

MQIM R Workshop Part 1

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Monday, August 21, 2018

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- 3 The R Language

Two-day Schedule

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- The R Language
- Basic Exploratory Data Analysis
- Basic Statistics
- Getting Financial Data in R
- TS (GARCH Model)
- R Objects and Functions
- Data manipulation and Visualization
- R Markdown, R Projects and Github
- Basic Machine Learning using R (KNN)
- Introduction to Python/Malab

Introduction to R

Introduction

- R is a statistical programming language and computing environment that easily handles statistical analysis, numerical computing & mathematical modeling, as well as the development of fairly large pieces of software.
- R is based on the S language, which was developed at Bell Labs, and is maintained by the R Project (R Dev Core Team) and the R Foundation.
- R is free and open source, and is extremely popular in the financial industry (as well as among analytics firms and statistical researchers).

Why Use R?

As with any programming language, learning R requires a significant initial time commitment (as well as a commitment to continue using it in the future to maintain skills). An important question is “why bother?”

- R is highly flexible, and can be used for statistical analysis, mathematical modeling, and a variety of other tasks (these slides were written in Rstudio using the Rmarkdown format, for example)
- For one off analyses, R may be “overkill”, but in the context of institutional investment management, where we might need to simulate millions of random numbers, or run thousands of regressions for example, R is much more robust and flexible than MS Excel
- Historically, the statistical routines and solvers available in commercial spreadsheet products were somewhat less than reliable
- With larger tasks, spreadsheets are prone to error and difficult to audit, while well written software is easy to debug and maintain.
- It's widely used in industry, and is a useful skill to have on the job market

Why Avoid R?

- R is slow. There are ways to write efficient R code, but if extreme low-latency is required, R is probably not the correct tool.
- R (and the packages) is documented unevenly - some functions and packages are extremely well documented, while others are not.
- R is open source and constantly evolving, and so the requirement is on the user to ensure that “everything works together” (note: I suggest that once you install an R version for this course, you stick with that version until the semester is finished)
- Support is generally not available on demand, only via the generosity of other users who often volunteer help on various sites and mailing lists - be polite and follow the guidelines, and you can usually get help from extremely knowledgeable domain experts in your area.

“Learning R” by Cotton



Figure 1: Learning R

“R in a Nutshell” by Adler

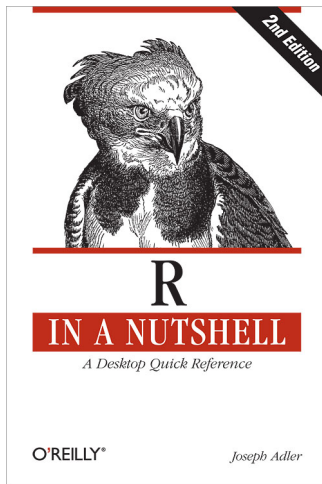


Figure 2: R in a Nutshell

“The Art of R Programming” by Matloff

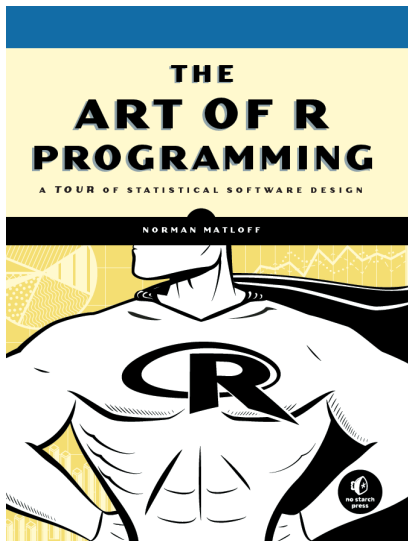


Figure 3: The Art of R Programming
MQIM R Workshop Part 1

Free Online Resources

- <http://www.r-bloggers.com/how-to-learn-r-2/>
- Note that it might be worth monitoring the site [r-bloggers.com](http://www.r-bloggers.com) for frequent posts on what others are doing with R in finance and other fields.
- Venables & Smith's "An Introduction to R" is available for free at the [r-project](http://www.r-project.org) website and is a good introduction to the language.

R for Excel Users

- If you are familiar with Excel but not R, you should immediately check out this tutorial on R for Excel users:
- <https://districtdatalabs.silvrback.com/intro-to-r-for-microsoft-excel-users>
- This contains some basic information on R that should be helpful in getting started with the course.

R for Matlab Users

- People who are familiar with Matlab should have very little trouble learning R, although the main problem will be becoming familiar with R's quirks.
- This link contains a 50 page (!) document on “R for Matlab Users”:
<https://cran.r-project.org/doc/contrib/Hiebeler-matlabR.pdf>
- For people looking for a quicker solution, the following contains a list of Matlab commands and their R analogues:
<http://mathesaurus.sourceforge.net/octave-r.html>

Next Steps

- This slide deck contains a *very brief, very minimal* introduction to R.
- I recommend that you make an effort to explore R and work through some tutorials/get started working through your R reference book of choice immediately.
- Time spent on learning R and programming concepts in the next 1-2 weeks will make the rest of the course much, much easier.

Getting R

- The core language, plus the R interpreter and a few key add on packages are available by installing what is known as “Base R”
- While R is frequently updated, I recommend that for the duration of the semester you stick with one version (and in general, it might be a good idea to wait a bit after new versions are released before you upgrade to ensure that all your add on packages will work with the new version)
- Base R can be downloaded from <https://www.r-project.org/>

Base R


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Download

[CRAN](#)

R Project

[About R](#)
[Logo](#)
[Contributors](#)
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R Foundation

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Help With R

[Getting Help](#)

The R Project for Statistical Computing

Getting Started

R is a free software environment for statistical computing and graphics. It compiles and runs on a wide variety of UNIX platforms, Windows and MacOS. To [download R](#), please choose your preferred [CRAN mirror](#).

If you have questions about R like how to download and install the software, or what the license terms are, please read our [answers to frequently asked questions](#) before you send an email.

News

- [R version 3.5.1 \(Feather Spray\)](#) has been released on 2018-07-02.
- The R Foundation has been awarded the Personality/Organization of the year 2018 award by the professional association of German market and social researchers.
- [R version 3.5.0 \(Joy in Playing\)](#) has been released on 2018-04-23.

News via Twitter



Figure 4: R Project Website

Rstudio

- While Base R technically does contain everything we need to get started, we'll actually use a 3rd party *Integrated Development Environment* or IDE to interact with R and write our scripts.
- Rstudio works with R, and adds features like code completion and other enhancement tools, to allow higher productivity.

Rstudio

```

1 ---
2 title: "| MQIM \n| R Workshop\n| Part 1\n"
3 author: "Casey Li"
4 date: "Monday, August 21, 2018"
5 output:
6   beamer_presentation:
7     colortheme: crane
8     fonttheme: structurebold
9     slide_level: 2
10    theme: AnnArbor
11    toc: yes
12    ioslides_presentation: default
13    pdf_document:
14      df_print: kable
15 header-includes: \usepackage{multicol}
16 fontsize: 10pt
17 ---
18
19
20 {r setup, include=FALSE}
21 knitr::opts_chunk$set(cache=FALSE, prompt=TRUE, dev='pdf')
22
23
24 # Two-day Schedule
25
26 ## Table of Contents
  
```

Right sidebar (Table of Contents):

- plot
- xlab
- plot
- hist
- xlab
- break
- plot
- main
- xlab
- line
- Cons
- ~/p
- [19]
- [25]
- [31]
- [37]
- [43]
- [49]
- [55]
- [61]
- [67]
- [73]
- [79]
- [85]
- [91]
- [97]

Wrap Up

You should:

- Install Base R
- Install R Studio

and spend time learning R immediately. If you do this, the rest of the course will be quite manageable.

Note: For Rstudio in particular, a handy tip sheet can be found at <http://www.rstudio.com/wp-content/uploads/2016/01/rstudio-IDE-cheatsheet.pdf>

A Guide to Reading These Slides

These slides were written in Rstudio using the Rmarkdown files format. This is a way to integrate R code and data with the presentation format. I am able to write R code within the slides themselves, and the when I compile the document, the code executes, and produces the desired output.

```
> rnorm(3)
```

And will produce output along the lines of

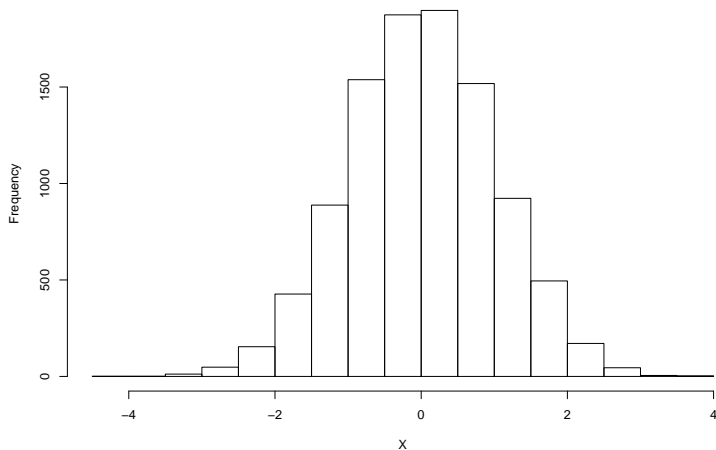
```
## [1] -1.1021354 -1.4484535 -0.1907702
```

The following code produces a histogram of some normally distributed random numbers:

```
> hist(rnorm(10000))
```

A Guide to Reading These Slides

Histogram of 10,000 Observations of $X \sim N(0,1)$

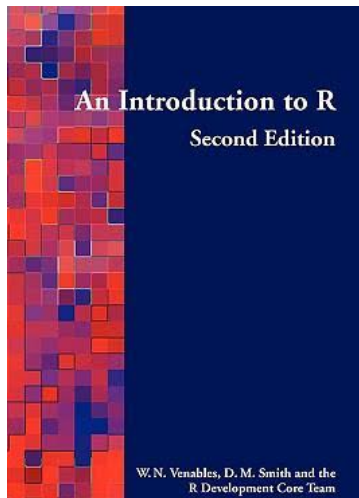


Getting Help

- Pretty much everything you need to do in this class has been done before, and has been struggled with before.
- If you run in to trouble, google “r [whatever]” and most likely there’s a Stack Exchange or forum post on exactly the trouble you’re having.
- However, there are some key ways to get help in learning R.

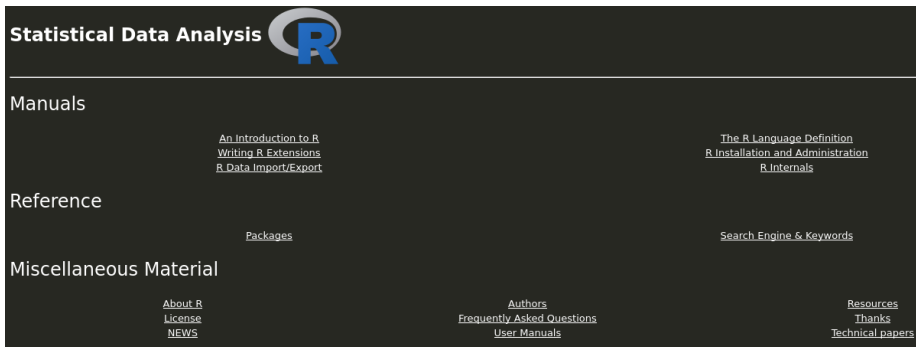
Read the [] Manual

- A great basic resource for R is Venables & Smith's "An Introduction to R" - this covers all the basics of the core R language.




R's Internal Help

```
> help.start()
```



The screenshot displays the R help page, which has a dark gray background. At the top left, the text "Statistical Data Analysis" is followed by the R logo (a blue 'R' inside a gray circle). Below this, the page is organized into sections: "Manuals", "Reference", and "Miscellaneous Material". Each section contains a list of links to various R resources. The "Manuals" section includes links to "An Introduction to R", "Writing R Extensions", "R Data Import/Export", "The R Language Definition", "R Installation and Administration", and "R Internals". The "Reference" section includes links to "Packages" and "Search Engine & Keywords". The "Miscellaneous Material" section includes links to "About R", "License", "NEWS", "Authors", "Frequently Asked Questions", "User Manuals", "Resources", "Thanks", and "Technical papers".

Statistical Data Analysis 

Manuals

- [An Introduction to R](#)
- [Writing R Extensions](#)
- [R Data Import/Export](#)
- [The R Language Definition](#)
- [R Installation and Administration](#)
- [R Internals](#)

Reference

- [Packages](#)
- [Search Engine & Keywords](#)

Miscellaneous Material

- [About R](#)
- [License](#)
- [NEWS](#)
- [Authors](#)
- [Frequently Asked Questions](#)
- [User Manuals](#)
- [Resources](#)
- [Thanks](#)
- [Technical papers](#)

Figure 7: R Help

help.search()

At the command line, you can use *help.search()* when you don't know what you are looking for exactly (that is, you don't know the name of the function you're looking for):

```
> help.search("random")
```

This will launch a website with the search results. Note that the search term is enclosed in quotes ""

help() and args()

When you do know the name of the function you want help with (for example, you want to know the details of a function's usage):

```
> help(rnorm)
```

The args() function will tell you the arguments used for a certain function:

```
> args(rnorm)
```

```
## function (n, mean = 0, sd = 1)  
## NULL
```

Online Help

- <http://rseek.org> is likely the best R search engine for R specific help.
- Stack Exchange has become a very solid Q&A site for help on many programming languages and concepts including R.
- Finally, there are the mailing lists available for signup at <https://www.r-project.org/mail.html> - the R-Sig-Finance list is particularly useful for finance specific questions (please obey the “Rules” of this list, as failure to do so often gets a less than helpful response. . .)

What is R?

- R is a statistical programming language, and an environment for statistical analysis/numerical computation and graphing.
- R is free and open source software (FOSS), was originally developed (as a port of the S language) by academics, and is currently maintained by the R Dev Core team and the R foundation.

How is R Used?

- You may be familiar with performing statistical routines in software like MS Excel, which is menu driven - you select data, select a routine, and perform an operation.
- R is not natively menu driven - it is command (text) driven.
- We interact with R either by entering commands one at a time at the interpreter prompt, or we write programs or scripts (basically text files saved with a ".R" extension) and run them (by using the `source("filename.R")` command.)

The Rstudio Interface

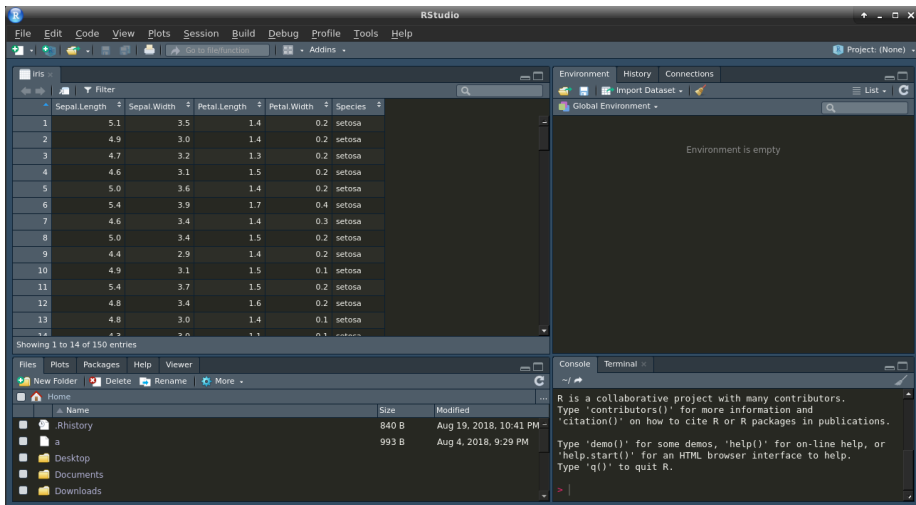


Figure 8: The Rstudio Interface

R as a Big Calculator

We can use R interactively at the command prompt. R recognizes typical arithmetic operators like $+$, $-$, $*$, and $/$:

```
> 2+2
```

```
## [1] 4
```

```
> 8-5
```

```
## [1] 3
```

```
> 2*5
```

```
## [1] 10
```

```
> 16/4
```

```
## [1] 4
```

```
> 3^3
```


R as a Big Calculator

Note that unlike Matlab, R is not natively a matrix language, and so the standard operators may not produce the expected output if you are working with matrices:

```
> mat1 <- matrix(1:4, nrow=2, byrow=TRUE)
> mat2 <- matrix(5:8, nrow=2, byrow=TRUE)
> mat1*mat2
```

```
##      [,1] [,2]
## [1,]    5  12
## [2,]   21  32
```

Note that this is NOT the result of a matrix multiplication of mat1 and mat2!

Matrix Operators

The standard R multiplication operator `*` performs “elementwise” multiplication, not a matrix multiplication. For matrix operations, we need to use the special matrix operators:

- Matrix Multiplication: `A %*% B`
- Matrix Transpose: `t(A)`
- Extract Diagonal: `diag(A)`
- Sum of Row Elements: `rowSums(A)`
- Sum of Column Elements: `colSums(A)`

Etc...

Using R Interactively

Anything that can be done in R can be done interactively - the command line/prompt is a great way to experiment and learn new functions and explore the help features:

```
> x <- c(1, 3, 5)
> sqrt(x)
```

```
## [1] 1.000000 1.732051 2.236068
```

```
> y <- c(5, 8, 4)
> x%*%y
```

```
##      [,1]
## [1,]    49
```

The R Language

R Packages

- Functions in R are stored in *packages*. Base R includes several “core” packages such as “base”, “stats”, and “graphics”.
- Add-on packages are stored online at the *Comprehensive R Archive Network - CRAN* (or, for more experimental work, at a 3rd party host) and can be installed with the *install.packages()* function.
- Once a package is installed, it can be “loaded” into memory (this needs to be done each time you start a session) with the *library()* functions - once this is done, all the functionality of that package is available to you.
- Currently, there are just over 12,000 add on packages hosted at CRAN. A handy way to view them in a meaningful way is to use “CRAN task views” - these are sites maintained by a subject matter expert who collects a list of all packages useful to users in a field (like “Finance”).
- CRAN Task Views: <https://cran.r-project.org/web/views/>

CRAN Task Views

CRAN Task Views

CRAN task views aim to provide some guidance which packages on CRAN are relevant for tasks related to a certain topic. They give a brief overview of the included packages and can be automatically installed using the [ctv](#) package. The views are intended to have a sharp focus so that it is sufficiently clear which packages should be included (or excluded) - and they are *not* meant to endorse the "best" packages for a given task.

- To automatically install the views, the [ctv](#) package needs to be installed, e.g., via

```
install.packages("ctv")
```

 and then the views can be installed via `install.views` or `update.views` (where the latter only installs those packages that are not installed and up-to-date), e.g.,

```
ctv::install.views("Econometrics")
```

```
ctv::update.views("Econometrics")
```
- The task views are maintained by volunteers. You can help them by suggesting packages that should be included in their task views. The contact e-mail addresses are listed on the individual task view pages.
- For general concerns regarding task views contact the [ctv](#) package maintainer.

Topics

| | |
|--|---|
| Bayesian | Bayesian Inference |
| ChemPhys | Chemometrics and Computational Physics |
| ClinicalTrials | Clinical Trial Design, Monitoring, and Analysis |
| Cluster | Cluster Analysis & Finite Mixture Models |
| DifferentialEquations | Differential Equations |
| Distributions | Probability Distributions |
| Econometrics | Econometrics |
| Environmetrics | Analysis of Ecological and Environmental Data |
| ExperimentalDesign | Design of Experiments (DoE) & Analysis of Experimental Data |
| ExtremeValue | Extreme Value Analysis |
| Finance | Empirical Finance |
| FunctionalData | Functional Data Analysis |
| Genetics | Statistical Genetics |
| Graphics | Graphic Displays & Dynamic Graphics & Graphic Devices & Visualization |
| HighPerformanceComputing | High-Performance and Parallel Computing with R |
| MachineLearning | Machine Learning & Statistical Learning |
| MedicalImaging | Medical Image Analysis |
| MetaAnalysis | Meta-Analysis |
| ModelDeployment | Model Deployment with R |

Figure 9: CRAN Task Views

The R Language

- R is an *object oriented* language that makes extensive use of functions to act on objects.
- For example, using the *combine* function `c()`, I can create a *vector* object containing the values 1, 5, and 8, and assign that object to a variable named “my.vector”:

```
> my.vector <- c(1, 5, 8)
> my.vector
```

```
## [1] 1 5 8
```

Data Types

- R, like any programming language, contains a number of primitive data types.
- These include *integer*, *double*, *complex*, *character*, *logical*, and *raw*.
- The *double* data type is used to represent floating point numbers (basically, numbers with decimals), while *character* data is just text (often called a “string” in other languages).
- The *logical* data type can take only two values - TRUE or FALSE (also called “Boolean” values.)
- Other (compound) data structures are available in R to hold collections of these more primitive data types.

R Data Structures

- In R, we store (temporarily, for future retrieval or analysis) data in various data structures, including *vectors*, *lists*, *matrices*, *arrays*, *factors* and *data frames*
- Chapter 7 of “R in a Nutshell” has a good overview of these, but we’ll look at each briefly now.

Vectors

Vectors are a simple structure that contain a single type of data. We generally use the `c()` combine function to create vectors:

```
> my.vector <- c(1, 5, 8)
```

`c()` will also *coerce* all elements of a vector to be the same *type*:

```
> my.vector2 <- c(1, "horse", 4)
> typeof(my.vector2)
```

```
## [1] "character"
```

Vectors

Once we have created a vector, we can use *indexing* to access subsets of the array. Vectors are indexed by *position* by, starting with 1 as the first position.

```
> my.vector <- c(1, 5, 8)
> my.vector[1]
```

```
## [1] 1
```

```
> my.vector[4]
```

```
## [1] NA
```

Lists

Lists are more complicated than vectors, in that they can contain multiple data types and also can contain *names* for each of the elements of the list:

```
> my.list <- list(firstname="Richard", lastname="Jones",  
+                age=40)
```

Like vectors, we can index lists by position:

```
> my.list[1]
```

```
## $firstname  
## [1] "Richard"
```

But we can also index lists by name:

```
> my.list$firstname
```

```
## [1] "Richard"
```

Matrices

A matrix extends the concept of a vector into two dimensions:

```
> my.matrix <- matrix(c(8, 1, 6, 3, 5, 7, 4, 9, 2),nrow=3,  
+                      byrow=TRUE)  
> my.matrix
```

```
##      [,1] [,2] [,3]  
## [1,]    8    1    6  
## [2,]    3    5    7  
## [3,]    4    9    2
```

As with vectors, matrices can contain only one data type.

Arrays

Arrays extend vectors to multiple dimensions:

```
> my.array <- array(1:8, dim=c(2,2,2))
> my.array
```

```
## , , 1
##
##      [,1] [,2]
## [1,]    1    3
## [2,]    2    4
##
## , , 2
##
##      [,1] [,2]
## [1,]    5    7
## [2,]    6    8
```

Arrays

Like vectors and matrices, we index arrays by position:

```
> my.array <- array(1:8, dim=c(2,2,2))  
> my.array[, , 1] # all rows and columns of the "first slice"
```

```
##      [,1] [,2]  
## [1,]    1    3  
## [2,]    2    4
```

Data Frames

Data frames are the most common data structures in Base R, and are tabular representations of potentially multiple types of data (similar to a spreadsheet):

```
> my.data.frame <- data.frame(cbind(c("Linda", "Dave", "Karen"),  
+                                   c("F", "M", "F"),  
+                                   c(25, 24, 27)))  
> colnames(my.data.frame) <- c("Name", "Gender", "Age")  
> my.data.frame
```

```
##      Name Gender Age  
## 1 Linda      F  25  
## 2  Dave      M  24  
## 3 Karen      F  27
```


Data Frames

In Rstudio, we can view the data in a Data Frame by the `view(my.data.frame)` command:

The screenshot shows the RStudio interface with the Iris dataset loaded. The main pane displays a table with 150 entries (rows 1-14 are visible). The columns are Sepal.Length, Sepal.Width, Petal.Length, Petal.Width, and Species. The Environment pane on the right shows the Global Environment is empty. The Console pane at the bottom shows the R prompt and some help text.

| | Sepal.Length | Sepal.Width | Petal.Length | Petal.Width | Species |
|----|--------------|-------------|--------------|-------------|---------|
| 1 | 5.1 | 3.5 | 1.4 | 0.2 | setosa |
| 2 | 4.9 | 3.0 | 1.4 | 0.2 | setosa |
| 3 | 4.7 | 3.2 | 1.3 | 0.2 | setosa |
| 4 | 4.6 | 3.1 | 1.5 | 0.2 | setosa |
| 5 | 5.0 | 3.6 | 1.4 | 0.2 | setosa |
| 6 | 5.4 | 3.9 | 1.7 | 0.4 | setosa |
| 7 | 4.6 | 3.4 | 1.4 | 0.3 | setosa |
| 8 | 5.0 | 3.4 | 1.5 | 0.2 | setosa |
| 9 | 4.4 | 2.9 | 1.4 | 0.2 | setosa |
| 10 | 4.9 | 3.1 | 1.5 | 0.1 | setosa |
| 11 | 5.4 | 3.7 | 1.5 | 0.2 | setosa |
| 12 | 4.8 | 3.4 | 1.6 | 0.2 | setosa |
| 13 | 4.8 | 3.0 | 1.4 | 0.1 | setosa |
| 14 | 4.3 | 3.0 | 1.1 | 0.1 | setosa |

Showing 1 to 14 of 150 entries

Files | Plots | Packages | Help | Viewer

New Folder | Delete | Rename | More

Home

| Name | Size | Modified |
|-----------|-------|------------------------|
| .Rhistory | 840 B | Aug 19, 2018, 10:41 PM |
| a | 993 B | Aug 4, 2018, 9:29 PM |

Desktop | Documents | Downloads

Environment | History | Connections

Import Dataset

Global Environment

Environment is empty

Console | Terminal

R is a collaborative project with many contributors.
Type 'contributors()' for more information and
'citation()' on how to cite R or R packages in publications.

Type 'demo()' for some demos, 'help()' for on-line help, or
'help.start()' for an HTML browser interface to help.
Type 'q()' to quit R.

> |

Other Data Structures

- There are other data structures that we haven't discussed here, such as “factors” (another way of representing strings).
- Add on packages for R can implement their own data structures - some common ones include various structures for representing time series data (such as stock prices, for example) as implemented by the *zoo* and *xts* packages.
- In general, most of our time in this class will be working with the main data structures we've viewed so far as well as time series objects.

Functions

- R implements subroutines in functions - base R, and the add on packages, accomplish tasks via the use of functions.
- As example that we have already used is the `combine()` function, which combines multiple elements into a vector. R functions, in general, can be nested together to combine multiple operations into one line of code - we can, for example, embed the `c()` function inside a call to the `sum()` function to get the sum of the elements of a vector:

```
> sum(c(1, 5, 8))
```

```
## [1] 14
```

Functions

Although Base R and the core packages come pre-loaded with extensive functionality, we can also create our own functions in the R language, using the `function()` command:

```
> my.function <- function(input) {  
+   # code  
+ }
```

This shows the structure of a call to the function command. As a specific example, we can create a function to calculate the standard deviation of a set of numbers, and then compare our results against R's built in `sd()` function.

Functions

```
> sample.data <- rnorm(30)*2 # 30 random variates  $X \sim N(0,2)$ 
> my.sd <- function(x) {
+   sqrt(sum((x-mean(x))^2)/(length(x)-1))
+ }
> my.sd(sample.data)
```

```
## [1] 2.452993
```

```
> sd(sample.data)
```

```
## [1] 2.452993
```

Obviously a trivial example, but we will see through the course that writing functions becomes a significant part of writing R code.

Programming in R

- “Computer programming (often shortened to programming, sometimes called coding) is a process that leads from an original formulation of a computing problem to executable computer programs.”
(https://en.wikipedia.org/wiki/Computer_programming)
- In general, we write *functions* that take *inputs*, perform some sort of routine to modify, analyze, or otherwise process those inputs, and produce *outputs*, and we link these functions sequentially, often with commands that conditionally execute certain statements or alternatively repeat the same commands multiple times.
- In this class, and in general in using R, these routines or algorithms tend to be statistical or mathematical in nature, in that they explicitly seek to implement statistical techniques to analyze data, for example.

Booleans/Conditional Statements

In general, we need the ability to perform one set of actions if a certain condition is met, and another set of actions if the condition is not met. In R, the basic way to do that is with the `if()` statement:

```
> # test whether a randomly generated number is greater than .5  
> (x <- runif(1))
```

```
## [1] 0.7718308
```

```
> {if (x > .5) {  
+   print("x is greater than .5")  
+ } else {  
+   print("x is not greater than .5")  
+ }}
```

```
## [1] "x is greater than .5"
```

Conditional Statements

- Other conditional statements include the `ifelse()` function as well as the `switch()` function.
- Each of these allow for executing code blocks conditionally on whether a condition is met (that is, whether the result of a test is “TRUE” or “FALSE”)

Loops

We often need to execute code repetitively - for example, performing a test for each element of a vector, or some calling a function with multiple inputs. The simplest way to do this is with a *for* loop:

```
> for (i in 1:4) {print(i)}
```

```
## [1] 1  
## [1] 2  
## [1] 3  
## [1] 4
```

Loops

for loop iterators do not necessarily need to be numbers:

```
> my.vec <- c("emu","crocodile","ocelot")  
> for (i in my.vec) {print(paste(i, "is an animal",sep=" "))}
```

```
## [1] "emu is an animal"  
## [1] "crocodile is an animal"  
## [1] "ocelot is an animal"
```

Loops

Another loop construct is the *while* loop - this continues to execute as long as a condition is true:

```
> i <- 1
> while (i <= 4) {
+   print(i)
+   i <- i+1
+ }
```

```
## [1] 1
## [1] 2
## [1] 3
## [1] 4
```

Apply Functions

```
> help.search("apply", package="base")
```

Search Results



Help pages:

| | |
|-------------------------------------|---|
| <u>base::apply</u> | Apply Functions Over Array Margins |
| <u>base::subset</u> | Internal Objects in Package 'base' |
| <u>base::by</u> | Apply a Function to a Data Frame Split by Factors |
| <u>base::eapply</u> | Apply a Function Over Values in an Environment |
| <u>base::lapply</u> | Apply a Function over a List or Vector |
| <u>base::mapply</u> | Apply a Function to Multiple List or Vector Arguments |
| <u>base::rapply</u> | Recursively Apply a Function to a List |
| <u>base::tapply</u> | Apply a Function Over a Ragged Array |

Apply Functions

While standard loops are available in R, they tend to be fairly slow, and alternatives exist, including a set of *apply()* functions. *apply()* applies a function over one “margin” of an array or matrix - in english, this means that, for example, we can apply a function to the columns of a matrix, or the rows of a matrix, for example:

```
> my.matrix <- matrix(c(8, 1, 6, 3, 5, 7, 4, 9, 2),nrow=3,  
+                      byrow=TRUE)  
> apply(my.matrix,1,sum) # row sums (margin = 1)
```

```
## [1] 15 15 15
```

```
> apply(my.matrix,2,sum) # column sums (margin = 2)
```

```
## [1] 15 15 15
```

Apply Functions

Other apply functions are available for more complicated data structures. For example, *lapply()* applies a function to each element of a list, and returns a list the same length of your original list:

```
> my.list <- list(element1 = 1:5, element2 = 6:10,  
+               element3 = 11:15)  
> lapply(my.list, sum)
```

```
## $element1  
## [1] 15  
##  
## $element2  
## [1] 40  
##  
## $element3  
## [1] 65
```

Apply Functions

- Other apply functions can be a bit tricky to implement.
- The site <https://nsaunders.wordpress.com/2010/08/20/a-brief-introduction-to-apply-in-r/> has examples on all the Base apply functions.

Environment Management

In R, your workspace is known as an “Environment” - all the variables and functions you create are loaded into that environment. Consequently, it is good practice, when you start a new task (or launch a new script) to clear all variables out of the environment with the `rm()` function:

```
> rm(list=ls())
```

We won't worry too much about managing environments in this class other than to be careful to start new scripts/sessions with an empty environment with `rm(list=ls())`.

Reading Data into R

One of the easiest ways to get data into an R environment is to read it from a text file, such as a .csv file. We can do this with the `read.table()` function:

```
> mydata <- read.table("data/mydata.csv",header=TRUE,  
+                       sep="," ,as.is=TRUE)  
> mydata
```

```
##      Name Gender Age  
## 1 Linda      F   25  
## 2  Dave      M   24  
## 3 Karen      F   27
```

Exporting Data from R

Similarly, once we have data in R that we want to save, a convenient method to export it is to write it back to a .csv file, with the `write.table()` function:

```
> write.table(mydata, file="data/mynewdata.csv", sep="," , row.names=FALSE,  
+             col.names=TRUE)
```

This will write the `mydata` data frame out to a .csv file named “mynewdata.csv”, using commas as the separator, and preserving the column names from the data frame. The data can then be re-imported later for more analysis, or viewed in other software like MS Excel.

rep()

The `rep()` function allows us to create vectors with (initially) all the same values:

```
> # create a vector of zeros with length 5  
> my.empty.vec <- rep(0,5)  
> my.empty.vec
```

```
## [1] 0 0 0 0 0
```

`cbind()` and `rbind()`

Like `c()`, the functions `cbind()` and `rbind()` combine objects. `cbind()` does this by columns, while `rbind()` does this by rows:

```
> my.array <- cbind(c(1, 2, 3),c(4, 5, 6))
> my.array
```

```
##      [,1] [,2]
## [1,]    1    4
## [2,]    2    5
## [3,]    3    6
```

```
> my.array <- rbind(c(1, 2, 3),c(4, 5, 6))
> my.array
```

```
##      [,1] [,2] [,3]
## [1,]    1    2    3
## [2,]    4    5    6
```

Testing for Equality

```
> x <- "A"  
> y <- "A"  
> x == y
```

```
## [1] TRUE
```

```
> x <- "A"  
> y <- "a"  
> x == y
```

```
## [1] FALSE
```

Testing for Equality

```
> x <- seq(.1,.15,by=.01)
> y <- 10:15/100
> x
```

```
## [1] 0.10 0.11 0.12 0.13 0.14 0.15
```

```
> y
```

```
## [1] 0.10 0.11 0.12 0.13 0.14 0.15
```

```
> x == y
```

```
## [1] TRUE TRUE FALSE TRUE TRUE TRUE
```

Testing for Equality

```
> x <- seq(.1,.15,by=.01)
> y <- 10:15/100
> all.equal(x,y) # tests "near" equality
```

```
## [1] TRUE
```

```
> identical(x,y) # tests "exact" equality
```

```
## [1] FALSE
```

Be careful in how you test for equality.

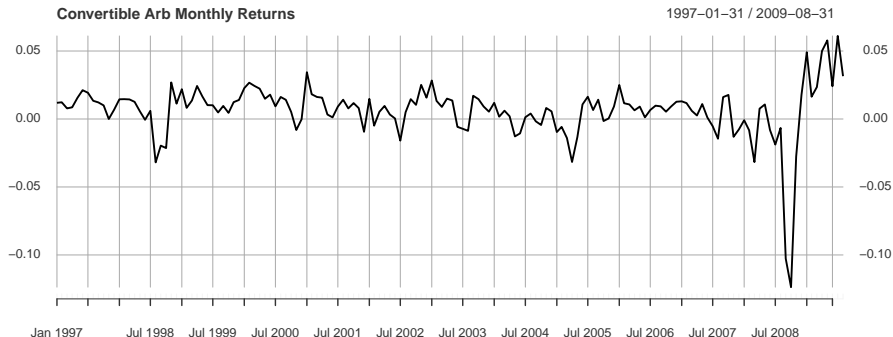
Plotting in R

- In R, we have legacy “Base” plotting capabilities as well as newer *ggplot2* style graphics.
- Base R graphics are powerful, and can produce publication quality plots, but can be a bit tricky to learn, as the controls are a mix of high level easy to read code and more fundamental or abstract elements that can be more difficult to master.
- *ggplot2* (Grammar of Graphics) is a package developed by Hadley Wickham that has become extremely popular in recent years for its ability to produce highly readable graphics.
- For now, we won't worry about learning *ggplot2* syntax, and will focus on plotting methods from Base R.

R Base - Line Plot

After loading the PerformanceAnalytics package and calling the `data(edhec)` command, we can produce a simple line plot of the first column of the EDHEC data:

```
> plot(edhec[,1], main="Convertible Arb Monthly Returns",  
+       xlab="", type="l")
```



R Base - Line Plot

Note that EDHEC is an xts object:

```
> class(edhec)
```

```
## [1] "xts" "zoo"
```

- This is a good point to come back to R's functions, which are “generic” in nature. Since R is object oriented, functions can take on different features depending on the class of an object.
- In this case, the `plot()` function works differently depending on the class of the object that you are passing to it as a parameter (in this, case, we got “`plot.zoo()`”)
- We don't need to worry about this too much for now, but you should know that R functions may behave differently depending on the class of the object you pass to it - when you call a generic function that has methods specific to an object type, R automatically attempts to determine what object type you've passed to the function, and uses the most appropriate version of that function.

R Base - Line Plot

Lets plot a non-xts object:

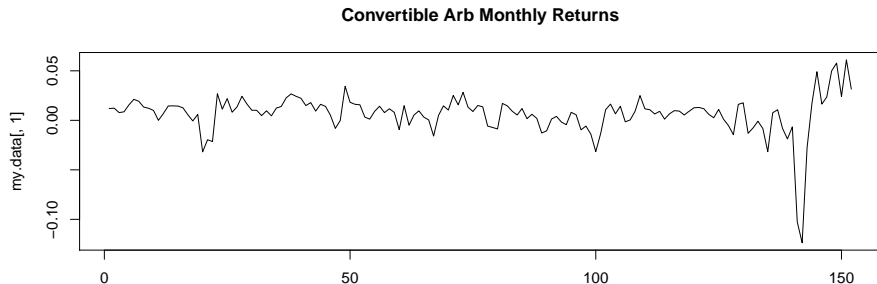
```
> my.data <- coredata(edhec[,1])  
> class(my.data)
```

```
## [1] "matrix"
```

We'll observe a few differences.

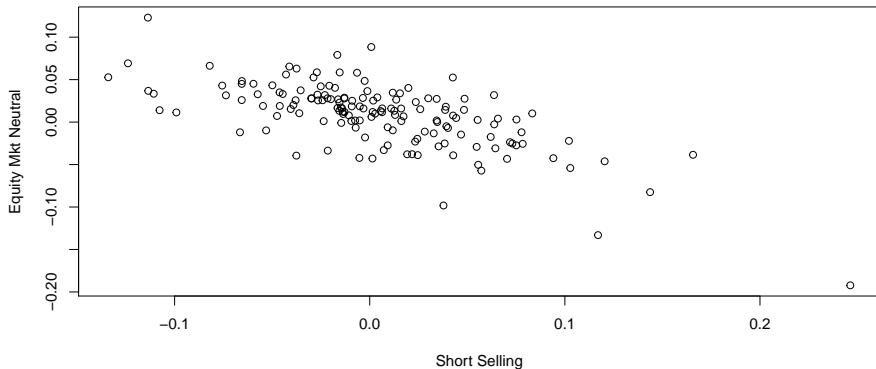
R Base - Line Plot

```
> plot(my.data[,1],main="Convertible Arb Monthly Returns",  
+      xlab="", type="l")
```



R Base - Scatter Plots

```
> plot(coredata(edhec[,12]),coredata(edhec[,4]),  
+       xlab="Short Selling",ylab="Equity Mkt Neutral")
```



R Base - Histograms

Histograms allow us to graphically describe the empirical distribution of a random variable by placing observations into bins:

```
> hist(coredata(edhec[,13]),main="FoF Monthly Returns",  
+       breaks=10,xlab="Monthly Return")
```

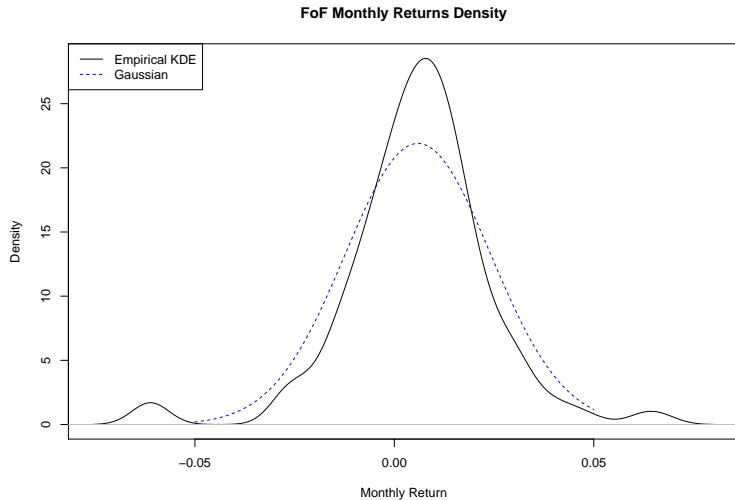


R Base - Kernel Density Estimates

Kernel density estimates are another way of graphically describing univariate distributions in a manner similar to histograms:

```
> plot(density(coredata(edhec[,13])),  
+      main="FoF Monthly Returns Density",  
+      xlab="Monthly Return")  
> lines(seq(-.05, .05, .001),  
+      dnorm(seq(-.05, .05, .001),  
+              mean(edhec[,13]),  
+              sd(edhec[,13])),col="blue",lty=2)  
> legend("topleft",  
+      legend=c("Empirical KDE","Gaussian"),  
+      lty=c(1,2),col=c("black","blue"))
```

R Base - Kernel Density Estimates



R Base - QQ Plots

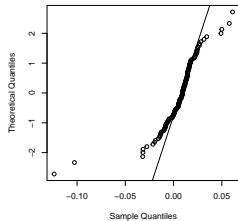
QQ Plots allow us to visually inspect the sample quantiles against a theoretical distribution such as the Gaussian/Normal:

```
> par(mfrow=c(2,3)) # creates a 2x3 grid of plots
> for (i in 1:6) {
+   qqnorm(coredata(edhec[,i]),datax=TRUE)
+   qqline(coredata(edhec[,i]),datax=TRUE)
+ }
```

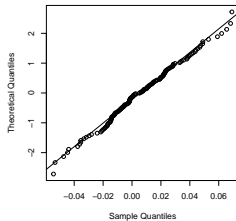
The above code creates QQ normal plots for the first 6 series in the EDHEC dataset.

R Base - QQ Plots

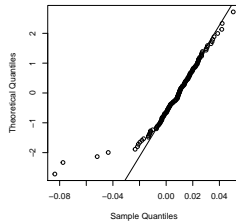
Normal Q-Q Plot



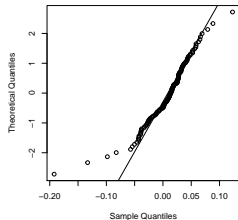
Normal Q-Q Plot



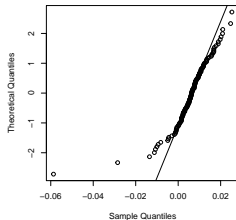
Normal Q-Q Plot



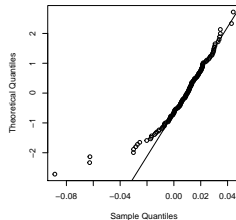
Normal Q-Q Plot



Normal Q-Q Plot



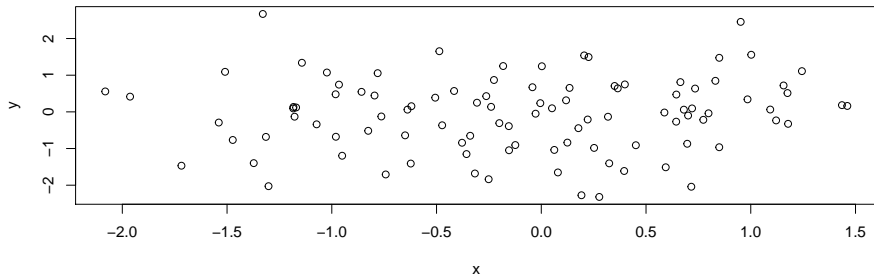
Normal Q-Q Plot



Exporting Graphics from R

It is often handy to be able to export a figure we've created in R to a .png or .pdf file to use in other programs, we can do this easily. Assuming we have a plot to export:

```
> x <- rnorm(100); y = rnorm(100)  
> plot(x,y)
```



Exporting Graphics from R

We can export this to a png file using the png “Device”:

```
> png(filename="scatterplot.png",width=7,height=5,units="in",  
+      res=300)  
> plot(x,y)  
> dev.off()
```

This will save a 5x7 png file with the name “scatterplot.png” in the working directory for use elsewhere.

- Note that we could also accomplish this via the GUI of Rstudio (that is, not programmatically).