS profess $\phi(u) = E[exp(iu(X(t+s) - X(s)))] = exp(tlog(E[exp(iuX(1))]))$, where X is the NTS process generated by the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Usage

```
chf_NTS(u, param)
```

Arguments

`u`	An array of u
`ntsparam`	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. For NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$.

Value

Characteristic function of the NTS distribution

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_NTS(u, ntsparam)


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_NTS(u, ntsparam)
```

`chf_stdNTS` *chf_stdNTS*

Description

`chf_stdNTS` calculates Ch.F of the standard NTS distribution with parameters (α, θ, β). If a time parameter value is given, it calculates Ch.F of the standard NTS profess $\phi(u) = E[exp(iu(X(t+s) - X(s))] = exp(tlog(E[exp(iuX(1))]))$, where X is the standard NTS process generated by the standard NTS distribution with parameters (α, θ, β).

Usage

```
chf_stdNTS(u, param)
```

Arguments

`u`	An array of u
`ntsparam`	A vector of the standard NTS parameters (α, θ, β). For the standard NTS process case it is a vector of parameters $(\alpha, \theta, \beta, t)$.

Value

Characteristic function of the standatd NTS distribution

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_stdNTS(u, ntsparam)


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_stdNTS(u, ntsparam)
```

cvarnts *cvarnts*

Description

cvarnts calculates Conditional Value at Risk (CVaR, or expected shortfall ES) of the NTS market model with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it calculates CVaR of the standard NTS distribution with parameter (α, θ, β)

Usage

```
cvarnts(eps, ntsparam)
```

Arguments

ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. A vector of the standard NTS parameters (α, θ, β).
u	Real value between 0 and 1

Value

CVaR of the NTS distribution.

References

Y. S. Kim, S. T. Rachev, M. L. Bianchi, and F. J. Fabozzi (2010), Computing VaR and AVaR in infinitely divisible distributions, Probability and Mathematical Statistics, 30 (2), 223-245.

S. T. Rachev, Y. S. Kim, M. L. Bianchi, and F. J. Fabozzi (2011), Financial Models with Levy Processes and Volatility Clustering, John Wiley & Sons

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- c(0.01,0.05)
q <- cvarnts(u, ntsparam)

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- c(0.01,0.05)
q <- cvarnts(u, ntsparam)


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
```

```
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- c(0.01,0.05)
q <- cvarnts(u, ntsparam)
```

`dnts` *dnts*

Description

dnts calculates pdf of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it calculates pdf of the standard NTS distribution with parameter (α, θ, β) If a time parameter value is given, it calculates pdf of the NTS profess $f(x)dx = d(P((X(t+s) - X(s)) < x))$, where X is the NTS process generated by the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Usage

```
dnts(xdata, ntsparam)
```

Arguments

xdata	An array of x
ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$. A vector of the standard NTS parameters (α, θ, β).

Value

Density of NTS distribution

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
x <- seq(from = -6, to = 6, length.out = 101)
d <- dnts(x, ntsparam)
plot(x,d,type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
```

```
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
x <- seq(from = -2, to = 2, by = 0.01)
d <- dnts(x, ntsparam)
plot(x,d,type = 'l')


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
x <- seq(from = -0.02, to = 0.02, length.out = 101)
d <- dnts(x, ntsparam)
plot(x,d,type = 'l')
```

---

fitnts *fitnts*

Description

`fitnts` fit parameters $(\alpha, \theta, \beta, \gamma, \mu)$ of the NTS distribution. This function using the curvefit method between the empirical cdf and the NTS cdf.

Usage

```
\code{fitnts(rawdat)}
\code{fitnts(rawdat), ksdensityflag = 1}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu))}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu)), ksdensityflag = 1}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu)), maxeval = 100, ksdensityflag
```

Arguments

`rawdat`	Raw data to fit the parameters.
`initialparam`	A vector of initial NTS parameters. This function uses the `nloptr` package. If it has a good initial parameter then estimation performs better. If users do not know a good initial parameters, then just set it as `initialparam=NaN`, that is default. The function `cffitnts()` may be helpful to find the initial parameters.
`maxeval`	Maximum evaluation number for `nloptr`. The iteration stops on this many function evaluations.
`ksdensityflag`	This function fit the parameters using the curvefit method between the empirical cdf and the NTS cdf. If `ksdensityflag = 1` (default), then the empirical cdf is calculated by the kernel density estimation. If `ksdensityflag = 0`, then the empirical cdf is calculated by the empirical cdf.

Value

Estimated parameters

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
library("quantmod")
getSymbols("^GSPC", src="yahoo", from = "2010-1-1", to = "2020-12-31")
pr <- as.numeric(GSPC$GSPC.Adjusted)
ret <- diff(log(pr))
ntsparam <-  fitnts(ret)

Femp = ecdf(ret)
x = seq(from=min(ret), to = max(ret), length.out = 100)
cemp = Femp(x)
ncdf = pnts(x, c(ntsparam))
plot(x,ncdf,type = 'l', col = "red")
points(x,cemp, type = 'l', col = "blue")
a = density(ret)
p = dnts(x,ntsparam)
plot(x,p,type = 'l', col = "red")
lines(a,type = 'l', col = "blue")
```

---

fitstdnts *fitstdnts*

Description

`fitstdnts` fit parameters (α, θ, β) of the standard NTS distribution. This function using the curvefit method between the empirical cdf and the standard NTS cdf.

Usage

```
\code{fitstdnts(rawdat)}
\code{fitstdnts(rawdat), ksdensityflag = 1}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta))}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta)), ksdensityflag = 1}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta)), maxeval = 100, ksdensityflag = 1}
```

Arguments

`rawdat`	Raw data to fit the parameters.
`initialparam`	A vector of initial standard NTS parameters. This function uses the `nloptr` package. If it has a good initial parameter then estimation performs better. If users do not know a good initial parameters, then just set it as `initialparam=NaN`, that is default.
`maxeval`	Maximum evaluation number for `nloptr`. The iteration stops on this many function evaluations.
`ksdensityflag`	This function fit the parameters using the curvefit method between the empirical cdf and the standard NTS cdf. If `ksdensityflag = 1` (default), then the empirical cdf is calculated by the kernel density estimation. If `ksdensityflag = 0`, then the empirical cdf is calculated by the empirical cdf.

Value

Estimated parameters

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
library("quantmod")
getSymbols("^GSPC", src="yahoo", from = "2010-1-1", to = "2020-12-31")
pr <- as.numeric(GSPC$GSPC.Adjusted)
ret <- diff(log(pr))
stdret <- (ret-mean(ret))/sd(ret)
stdntsparam <-  fitstdnts(stdret)

Femp = ecdf(stdret)
x = seq(from=min(stdret), to = max(stdret), length.out = 100)
cemp = Femp(x)
ncdf = pnts(x, c(stdntsparam))
plot(x,ncdf,type = 'l', col = "red")
lines(x,cemp, type = 'l', col = "blue")
a = density(stdret)
p = dnts(x,stdntsparam)
plot(x,p,type = 'l', col = "red", ylim = c(0, max(a$y, p)))
lines(a,type = 'l', col = "blue")
```

`gensamplepathnts` *gensamplepathnts*

Description

`gensamplepathnts` generate sample paths of the NTS process with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it generate sample paths of the standard NTS process with parameters (α, θ, β).

Usage

```
gensamplepathnts(npath, ntimestep, ntsparam, dt)
```

Arguments

`npath`	Number of sample paths
`ntimestep`	number of time step
`ntsparam`	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. A vector of the standard NTS parameters (α, θ, β).
`dt`	the time length of one time step by the year fraction. "dt=1" means 1-year.

Value

Structure of the sample path. Matrix of sample path. Column index is time.

Examples

```
#standard NTS process sample path
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
npath <- 5
ntimestep <- 250
dt <- 1/250
simulation <- gensamplepathnts(npath, ntimestep, ntsparam, dt)
matplot(colnames(simulation), t(simulation), type = 'l')

#NTS process sample path
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
npath <- 5
ntimestep <- 250
dt <- 1/250
simulation <- gensamplepathnts(npath, ntimestep, ntsparam, dt)
matplot(colnames(simulation), t(simulation), type = 'l')
```

`ipnts` *ipnts*

Description

`ipnts` calculates inverse cdf of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it calculates inverse cdf of the standard NTS distribution with parameter (α, θ, β)

Usage

```
ipnts(u, ntsparam, maxmin = c(-10, 10), du = 0.01)
```

Arguments

`u`	Real value between 0 and 1
`ntsparam`	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. A vector of the standard NTS parameters (α, θ, β).

Value

Inverse cdf of the NTS distribution. It is the same as qnts function.

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(u,q,type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(x,q,type = 'l')


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(x,q,type = 'l')
```

---

moments_NTS *moments_NTS*

Description

`moments_NTS` calculates mean, variance, skewness, and excess kurtosis of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Usage

```
moments_NTS(param)
```

Arguments

`param`	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Value

First 4 moments (Mean, Variance, Skewness, Excess Kurtosis) of NTS distribution. The mean is always the same as the parameter μ.

References

Kim, Y.S, K-H Roh, R. Douady (2020) Tempered Stable Processes with Time Varying Exponential Tails https://arxiv.org/pdf/2006.07669.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
moments_NTS(param = ntsparam)
```

---

moments_stdNTS *moments_stdNTS*

Description

moments_stdNTS calculates mean, variance, skewness, and excess kurtosis of the standard NTS distribution with parameters (α, θ, β).

Usage

```
moments_stdNTS(param)
```

Arguments

param	A vector of the standard NTS parameters (α, θ, β).

Value

First 4 moments (Mean, Variance, Skewness, Excess Kurtosis) of NTS distribution. Of course, the mean and variance are always 0 and 1, respectively.

References

Kim, Y.S, K-H Roh, R. Douady (2020) Tempered Stable Processes with Time Varying Exponential Tails https://arxiv.org/pdf/2006.07669.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
moments_stdNTS(param = ntsparam)
```

pnts *pnts*

Description

pnts calculates cdf of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it calculates cdf of the standard NTS distribution with parameter (α, θ, β) If a time parameter value is given, it calculates cdf of the profess $F(x) = P((X(t+s) - X(s)) < x)$, where X is the NTS process generated by the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Usage

```
pnts(xdata, ntsparam, dz = 2^-8, m = 2^12)
```

Arguments

xdata	An array of x
ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$. A vector of the standard NTS parameters (α, θ, β).

Value

Cumulative probability of the NTS distribution

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
x <- seq(from = -6, to = 6, length.out = 101)
p <- pnts(x, ntsparam)
plot(x,p,type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
x <- seq(from = -2, to = 2, by = 0.01)
p <- pnts(x, ntsparam)
plot(x,p,type = 'l')


#Annual based parameters
alpha <- 1.2
```

```
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
x <- seq(from = -0.02, to = 0.02, length.out = 101)
p <- pnts(x, ntsparam)
plot(x,p,type = 'l')
```

---

qnts *qnts*

Description

qnts calculates quantile of the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it calculates quantile of the standard NTS distribution with parameter (α, θ, β) If a time parameter value is given, it calculates quantile of NTS profess. That is it finds x such that $u = P((X(t+s) - X(s)) < x)$, where X is the NTS process generated by the NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$.

Usage

```
qnts(u, ntsparam)
```

Arguments

ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$. A vector of standard NTS parameters (α, θ, β).
vector	of probabilities.

Value

The quantile function of the NTS distribution

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- c(0.01,0.05,0.25,0.5, 0.75, 0.95, 0.99)
q <- qnts(u, ntsparam)

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- c(0.01,0.05,0.25,0.5, 0.75, 0.95, 0.99)
```

```
q <- qnts(u, ntsparam)


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- c(0.01,0.05,0.25,0.5, 0.75, 0.95, 0.99)
q <- qnts(u, ntsparam)
```

---

rnts *rnts*

Description

rnts generates random numbers following NTS distribution with parameters $(\alpha, \theta, \beta, \gamma, \mu)$. If only three parameters are given, it generates random numbers of standard NTS distribution with parameter (α, θ, β) If a time parameter value is given, it generates random numbers of increments of NTS profess for time interval t.

Usage

```
rnts(n, ntsparam)
```

Arguments

n	number of random numbers to be generated.
ntsparam	A vector of NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$. For NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$. A vector of standard NTS parameters (α, θ, β).

Value

NTS randomnumbers

References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk https://arxiv.org/pdf/2007.13972.pdf

Examples

```
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
r <- rnts(100, ntsparam) #generate 100 NTS random numbers
plot(r)
```

```
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
r <- rnts(100, ntsparam) #generate 100 NTS random numbers
plot(r)


#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
r <- rnts(100, ntsparam) #generate 100 NTS random numbers
plot(r)
```

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