Financial Computing Lab0

李思睿 Laurel 1930026068

1.1 Github repository

https://github.com/RUI2190/Financial-Computing-2022-Spring (https://github.com/RUI2190/Financial-Computing-2022-Spring)

1.2 Basic python

```
In [1]:
```

```
import numpy as np
```

Q1.

In [2]:

```
r1=np. random. normal (0.05, 1, 100)
r2=np. random. normal (0.05, 1, 100)
r3=np. random. normal (0.05, 1, 100)
```

Q2.

In [3]:

```
print(np.mean(r1))
print(np.std(r1))
```

0. 064672228455713471. 0653055687352049

In [4]:

```
print(np. mean(r2))
print(np. std(r2))
```

-0.07397585762217260.9118035625392975

```
In [5]:
print (np. mean (r3))
print(np.std(r3))
0.0978931481601349
1. 1167041363077475
Q3.
In [6]:
array=[r1, r2, r3]
for i in range(len(array)):
    if np. mean (array[i]) < 0:
        print("Alert: Warning!")
        break
Alert: Warning!
Q4.
In [7]:
def func(n, a, b):
    array=[]
    mean=[]
    var=[]
    for i in range(n):
        array. append (np. random. normal (a, b, 100))
    for i in range(n):
        mean.append(np.mean(array[i]))
        var. append (np. var (array[i]))
    print("the mean:", mean) # mean value
    print("the variance:", var) # standard deviation
    for i in range(n):
        if mean[i] < 0:
            print("Alert: Warning!")# give the warning
            break
```

In [8]:

```
func (5, 0, 1)
```

```
the mean: [0.10274685149106035, 0.018781910778203407, -0.05976430632779786, 0.066275 85650991233, -0.03279450869020319] the variance: [1.2918563712821043, 0.952073616959475, 0.9504419446513325, 1.13048754 63461304, 0.9355498365793276] Alert: Warning!
```

Numerical Computing

2.1 Newton's method

```
In [9]:
```

```
def myfunc(x): # the function

y = (1+0.5*x) **5

return y
```

In [10]:

```
def numerical_grad (func , x, dx = 0.00001) :# numerical gradient
  dy = func (x + dx) - func(x)
  ngrad = dy / dx
  return ngrad
```

In [11]:

```
def newton_method(func, func_value = 1.5 , x = -1, max_iteration = 1000000, max_err = 0.000001):
    for trial in range(max_iteration):
        error = func(x) - func_value
        if abs(error) < max_err :
            y = func(x)
            print("Iteration {}: f = {}, x = {}".format(trial, y, x))
            return x
        else :
            grad = numerical_grad(func, x)
            x = x - error/grad
            y = func(x)
            print("Iteration {}: f = {}, x = {}".format(trial, y, x))
        raise ValueError("Max iteration reached.")
        print("Max Iteration {}: f = {}, x = {}".format(trial, y, x))</pre>
```

In [12]:

```
newton_method(myfunc, 1.5)
```

```
Iteration 0: f = 3801.696689769873, x = 8.399812001804369 Iteration 1: f = 1246.3574870933858, x = 6.320674271153399 Iteration 2: f = 409.0224182658389, x = 4.658546210051783 Iteration 3: f = 134.64449684776213, x = 3.3317247048456338 Iteration 4: f = 44.738347476161884, x = 2.2772632795179018 Iteration 5: f = 15.284733909463858, x = 1.4504963486778806 Iteration 6: f = 5.653834165222227, x = 0.8281250518039418 Iteration 7: f = 2.5541535710695324, x = 0.41256707667125636 Iteration 8: f = 1.66025286561306, x = 0.21342516561887517 Iteration 9: f = 1.5060702910043324, x = 0.17069619006190048 Iteration 10: f = 1.500009834506773, x = 0.1689463864532662 Iteration 11: f = 1.5000000001164746, x = 0.1689435424290808 Iteration 12: f = 1.50000000001164746, x = 0.1689435424290808 Out[12]:
```

2.2 Gradient Descent

In [13]:

0. 1689435424290808

```
import random
```

In [14]:

```
def Myfunc(x): # the function

y = x**2 - 2*x + 3

return y
```

In [15]:

```
def gradient_descent(func, func_value = 1.1, d = 0.01, max_iteration = 1000000, max_err = 0.000001)
   x = random.random() #initial guess for x
    grad = numerical_grad(func, x)
   x1 = x - d*grad
    for trial in range(max_iteration):
        df = Myfunc(x1) - Myfunc(x)
        if abs(df) < 0.000001:
            y = func(x)
            print("Iteration \{\}: f = \{\}, x = \{\}".format(trial, y, x))
            return x
        else:
            x = x1
            grad = numerical_grad(func, x)
            x1 = x - d*grad
            y = func(x)
        print ("Iteration \{\}: f = \{\}, x = \{\}". format(trial, y, x))
    raise ValueError ("Max iteration reached.")
    print ("Max Iteration \{\}: f = \{\}, x = \{\}". format(trial, y, x))
```

In [16]:

gradient_descent(Myfunc)

```
Iteration 0: f = 2.697105871262867, x = 0.16507133762047266
Iteration 1: f = 2.6695006424067054, x = 0.18176981086817312
Iteration 2: f = 2.642988577340379, x = 0.1981343146509018
Iteration 3: f = 2.6175263868429743, x = 0.21417152835814468
Iteration 4: f = 2.5930724959461453, x = 0.2298879977911361
Iteration 5: f = 2.569586976048528, x = 0.24529013783538778
Iteration 6: f = 2.5470314797202755, x = 0.26038423507859454
Iteration 7: f = 2.525369178088048, x = 0.275176450377026
Iteration 8: f = 2.5045647007011445, x = 0.28967282136951544
Iteration 9: f = 2.484584077777474, x = 0.3038792649421551
Iteration 10: f = 2.4653946847372405, x = 0.3178015796432532
Iteration 11: f = 2.4469651889326247, x = 0.33144544805032927
Iteration 12: f = 2.4292654984878235, x = 0.3448164390891484
Iteration 13: f = 2.412266713163575, x = 0.35792001030745757
Iteration 14: f = 2.395941077170675, x = 0.3707615101007611
Iteration 15: f = 2.380261933845137, x = 0.38334617989901565
Iteration 16: f = 2.365203682129164, x = 0.3956791563009232
Iteration 17: f = 2.35074173476373, x = 0.40776547317491696
Iteration 18: f = 2.3368524781446887, x = 0.4196100637117417
Iteration 19: f = 2.3235132337665925, x = 0.4312177624375102
Iteration 20: f = 2.3107022211909785, x = 0.44259330718856793
Iteration 21: f = 2.298398522483252, x = 0.4537413410450575
Iteration 22: f = 2.2865820480601897, x = 0.46466641422362676
Iteration 23: f = 2.2752335038825073, x = 0.475372985939051
Iteration 24: f = 2.264334359955369, x = 0.4858654262205575
Iteration 25: f = 2.253866820071493, x = 0.49614801769617634
Iteration 26: f = 2.243813792751464, x = 0.5062249573424515
Iteration 27: f = 2.234158863338507, x = 0.516100358195517
Iteration 28: f = 2.224886267194293, x = 0.5257782510319742
Iteration 29: f = 2.2159808639610588, x = 0.5352625860111337
Iteration 30: f = 2.2074281128366113, x = 0.5445572342910565
Iteration 31: f = 2.1992140488352216, x = 0.55366598960507
Iteration 32: f = 2.19132525998282, x = 0.5625925698129719
Iteration 33: f = 2.1837488654193713, x = 0.5713406184167069
Iteration 34: f = 2.176472494365898, x = 0.5799137060485093
Iteration 35: f = 2.169484265926317, x = 0.5883153319270717
Iteration 36: f = 2.1627727696855863, x = 0.5965489252888445
Iteration 37: f = 2.1563270470825744, x = 0.60461784678292
Iteration 38: f = 2.1501365735133584, x = 0.6125253898468208
Iteration 39: f = 2.1441912411469364, x = 0.620274782050314
Iteration 40: f = 2.1384813424238795, x = 0.6278691864090269
Iteration 41: f = 2.132997554201619, x = 0.6353117026807431
Iteration 42: f = 2.1277309225341994, x = 0.6426053686270605
Iteration 43: f = 2.122672848051132, x = 0.6497531612546203
Iteration 44: f = 2.117815071916586, x = 0.6567579980296911
Iteration 45: f = 2.113149662344051, x = 0.6636227380692161
Iteration 46: f = 2.108669001645149, x = 0.6703501833078795
Iteration 47: f = 2.10436577379143, x = 0.6769430796416365
Iteration 48: f = 2.1002329524685885, x = 0.6834041180485939
Iteration 49: f = 2.0962637896035945, x = 0.6897359356876875
Iteration 50: f = 2.092451804347127, x = 0.6959411169738217
Iteration 51: f = 2.088790772490525, x = 0.7020221946343574
Iteration 52: f = 2.085274716303589, x = 0.7079816507416203
Iteration 53: f = 2.0818978947735918, x = 0.7138219177267557
Iteration 54: f = 2.078654794231445, x = 0.7195453793722684
Iteration 55: f = 2.0755401193491303, x = 0.7251543717845776
Iteration 56: f = 2.0725487844924597, x = 0.7306511843492536
```

```
Iteration 57: f = 2.0696759054189346, x = 0.7360380606622718
Iteration 58: f = 2.0669167913007644, x = 0.7413171994492784
Iteration 59: f = 2.064266937067024, x = 0.7464907554604294
Iteration 60: f = 2.061722016046871, x = 0.751560840351464
Iteration 61: f = 2.0592778729053256, x = 0.7565295235447933
Iteration 62: f = 2.0569305168583734, x = 0.7613988330741583
Iteration 63: f = 2.0546761151567434, x = 0.7661707564124121
Iteration 64: f = 2.052510986827264, x = 0.7708472412837586
Iteration 65: f = 2.05043159666279, x = 0.7754301964582289
Iteration 66: f = 2.0484345494505396, x = 0.7799214925292808
Iteration 67: f = 2.046516584427579, x = 0.784322962678965
Iteration 68: f = 2.0446745699569813, x = 0.7886364034253268
Iteration 69: f = 2.042905498413914, x = 0.7928635753569302
Iteration 70: f = 2.0412064812755433, x = 0.7970062038496173
Iteration 71: f = 2.0395747444038315, x = 0.8010659797726105
Iteration 72: f = 2.0380076235164646, x = 0.8050445601772949
Iteration 73: f = 2.036502559836389, x = 0.8089435689740099
Iteration 74: f = 2.035057095914067, x = 0.8127645975941866
Iteration 75: f = 2.033668871613868, x = 0.8165092056427148
Iteration 76: f = 2.0323356202619967, x = 0.8201789215303257
Iteration 77: f = 2.031055164944706, x = 0.8237752430993139
Iteration 78: f = 2.0298254149528248, x = 0.8272996382377129
Iteration 79: f = 2.028644362370096, x = 0.8307535454725978
Iteration 80: f = 2.0275100787926217, x = 0.8341383745629449
Iteration 81: f = 2.0264207121814892, x = 0.8374555070711742
Iteration 82: f = 2.0253744838378145, x = 0.8407062969298074
Iteration 83: f = 2.024369685499401, x = 0.8438920709912501
Iteration 84: f = 2.0234046765508094, x = 0.8470141295713574
Iteration 85: f = 2.022477881344714, x = 0.850073746979676
Iteration 86: f = 2.021587786629068, x = 0.853072172039917
Iteration 87: f = 2.0207329390763613, x = 0.8560106285993263
Iteration 88: f = 2.019911942910848, x = 0.8588903160273964
Iteration 89: f = 2.0191234576291595, x = 0.8617124097065854
Iteration 90: f = 2.018366195811443, x = 0.864478061512377
Iteration 91: f = 2.0176389210197088, x = 0.8671884002817953
Iteration 92: f = 2.0169404457784155, x = 0.869844532276145
Iteration 93: f = 2.016269629636121, x = 0.87244754163043
Iteration 94: f = 2.015625377302806, x = 0.8749984907978869
Iteration 95: f = 2.0150066368619917, x = 0.8774984209816394
Iteration 96: f = 2.014412398052599, x = 0.8799483525619123
Iteration 97: f = 2.0138416906198167, x = 0.8823492855108106
Iteration 98: f = 2.0132935827308582, x = 0.8847021998004378
Iteration 99: f = 2.012767179453112, x = 0.8870080558043525
Iteration 100: f = 2.012261621293276, x = 0.8892677946879224
Iteration 101: f = 2.0117760827935687, x = 0.8914823387942383
Iteration 102: f = 2.0113097711843877, x = 0.8936525920184812
Iteration 103: f = 2.01086192508955, x = 0.8957794401782926
Iteration 104: f = 2.010431813283225, x = 0.8978637513748189
Iteration 105: f = 2.0100187334958806, x = 0.899906376347539
Iteration 106: f = 2.009622011267791, x = 0.9019081488206537
Iteration 107: f = 2.009240998847617, x = 0.9038698858441463
Iteration 108: f = 2.008875074134842, x = 0.9057923881268493
Iteration 109: f = 2.0085236396638284, x = 0.9076764403641824
Iteration 110: f = 2.0081861216285484, x = 0.9095228115570086
Iteration 111: f = 2.007861968945644, x = 0.9113322553256054
Iteration 112: f = 2.0075506523542668, x = 0.9131055102191943
Iteration 113: f = 2.007251663552367, x = 0.9148433000148137
Iteration 114: f = 2.006964514366434, x = 0.9165463340144142
Iteration 115: f = 2.006688735954406, x = 0.9182153073344046
Iteration 116: f = 2.006423878040432, x = 0.9198509011876488
Iteration 117: f = 2.0061695081792275, x = 0.9214537831641301
```

```
Iteration 118: f = 2.0059252110503816, x = 0.9230246075009574
Iteration 119: f = 2.005690587780025, x = 0.9245640153505952
Iteration 120: f = 2.005465255289438, x = 0.9260726350433202
Iteration 121: f = 2.005248845669733, x = 0.9275510823425726
Iteration 122: f = 2.0050410055811883, x = 0.9289999606958665
Iteration 123: f = 2.0048413956762254, x = 0.9304198614817039
Iteration 124: f = 2.0046496900451674, x = 0.9318113642520465
Iteration 125: f = 2.0044655756843297, x = 0.9331750369672398
Iteration 126: f = 2.0042887519849417, x = 0.9345114362278273
Iteration 127: f = 2.0041189302421087, x = 0.9358211075032563
Iteration 128: f = 2.003955833183558, x = 0.9371045853534787
Iteration 129: f = 2.0037991945169824, x = 0.9383623936465546
Iteration 130: f = 2.0036487584950944, x = 0.9395950457735913
Iteration 131: f = 2.0035042794980944, x = 0.9408030448579097
Iteration 132: f = 2.003365521632646, x = 0.941986883960213
Iteration 133: f = 2.0032322583465643, x = 0.943147046281092
Iteration 134: f = 2.003104272059222, x = 0.9442840053555357
Iteration 135: f = 2.002981353806032, x = 0.9453982252483306
Iteration 136: f = 2.0028633028972367, x = 0.9464901607436871
Iteration 137: f = 2.002749926590415, x = 0.947560257529092
Iteration 138: f = 2.0026410397756127, x = 0.9486089523787178
Iteration 139: f = 2.0025364646731627, x = 0.949636673331058
Iteration 140: f = 2.0024360305432927, x = 0.9506438398647865
Iteration 141: f = 2.002339573407594, x = 0.9516308630675119
Iteration 142: f = 2.002246935781, x = 0.9525981458063071
Iteration 143: f = 2.00215796641484, x = 0.9535460828902464
Iteration 144: f = 2.0020725200497846, x = 0.9544750612324981
Iteration 145: f = 2.0019904571787395, x = 0.9553854600075318
Iteration 146: f = 2.001911643818916, x = 0.9562776508074378
Iteration 147: f = 2.00183595129329, x = 0.9571519977911414
Iteration 148: f = 2.001763256020288, x = 0.9580088578353929
Iteration 149: f = 2.0016934393121613, x = 0.9588485806786529
Iteration 150: f = 2.0016263871810964, x = 0.9596715090649766
Iteration 151: f = 2.0015619901531014, x = 0.9604779788839024
Iteration 152: f = 2.0015001430893555, x = 0.9612683193063432
Iteration 153: f = 2.0014407450144165, x = 0.9620428529204772
Iteration 154: f = 2.0013836989514715, x = 0.9628018958618667
Iteration 155: f = 2.001328911763811, x = 0.963545757944908
Iteration 156: f = 2.0012762940030173, x = 0.9642747427858445
Iteration 157: f = 2.0012257597626832, x = 0.9649891479297756
Iteration 158: f = 2.0011772265381995, x = 0.9656892649714499
Iteration 159: f = 2.0011306150921984, x = 0.9663753796720598
Iteration 160: f = 2.0010858493249772, x = 0.9670477720787019
Iteration 161: f = 2.0010428561503515, x = 0.9677067166371756
Iteration 162: f = 2.0010015653762974, x = 0.9683524823043377
Iteration 163: f = 2.00096190959032, x = 0.9689853326582365
Iteration 164: f = 2.0009238240494245, x = 0.9696055260051373
Iteration 165: f = 2.000887246574383, x = 0.9702133154852155
Iteration 166: f = 2.0008521174482334, x = 0.9708089491755856
Iteration 167: f = 2.0008183793187437, x = 0.9713926701919973
Iteration 168: f = 2.0007859771047594, x = 0.9719647167883116
Iteration 169: f = 2.000754857906343, x = 0.9725253224524244
Iteration 170: f = 2.000724970918315, x = 0.9730747160030773
Iteration 171: f = 2.00069626734731, x = 0.9736131216831168
Iteration 172: f = 2.000668700332185, x = 0.9741407592496443
Iteration 173: f = 2.0006422248674536, x = 0.9746578440646103
Iteration 174: f = 2.0006167977297813, x = 0.9751645871831882
Iteration 175: f = 2.0005923774074352, x = 0.9756611954394834
Iteration 176: f = 2.000568924032506, x = 0.9761478715309102
Iteration 177: f = 2.0005463993158434, x = 0.9766248141003486
Iteration 178: f = 2.000524766484464, x = 0.9770922178187447
```

```
Iteration 179: f = 2.0005039902216137, x = 0.977550273462382
Iteration 180: f = 2.000484036608989, x = 0.977999167993262
Iteration 181: f = 2.000464873071432, x = 0.978439084633711
Iteration 182: f = 2.000446468323755, x = 0.9788702029409868
Iteration 183: f = 2.000428792319578, x = 0.9792926988823303
Iteration 184: f = 2.000411816202363, x = 0.979706744904687
Iteration 185: f = 2.0003955122582533, x = 0.9801125100062058
Iteration 186: f = 2.0003798538707893, x = 0.9805101598059607
Iteration 187: f = 2.000364815477514, x = 0.9808998566101201
Iteration 188: f = 2.000350372528235, x = 0.9812817594781165
Iteration 189: f = 2.0003365014449086, x = 0.981656024288371
Iteration 190: f = 2.0003231795831327, x = 0.9820228038022427
Iteration 191: f = 2.000310385195181, x = 0.9823822477262012
Iteration 192: f = 2.0002980973945377, x = 0.9827345027717782
Iteration 193: f = 2.000286296121759, x = 0.9830797127164081
Iteration 194: f = 2.000274962111725, x = 0.9834180184620478
Iteration 195: f = 2.0002640768621758, x = 0.9837495580929079
Iteration 196: f = 2.000253622603533, x = 0.9840744669309642
Iteration 197: f = 2.000243582269847, x = 0.9843928775923572
Iteration 198: f = 2.000233939470962, x = 0.9847049200406821
Iteration 199: f = 2.0002246784657585, x = 0.9850107216398363
Iteration 200: f = 2.000215784136428, x = 0.9853104072068652
Iteration 201: f = 2.0002072419637997, x = 0.9856040990625892
Iteration 202: f = 2.0001990380036396, x = 0.9858919170813407
Iteration 203: f = 2.000191158863887, x = 0.9861739787398149
Iteration 204: f = 2.000183591682787, x = 0.9864503991650309
Iteration 205: f = 2.000176324107877, x = 0.986721291181849
Iteration 206: f = 2.000169344275841, x = 0.9869867653582687
Iteration 207: f = 2.00016264079312, x = 0.9872469300511688
Iteration 208: f = 2.0001562027173208, x = 0.9875018914502731
Iteration 209: f = 2.000150019539355, x = 0.9877517536212266
Iteration 210: f = 2.0001440811662663, x = 0.9879966185486722
Iteration 211: f = 2.0001383779047477, x = 0.9882365861779951
Iteration 212: f = 2.00013290044536, x = 0.988471754454403
Iteration 213: f = 2.000127639847264, x = 0.9887022193655581
Iteration 214: f = 2.000122587523683, x = 0.9889280749784368
Iteration 215: f = 2.0001177352278527, x = 0.9891494134788537
Iteration 216: f = 2.000113075039556, x = 0.9893663252092089
Iteration 217: f = 2.0001085993522025, x = 0.9895788987049037
Iteration 218: f = 2.0001043008604023, x = 0.9897872207307556
Iteration 219: f = 2.0001001725480463, x = 0.9899913763160817
Iteration 220: f = 2.0000962076768434, x = 0.9901914487897812
Iteration 221: f = 2.0000923997753333, x = 0.9903875198136425
Iteration 222: f = 2.000088742628285, x = 0.9905796694174263
Iteration 223: f = 2.0000852302666, x = 0.9907679760290633
Iteration 224: f = 2.0000818569575305, x = 0.9909525165084054
Iteration 225: f = 2.000078617195336, x = 0.9911333661778676
Iteration 226: f = 2.000075505692269, x = 0.9913105988544024
Iteration 227: f = 2.0000725173699854, x = 0.9914842868774776
Iteration 228: f = 2.0000696473512196, x = 0.9916545011401623
Iteration 229: f = 2.000066890951836, x = 0.9918213111175489
Iteration 230: f = 2.0000642436731697, x = 0.9919847848956187
Iteration 231: f = 2.000061701194701, x = 0.9921449891978873
Iteration 232: f = 2.000059259366985, x = 0.9923019894138263
Iteration 233: f = 2.000056914204873, x = 0.9924558496255087
Iteration 234: f = 2.0000546618810247, x = 0.9926066326329219
Iteration 235: f = 2.0000524987196475, x = 0.9927543999801691
Iteration 236: f = 2.000050421190494, x = 0.9928992119807822
Iteration 237: f = 2.0000484259031133, x = 0.9930411277412587
Iteration 238: f = 2.0000465096013, x = 0.9931802051863747
Iteration 239: f = 2.000044669157777, x = 0.9933165010827216
```

```
Iteration 240: f = 2.000042901569107, x = 0.9934500710609107
Iteration 241: f = 2.0000412039507682, x = 0.9935809696395537
Iteration 242: f = 2.0000395735324603, x = 0.9937092502465794
Iteration 243: f = 2.000038007653569, x = 0.9938349652418821
Iteration 244: f = 2.000036503758841, x = 0.9939581659373053
Iteration 245: f = 2.0000350593942025, x = 0.9940789026184027
Iteration 246: f = 2.000033672202735, x = 0.9941972245661979
Iteration 247: f = 2.00003233992086, x = 0.9943131800749483
Iteration 248: f = 2.0000310603746208, x = 0.9944268164734615
Iteration 249: f = 2.0000298314761373, x = 0.994538180144191
Iteration 250: f = 2.0000286512202075, x = 0.9946473165414438
Iteration 251: f = 2.0000275176810245, x = 0.9947542702104761
Iteration 252: f = 2.00002642900903, x = 0.9948590848061456
Iteration 253: f = 2.0000253834279045, x = 0.9949618031097862
Iteration 254: f = 2.000024379231658, x = 0.9950624670474162
Iteration 255: f = 2.000024379231658, x = 0.9950624670474162
```

Out[16]:

0.9950624670474162