

Package ‘sparseIndexTracking’

May 16, 2018

Title Design of Portfolio of Stocks to Track an Index

Version 0.1.0

Description Computation of sparse portfolios for financial index tracking, i.e., joint selection of a subset of the assets that compose the index and computation of their relative weights (capital allocation). The level of sparsity of the portfolios, i.e., the number of selected assets, is controlled through a regularization parameter. Different tracking measures are available, namely, the empirical tracking error (ETE), downside risk (DR), Huber empirical tracking error (HETE), and Huber downside risk (HDR). See vignette for a detailed documentation and comparison, with several illustrative examples. The package is based on the paper:
K. Benidis, Y. Feng, and D. P. Palomar, "Sparse Portfolios for High-Dimensional Financial Index Tracking," IEEE Trans. on Signal Processing, vol. 66, no. 1, pp. 155-170, Jan. 2018. <doi:10.1109/TSP.2017.2762286>.

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URL <https://github.com/dppalomar/sparseIndexTracking>,
<https://www.danielppalomar.com>,
<https://doi.org/10.1109/TSP.2017.2762286>

BugReports <https://github.com/dppalomar/sparseIndexTracking/issues>

Depends R (>= 3.4.0)

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Encoding UTF-8

LazyData true

Imports

RoxygenNote 6.0.1

Suggests xts, knitr, rmarkdown, bookdown, prettydoc

VignetteBuilder knitr, bookdown, prettydoc

NeedsCompilation no

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sparseIndexTracking-package

sparseIndexTracking: Design of Portfolio of Stocks to Track an Index

Description

Computation of sparse portfolios for financial index tracking, i.e., joint selection of a subset of the assets that compose the index and computation of their relative weights (capital allocation). The level of sparsity of the portfolios, i.e., the number of selected assets, is controlled through a regularization parameter. Different tracking measures are available, namely, the empirical tracking error (ETE), downside risk (DR), Huber empirical tracking error (HETE), and Huber downside risk (HDR). See vignette for a detailed documentation and comparison, with several illustrative examples.

Functions

[spIndexTrack](#)

Help

For a quick help see the README: [GitHub-README](#) and

For more details see the vignette: [GitHub-html-vignette](#), [GitHub-pdf-vignette](#), and

Author(s)

Konstantinos Benidis and Daniel P. Palomar

References

K. Benidis, Y. Feng, and D. P. Palomar, "Sparse Portfolios for High-Dimensional Financial Index Tracking," *IEEE Transactions on Signal Processing*, vol. 66, no. 1, pp. 155-170, Jan. 2018.

data_2010_2011

Database of the net returns of the index S&P 500 and its underlying assets during 1/2010 - 12/2011

Description

Database of the net returns of the index S&P 500 and its underlying assets during the period 1/2010 - 12/2011. Only the assets that were in the index during the whole period are included.

Usage

```
data(data_2010_2011)
```

Format

A list of two xts objects, namely, X and SP500, corresponding to the net returns of the assets and the index, respectively.

spIndexTrack	<i>Sparse Index Tracking</i>
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Description

Computes the weights of assets (relative capital allocation) for a sparse approximation of a financial index.

Usage

```
spIndexTrack(X, r, lambda, u = 1, measure = c("ete", "dr", "hete", "hdr"),
  hub = NULL, w0 = NULL, thres = 1e-09)
```

Arguments

X	m-by-n matrix of net returns (m samples, n assets).
r	m dimensional vector of the net returns of the index.
lambda	sparsity weight factor. Any nonnegative number (suggested range $[10^{-8}, 10^{-6}]$).
u	upper bound of the weights. Default value $u < 1$, i.e., no effective upper bound.
measure	performance measure. Possible values 'ete' (empirical tracking error - default), 'dr' (downside risk), 'hete' (Huber empirical tracking error), and 'hdr' (Huber downside risk).
hub	Huber parameter. Required if measure = 'hete' or measure = 'hdr'.
w0	initial point. If NULL a uniform allocation is used, i.e., $w0 \leftarrow \text{rep}(1/N, N)$.
thres	threshold value. All the weights less or equal to thres are set to 0. The default value is $1e-9$.

Value

An n-dimensional vector with allocation weights on the assets.

Author(s)

Konstantinos Benidis and Daniel P. Palomar

References

K. Benidis, Y. Feng, D. P. Palomar, "Sparse Portfolios for High-Dimensional Financial Index Tracking," *IEEE Transactions on Signal Processing*, vol. 66, no. 1, pp. 155-170, Jan. 2018.

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