

FFY_ROUWENHORST AR1 Shock Discretization Example

back to [Fan's Intro Math for Econ](#), [Matlab Examples](#), or [Dynamic Asset Repositories](#)

This is the example vignette for function: [ffynetrouwenhorst](#) from the [MEconTools Package](#). See also [ffynettauchen](#) function from the [MEconTools Package](#). This function discretize a mean zero AR1 process, uses Rouwenhorst (1995). See [AR 1 Example](#) for some details on how the AR1 process works. And See [Kopecky and Suen \(2010\)](#).

Test FFY_ROUWENHORST Defaults

Call the function with defaults.

```
ffynetrouwenhorst();
```

```
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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map ND Array (Matrix etc)
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

      i      idx      ndim      numel      rowN      colN      sum      mean      std      coefvari      min
      -      -      -      -      -      -      -      -      -      -      -
ar_disc_ar1      1      1      2      5      5      1      0      0      0.39528      Inf      -0.5
mt_disc_ar1_trans      2      11      2      25      5      5      5      0.2      0.18246      0.91229      0.0016

xxx TABLE:ar_disc_ar1 xxxxxxxxxxxxxxxxxxxxx
c1
-----
r1      -0.5
r2      -0.25
r3      0
r4      0.25
r5      0.5

xxx TABLE:mt_disc_ar1_trans xxxxxxxxxxxxxxxxxxxxx
c1      c2      c3      c4      c5
-----
r1      0.4096      0.4096      0.1536      0.0256      0.0016
r2      0.1024      0.4864      0.3264      0.0784      0.0064
r3      0.0256      0.2176      0.5136      0.2176      0.0256
r4      0.0064      0.0784      0.3264      0.4864      0.1024
r5      0.0016      0.0256      0.1536      0.4096      0.4096

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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map Scalars
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      i      idx      value
      -      -      -
fl_ar1_beg      1      2      -0.5
fl_ar1_end      2      3      0.5
fl_ar1_persistence      3      4      0.6
fl_ar1_step      4      5      0.25
fl_p0      5      6      0.8
fl_q0      6      7      0.8
fl_shk_std      7      8      0.2
fl_sig_ar1      8      9      0.25
```

Test FFY_ROUWENHORST Specify Parameters

With a grid of 10 points, the Rwouenhorst bounds on standard deviations are equal to Tauchen bounds of 3.
With the not extremely persistent shock process here, the Tauchen and Rouwenhorst Results are very similar.

```
[fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose] = ...
    deal(0.60, 0.10, 10, true);
ffyr_rouwenhorst(fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose);
```

```
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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

```
CONTAINER NAME: mp_container_map ND Array (Matrix etc)
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```

	i	idx	ndim	numel	rowN	colN	sum	mean	std	coefva
	—	—	—	—	—	—	—	—	—	—
ar_disc_ar1	1	1	2	10	10	1	5.5511e-17	5.5511e-18	0.2523	4.5451e
mt_disc_ar1_trans	2	11	2	100	10	10	10	0.1	0.11724	1.1

```
xxx TABLE:ar_disc_ar1 XXXXXXXXXXXXXXXXXXXX
c1
```

r1	-0.375
r2	-0.29167
r3	-0.20833
r4	-0.125
r5	-0.041667
r6	0.041667
r7	0.125
r8	0.20833
r9	0.29167
r10	0.375

```
xxx TABLE:mt_disc_ar1_trans XXXXXXXXXXXXXXXXXXXX
```

	c1	c2	c3	c4	c5	c6	c7	c8
	—	—	—	—	—	—	—	—
r1	0.13422	0.30199	0.30199	0.17616	0.06606	0.016515	0.0027525	0.00029491
r2	0.033554	0.20133	0.32716	0.26424	0.12662	0.038535	0.0075694	0.00093389
r3	0.0083886	0.081789	0.26267	0.32755	0.21401	0.082747	0.019741	0.0028677
r4	0.0020972	0.028312	0.14038	0.30946	0.30369	0.15877	0.047989	0.0084603
r5	0.00052429	0.009044	0.061145	0.20246	0.33477	0.25969	0.10585	0.023642
r6	0.00013107	0.0027525	0.023642	0.10585	0.25969	0.33477	0.20246	0.061145
r7	3.2768e-05	0.00081101	0.0084603	0.047989	0.15877	0.30369	0.30946	0.14038
r8	8.192e-06	0.00023347	0.0028677	0.019741	0.082747	0.21401	0.32755	0.26267
r9	2.048e-06	6.6048e-05	0.00093389	0.0075694	0.038535	0.12662	0.26424	0.32716
r10	5.12e-07	1.8432e-05	0.00029491	0.0027525	0.016515	0.06606	0.17616	0.30199

```
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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

```
CONTAINER NAME: mp_container_map Scalars
```

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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	value
	—	—	—
fl_ar1_beg	1	2	-0.375
fl_ar1_end	2	3	0.375
fl_ar1_persistence	3	4	0.6
fl_ar1_step	4	5	0.083333

fl_p0	5	6	0.8
fl_q0	6	7	0.8
fl_shk_std	7	8	0.1
fl_sig_ar1	8	9	0.125
it_std_bound	9	10	0

Test FFY_ROUWENHORST High Persistence, Low SD

```
[fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose] = ...
    deal(0.99, 0.01, 7, true);
ffyr_rouwenhorst(fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose);
```

XX

CONTAINER NAME: mp_container_map ND Array (Matrix etc)

XX

	i	idx	ndim	numel	rowN	colN	sum	mean	std	coefvari	mi
ar_disc_ar1	1	1	2	7	7	1	0	0	0.12503	Inf	-0.
mt_disc_ar1_trans	2	11	2	49	7	7	7	0.14286	0.34148	2.3904	1.562

xxx TABLE:ar_disc_ar1 xxxxxxxxxxxxxxxxxxxx
c1

r1	-0.17364
r2	-0.11576
r3	-0.05788
r4	0
r5	0.05788
r6	0.11576
r7	0.17364

xxx TABLE:mt_disc_ar1_trans xxxxxxxxxxxxxxxxxxxx

	c1	c2	c3	c4	c5	c6	c7
r1	0.97037	0.029257	0.00036756	2.4627e-06	9.2815e-09	1.8656e-11	1.5625e-14
r2	0.0048762	0.9705	0.024382	0.00024504	1.2314e-06	3.0938e-09	3.1094e-12
r3	2.4504e-05	0.009753	0.97057	0.019506	0.00014703	4.9254e-07	6.1877e-10
r4	1.2313e-07	7.3513e-05	0.01463	0.97059	0.01463	7.3513e-05	1.2313e-07
r5	6.1877e-10	4.9254e-07	0.00014703	0.019506	0.97057	0.009753	2.4504e-05
r6	3.1094e-12	3.0938e-09	1.2314e-06	0.00024504	0.024382	0.9705	0.0048762
r7	1.5625e-14	1.8656e-11	9.2815e-09	2.4627e-06	0.00036756	0.029257	0.97037

XX

CONTAINER NAME: mp_container_map Scalars

XX

	i	idx	value
fl_ar1_beg	1	2	-0.17364
fl_ar1_end	2	3	0.17364
fl_ar1_persistence	3	4	0.99
fl_ar1_step	4	5	0.05788
fl_p0	5	6	0.995
fl_q0	6	7	0.995
fl_shk_std	7	8	0.01
fl_sig_ar1	8	9	0.070888
it_std_bound	9	10	0

Test FFY_ROUWENHORST Low Persistence, Low SD

```
[fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose] = ...
    deal(0.01, 0.01, 7, true);
ffy_rouwenhorst(fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose);
```

```
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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map ND Array (Matrix etc)
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	ndim	numel	rowN	colN	sum	mean	std	coefvari	n
	—	—	—	—	—	—	—	—	—	—	—
ar_disc_ar1	1	1	2	7	7	1	0	0	0.017639	Inf	-0.0
mt_disc_ar1_trans	2	11	2	49	7	7	7	0.14286	0.10985	0.76893	0.0

```
xxx TABLE:ar_disc_ar1 xxxxxxxxxxxxxxxxxxxxx
c1
```

	—
r1	-0.024496
r2	-0.016331
r3	-0.0081654
r4	0
r5	0.0081654
r6	0.016331
r7	0.024496

```
xxx TABLE:mt_disc_ar1_trans xxxxxxxxxxxxxxxxxxxxx
```

	c1	c2	c3	c4	c5	c6	c7
	—	—	—	—	—	—	—
r1	0.016586	0.097547	0.23904	0.31241	0.22966	0.090047	0.014711
r2	0.016258	0.096266	0.23749	0.31247	0.23124	0.091266	0.015008
r3	0.015936	0.094997	0.23594	0.31251	0.23281	0.092497	0.015311
r4	0.01562	0.093741	0.23438	0.31252	0.23438	0.093741	0.01562
r5	0.015311	0.092497	0.23281	0.31251	0.23594	0.094997	0.015936
r6	0.015008	0.091266	0.23124	0.31247	0.23749	0.096266	0.016258
r7	0.014711	0.090047	0.22966	0.31241	0.23904	0.097547	0.016586

```
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XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map Scalars
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	value
	—	—	—
fl_ar1_beg	1	2	-0.024496
fl_ar1_end	2	3	0.024496
fl_ar1_persistence	3	4	0.01
fl_ar1_step	4	5	0.0081654
fl_p0	5	6	0.505
fl_q0	6	7	0.505
fl_shk_std	7	8	0.01
fl_sig_ar1	8	9	0.010001
it_std_bound	9	10	0

Test FFY_ROUWENHORST High Persistence, High SD

```
[fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose] = ...
    deal(0.99, 0.99, 7, true);
```

```
ffy_rouwenhorst(fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose);
```

```
-----
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map ND Array (Matrix etc)
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	ndim	numel	rowN	colN	sum	mean	std	coefvar
	—	—	—	—	—	—	—	—	—	—
ar_disc_ar1	1	1	2	7	7	1	3.5527e-15	5.0753e-16	12.378	2.439e+00
mt_disc_ar1_trans	2	11	2	49	7	7	7	0.14286	0.34148	2.39

```
xxx TABLE:ar_disc_ar1 xxxxxxxxxxxxxxxxxxxx
c1
```

r1	-17.19
r2	-11.46
r3	-5.7301
r4	0
r5	5.7301
r6	11.46
r7	17.19

```
xxx TABLE:mt_disc_ar1_trans xxxxxxxxxxxxxxxxxxxx
```

	c1	c2	c3	c4	c5	c6	c7
	—	—	—	—	—	—	—
r1	0.97037	0.029257	0.00036756	2.4627e-06	9.2815e-09	1.8656e-11	1.5625e-14
r2	0.0048762	0.9705	0.024382	0.00024504	1.2314e-06	3.0938e-09	3.1094e-12
r3	2.4504e-05	0.009753	0.97057	0.019506	0.00014703	4.9254e-07	6.1877e-10
r4	1.2313e-07	7.3513e-05	0.01463	0.97059	0.01463	7.3513e-05	1.2313e-07
r5	6.1877e-10	4.9254e-07	0.00014703	0.019506	0.97057	0.009753	2.4504e-05
r6	3.1094e-12	3.0938e-09	1.2314e-06	0.00024504	0.024382	0.9705	0.0048762
r7	1.5625e-14	1.8656e-11	9.2815e-09	2.4627e-06	0.00036756	0.029257	0.97037

```
-----
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map Scalars
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	value
	—	—	—
fl_ar1_beg	1	2	-17.19
fl_ar1_end	2	3	17.19
fl_ar1_persistence	3	4	0.99
fl_ar1_step	4	5	5.7301
fl_p0	5	6	0.995
fl_q0	6	7	0.995
fl_shk_std	7	8	0.99
fl_sig_ar1	8	9	7.0179
it_std_bound	9	10	0

Test FFY_ROUWENHORST Low Persistence, Low SD

```
[fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose] = ...
deal(0.01, 0.01, 7, true);
ffy_rouwenhorst(fl_ar1_persistence, fl_shk_std, it_disc_points, bl_verbose);
```

```
-----
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
CONTAINER NAME: mp_container_map ND Array (Matrix etc)
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
```

	i	idx	ndim	numel	rowN	colN	sum	mean	std	coefvari	n
	—	—	—	—	—	—	—	—	—	—	—
ar_disc_ar1	1	1	2	7	7	1	0	0	0.017639	Inf	-0.0
mt_disc_ar1_trans	2	11	2	49	7	7	7	0.14286	0.10985	0.76893	0.0

xxx TABLE:ar_disc_ar1 xxxxxxxxxxxxxxxxxxxx
c1

r1	-0.024496
r2	-0.016331
r3	-0.0081654
r4	0
r5	0.0081654
r6	0.016331
r7	0.024496

xxx TABLE:mt_disc_ar1_trans xxxxxxxxxxxxxxxxxxxx

	c1	c2	c3	c4	c5	c6	c7
	—	—	—	—	—	—	—
r1	0.016586	0.097547	0.23904	0.31241	0.22966	0.090047	0.014711
r2	0.016258	0.096266	0.23749	0.31247	0.23124	0.091266	0.015008
r3	0.015936	0.094997	0.23594	0.31251	0.23281	0.092497	0.015311
r4	0.01562	0.093741	0.23438	0.31252	0.23438	0.093741	0.01562
r5	0.015311	0.092497	0.23281	0.31251	0.23594	0.094997	0.015936
r6	0.015008	0.091266	0.23124	0.31247	0.23749	0.096266	0.016258
r7	0.014711	0.090047	0.22966	0.31241	0.23904	0.097547	0.016586

xx
CONTAINER NAME: mp_container_map Scalars
xx

	i	idx	value
	—	—	—
fl_ar1_beg	1	2	-0.024496
fl_ar1_end	2	3	0.024496
fl_ar1_persistence	3	4	0.01
fl_ar1_step	4	5	0.0081654
fl_p0	5	6	0.505
fl_q0	6	7	0.505
fl_shk_std	7	8	0.01
fl_sig_ar1	8	9	0.010001
it_std_bound	9	10	0