Lecture: Randomness

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In this second lecture we will:

- review the main concepts about randomness in finance, including pseudo random number generators (PRNG) and quantum random number generators (QRNG)
- develop a **Python** computer programs to generate random numbers using classical computers and PRNG
- develop Python computer programs based on the Qiskit module in order to generate random numbers using quantum computers

The Problem: Tossing a Coin

In finance randomness is everywhere. There are many reasons for this. One is that we have incomplete information about the financial markets and some of the key parameters or variables are unknown or uncertain. Also, we do not know the future and we ought to make assumptions about the future behavior of key financial variables.



So how can we obtain random numbers?

One way to be tossing a coin, but that would be very inefficient and time-consuming.

So how can we get computers to help use generate random numbers?

Random Digits

100,000 Normal Deviates

RAND

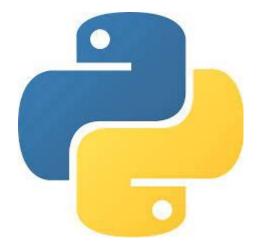
326		TABLE OF	RANDOM	DIGITS				
16250	21005 44897	60205 70944	51207	29121	54411	54853	96629 1	1803
16251	92365 29694		26039	31181	58792	82312	21068 8	8461
16252	99325 65160		63136	84869	03827	44844	86712 1	7978
16253	16390 34573		20018	50973	70786	01243	37148 89	9163
16254	05078 09218			69699		57222	07878 8	1698
10254	03016 03210	42250 20102	00000	00000	00010	0.000	0.0.0	
16255	88891 34003	43513 41884	57626	71579	07896	90066	81407 2	8695
	96458 73295			13896		37780	66697 34	
16256				09358		36111	82083 43	
16257	72551 85022			93051		63992	56576 6	
16258	12752 79041					23936	85882 9	
16259	72959 07091	45353 12836	57641	60873	95310	23936	85882 9	9457
16260	73774 65729			37983		69844	07759 00	
16261	43451 92113			27236		73949	46753 5	
16262	72503 62561			98382		64819	01178 99	
16263	80472 62755			49001		83086	07493 0	
16264	08908 05557	78757 41215	20316	05965	11479	81722	86102 7	7796
16265	63209 37288	97150 23163	28200	07613	67140	28649	62638 63	
16266	00289 27466		31778	58502	42847	19044	91723 63	1177
16267	19154 39424		79695	66463	16869	92545	88722 84	1558
16268	98500 21421		23838	80927	16240	61934	92221 23	858
16269	33651 21850			70743		60828	48377 48	
10203	55001 21500	10000 00101						
16270	26780 30455	25240 63403	49967	85837	55504	40128	40839 18	3167
16271	28304 80697			73838		28310	77249 25	
16271	56581 38265	36834 74252		75124		29246	55396 24	
	30860 72439			55329	19518		61125 08	
16273 16274	57534 50828			32138	32342		33479 57	
16274	57534 50828	93112 52559	29604	32130	34344	41019	33415 5	300
3.00	05050 45000	00989 74035	20708	62583	80670	00202	37327 78	205
16275	35050 45309		05762		22490		11552 74	
16276	40677 95593	89814 86065					94895 72	
16277	76013 97577			40985	88864			
16278	07758 85786	01304 15105	84381		52258		33751 95	
16279	96005 29274	93887 76858	36866	02982	84187	14581	82584 7	1295
16280	97554 85603		34270		53137		20967 39	
16281	95381 74175		62306		90285		55652 77	7214
16282	07333 52306	75748 84592	16388		06135		70338 19	
16283	85364 53411	96981 70087	58169		56438		08171 46	
16284	56906 84239	09345 56042	75713	09699	63433	41653	26535 76	536
16285	62770 19023	18312 29427	00317		68232		01909 26	
16286	30108 19041	96933 66717	27681		34404		75529 31	
16287	68613 00698	07398 31913	19653	61394	48542	84657	21032 85	319
16288	36027 73569	65088 96563	65855	96119	41806	57468	39843 18	3332
16289	95617 79992	82965 91313	34761	81679	43965	96057	38143 19	0025
10200								
16290	79953 10532	24823 32959	26838	30590	45430	45192	74952 83	719
16291	52565 74291	60455 41555	41390		77129		45449 53	
16292	36672 58413	79448 11687	32351		06175		88311 54	
16292	71814 80667		81877		84832		10538 72	
16293	17243 59932	49156 95685	54369	45992	03668		16171 20	
10294	1/243 59932	49100 93003	04300	40002	05000	00449	10111 20	00
16295	24504 83085	91755 78783	36356	47517	75347	4905F	38083 37	7142
			72675		46598		19721 96	
16296	65418 60502	89344 89471 20353 83280	72675 85747		61980		69913 59	
16297	71056 52544							
16298	53583 14957	96240 36172	65099		43860		27354 15	
16299	94812 45025	30161 20247	43424	07643	45788	44162	20893 46	012

The Classical Solution

PRNG is a highly-sophisticated field (Gentle 2013; Glasserman 2013). There are different types of random numbers. These can be classified depending on where they come from. The most common are pseudo-random number generators (PRNG), which generate numbers that appear random, but are actually deterministic, as they are produced following some complex algorithm. They require the current state of the system to start their sequence, which is called the seed. A popular PRNG algorithm is the Mersenne Twister algorithm developed by Makoto Matsumoto and Takuji Nishimura in 1997. Another types of random number generators include quantum random number generators (QRNG), which we will discuss later.

Python Lab

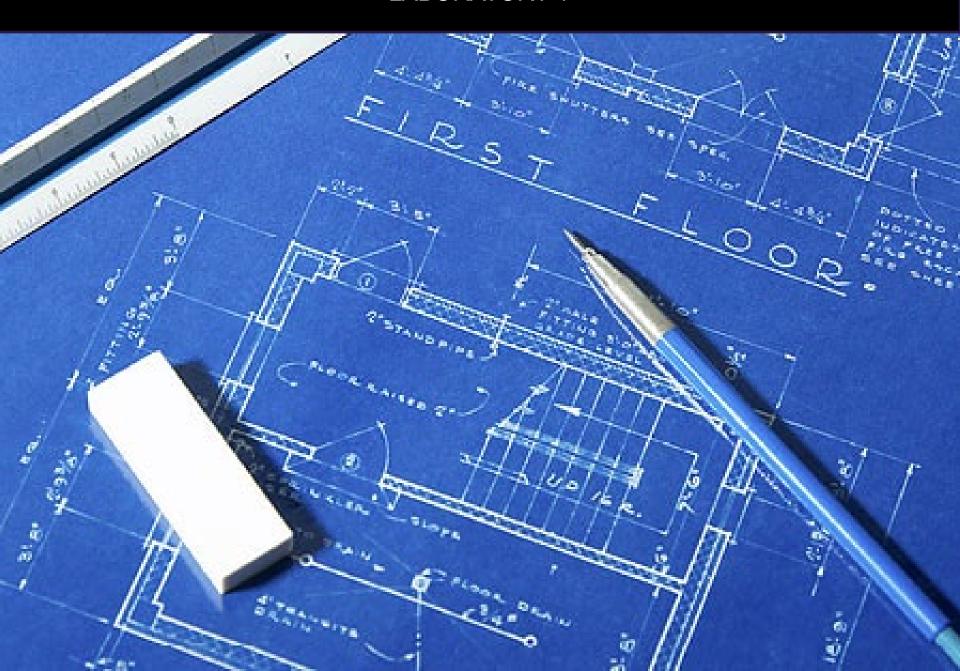
Python offers a number of readymade solutions for random number generation. The module random is in fact designed specifically to offer high quality pseudo random numbers from different statistical distributions. In the following demonstrations we will use this module to generate random numbers in a classical computer.



For more details see:

https://docs.python.org/3/library/random.html

LABORATORY 1



LABORATORY 1: Classical INTEGER Random Number Generation

In this laboratory we present two codes to generate integer random numbers. We make use of the method randint() to be found in module random from Python.

random.randint()

Code 2.1 Integer Random Numbers: Single Sample

In the following code, we present the use of method randint() from module random to generate integer random numbers. In the example below, we generate integers between 1 and 128. Note that we have used the method seed() to set the seed of the pseudorandom number generator.

CODE 2 1 PRNG INTEGER # single integer sample between 1 and 128 # import the random module import random as rn rn.seed(123) # set seed of random sequence to 123 # using the randomint() method obtain five samples print(rn.randint(1,128)) print(rn.randint(1,128)) print(rn.randint(1,128)) print(rn.randint(1,128)) print(rn.randint(1,128))

Running the code above in Jupyter Lab produces the following results:

Output of code 2.1: five integers between 1 and 128.

Code 2.2 Integer Random Numbers: Multiple Samples

An elementary extension of the previous code, would generate multiple samples of the integer random numbers at the same time, i.e. as a vector of random numbers. In the example below we generate 1000 integer random numbers between 1 and 128 using multiple times the method randint(). As for all PRNG, we have set the seed of the random sequence to an specific value, in this case 123.

```
# CODE 2 2 PRNG INTEGER MUTIPLE
# vector integer samples
# import the required libraries
import random as rn
import matplotlib.pyplot as plt
import numpy as np
rn.seed(123) # set seed of random sequence to 123
num samples = 1000
out integer = np.zeros(num samples)
# generate vector of random numbers
for k in range(num samples):
    out integer[k]=rn.randint(1,128)
# output individual samples (first 100)
print(out integer[0:100])
# generate PLOT
plt.plot(out integer)
plt.show()
# generate HISTOGRAM
plt.hist(out integer, bins = 10)
plt.show()
```

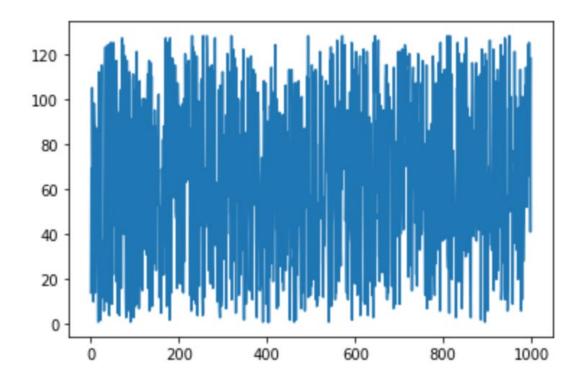
Running the code above in Jupyter Lab generates the results illustrated below. Here we see the first 100 integer random numbers from the set generated.

```
  14.
  69.
  23.
  105.
  69.
  28.
  10.
  98.

                                     86. 88. 14. 41.
                                                            87.
 86. 63.
          42.
               1. 112.
                        23. 97.
                                 18.
                                     2. 81. 115.
                                                   27.
                                                       12.
                                                            24.
 37. 33.
           6. 75. 111. 123. 68. 121.
                                     10. 79. 88. 124. 53.
                                                            81.
  4. 102. 112. 125. 108. 96. 9. 47.
                                     22. 125.
                                              68. 44. 86.
                                                            87.
     19. 117. 100. 87. 5. 49. 23. 94. 4. 91. 59. 104.
101.
                                                            16.
 74. 127. 60. 124. 46. 40. 114. 97. 119.
                                          12.
                                             3. 35. 117.
                                                            50.
  6. 66. 91. 70. 112. 108. 1. 28.
                                     17.
                                          91. 23. 22. 111.
                                                            3.
 97.
     19.]
```

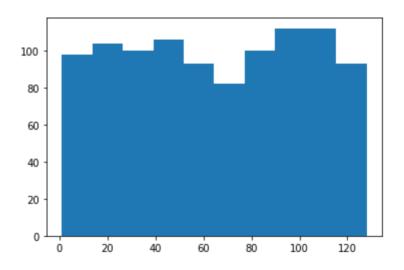
OUTPUT code 2.2: First 100 integers between 1 and 128 of the 1,000 integers generated by the code.

The numerical results can be also visualized in terms of a plot graph. In the next plot we see the 1000 simulated integers as a line graph.



OUTPUT code 2.2: Plot of the previous 1000 integers.

We can finally summarize the 1000 generated data points above in terms of a histogram. We confirm that we can observe as expected the bins to be approximately similar in height indicating a flat or uniform distribution between 1 and 128.



OUTPUT code 2.2: Histogram of the 1000 integers.

LABORATORY 2



LABORATORY 2: Classical UNIFORM Random Number Generation

In many applications random numbers from a uniform distribution are particularly useful. In the following two codes we illustrate how these can be obtained using the method random() of the module random in Python. As in LABORATORY 1, we obtain first five induvial observations, as single samples, and then a set of 1,000 observations.

```
random.random()
```

Code 2.3 Uniform Random Numbers: Single Sample

The necessary code is very similar to Code 2.1, but we substitute the method randint() and method random(). The full code with this substitution is given as Code 2.3 The result of running this code in Jupyter Lab, gives the following numerical results.

- 0.41661987254534116
- 0.010169169457068361
- 0.8252065092537432
- 0.2986398551995928
- 0.3684116894884757

OUTPUT Code 2.3: Five samples from the uniform distribution

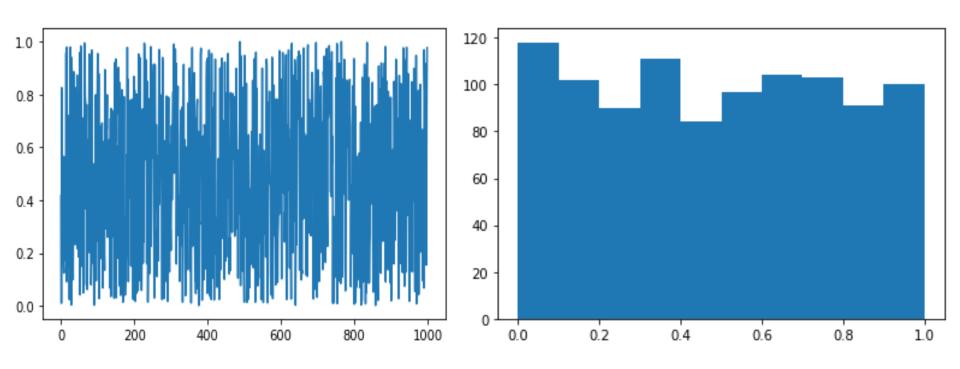
Code 2.4 Uniform Random Numbers: Multiple Samples

The extension of the code for a single sample to multiple samples is easy. One needs only to follow code 2.2 and substitute the method randint() and method random(). By running the code we obtain the following numerical results:

```
[0.41661987 0.01016917 0.82520651 0.29863986 0.36841169 0.19366135
0.56600817 0.16168782 0.12426688 0.43293627 0.56207849 0.17434356
0.55322109 0.35490139 0.95806479 0.0912941 0.97864
                                                        0.41211939
0.50393537 0.14814617 0.71896714 0.18997138 0.34156043 0.02352122
0.33951777 0.96748246 0.97879845 0.74453004 0.00345461 0.9402385
0.87076697 0.77083434 0.17887376 0.09949963 0.41453247 0.88553647
0.57808603 0.73658221 0.2326211 0.52359758 0.70938644 0.82483395
0.80712453 0.23230811 0.87318997 0.21638043 0.80189924 0.5550853
0.18582836 0.58860862 0.51823939 0.9586625 0.04153922 0.16413828
0.98329265 0.83220489 0.15027247 0.22911297 0.53913827 0.15698083
0.32376073 0.04931922 0.71167729 0.07856275 0.99460425 0.92056984
0.78882887 \ 0.77240589 \ 0.3677523 \ 0.67870617 \ 0.76125877 \ 0.48077625
0.06152505 0.62610395 0.32576083 0.61008907 0.42082846 0.95253078
```

OUTPUT Code 2.4: First 100 uniform samples of the 1,000 samples generated by the code.

As well as the following visual representation of the 1,000 random samples from the uniform distribution, and its associated histogram.



OUTPUT Code 2.4: Plot of the previous 1000 uniform samples (left) and histogram (right).

The Quantum Solution

How can we generate random numbers using quantum computers?

The most direct way is to take advantage of the intrinsic nature of qubits.

Remember, in contrast to bits who can only take two states (i.e. 0 or 1), qubits can have a multiplicity of states.

The state of the qubit can be represented as a point in the Bloch Sphere.

So we can setup qubits to be in a state precisely in between $|0\rangle$ and $|1\rangle$ using a Hadamard gate (the H-Gate) we saw in Lecture 1). In other words, we put the qubit in a superposition of the two states $|0\rangle$ and $|1\rangle$.

And afterwards by measuring the actual location of the qubit, we force it to collapse to either the South Pole (0) or the North Pole (1).

Because the likelihood of finding them in either is equal, we can regard this as Tossing a Coin, and would find the qubit sometimes in state 0, and sometimes in state 1.

The probability of each is 50%. No need for PRNG or seeds, just the observed effects of quantum mechanics!



How do we do this in practice? We are going to start by generating random numbers from a single qubit that could be either pointing down (0) or pointing up (1). We are then going to take this as our building block and construct from this single measurement of a qubit a single bit of information. We will do this first in the IBM Quantum Experience using the visual tools from the website and then we will do it by write a computer program in Python with the help of the Qiskit module. Our goal is to generate various types of random numbers using quantum computing as follows:

Quantum Binary Random Numbers

Here is we directly observe a single quabit and after measuring it we transform it into a bit. We can repeat this process multiple times, say 8, and from the 8 measurements obtain 8 bits that would be useful to form a byte.

Quantum Integer Random Numbers

With the methodology above to generate bits and bytes from qubits, we can then transform the binary representations obtained into integers. For example, applying a H-Gate to the same qubit 8 times produces 8 states of information, say 0 1 0 0 1 1 0 1 that if we join them can be regarded as a byte (or 8-bit binary number) as 01001101 and transformed into the decimal integer 77.

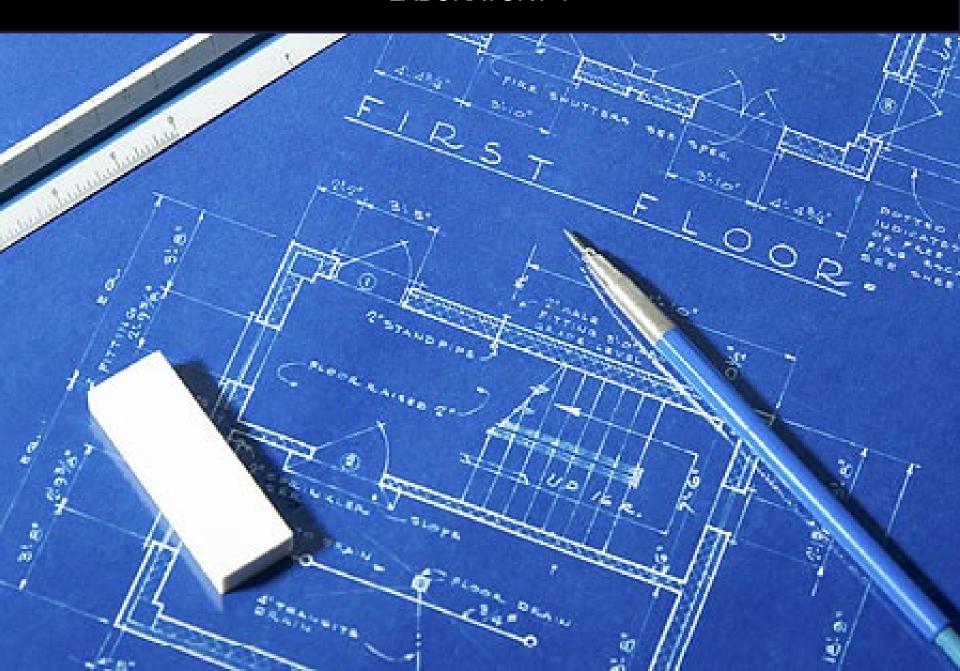
Quantum Uniform Random Numbers

Then with a large enough set of integer numbers we can cover the domain [0,1] and interpret these as samples from a uniform distribution. Of course too few would mean very few samples of the domain, like in the case of 8-bits representing 128 equidistant points between 0 and 1. Using 32 bits then the number increases significantly to $2^32 = 4,294,967,296$.

Qiskit Lab

We start with a single qubit. This might seem too little, but as we will see, it will be the building block upon which we can construct much larger techniques to generate random numbers the quantum way.

LABORATORY 4

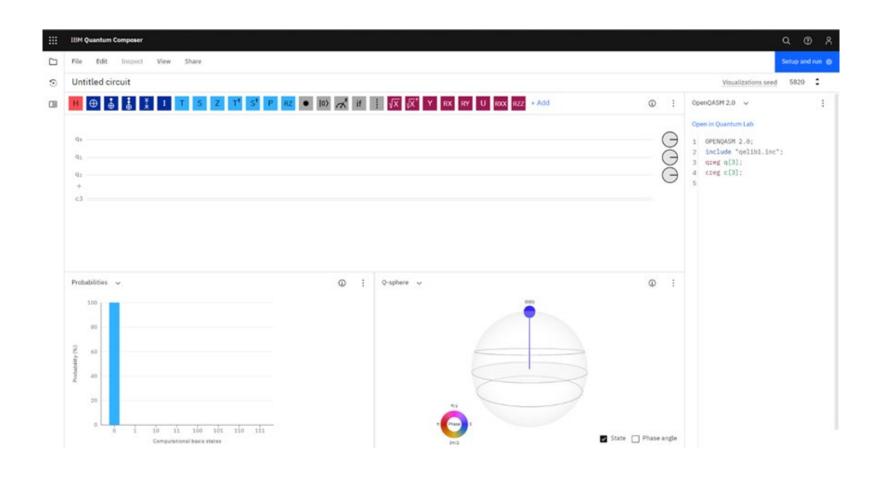


LABORATORY 4: IBM Quantum

In this lab, we will explore how we can generate quantum random numbers using the internet. We will do it first using the QASM simulator (which simulates the behaviour of an ideal quantum computer) and subsequently we will do it on an actual quantum computer.

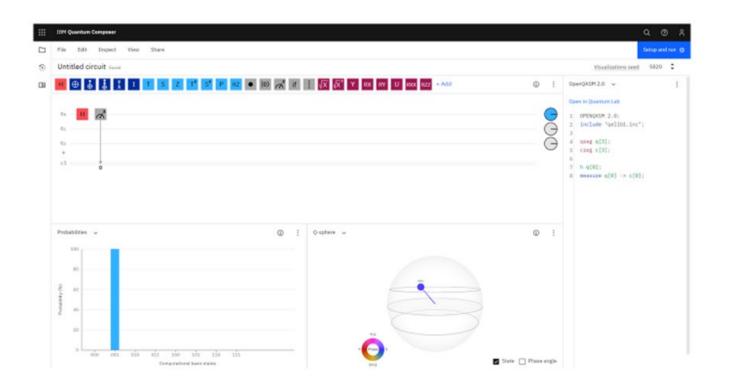
1-bit QRNG Using QASM Simulator

We start by going to the website of the IBM Quantum, do the login with our credentials and then go to the Circuit Composer as illustrated below.



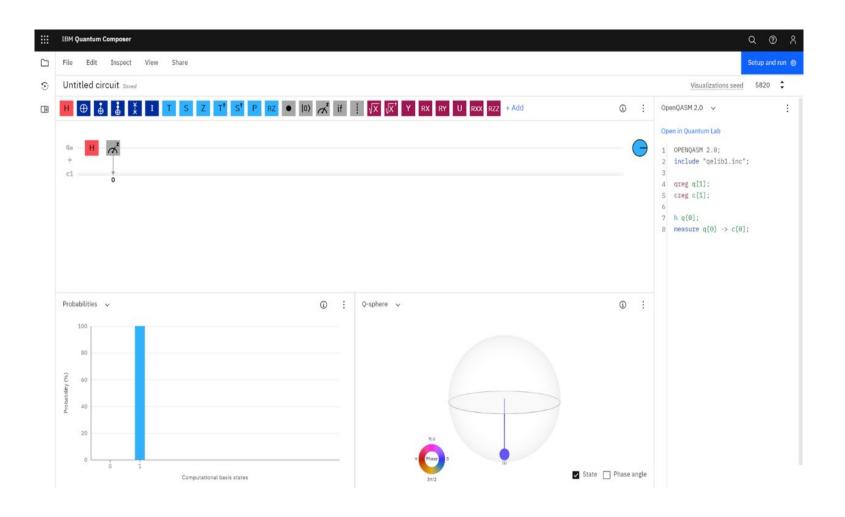
STEP 1: Go to the IBM Quantum website Circuit Composer

We then construct a very simple quantum circuit composed of 1 qubit and 1 classical bit. We drag and drop the Hadamard Gate (the H-Gate) to the first qubit in the line q0. We then drag and drop a measurement icon to the qubit after the application of the H-Gate, i.e. immediately to the right.

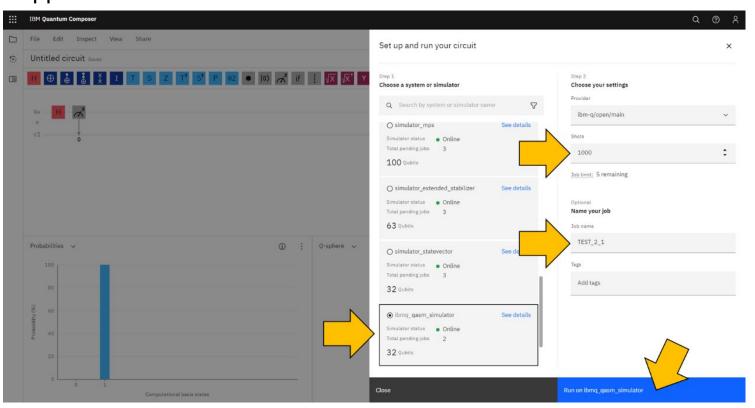


STEP 2: Create a circuit with 1 qubit, apply a Hadamard Gate and a Measurement

As before, we eliminate the unecessary qubits q1 and q2 by simply hoceinr gover them and clicking on their icons, resulting in

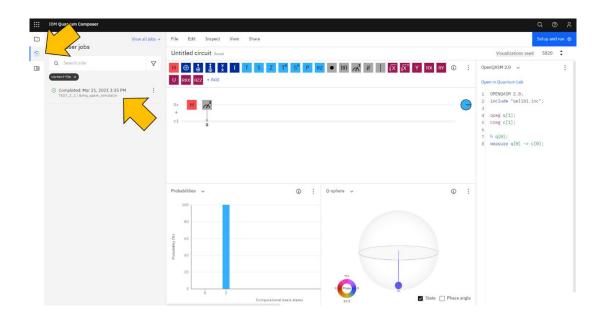


In the next step we go to the Job rung Setup and Run blue button (top right) settings and make sure that we have chosen the ibmq_qasm_simulator (which is the virtual or simulated ideal quantum computer) and that we have written 1,00 1000 shots (that is, the number of repetitions that the circuit is going to be run) and call this test TEST_2_1. We then click on the blue box box on the top bottom right corner (it's a button) and click Run ibmq_qasm_simulator. In the Jobs section, this request appears now as QUEUED.



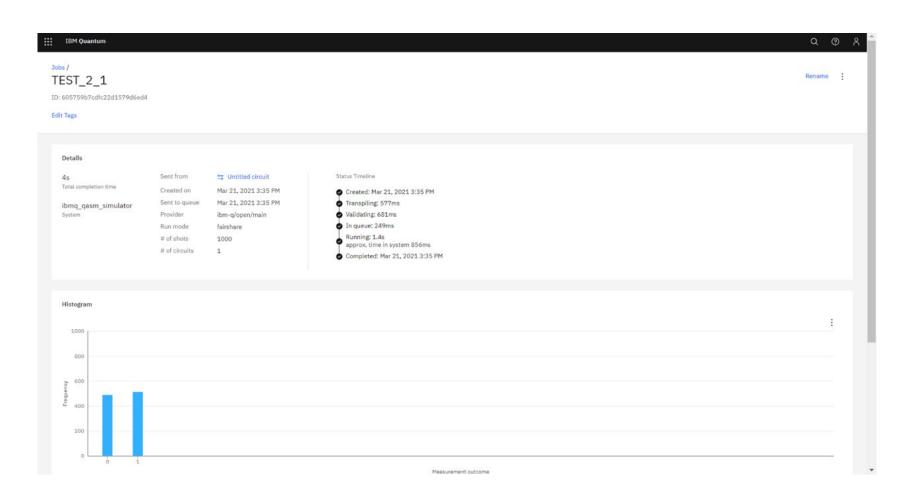
STEP 3: Run the circuit by clicking in bottom right blue box. Note that the job is now queued.

After a few seconds, but this may depend on how busy the system is, the job is finished. Now we can see the progress on the job by clicking on the icon Composer Jobs (left margin) where in the list the job says COMPLETED.



STEP 4: In Composer Jobs the job appears as completed

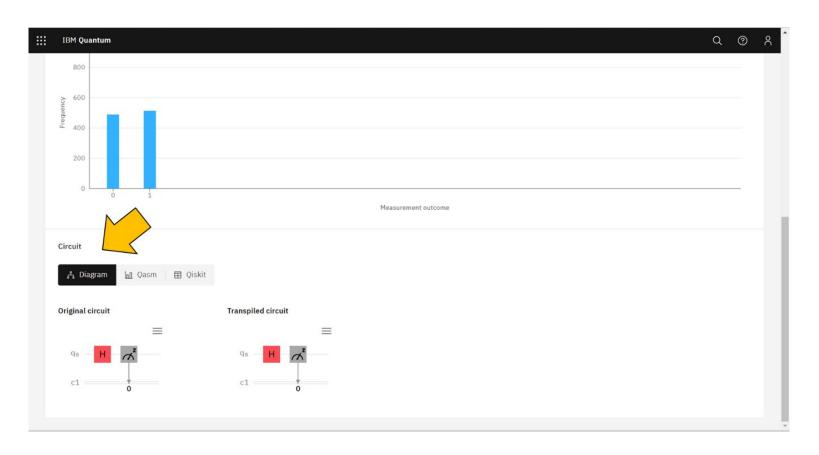
Clicking on the Job itself and the blue button **See More Details**, will take us to the results of the simulation in a new tab in the browser. Here we can see how long our circuit took to run, in this case 1.4 seconds, and as well as the number of shots (simulations) used and the time stamp of the end of the request.



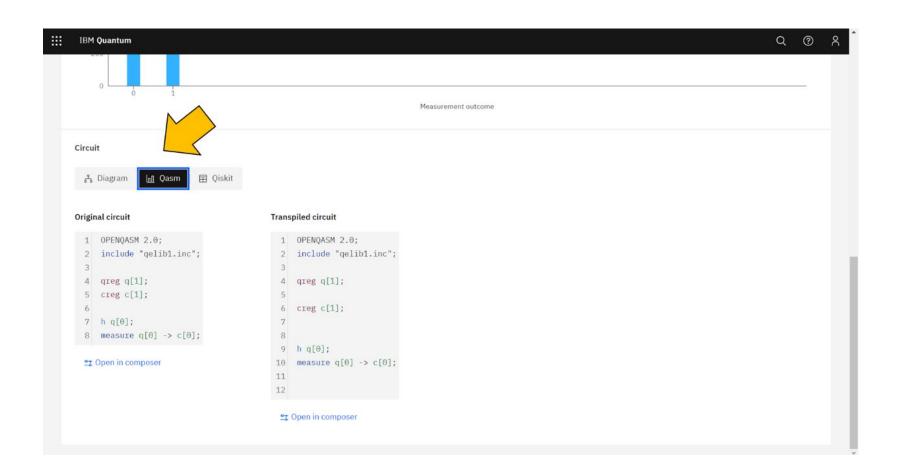
STEP 5: Job details in a new tab.

Scrolling down the page takes us to the histogram, that summarizes how many times we obtained a 0 and how many times we obtained a 1. As we can see, 0 appeared 48.8% of the shots used, i.e. 488 zeroes and 512 ones.

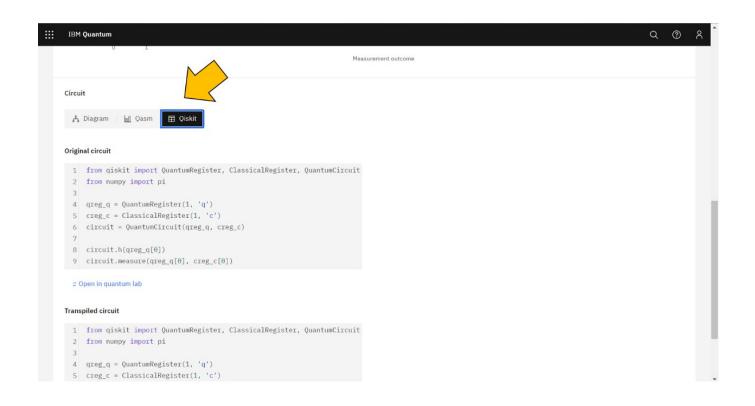
Scrolling further presents a block named Circuit, which contains three tabs: Diagram, Qasm and Qiskit. On Diagram we find a visual representation of our circuit



In Qasm we have the transcription of the circuit into the low-level language OPENQASM 2.0.



Finally, in Qiskit we find a listing of the same circuit into Python code, as seen below, including two modules: NumPy and Qiskit. Clicking on the blue button on the bottom right will open this code in Jupyter Lab.

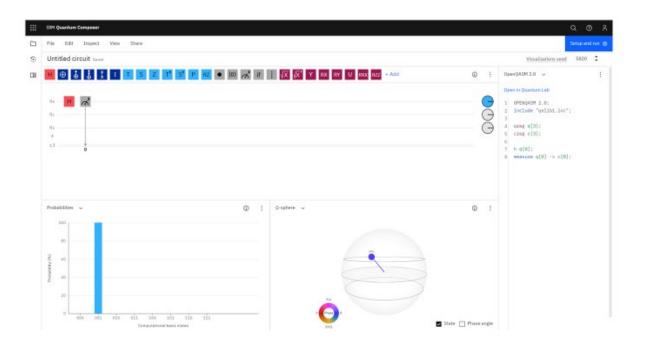


STEP 8 : Clicking on QISKIT will show the Python code of the circuit.

Thus we have generated a sequence of 1000 random numbers, random zeroes and ones, using the simulator. In the next exercise, we will do the same in a real quantum computer.

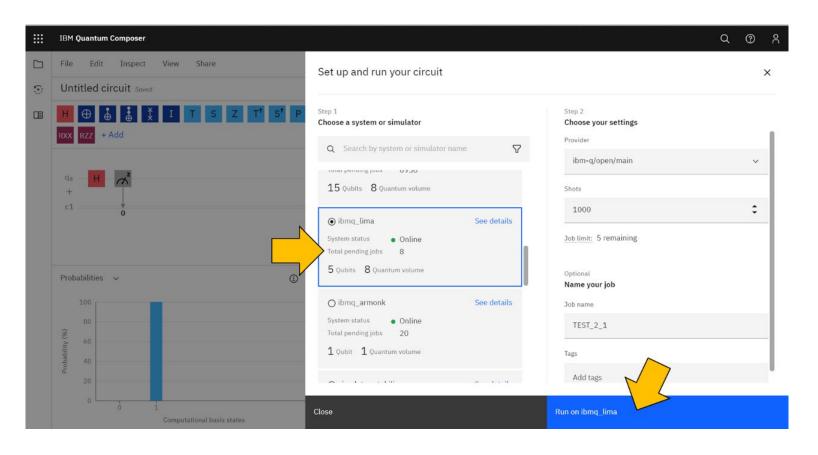
1-bit QRNG Using Lima 5 qubit in a Real Quantum Computer

We start as before by going to the page of IBM Quantum Experience. We construct our circuit with one single qubit, one Hadamard Gate and a measurement device after it.



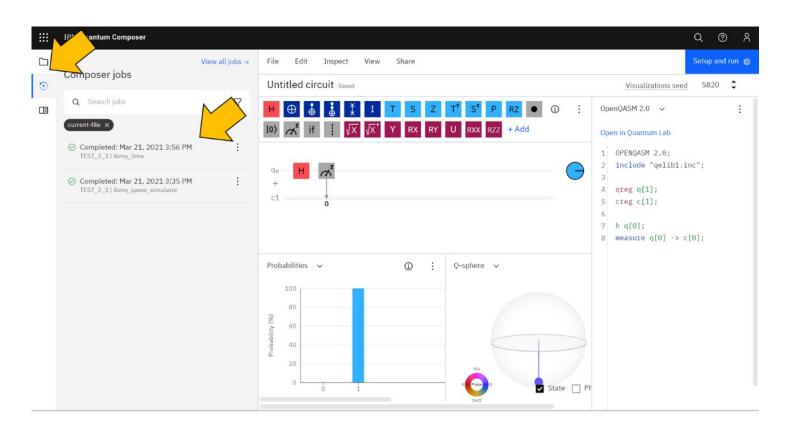
STEP 1: Circuit construction

However, now after clicking on Job run settings we go to System and select ibmq_lima, which is a 5 qubit system offered by IBM. We select again 1,000 shots of the circuit and name it TEST_2_1. We now click on the blue botton called Run on ibmq_lima, on the bottom right corner.



STEP 2: Selecting the settings and running the circuit

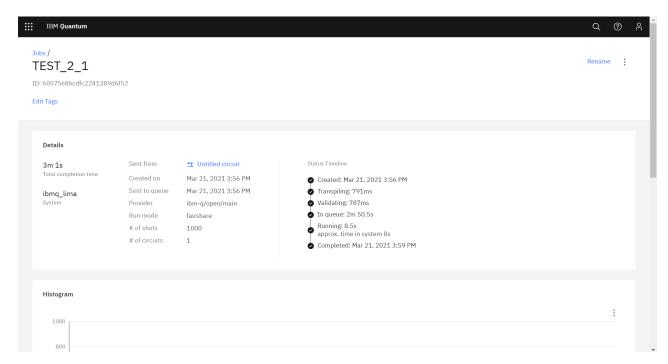
Afterwards, in the Composer Jobs section in the right hand side, the job will appear as QUEUED.



STEP 3: In the Job Composer job appears in the list

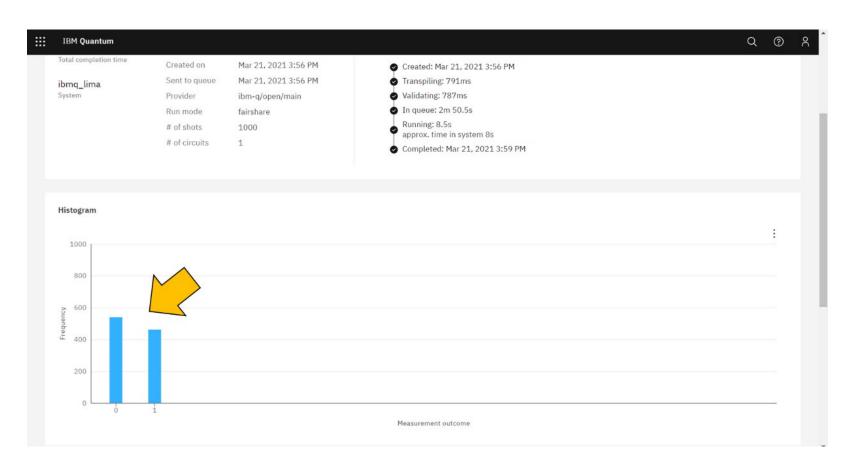
When the Job changes to COMPLETED, which might take several minutes due to the many requests present in the various systems, you can go to the left black border on the page and find the icon for Jobs and click it.

Clicking from the list on the specific job sent, we find as before the details of the run conducted. In this case, our request was on a queue for a few minutes and took 8.5 seconds to be executed.



STEP 4:results from Job

Scrolling down gives the summary results of the simulations in terms of a histogram. Indicating 539 zeros and 461 ones.



STEP 5: histogram of the results

As before, by scrolling further down, we have a visual representation of our circuit and its automatically-generated equivalent (or "transpiled") circuit actually used in the Lima system to run our task.

We have been able to run again our simple, 1 qubit circuit multiple times (1,000 in fact) to obtain 1000 random samples of 0s and 1s. Now we will take these series of 0 and 1 as building blocks to construct first binary numbers from then, then integers, then decimal numbers in the range [0,1] and finally samples from a Standard Normal Distribution.

LABORATORY 5



LABORATORY 5: Quantum Binary Random Numbers in QISKIT

In this laboratory we will create our own Python programs in our computer based on the principles discussed before with the online service IBM Quantum Experience. We will do this in our own Python environment (I use Anaconda Individual and Jupyter Lab to run all the Labs). I run each code in Jupyter by simple copy and pasting it into a cell and pressing Shift+Enter. All the subsequent examples are based on the quantum random computer simulator offered by QISKIT, but the setting can be changed to use a real quantum computer as will be illustrated in the next chapter.

To start with, I this laboratory we will start by generating binary numbers, i.e. bits and bytes.

Code 2.7 Quantum 1-bit generator

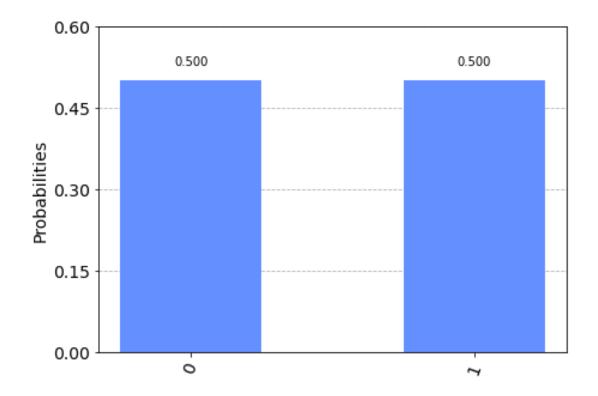
In this code we construct a simple 1 qubit circuit with a H-Gate and repeat its measurement 8 times (using 8 shots).

```
# CODE_2_7_QISKIT_1_qubit_8_shots
# QISKIT generate 1-bit binary (0,1) with 1 qubit 8 shots
from qiskit import QuantumCircuit, execute, Aer, IBMQ
from giskit.visualization import *
from qiskit.tools.jupyter import *
\# Create a quantum circuit with 1 qubits and 1 classic bits
qcircuit = QuantumCircuit(1,1)
# Add an Hadamard gate to the qubit
qcircuit.h(0)
# Measure and link qubit into classical bit
qcircuit.measure([0],[0])
# Execute the circuit
backend = Aer.get backend('qasm simulator')
result = execute(qcircuit, backend, shots=8, memory = True).result()
counts = result.get counts(qcircuit)
# Get individual shot results
shotlist = result.get memory()
# Output
print(counts)
print(shotlist)
plot histogram(counts)
```

Running this circuit in Jupyter results in the following numerical results. Of the eight runs (shots), 4 times the qubit measured gave a zero (i.e. pointing up in the Bloch Sphere) and 4 times the qubit measured gave a one (i.e. pointing down in the Bloch Sphere). The results from the individual runs are given in the second row.

OUTPUT Code 2.7: numerical results

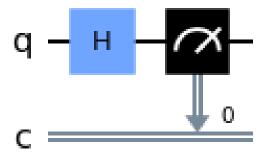
These values can be further summarized in terms of an histogram:



OUTPUT Code 2.7: histogram

Finally, if in Jupyter Lab we write in the next cell and execute (Shift+Enter) we can obtain a graph of our circuit:

Draw the circuit
qcircuit.draw()



OUTPUT Code 2.7: circuit

References

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