Package 'fnets'

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Type Package

Title Factor-adjusted Network Estimation and Forecasting for High-dimensional Time Series

Version 0.1.1

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Description Implements methods for network estimation and forecasting of high-dimensional time series exhibiting strong serial and cross-sectional correlations under a factor-adjusted vector autoregressive model.

Depends R (>= 4.1.0)

Imports lpSolve,
parallel,
doParallel,
foreach,
MASS,
fields,
igraph,
RColorBrewer

License GPL (>= 3)

Encoding UTF-8

LazyData true

RoxygenNote 7.1.2

Suggests testthat (>= 3.0.0)

Config/testthat/edition 3

R topics documented:

`common.predict` *Forecasting the factor-driven common component*

Description

Produces forecasts of the common component for a given forecasting horizon by estimating the best linear predictors

Usage

```
common.predict(object, x, h = 1, fc.restricted = TRUE, r = c("ic", "er"))
```

Arguments

`object`	`fnets` object
`x`	input time series matrix, with each row representing a variable
`h`	forecasting horizon
`fc.restricted`	whether to forecast using a restricted or unrestricted, blockwise VAR representation of the common component
`r`	number of restricted factors, or a string specifying the factor number selection method when `fc.restricted` = `TRUE`; possible values are: • `"ic"` information criteria of Bai and Ng (2002) • `"er"` eigenvalue ratio

Value

a list containing

`is`	in-sample estimator of the common component
`fc`	forecasts of the common component for a given forecasting horizon `h`
`r`	restricted factor number
`h`	forecast horizon

References

Ahn, S. C. & Horenstein, A. R. (2013) Eigenvalue ratio test for the number of factors. Econometrica, 81(3), 1203–1227.

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Forni, M., Hallin, M., Lippi, M. & Reichlin, L. (2005). The generalized dynamic factor model: one-sided estimation and forecasting. Journal of the American Statistical Association, 100(471), 830–840.

Forni, M., Hallin, M., Lippi, M. & Zaffaroni, P. (2017). Dynamic factor models with infinite-dimensional factor space: Asymptotic analysis. Journal of Econometrics, 199(1), 74–92.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
set.seed(123)
n <- 500
p <- 50
common <- sim.unrestricted(n, p)
idio <- sim.var(n, p)
x <- common$data + idio$data
out <- fnets(x, q = NULL, var.order = 1, var.method = "lasso", do.lrpc = FALSE)
cpre <- common.predict(out, x, h = 1, r = NULL)
ipre <- idio.predict(out, x, cpre, h = 1)
```

`factor.number` *Factor number selection methods*

Description

Methods to estimate the number of factor. When `method = 'er'`, the factor number is estimated by maximising the ration of successive eigenvalues. When `method = 'ic'`, the information criterion-methods discussed in Hallin and Liška (2007) (when `fm.restricted = FALSE`) and Alessi, Barigozzi and Capasso (2010) (when `fm.restricted = TRUE`) are implemented, with the information criterion called by `ic.op = 5` recommended by default.

Usage

```
factor.number(
  x,
  fm.restricted = FALSE,
  method = c("ic", "er"),
  q.max = NULL,
  do.plot = FALSE,
  center = TRUE
)
```

Arguments

x	input time series matrix, with each row representing a variable
fm.restricted	whether to estimate the number of restricted or unrestricted factors
method	A string specifying the factor number selection method; possible values are: • "ic" information criteria-based methods of Alessi, Barigozzi & Capasso (2010) when fm.restricted = TRUE or Hallin and Liška (2007) when fm.restricted = FALSE • "er" eigenvalue ratio of Ahn and Horenstein (2013) ;
q.max	maximum number of factors; if q.max = NULL, a default value is selected as min(50, floor(sqrt(min(dim(x)[2] - 1, dim(x)[1]))))
do.plot	whether to plot the information criteria values
center	whether to de-mean the input x row-wise

Details

For further details, see references.

Value

if method = "ic", a vector containing minimisers of the six information criteria, otherwise, the maximiser of the eigenvalue ratio

References

Ahn, S. C. & Horenstein, A. R. (2013) Eigenvalue ratio test for the number of factors. Econometrica, 81(3), 1203–1227.

Alessi, L., Barigozzi, M., and Capasso, M. (2010) Improved penalization for determining the number of factors in approximate factor models. Statistics & Probability Letters, 80(23-24):1806–1813.

Bai, J. & Ng, S. (2002) Determining the number of factors in approximate factor models. Econometrica. 70: 191-221.

Hallin, M. & Liška, R. (2007) Determining the number of factors in the general dynamic factor model. Journal of the American Statistical Association, 102(478), 603–617.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
library(fnets)

set.seed(123)
n <- 500
p <- 50
common <- sim.unrestricted(n, p)
idio <- sim.var(n, p)
x <- common$data * apply(idio$data, 1, sd) / apply(common$data, 1, sd) + idio$data
```

```
hl <- factor.number(x, fm.restricted = FALSE, do.plot = TRUE)
hl
library(fnets)

set.seed(123)
n <- 500
p <- 50
common <- sim.restricted(n, p)
idio <- sim.var(n, p)
x <- common$data * apply(idio$data, 1, sd) / apply(common$data, 1, sd) + idio$data

abc <- factor.number(x, fm.restricted = TRUE, do.plot = TRUE)
abc

er <- factor.number(x, method = "er", fm.restricted = TRUE, do.plot = TRUE)
er
```

---

fnets *Factor-adjusted network estimation*

Description

Operating under a factor-adjusted vector autoregressive (VAR) model, the function estimates the spectral density and autocovariance matrices of the factor-driven common component and the idiosyncratic VAR process, the impulse response functions and common shocks for the common component, and VAR parameters, innovation covariance matrix and long-run partial correlations for the idiosyncratic component.

Usage

```
fnets(
  x,
  center = TRUE,
  fm.restricted = FALSE,
  q = c("ic", "er"),
  ic.op = NULL,
  kern.bw = NULL,
  common.args = list(factor.var.order = NULL, max.var.order = NULL, trunc.lags = 20,
    n.perm = 10),
  var.order = 1,
  var.method = c("lasso", "ds"),
  var.args = list(tuning = c("cv", "bic"), n.iter = NULL, tol = 0, n.cores =
    min(parallel::detectCores() - 1, 3)),
  do.threshold = FALSE,
  do.lrpc = TRUE,
  lrpc.adaptive = FALSE,
  tuning.args = list(n.folds = 1, penalty = NULL, path.length = 10, do.plot = FALSE)
)
```

Arguments

- `x` — input time series matrix, with each row representing a variable
- `center` — whether to de-mean the input `x` row-wise
- `fm.restricted` — whether to estimate a restricted factor model using static PCA
- `q` — Either the number of factors or a string specifying the factor number selection method; possible values are:
    - `"ic"` information criteria-based methods of Alessi, Barigozzi & Capasso (2010) when `fm.restricted = TRUE` or Hallin and Liška (2007) when `fm.restricted = FALSE` modifying Bai and Ng (2002)
    - `"er"` eigenvalue ratio of Ahn and Horenstein (2013)

  ; see factor.number.
- `ic.op` — choice of the information criterion penalty, see factor.number for further details
- `kern.bw` — a positive integer specifying the kernel bandwidth for dynamic PCA; by default, it is set to `floor(4 *(dim(x)[2]/log(dim(x)[2]))^(1/3)))`. When `fm.restricted = TRUE`, it is used to compute the number of lags for which autocovariance matrices are estimated
- `common.args` — a list specifying the tuning parameters required for estimating the impulse response functions and common shocks. It contains:
    - `factor.var.order` order of the blockwise VAR representation of the common component. If `factor.var.order = NULL`, it is selected blockwise by Schwarz criterion
    - `max.var.order` maximum blockwise VAR order for the Schwarz criterion
    - `trunc.lags` truncation lag for impulse response function estimation
    - `n.perm` number of cross-sectional permutations involved in impulse response function estimation
- `var.order` — order of the idiosyncratic VAR process; if a vector of integers is supplied, the order is chosen via `tuning`
- `var.method` — a string specifying the method to be adopted for idiosyncratic VAR process estimation; possible values are:
    - `"lasso"` Lasso-type `l1`-regularised `M`-estimation
    - `"ds"` Dantzig Selector-type constrained `l1`-minimisation
- `var.args` — a list specifying the tuning parameters required for estimating the idiosyncratic VAR process. It contains:
    - `n.iter` maximum number of descent steps, by default depends on `var.order`; applicable when `var.method = "lasso"`
    - `tol` numerical tolerance for increases in the loss function; applicable when `var.method = "lasso"`
    - `n.cores` number of cores to use for parallel computing, see makePSOCKcluster; applicable when `var.method = "ds"`
- `do.threshold` — whether to perform adaptive thresholding of all parameter estimators with threshold
- `do.lrpc` — whether to estimate the long-run partial correlation

`lrpc.adaptive`	whether to use the adaptive estimation procedure

`tuning.args`	a list specifying arguments for `tuning` for selecting the tuning parameters involved in VAR parameter and (long-run) partial correlation matrix estimation. It contains:
	• `tuning` a string specifying the selection procedure for `var.order` and `lambda`; possible values are:
	  – `"cv"` cross validation
	  – `"bic"` information criterion
	• `n.folds` if `tuning = "cv"`, positive integer number of folds
	• `penalty` if `tuning = "bic"`, penalty multiplier between 0 and 1; if `penalty = NULL`, it is set to `1/(1+exp(dim(x)[1])/dim(x)[2]))` by default
	• `path.length` positive integer number of regularisation parameter values to consider; a sequence is generated automatically based in this value
	• `do.plot` whether to plot the output of the cross validation step

Details

See Barigozzi, Cho and Owens (2022) and Owens, Cho and Barigozzi (2022) for further details. List arguments do not need to be specified with all list components; any missing entries will be filled in with the default argument.

Value

an S3 object of class `fnets`, which contains the following fields:

`q`	number of factors
`spec`	if `fm.restricted = FALSE` a list containing estimates of the spectral density matrices for `x`, common and idiosyncratic components
`acv`	a list containing estimates of the autocovariance matrices for `x`, common and idiosyncratic components
`loadings`	if `fm.restricted = TRUE`, factor loadings; if `fm.restricted = FALSE` and `q >= 1`, a list containing estimators of the impulse response functions (as an array of dimension `(p, q, trunc.lags + 2)`)
`factors`	if `fm.restricted = TRUE`, factor series; else, common shocks (an array of dimension `(q, n)`)
`idio.var`	a list containing the following fields: • `beta` estimate of VAR parameter matrix; each column contains parameter estimates for the regression model for a given variable • `Gamma` estimate of the innovation covariance matrix • `lambda` regularisation parameter • `var.order` VAR order
`lrpc`	see the output of par.lrpc
`mean.x`	if `center = TRUE`, returns a vector containing row-wise sample means of `x`; if `center = FALSE`, returns a vector of zeros
`var.method`	input parameter
`do.lrpc`	input parameter
`kern.bw`	input parameter

References

Ahn, S. C. & Horenstein, A. R. (2013) Eigenvalue ratio test for the number of factors. Econometrica, 81(3), 1203–1227.

Alessi, L., Barigozzi, M., & Capasso, M. (2010) Improved penalization for determining the number of factors in approximate factor models. Statistics & Probability Letters, 80(23-24):1806–1813.

Bai, J. & Ng, S. (2002) Determining the number of factors in approximate factor models. Econometrica. 70: 191-221.

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Hallin, M. & Liška, R. (2007) Determining the number of factors in the general dynamic factor model. Journal of the American Statistical Association, 102(478), 603–617.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

See Also

predict.fnets, plot.fnets

Examples

```
## Not run:
set.seed(123)
n <- 500
p <- 50
common <- sim.unrestricted(n, p)
idio <- sim.var(n, p)
x <- common$data + idio$data
out <- fnets(x,
  q = NULL, var.order = 1, var.method = "lasso", do.threshold = TRUE,
 do.lrpc = TRUE, tuning.args = list(tuning = "cv", n.folds = 1, path.length = 10, do.plot = TRUE)
)
pre <- predict(out, x, h = 1, common.method = "unrestricted")
plot(out, type = "granger", display = "network")
plot(out, type = "lrpc", display = "heatmap")

## End(Not run)
```

`fnets.factor.model` *Factor model estimation*

Description

Performs factor modelling under either restricted (static) or unrestricted (dynamic) factor models

Usage

```
fnets.factor.model(
  x,
  center = TRUE,
  fm.restricted = FALSE,
  q = c("ic", "er"),
  ic.op = NULL,
  kern.bw = NULL,
 common.args = list(factor.var.order = NULL, max.var.order = NULL, trunc.lags = 20,
    n.perm = 10)
)
```

Arguments

`x` input time series matrix, with each row representing a variable

`center` whether to de-mean the input `x` row-wise

`fm.restricted` whether to estimate a restricted factor model using static PCA

`q` Either a string specifying the factor number selection method when `fm.restricted = TRUE`; possible values are:

- `"ic"` information criteria of Hallin and Liška (2007) or Bai and Ng (2002), see factor.number
- `"er"` eigenvalue ratio

; or the number of unrestricted factors.

`ic.op` choice of the information criterion penalty, see hl.factor.number or abc.factor.number for further details

`kern.bw` kernel bandwidth for dynamic PCA; by default, it is set to `4 * floor((dim(x)[2]/log(dim(x)[2]))^(1` When `fm.restricted = TRUE`, it is used to compute the number of lags for which autocovariance matrices are estimated

`common.args` a list specifying the tuning parameters required for estimating the impulse response functions and common shocks. It contains:

- `factor.var.order` order of the blockwise VAR representation of the common component. If `factor.var.order = NULL`, it is selected blockwise by Schwarz criterion
- `max.var.order` maximum blockwise VAR order for the Schwarz criterion
- `trunc.lags` truncation lag for impulse response function estimation
- `n.perm` number of cross-sectional permutations involved in impulse response function estimation

Details

See Barigozzi, Cho and Owens (2022) for further details.

Value

an S3 object of class `fm`, which contains the following fields:

`q`	number of factors
`spec`	if `fm.restricted = FALSE` a list containing estimates of the spectral density matrices for `x`, common and idiosyncratic components
`acv`	a list containing estimates of the autocovariance matrices for `x`, common and idiosyncratic components
`loadings`	if `fm.restricted = TRUE`, factor loadings; if `fm.restricted = FALSE` and `q >= 1`, a list containing estimators of the impulse response functions (as an array of dimension `(p, q, trunc.lags + 2)`)
`factors`	if `fm.restricted = TRUE`, factor series; else, common shocks (an array of dimension `(q, n)`)
`mean.x`	if `center = TRUE`, returns a vector containing row-wise sample means of `x`; if `center = FALSE`, returns a vector of zeros

References

Alessi, L., Barigozzi, M., & Capasso, M. (2010) Improved penalization for determining the number of factors in approximate factor models. Statistics & Probability Letters, 80(23-24):1806–1813.

Bai, J. & Ng, S. (2002) Determining the number of factors in approximate factor models. Econometrica. 70: 191-221.

Barigozzi, M., Cho, H. & Owens, D. (2022) Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Hallin, M. & Liška, R. (2007) Determining the number of factors in the general dynamic factor model. Journal of the American Statistical Association, 102(478), 603–617.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
## Not run:
set.seed(123)
n <- 500
p <- 50
common <- sim.restricted(n, p)
x <- common$data
out <- fnets.factor.model(x, fm.restricted = TRUE)

## End(Not run)
```

fnets.var — l1-regularised Yule-Walker estimation for VAR processes

Description

Estimates the VAR parameter matrices via l1-regularised Yule-Walker estimation and innovation covariance matrix via constrained l1-minimisation.

Usage

```
fnets.var(
  x,
  center = TRUE,
  method = c("lasso", "ds"),
  lambda = NULL,
  var.order = 1,
 tuning.args = list(tuning = c("cv", "bic"), n.folds = 1, penalty = NULL, path.length
    = 10, do.plot = FALSE),
  do.threshold = FALSE,
  n.iter = NULL,
  tol = 0,
  n.cores = min(parallel::detectCores() - 1, 3)
)
```

Arguments

`x` — input time series matrix, with each row representing a variable

`center` — whether to de-mean the input `x` row-wise

`method` — a string specifying the method to be adopted for VAR process estimation; possible values are:
- `"lasso"` Lasso-type l1-regularised M-estimation
- `"ds"` Dantzig Selector-type constrained l1-minimisation

`lambda` — regularisation parameter; if `lambda = NULL`, `tuning` is employed to select the parameter

`var.order` — order of the VAR process; if a vector of integers is supplied, the order is chosen via `tuning`

`tuning.args` — a list specifying arguments for `tuning` for selecting the regularisation parameter (and VAR order). It contains:
- `tuning` a string specifying the selection procedure for `var.order` and `lambda`; possible values are:
  - `"cv"` cross validation
  - `"bic"` information criterion
- `n.folds` if `tuning = "cv"`, positive integer number of folds

- penalty if tuning = "bic", penalty multiplier between 0 and 1; if penalty = NULL, it is set to 1/(1+exp(dim(x)[1])/dim(x)[2])) by default
- path.length positive integer number of regularisation parameter values to consider; a sequence is generated automatically based in this value
- do.plot whether to plot the output of the cross validation step

do.threshold
: whether to perform adaptive thresholding of VAR parameter estimator with threshold

n.iter
: maximum number of descent steps; applicable when method = "lasso"

tol
: numerical tolerance for increases in the loss function; applicable when method = "lasso"

n.cores
: number of cores to use for parallel computing, see makePSOCKcluster; applicable when method = "ds"

Details

Further information can be found in Barigozzi, Cho and Owens (2022).

Value

a list which contains the following fields:

beta
: estimate of VAR parameter matrix; each column contains parameter estimates for the regression model for a given variable

Gamma
: estimate of the innovation covariance matrix

lambda
: regularisation parameter

var.order
: VAR order

mean.x
: if center = TRUE, returns a vector containing row-wise sample means of x; if center = FALSE, returns a vector of zeros

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
library(fnets)

set.seed(123)
n <- 500
p <- 50
idio <- sim.var(n, p)
x <- idio$data

fv <- fnets.var(x,
```

```
  center = TRUE, method = "lasso", var.order = 1,
  tuning.args = list(tuning = "cv", n.folds = 1, path.length = 10, do.plot = TRUE)
)
norm(fv$beta - t(idio$A), "F") / norm(t(idio$A), "F")
```

---

idio.predict *Forecasting idiosyncratic VAR process*

Description

Produces forecasts of the idiosyncratic VAR process for a given forecasting horizon by estimating the best linear predictors

Usage

```
idio.predict(object, x, cpre, h = 1)
```

Arguments

object	fnets object
x	input time series matrix, with each row representing a variable
cpre	output of common.predict
h	forecast horizon

Value

a list containing

is	in-sample estimator of the idiosyncratic component
fc	forecasts of the idiosyncratic component for a given forecasting horizon h
h	forecast horizon

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
set.seed(123)
n <- 500
p <- 50
common <- sim.unrestricted(n, p)
idio <- sim.var(n, p)
x <- common$data + idio$data
out <- fnets(x, q = NULL, var.order = 1, var.method = "lasso", do.lrpc = FALSE)
cpre <- common.predict(out, x, h = 1, r = NULL)
ipre <- idio.predict(out, x, cpre, h = 1)
```

`par.lrpc` *Parametric estimation of long-run partial correlations of factor-adjusted VAR processes*

Description

Returns a parametric estimate of long-run partial correlations of the VAR process from the VAR parameter estimates and the inverse of innovation covariance matrix obtained via constrained `l1`-minimisation.

Usage

```
par.lrpc(
  object,
  x,
  eta = NULL,
  tuning.args = list(n.folds = 1, path.length = 10, do.plot = FALSE),
  lrpc.adaptive = FALSE,
  eta.adaptive = NULL,
  do.correct = TRUE,
  do.threshold = FALSE,
  n.cores = min(parallel::detectCores() - 1, 3)
)
```

Arguments

`object`	`fnets` object
`x`	input time series matrix; with each row representing a variable
`eta`	regularisation parameter; if `eta = NULL`, it is selected by cross validation
`tuning.args`	a list specifying arguments for the cross validation procedure for selecting the tuning parameter involved in long-run partial correlation matrix estimation. It contains: • `n.folds` positive integer number of folds • `path.length` positive integer number of regularisation parameter values to consider; a sequence is generated automatically based in this value

- do.plot whether to plot the output of the cross validation step, and if do.threshold = TRUE, plot the thresholding output

lrpc.adaptive	whether to use the adaptive estimation procedure
eta.adaptive	regularisation parameter for Step 1 of the adaptive estimation procedure; if eta.adaptive = NULL, defaults to 2 * sqrt(log(dim(x)[1])/dim(x)[2])
do.correct	whether to correct for any negative entries in the diagonals of the inverse of long-run covariance matrix
do.threshold	whether to perform adaptive thresholding of Delta and Omega parameter estimators with threshold
n.cores	number of cores to use for parallel computing, see makePSOCKcluster

Details

See Barigozzi, Cho and Owens (2022) for further details, and Cai, Liu and Zhou (2016) for further details on the adaptive estimation procedure.

Value

a list containing

Delta	estimated inverse of the innovation covariance matrix
Omega	estimated inverse of the long-run covariance matrix
pc	estimated innovation partial correlation matrix
lrpc	estimated long-run partial correlation matrix
eta	regularisation parameter
lrpc.adaptive	input argument

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series.

Cai, T. T., Liu, W., & Zhou, H. H. (2016) Estimating sparse precision matrix: Optimal rates of convergence and adaptive estimation. The Annals of Statistics, 44(2), 455-488.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
## Not run:
set.seed(123)
n <- 500
p <- 50
common <- sim.unrestricted(n, p)
idio <- sim.var(n, p)
x <- common$data + idio$data
out <- fnets(x, q = NULL, var.method = "lasso", do.lrpc = FALSE)
plrpc <- par.lrpc(out, x, tuning.args = list(n.folds = 1, path.length = 10, do.plot = TRUE))
```

```
out$lrpc <- plrpc
out$do.lrpc <- TRUE
plot(out, type = "pc", display = "network", threshold = .05)
plot(out, type = "lrpc", display = "heatmap", threshold = .05)

## End(Not run)
```

`plot.fnets` *Plotting the networks estimated by fnets*

Description

Plotting method for S3 objects of class `fnets`. Produces a plot visualising three networks underlying factor-adjusted VAR processes: (i) directed network representing Granger causal linkages, as given by estimated VAR transition matrices summed across the lags, (ii) undirected network representing contemporaneous linkages after accounting for lead-lag dependence, as given by partial correlations of VAR innovations, (iii) undirected network summarising (i) and (ii) as given by long-run partial correlations of VAR processes. Edge widths are determined by edge weights.

Usage

```
## S3 method for class 'fnets'
plot(
  x,
  type = c("granger", "pc", "lrpc"),
  display = c("network", "heatmap"),
  names = NA,
  groups = NA,
  threshold = 0,
  ...
)
```

Arguments

`x` `fnets` object

`type` a string specifying which of the above three networks (i)–(iii) to visualise; possible values are

- `"granger"` directed network representing Granger causal linkages
- `"pc"` undirected network representing contemporaneous linkages; available when `x$do.lrpc = TRUE`
- `"lrpc"` undirected network summarising Granger causal and contemporaneous linkages; available when `x$do.lrpc = TRUE`

`display` a string specifying how to visualise the network; possible values are:

- `"network"` as an `igraph` object, see plot.igraph
- `"heatmap"` as a heatmap, see imagePlot

`names` a character vector containing the names of the vertices

`groups`	an integer vector denoting any group structure of the vertices
`threshold`	if `threshold` > `0`, hard thresholding is performed on the matrix giving rise to the network of interest
`...`	additional arguments

Details

See Barigozzi, Cho and Owens (2022) for further details.

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

See Also

fnets

`predict.fm` *Forecasting for factor models*

Description

Produces forecasts of the data for a given forecasting horizon by estimating the best linear predictors of the common component

Usage

```
## S3 method for class 'fm'
predict(object, x, h = 1, fc.restricted = TRUE, r = c("ic", "er"), ...)
```

Arguments

`object`	`fm` object
`x`	input time series matrix, with each row representing a variable
`h`	forecasting horizon
`fc.restricted`	whether to forecast using a restricted or unrestricted, blockwise VAR representation of the common component
`r`	number of restricted factors, or a string specifying the factor number selection method when `fc.restricted` = `TRUE`; possible values are: • `"ic"` information criteria of Alessi, Barigozzi & Capasso (2010) • `"er"` eigenvalue ratio
`...`	not used

Value

a list containing

`is`	in-sample predictions
`forecast`	forecasts for the given forecasting horizon
`r`	factor number

References

Ahn, S. C. & Horenstein, A. R. (2013) Eigenvalue ratio test for the number of factors. Econometrica, 81(3), 1203–1227.

Alessi, L., Barigozzi, M., & Capasso, M. (2010) Improved penalization for determining the number of factors in approximate factor models. Statistics & Probability Letters, 80(23-24):1806–1813.

Barigozzi, M., Cho, H. & Owens, D. (2022) Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Owens, D., Cho, H. & Barigozzi, M. (2022)

See Also

fnets.factor.model, common.predict

`predict.fnets` *Forecasting by fnets*

Description

Produces forecasts of the data for a given forecasting horizon by separately estimating the best linear predictors of common and idiosyncratic components

Usage

```
## S3 method for class 'fnets'
predict(object, x, h = 1, fc.restricted = TRUE, r = c("ic", "er"), ...)
```

Arguments

`object`	`fnets` object
`x`	input time series matrix, with each row representing a variable
`h`	forecasting horizon
`fc.restricted`	whether to forecast using a restricted or unrestricted, blockwise VAR representation of the common component
`r`	number of restricted factors, or a string specifying the factor number selection method when `fc.restricted` = `TRUE`; possible values are: • `"ic"` information criteria of Bai and Ng (2002) • `"er"` eigenvalue ratio
`...`	not used

Value

a list containing

forecast	forecasts for the given forecasting horizon
common.pred	a list containing forecasting results for the common component
idio.pred	a list containing forecasting results for the idiosyncratic component
mean.x	mean.x argument from object

References

Ahn, S. C. & Horenstein, A. R. (2013) Eigenvalue ratio test for the number of factors. Econometrica, 81(3), 1203–1227.

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

See Also

fnets, common.predict, idio.predict

Examples

```
set.seed(123)
n <- 500
p <- 50
common <- sim.restricted(n, p)
idio <- sim.var(n, p)
x <- common$data + idio$data
out <- fnets(x, q = 2, var.order = 1, var.method = "lasso", do.lrpc = FALSE)
cpre.unr <- common.predict(out, x, h = 1, fc.restricted = FALSE, r = NULL)
cpre.res <- common.predict(out, x, h = 1, fc.restricted = TRUE, r = NULL)
ipre <- idio.predict(out, x, cpre.res, h = 1)
```

---

sim.restricted *Simulate data from a restricted factor model*

Description

Simulate the common component following an unrestricted factor model that admits a restricted representation; see the model (C2) in the reference.

Usage

```
sim.restricted(n, p, q = 2, heavy = FALSE)
```

Arguments

`n`	sample size
`p`	dimension
`q`	number of unrestricted factors; number of restricted factors is given by `2 * q`
`heavy`	if `heavy = FALSE`, common shocks are generated from `rnorm` whereas if `heavy = TRUE`, from `rt` with `df = 5` and then scaled by `sqrt(3 / 5)`

Value

a list containing

`data`	generated series
`q`	number of factors
`r`	number of restricted factors

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series.

Owens, D., Cho, H. & Barigozzi, M. (2022)

Examples

```
common <- sim.restricted(500, 50)
```

`sim.unrestricted` *Simulate data from an unrestricted factor model*

Description

Simulate the common component following an unrestricted factor model that does not admit a restricted representation; see the model (C1) in the reference.

Usage

```
sim.unrestricted(n, p, q = 2, heavy = FALSE)
```

Arguments

`n`	sample size
`p`	dimension
`q`	number of unrestricted factors
`heavy`	if `heavy = FALSE`, common shocks are generated from `rnorm` whereas if `heavy = TRUE`, from `rt` with `df = 5` and then scaled by `sqrt(3 / 5)`

Value

a list containing

`data`	generated series
`q`	number of factors

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series. arXiv preprint arXiv:2201.06110

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
common <- sim.unrestricted(500, 50)
```

`sim.var` *Simulate a VAR(1) process*

Description

Simulate a VAR(1) process; see the reference for the generation of the transition matrix.

Usage

```
sim.var(n, p, Gamma = diag(1, p), heavy = FALSE)
```

Arguments

`n`	sample size
`p`	dimension
`Gamma`	innovation covariance matrix; ignored if `heavy = TRUE`
`heavy`	if `heavy = FALSE`, common shocks are generated from `rnorm` whereas if `heavy = TRUE`, from `rt` with `df = 5` and then scaled by `sqrt(3 / 5)`

Value

a list containing

`data`	generated series
`A`	transition matrix
`Gamma`	innovation covariance matrix

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network estimation and forecasting for high-dimensional time series.

Owens, D., Cho, H. & Barigozzi, M. (2022)

Examples

```
idio <- sim.var(500, 50)
```

`threshold` *Edge selection for VAR parameter, inverse innovation covariance, and long-run partial correlation matrices*

Description

Threshold the entries of the input matrix at a data-driven level to perform edge selection

Usage

```
threshold(mat, path.length = 500, do.plot = FALSE)
```

Arguments

`mat`	input parameter matrix
`path.length`	number of candidate thresholds
`do.plot`	whether to plot thresholding output

Details

See Liu, Zhang, and Liu (2021) for more information on the threshold selection process

Value

a list which contains the following fields:

`threshold`	data-driven threshold
`thr.mat`	thresholded input matrix

References

Barigozzi, M., Cho, H. & Owens, D. (2022) FNETS: Factor-adjusted network analysis for high-dimensional time series. arXiv preprint arXiv:2201.06110.

Liu, B., Zhang, X. & Liu, Y. (2021) Simultaneous Change Point Inference and Structure Recovery for High Dimensional Gaussian Graphical Models. Journal of Machine Learning Research, 22(274), 1–62.

Owens, D., Cho, H. & Barigozzi, M. (2022) fnets: An R Package for Network Estimation and Forecasting via Factor-Adjusted VAR Modelling

Examples

```
## Not run:
set.seed(123)
A <- diag(.7, 50) + rnorm(50^2, 0, .1)
threshold.A <- threshold(A)

## End(Not run)
```

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