UNIVERSITÀ DEGLI STUDI DI TRIESTE

Statistics

Continuos Random Variables

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Random variable

A **random variable** (r.v.) X is a variable whose value is a numerical outcome of a random phenomenon, that is, it is a well defined but unknown number

There are two main types of random variables: discrete, if it has a finite list of possible outcomes, and continuous, if it can take any value in an interval.

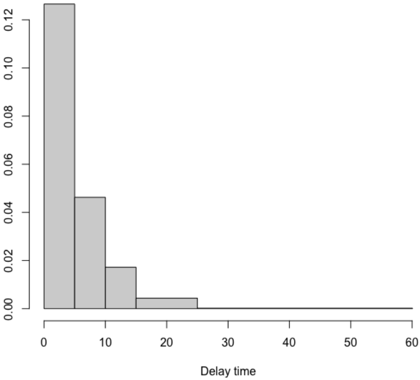
- D the number of tails on three coin tosses
- D the number of defective items in a sample of 20 items from a large shipment
- D the number of students attending the statistics class on a Friday
- C the delay time of the airplane
- C the weight of a newborn
- C the length of a phone call to your mother

For continuous random variables we can assign probabilities only to a range of values, using a mathematical function, we express the probability distribution in the continuous space

Delay time of a flight

About the delay time of a flight, we might observe the following data and plot them using a histogram

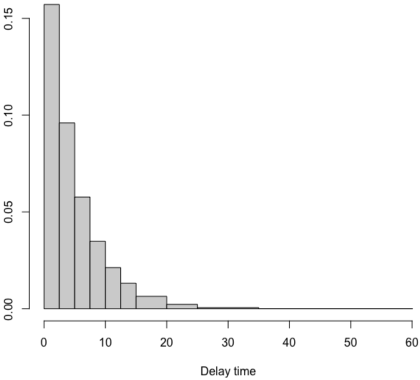
Delay	P
(0,5]	0.633
(5,10]	0.231
(10,15]	0.086
(15,25]	0.043
(25,Inf]	0.006



Delay time of a flight

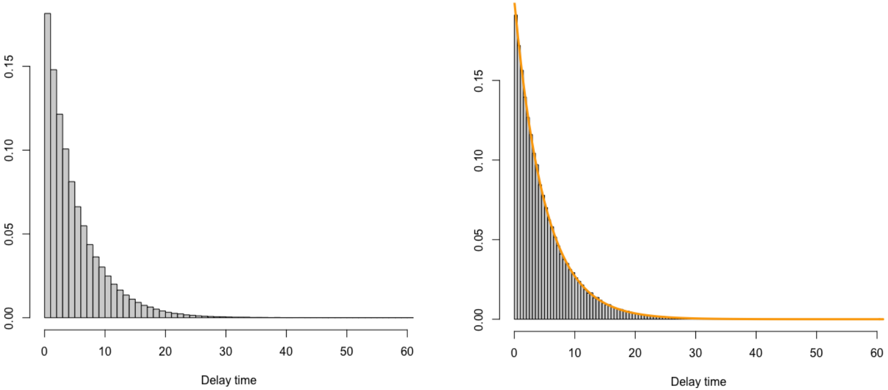
About the delay time of a flight, we might observe the following data and plot them using a histogram

Delay	P
(0,2.5]	0.393
(2.5,5]	0.240
(5,7.5]	0.144
(7.5,10]	0.087
(10,12.5]	0.053
(12.5,15]	0.033
(15,20]	0.032
(20,25]	0.011
(25,35]	0.005
(35,Inf]	0.001

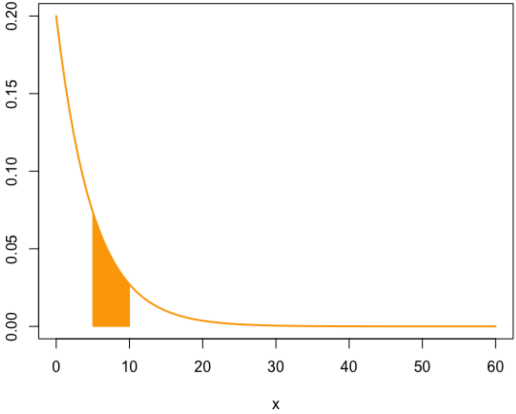


Delay time of a flight

Assuming that we have infinite observations we can increase the number of classes and approximate the histogram with a curve: the probability density function



The interpretation of the probability density function is analogous to the histogram: the areas represent probabilities rather than frequencies



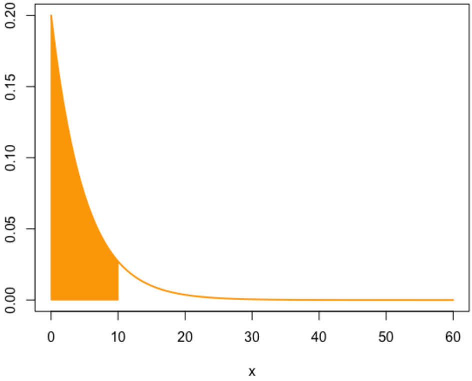
E.g. the probability of observing a value between 5 and 10 is:

$$P(5 \leq X \leq 10) = 0.234$$

Cumulative distribution function

A relevant quantity is

$$P(X \leq x)$$

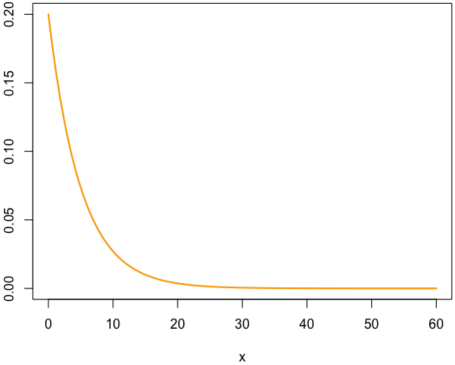


E.g. the probability of observing a value smaller than 10 is:

$$P(X \leq 10) = 0.865$$

Probability density function

The probability density function is a real-valued function assuming non-negative values



The function in the plot is

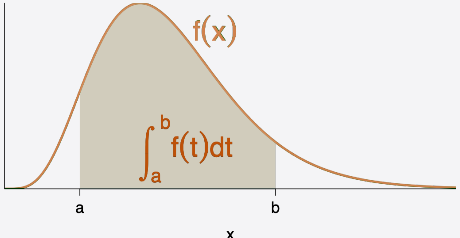
$$f(x) = \frac{1}{5}e^{-x/5}, \quad x \geq 0$$

Probability density function

Probability density function

The probability density function of a continuous random variable X is a non-negative function $f(x)$ whose area under the curve in a range of values is the probability of X in that range:

$$\int_a^b f(t)dt = P(a \leq X \leq b)$$



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$$\int_a^b f(t)dt = P(a \leq X \leq b)$$

The probability density function satisfies the following properties:

(i) $f(x) \geq 0$

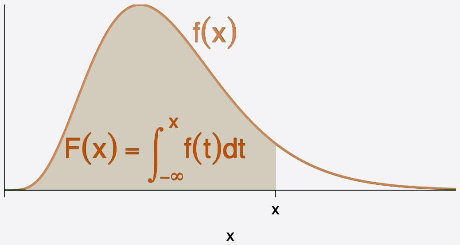
(ii) $\int_{-\infty}^{\infty} f(t)dt = 1$

Cumulative distribution function

Cumulative distribution function

The cumulative distribution function of a random variable X is the function

$$F(x) = P(X \leq x) = \int_{-\infty}^{x} f(t)dt$$



Cumulative distribution function

Cumulative distribution function

The cumulative distribution function of a random variable X is the function

$$F(x) = P(X \leq x) = \int_{-\infty}^{x} f(t)dt$$

and satisfies the following properties:

i. $F(x) \geq 0, \qquad \forall x \in \mathbb{R};$

ii. $F(x)$ is not decreasing;

iii. $\lim_{x \to -\infty} F(x) = 0;$

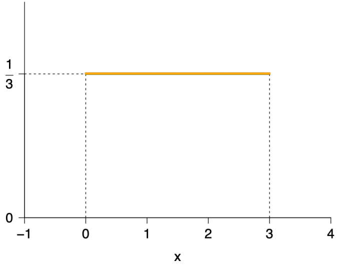
iv. $\lim_{x \to +\infty} F(x) = 1.$

and note that

$$P(a \leq X \leq b) = F(b) - F(a)$$

Example

There are several density functions, any non-negative function that integrates to 1 is a density function



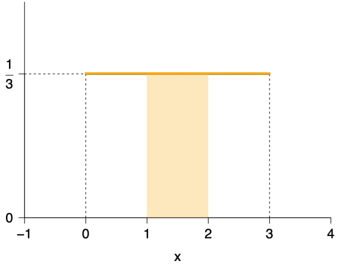
Uniform between 0 and 3

$$f(x) = \begin{cases} 1/3 & \text{for } 0 \leq x \leq 3 \\ 0 & \text{otherwise} \end{cases}$$

Find $P(1 \leq X \leq 2)$

Example

There are several density functions, any non-negative function that integrates to 1 is a density function



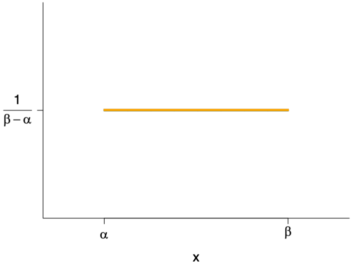
Uniform between 0 and 3

$$f(x) = \begin{cases} 1/3 & \text{if } 0 \leq x \leq 3 \\ 0 & \text{otherwise} \end{cases}$$

$$P(1 \leq X \leq 2) = (2-1) \times \frac{1}{3} = \frac{1}{3}$$

Probability density functions and parameters

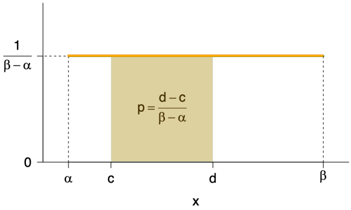
Often it is useful to define a probability density function up to one or more parameters, which is the equivalent of defining a set of density functions



$$f(x) = \begin{cases} \frac{1}{\beta-\alpha} & \text{if } \alpha \leq x \leq \beta \\ 0 & \text{otherwise} \end{cases}$$

$f(x)$ is a probability density function for every α and β, with $\beta > \alpha$

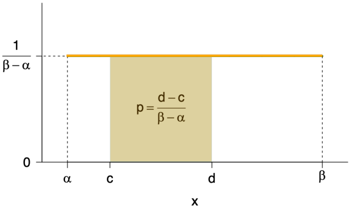
Uniform distribution on $[\alpha, \beta]$



$$P(c \leq X \leq d) = \frac{d-c}{\beta-\alpha}$$

with $\alpha < c < d < \beta$

Uniform distribution on $[\alpha, \beta]$



$$P(c \leq X \leq d) = \frac{d-c}{\beta-\alpha}$$

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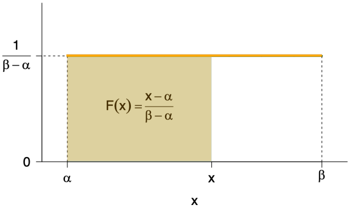


$$F(x) = \begin{cases} 0 & \text{if} x < \alpha \\ \frac{x-\alpha}{\beta-\alpha} & \text{if} \alpha \leq x \leq \beta \\ 1 & \text{if} x > \beta \end{cases}$$

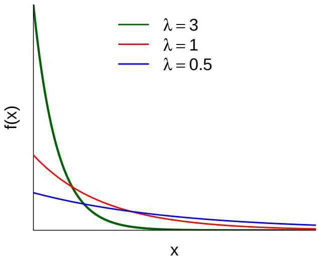
Exponential distribution

The Exponential distribution is a continuous probability distribution that describes the time between events in a Poisson process, where events occur continuously and independently at a constant average rate.

It has rate parameter λ and is defined as

$$f(x) = \lambda e^{-\lambda x}$$

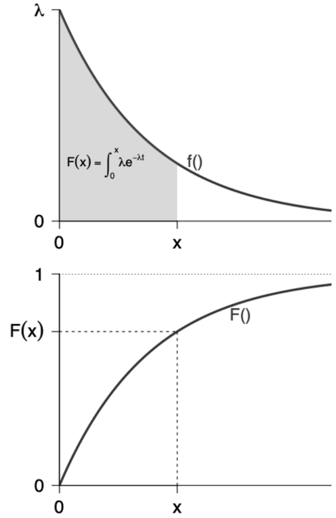
for $x \geq 0$ and $\lambda > 0$



Exponential distribution

The cumulative distribution function is

$$
\begin{aligned}
F(x) &= \int_0^x \lambda e^{-\lambda t} dt \\
&= \left[-e^{-\lambda t}\right]_0^x \\
&= 1 - e^{-\lambda x}
\end{aligned}
$$



Example

Knowing that X follows an exponential distribution with rate parameter λ

$$F(x) = 1 - e^{-\lambda x}$$

- If $\lambda = 2$, what is $P(X < 1) =$
- If $\lambda = 2$, $P(X < 0.5) =$
  - So, what is the probability that X is between 0.5 and 1?
- If $\lambda = 4$ what is the answer to the previous questions?

- The delay of a train (in minutes), is distributed according to an exponential of the parameter $\lambda = 0.1$, how likely is it to wait more than ten minutes?
- If the delay were distributed according to an exponential of parameter 0.2, would we wait longer or shorter (probably)?

Example

Knowing that X follows an exponential distribution with rate parameter λ

$$F(x) = 1 - e^{-\lambda x}$$

- If $\lambda = 2$, what is $P(X < 1) = 0.8646647$
- If $\lambda = 2$, $P(X < 0.5) = 0.6321206$
    - So, what is the probability that X is between 0.5 and 1?
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- The delay of a train (in minutes), is distributed according to an exponential of the parameter $\lambda = 0.1$, how likely is it to wait more than ten minutes?
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- If $\lambda = 2$, $P(X < 0.5) = 0.6321206$
  - So, what is the probability that X is between 0.5 and 1?
- If $\lambda = 4$ what is the answer to the previous questions? (0.9816844, 0.8646647, 0.1170196)
- The delay of a train (in minutes), is distributed according to an exponential of the parameter $\lambda = 0.1$, how likely is it to wait more than ten minutes?
- If the delay were distributed according to an exponential of parameter 0.2, would we wait longer or shorter (probably)?

Expected value and variance of a continuous rv

Let $f(x)$ be the probability density function of a continuous random variable X

$$E(X) = \int xf(x)dx$$

$$E(h(X)) = \int h(x)f(x)dx$$

$$V(X) = \int (x - E(X))^2 f(x)dx$$

Moreover, the following properties hold (using the properties of the integrals)

$$E(aX + b) = aE(X) + b$$

$$V(X) = E(X^2) - [E(X)]^2$$

$$V(aX + b) = a^2 V(X)$$

Uniform distribution: expected value and variance

Let X be a random variable following the Uniform distribution between α and β, thus

$$f(x) = \begin{cases} \frac{1}{\beta-\alpha} & \text{if } \alpha \leq x \leq \beta \\ 0 & \text{otherwise} \end{cases}$$

then

$$E(X) = \int_\alpha^\beta \frac{x}{\beta-\alpha}dx = \frac{1}{\beta-\alpha}\left[\frac{x^2}{2}\right]_\alpha^\beta = \frac{1}{\beta-\alpha}\frac{\beta^2-\alpha^2}{2} = \frac{\alpha+\beta}{2}$$

$$E(X^2) = \int_\alpha^\beta \frac{x^2}{\beta-\alpha}dx = \frac{1}{\beta-\alpha}\left[\frac{x^3}{3}\right]_\alpha^\beta = \frac{1}{\beta-\alpha}\frac{\beta^3-\alpha^3}{3} = \frac{\beta^2+\alpha\beta+\alpha^2}{3}$$

$$V(X) = E(X^2) - (E(X))^2 = \frac{\beta^2+\alpha\beta+\alpha^2}{3} - \frac{(\alpha+\beta)^2}{4} = \frac{(\beta-\alpha)^2}{12}$$

Exponential distr: expected value and variance

Let X be a random variable following the Exponential distribution with rate parameter $\lambda > 0$, thus

$$f(x) = \lambda e^{-\lambda x}$$

for $x \geq 0$, then, by integration by parts,

$$E(X) = \int_0^\infty x\lambda e^{-\lambda x} dx = \left[xe^{-\lambda x}\right]_0^\infty + \int_0^\infty e^{-\lambda x} dx = -\left[\frac{e^{-\lambda x}}{\lambda}\right]_0^\infty = \frac{1}{\lambda}$$

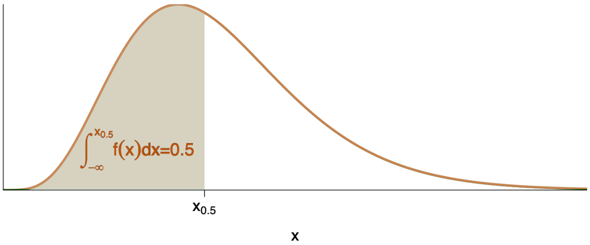
$$E(X^2) = \int_0^\infty x^2\lambda e^{-\lambda x} dx = \left[x^2 e^{-\lambda x}\right]_0^\infty + \frac{2}{\lambda}\int_0^\infty x\lambda e^{-\lambda x} dx = \frac{2}{\lambda^2}$$

$$V(X) = E(X^2) - (E(X))^2 = \frac{2}{\lambda^2} - \left(\frac{1}{\lambda}\right)^2 = \frac{1}{\lambda^2}$$

Median

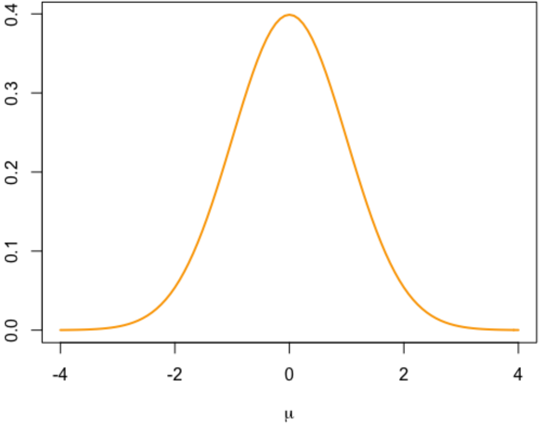
We define the median of a continuous random variable X with pdf $f(x)$ the value $Me(X)$ or $x_{0.5}$ such that

$$F(Me(X)) = \int_{-\infty}^{Me(X)} f(x)dx = 0.5$$



Normal distribution

The most popular continuous distribution is the Normal (or Gaussian) distribution and its density has the following shape



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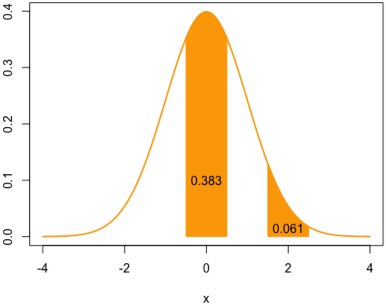

- The most likely values to occur are the ones around the center (the mean)

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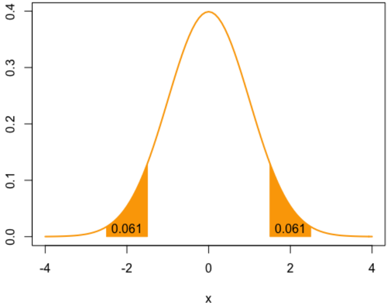

- The most likely values to occur are the ones around the center (the mean)
- It is symmetric, then symmetric deviations on the right and left have the same probability

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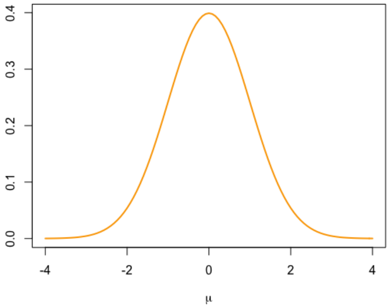
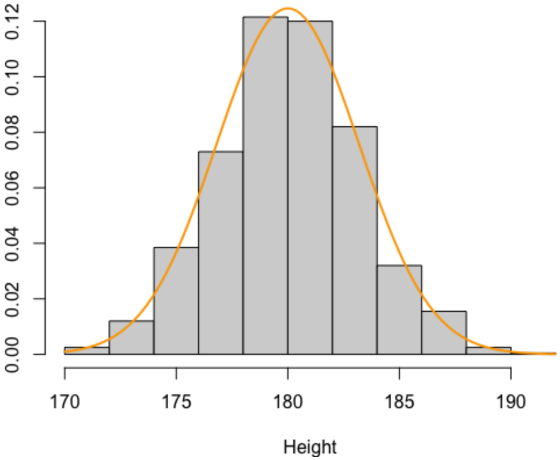


- The most likely values to occur are the ones around the center (the mean)
- It is symmetric, then symmetric deviations on the right and left have the same probability
- The pdf is: $f(x;\mu,\sigma) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}$

Example

The distribution of the male students' height

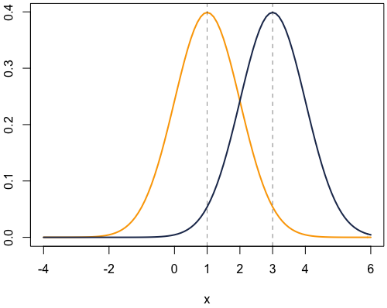


Normal distribution: parameters

The probability density function of the normal distribution is

$$f(x; \mu, \sigma) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}$$

Thus if a r.v. X follows a normal distribution we write $X \sim N(\mu, \sigma^2)$



μ is the mean of the distribution

For different μ values, the distribution shifts on the x axis

Normal distribution: parameters

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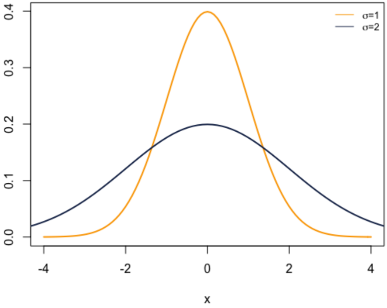

σ^2 is the variance of the distribution

For different σ values, the distribution remains centered on the same value but becomes wider: larger values (in absolute values) of the r.v. are more likely

Normal distribution: parameters

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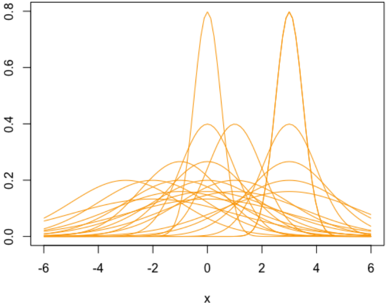


Varying μ e σ, we can obtain an infinite number of distributions

Normal distribution: parameters

The probability density function of the normal distribution is

$$f(x; \mu, \sigma) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}$$

Thus if a r.v. X follows a normal distribution we write $X \sim N(\mu, \sigma^2)$

Normal distribution: probabilities

Assume that $X \sim N(\mu, \sigma^2)$, then its pdf is

$$f(x; \mu, \sigma) = \frac{1}{\sqrt{2\pi}\sigma} e^{-\frac{1}{2}\left(\frac{x-\mu}{\sigma}\right)^2}$$

we can use it to compute probabilities of a Normal rv

$$p = P(a \leq X \leq b)$$

where

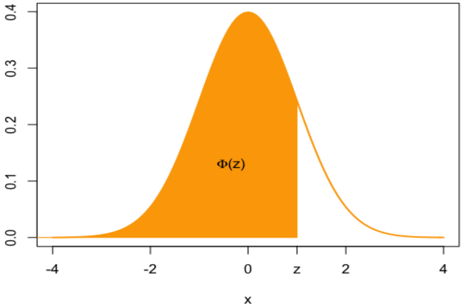
$$p = \int_a^b f(t)dt = F(b) - F(a)$$

Unfortunately, we do not have a closed form to compute this probability, but we can refer to a particular normal distribution...

Standard Normal distribution

The standard normal distribution, that is $\mu = 0$ and $\sigma = 1$, play an important role

$$Z \sim N(0,1) \quad \rightarrow \quad f(z;0,1) = \frac{1}{\sqrt{2\pi}} e^{-z^2/2}$$



We define

$$\Phi(z) = P(Z \leq z)$$

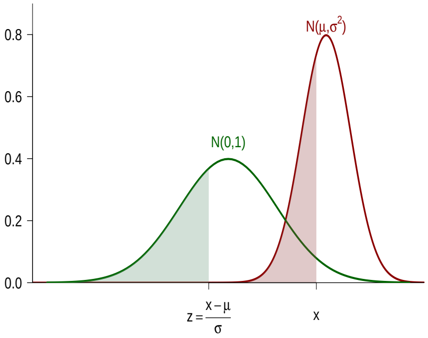
the area under the curve between $-\infty$ and z

Note that with Φ we call the cumulative distribution function of the standard normal distribution

Standard Normal vs Normal(μ, σ)

If $X \sim N(\mu, \sigma^2)$, then

$$P(X \leq x) = P\left(\frac{X-\mu}{\sigma} \leq \frac{x-\mu}{\sigma}\right) = P\left(Z \leq \frac{x-\mu}{\sigma}\right) = \Phi\left(\frac{x-\mu}{\sigma}\right)$$



That is, the red area (equal to $P(X \leq x)$) is equal to the green one

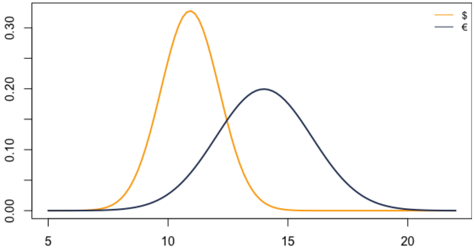
Knowing $\Phi(z)$, we can compute any probability associated with a generic normal distribution $N(\mu, \sigma^2)$

Normal distribution: transformations

Let X be distributed as a normal distribution $N(\mu, \sigma^2)$, and let a, and b be two real numbers, then

$$Y = aX + b$$

follows a normal distribution $Y \sim N(a\mu + b, a^2\sigma^2)$



As an example, if the stock price on a given day expressed in euros follows a Normal distribution $N(14, \sigma^2 = 2)$, then the value in dollars (1 \$ $=$ 0.78 €) is still distributed as a Normal with mean 0.78×14 and variance $2 \times (0.78)^2$