

# Package ‘temStaR’

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**Title** Tempered Stable Distribution

**Version** 0.90

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**Description** This package provides useful tools to use the multivariate normal tempered stable distribution and process

**License** `use\_mit\_license()`

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**Roxygen** list(markdown = TRUE)

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**Imports** functional,  
nloptr,  
pracma,  
spatstat,  
Matrix,  
mvtnorm,  
doParallel,  
foreach

**Suggests** functional,  
nloptr,  
pracma,  
spatstat,  
Matrix,  
mvtnorm,  
doParallel,  
foreach

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changeCovMtx2Rho	<i>changeCovMtx2Rho</i>
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## Description

Change covariance matrix to Rho matrix.

## Usage

changeCovMtx2Rho(CovMtx, alpha, theta, betaVec, PD = FALSE)

chf\_NTS

*chf\_NTS***Description**

chf\_NTS calculates Ch.F of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If a time parameter value is given, it calculates Ch.F of the NTS process  $\phi(u) = E[\exp(iu(X(t+s) - X(s)))] = \exp(t \log(E[\exp(iuX(1))]))$ , where X is the NTS process generated by the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

**Usage**

```
chf_NTS(u, param)
```

**Arguments**

u	An array of u
ntsparm	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . For NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$ .

**Value**

Characteristic function of the NTS distribution

**Examples**

```
library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparm <- c(alpha, theta, beta, gamma, mu)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_NTS(u, ntsparm)
```

```
#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparm <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_NTS(u, ntsparm)
```

chf\_stdNTS

*chf\_stdNTS***Description**

chf\_stdNTS calculates Ch.F of the standard NTS distribution with parameters  $(\alpha, \theta, \beta)$ . If a time parameter value is given, it calculates Ch.F of the standard NTS process  $\phi(u) = E[\exp(iu(X(t+s) - X(s)))] = \exp(t \log(E[\exp(iuX(1))]))$ , where X is the standard NTS process generated by the standard NTS distribution with parameters  $(\alpha, \theta, \beta)$ .

**Usage**

```
chf_stdNTS(u, param)
```

**Arguments**

u	An array of u
ntsparam	A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ . For the standard NTS process case it is a vector of parameters $(\alpha, \theta, \beta, t)$ .

**Value**

Characteristic function of the standard NTS distribution

**Examples**

```
library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_stdNTS(u, ntsparam)

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = -2*pi, to = 2*pi, length.out = 101)
phi <- chf_stdNTS(u, ntsparam)
```

---

copulaStdNTS	<i>copulaStdNTS</i>
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**Description**

copulaStdNTS calculates the stdNTS copula values

**Usage**

```
copulaStdNTS(u, st, subTS = NULL)
```

**References**

Y. S. Kim, D. Volkmann (2013), Normal Tempered Stable Copula, Applied Mathematics Letters, 26(7), 676-680 <https://www.sciencedirect.com/science/article/pii/S0893965913000384>

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cvarGauss	<i>cvarGauss</i>
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**Description**

Calculate the CVaR for the normal distributed market model. Developer's version.

**Usage**

```
cvarGauss(eta, mu = 0, sigma = 1)
```

---

cvarmarginalmnts	<i>cvarmarginalmnts</i>
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---

**Description**

cvarmarginalmnts calculates the CVaR of the  $n$ -th element of the multivariate NTS distributed random variable.

**Usage**

```
cvarmarginalmnts(eta, n, st)
```

**Arguments**

eta	the significant level for CVaR. Real value between 0 and 1.
n	the $n$ -th element to be calculated.
st	Structure of parameters for the $n$ -dimensional NTS distribution.

---

cvarnts

---

*cvarnts*


---

## Description

cvarnts calculates Conditional Value at Risk (CVaR, or expected shortfall ES) of the NTS market model with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it calculates CVaR of the standard NTS distribution with parameter  $(\alpha, \theta, \beta)$

## Usage

```
cvarnts(eps, ntsparm)
```

## Arguments

eps	the significant level for CVaR. Real value between 0 and 1.
ntsparm	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ .

## Value

CVaR of the NTS distribution.

## References

Y. S. Kim, S. T. Rachev, M. L. Bianchi, and F. J. Fabozzi (2010), Computing VaR and AVaR in infinitely divisible distributions, *Probability and Mathematical Statistics*, 30 (2), 223-245.

S. T. Rachev, Y. S. Kim, M. L. Bianchi, and F. J. Fabozzi (2011), *Financial Models with Levy Processes and Volatility Clustering*, John Wiley & Sons

## Examples

```
library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparm <- c(alpha, theta, beta)
u <- c(0.01, 0.05)
q <- cvarnts(u, ntsparm)

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparm <- c(alpha, theta, beta, gamma, mu)
u <- c(0.01, 0.05)
q <- cvarnts(u, ntsparm)

#Annual based parameters
alpha <- 1.2
theta <- 1
```

```

beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparm <- c(alpha, theta, beta, gamma, mu, dt)
u <- c(0.01,0.05)
q <- cvarnts(u, ntsparm)

```

dBeta

*dBeta***Description**

The first derivative of the beta. Developer's version.

**Usage**

```
dBeta(n, w, betaArray, covMtx)
```

dcopulaStdNTS

*dcopulaStdNTS***Description**

dcopulaStdNTS calculates density of the stdNTS copula.

**Usage**

```
dcopulaStdNTS(u, st, subTS = NULL)
```

**References**

Y. S. Kim, D. Volkmann (2013), Normal Tempered Stable Copula, Applied Mathematics Letters, 26(7), 676-680 <https://www.sciencedirect.com/science/article/pii/S0893965913000384>

dCVaR\_numint

*dCVaR\_numint***Description**

The first derivative of CVaR for the beta parameter of the stdNTS. Developer's version.

**Usage**

```
dCVaR_numint(eta, alpha, theta, beta, N = 200, rho = 0.1)
```

---

dinvCdf_stdNTS	<i>dinvCdf_stdNTS</i>
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### Description

The first derivative of inverse CDF for the beta parameter of the stdNTS. Developer's version.

### Usage

```
dinvCdf_stdNTS(eta, alpha, theta, beta)
```

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dmarginalmnts	<i>dmarginalmnts</i>
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### Description

dmarginalmnts calculates the marginal density of the  $n$ -th element of the multivariate NTS distributed random variable.

### Usage

```
dmarginalmnts(x, n, st)
```

### Arguments

x	the $x$ such that $f(x) = \frac{d}{dx}P(X_n < x)$
n	the $n$ -th element to be calculated.
st	Structure of parameters for the $n$ -dimensional NTS distribution.

---

dmnts	<i>dmnts</i>
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### Description

dmnts calculates the density of the multivariate NTS distribution:  $f(x_1, \dots, x_n) = \frac{d^n}{dx_1 \dots dx_n} P(x_n < R_1, \dots, x_n < R_n)$ . The multivariate NTS random vector  $R = (R_1, \dots, R_n)$  is defined

$$R = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $\text{stdNTS}_n(\alpha, \theta, \beta, \Sigma)$

### Usage

```
dmnts(x, st, subTS = NULL)
```



## Arguments

<code>x</code>	array of the $(x_1, \dots, x_n)$
<code>st</code>	Structure of parameters for the n-dimensional NTS distribution. <code>st\$ndim</code> : dimension <code>st\$mu</code> : $\mu$ mean vector (column vector) of the input data. <code>st\$sigma</code> : $\sigma$ standard deviation vector (column vector) of the input data. <code>st\$alpha</code> : $\alpha$ of the std NTS distribution (X). <code>st\$theta</code> : $\theta$ of the std NTS distribution (X). <code>st\$beta</code> : $\beta$ vector (column vector) of the std NTS distribution (X). <code>st\$Rho</code> : $\rho$ matrix of the std NTS distribution (X).
<code>numofsample</code>	number of samples.

## Value

Simulated NTS random vectors

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")
library(mvtnorm)
strPMNTS <- list(ndim = 2,
  mu = c( 0.5, -1.5 ),
  sigma = c( 2, 3 ),
  alpha = 0.1,
  theta = 3,
  beta = c( 0.1, -0.3 ),
  Rho = matrix( data = c(1.0, 0.75, 0.75, 1.0),
    nrow = 2, ncol = 2)
)
dmnts(c(0.6, -1.0), st = strPMNTS)

strPMNTS <- list(ndim = 2,
  mu = c( 0, 0, 0 ),
  sigma = c( 1, 1, 1 ),
  alpha = 0.1,
  theta = 3,
  beta = c( 0.1, -0.3, 0 ),
  Rho = matrix(
    data = c(1.0, 0.75, 0.1, 0.75, 1.0, 0.2, 0.1, 0.2, 1.0),
    nrow = 3, ncol = 3)
)
pmnts(c(0,0,0), st = strPMNTS)
dmnts(c(0,0,0), st = strPMNTS)
```

---

dnts	<i>dnts</i>
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---

## Description

dnts calculates pdf of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it calculates pdf of the standard NTS distribution with parameter  $(\alpha, \theta, \beta)$ . If a time parameter value is given, it calculates pdf of the NTS process  $f(x)dx = d(P((X(t+s) - X(s)) < x))$ , where  $X$  is the NTS process generated by the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

## Usage

```
dnts(xdata, ntsparm)
```

## Arguments

xdata	An array of x
ntsparm	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$ . A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ .

## Value

Density of NTS distribution

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")

alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparm <- c(alpha, theta, beta)
x <- seq(from = -6, to = 6, length.out = 101)
d <- dnts(x, ntsparm)
plot(x, d, type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparm <- c(alpha, theta, beta, gamma, mu)
x <- seq(from = -2, to = 2, by = 0.01)
d <- dnts(x, ntsparm)
plot(x, d, type = 'l')
```

```

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
x <- seq(from = -0.02, to = 0.02, length.out = 101)
d <- dnts(x, ntsparam)
plot(x,d,type = 'l')

```

fitmnts

*fitmnts*

## Description

fitmnts fit parameters of the n-dimensional NTS distribution.

$$r = \mu + \text{diag}(\sigma)X$$

where

$X$  follows  $\text{stdNTS}_n(\alpha, \theta, \beta, \Sigma)$

## Usage

```

\code{res <- fitmnts( returndata, n)}
\code{res <- fitmnts( returndata, n, alphaNtheta = c(alpha, theta))}
\code{res <- fitmnts( returndata, n, stdflag = TRUE ) }
\code{res <- fitmnts( returndata, n, alphaNtheta = c(alpha, theta), stdflag = TRUE)}

```

## Arguments

returndata	Raw data to fit the parameters. The data must be given as a matrix form. Each column of the matrix contains a sequence of asset returns. The number of row of the matrix is the number of assets.
n	Dimension of the data. That is the number of assets.
alphaNtheta	If $\alpha$ and $\theta$ are given, then put those numbers in this parameter. The function fixes those parameters and fits other remaining parameters. If you set alphaNtheta = NULL, then the function fits all parameters including $\alpha$ and $\theta$ .
stdflag	If you want only standard NTS parameter fit, set this value be TRUE.

## Value

Structure of parameters for the n-dimensional NTS distribution.

res\$mu :  $\mu$  mean vector of the input data.

res\$sigma :  $\sigma$  standard deviation vector of the input data.

res\$alpha :  $\alpha$  of the std NTS distribution (X).

res\$theta :  $\theta$  of the std NTS distribution (X).

res\$beta :  $\beta$  vector of the std NTS distribution (X).

res\$Rho :  $\rho$  matrix of the std NTS distribution (X), which is correlation matrix of epsilon.

res\$CovMtx : Covariance matrix of return data  $r$ .

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library(functional)
library(nloptr)
library(pracma)
library(spatstat)
library(Matrix)
library(quantmod)
library(temStaR)

getSymbols("^GSPC", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr1 <- as.numeric(GSPC$GSPC.Adjusted)
getSymbols("^DJI", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr2 <- as.numeric(DJI$DJI.Adjusted)

returndata <- matrix(data = c(diff(log(pr1)),diff(log(pr2))),
                     ncol = 2, nrow = (length(pr1)-1))
res <- fitmnts( returndata = returndata, n=2 )

#Fix alpha and theta.
#Estimate alpha dna theta from DJIA and use those parameter for IBM, INTC parameter fit.
getSymbols("^DJI", src="yahoo", from = "2016-1-1", to = "2020-08-31")
prDJ <- as.numeric(DJI$DJI.Adjusted)
ret <- diff(log(prDJ))
ntsparm <- fitnts(ret)
getSymbols("IBM", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr1 <- as.numeric(IBM$IBM.Adjusted)
getSymbols("INTC", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr2 <- as.numeric(INTC$INTC.Adjusted)

returndata <- matrix(data = c(diff(log(pr1)),diff(log(pr2))),
                     ncol = 2, nrow = (length(pr1)-1))
res <- fitmnts( returndata = returndata,
               n = 2,
               alphaNtheta = c(ntsparm["alpha"], ntsparm["theta"]) )
```

---

fitmnts\_par

*fitmnts*


---

## Description

fitmnts fit parameters of the n-dimensional NTS distribution. A parallel version of fitmnts()

## Usage

```
fitmnts_par(
  returndata,
  n,
```

```

    alphaNtheta = NULL,
    stdflag = FALSE,
    parallelSocketCluster = NULL
  )

```

## Examples

```

library(functional)
library(nloptr)
library(pracma)
library(spatstat)
library(Matrix)
library(foreach)
library(doParallel)
library(quantmod)
library(temStaR)

getSymbols("^GSPC", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr1 <- as.numeric(GSPC$GSPC.Adjusted)
getSymbols("^DJI", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr2 <- as.numeric(DJI$DJI.Adjusted)

returndata <- matrix(data = c(diff(log(pr1)),diff(log(pr2))),
                     ncol = 2, nrow = (length(pr1)-1))

numofcluster <- detectCores()
cl <- makePSOCKcluster(numofcluster)
registerDoParallel(cl)
res <- fitmnts_par( returndata = returndata, n=2, parallelSocketCluster = cl )
stopCluster(cl)

```

---

fitnts

*fitnts*


---

## Description

fitnts fit parameters  $(\alpha, \theta, \beta, \gamma, \mu)$  of the NTS distribution. This function using the curvefit method between the empirical cdf and the NTS cdf.

## Usage

```

\code{fitnts(rawdat)}
\code{fitnts(rawdat), ksdensityflag = 1}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu))}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu)), ksdensityflag = 1}
\code{fitnts(rawdat, initialparam = c(alpha, theta, beta, gamma, mu)), maxeval = 100, ksdensityflag

```

## Arguments

rawdat                      Raw data to fit the parameters.

<code>initialparam</code>	A vector of initial NTS parameters. This function uses the <code>nloptr</code> package. If it has a good initial parameter then estimation performs better. If users do not know a good initial parameters, then just set it as <code>initialparam=NaN</code> , that is default. The function <code>cffitnts()</code> may be helpful to find the initial parameters.
<code>maxeval</code>	Maximum evaluation number for <code>nloptr</code> . The iteration stops on this many function evaluations.
<code>ksdensityflag</code>	This function fit the parameters using the curvefit method between the empirical cdf and the NTS cdf. If <code>ksdensityflag = 1</code> (default), then the empirical cdf is calculated by the kernel density estimation. If <code>ksdensityflag = 0</code> , then the empirical cdf is calculated by the empirical cdf.

## Value

Estimated parameters

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")
library("quantmod")
getSymbols("^GSPC", src="yahoo", from = "2010-1-1", to = "2020-12-31")
pr <- as.numeric(GSPC$GSPC.Adjusted)
ret <- diff(log(pr))
ntsparam <- fitnts(ret)

Femp = ecdf(ret)
x = seq(from=min(ret), to = max(ret), length.out = 100)
cemp = Femp(x)
ncdf = pnts(x, c(ntsparam))
plot(x,ncdf,type = 'l', col = "red")
points(x,cemp, type = 'l', col = "blue")
a = density(ret)
p = dnts(x,ntsparam)
plot(x,p,type = 'l', col = "red")
lines(a,type = 'l', col = "blue")
```

---

fitstdnts

*fitstdnts*

---

## Description

`fitstdnts` fit parameters  $(\alpha, \theta, \beta)$  of the standard NTS distribution. This function using the curvefit method between the empirical cdf and the standard NTS cdf.

## Usage

```
\code{fitstdnts(rawdat)}
\code{fitstdnts(rawdat), ksdensityflag = 1}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta))}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta)), ksdensityflag = 1}
\code{fitstdnts(rawdat, initialparam = c(alpha, theta, beta)), maxeval = 100, ksdensityflag = 1}
```

## Arguments

rawdat	Raw data to fit the parameters.
initialparam	A vector of initial standard NTS parameters. This function uses the <code>nloptr</code> package. If it has a good initial parameter then estimation performs better. If users do not know a good initial parameters, then just set it as <code>initialparam=NaN</code> , that is default.
maxeval	Maximum evaluation number for <code>nloptr</code> . The iteration stops on this many function evaluations.
ksdensityflag	This function fit the parameters using the <code>curvefit</code> method between the empirical cdf and the standard NTS cdf. If <code>ksdensityflag = 1</code> (default), then the empirical cdf is calculated by the kernel density estimation. If <code>ksdensityflag = 0</code> , then the empirical cdf is calculated by the empirical cdf.

## Value

Estimated parameters

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")
library("quantmod")
getSymbols("^GSPC", src="yahoo", from = "2010-1-1", to = "2020-12-31")
pr <- as.numeric(GSPC$GSPC.Adjusted)
ret <- diff(log(pr))
stdret <- (ret-mean(ret))/sd(ret)
stdntsparam <- fitstdnts(stdret)

Femp = ecdf(stdret)
x = seq(from=min(stdret), to = max(stdret), length.out = 100)
cemp = Femp(x)
ncdf = pnts(x, c(stdntsparam))
plot(x,ncdf,type = 'l', col = "red")
lines(x,cemp, type = 'l', col = "blue")
a = density(stdret)
p = dnts(x,stdntsparam)
plot(x,p,type = 'l', col = "red", ylim = c(0, max(a$y, p)))
lines(a,type = 'l', col = "blue")
```

---

fitstdntsFixAlphaThata

*fitstdntsFixAlphaThata*


---

### Description

Fit beta of stdNTS distribution with fixed alpha and theta.

### Usage

```
fitstdntsFixAlphaThata(
  rawdat,
  alpha,
  theta,
  initialparam = NaN,
  maxeval = 100,
  ksdensityflag = 1
)
```

---

gensamplepathnts

*gensamplepathnts*


---

### Description

gensamplepathnts generate sample paths of the NTS process with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it generate sample paths of the standard NTS process with parameters  $(\alpha, \theta, \beta)$ .

### Usage

```
gensamplepathnts(npath, nimestep, ntsparm, dt)
```

### Arguments

npath	Number of sample paths
nimestep	number of time step
ntsparm	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ .
dt	the time length of one time step by the year fraction. "dt=1" means 1-year.

### Value

Structure of the sample path. Matrix of sample path. Column index is time.



**Examples**

```

library("temStaR")
#standard NTS process sample path
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
npath <- 5
ntimestep <- 250
dt <- 1/250
simulation <- gensamplepathnts(npath, ntimestep, ntsparam, dt)
matplot(colnames(simulation), t(simulation), type = 'l')

#NTS process sample path
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
npath <- 5
ntimestep <- 250
dt <- 1/250
simulation <- gensamplepathnts(npath, ntimestep, ntsparam, dt)
matplot(colnames(simulation), t(simulation), type = 'l')

```

getGammaVec

*getGammaVec***Description**

beta to gamma in StdNTS

**Usage**

```
getGammaVec(alpha, theta, betaVec)
```

getPortNTSPParam

*getPortNTSPParam***Description**

Portfolio return with capital allocation weight is  $R_p = \langle w, r \rangle$ , which is a weighted sum of elements in the N-dimensional NTS random vector.  $R_p$  becomes an 1-dimensional NTS random variable. getPortNTSPParam find the parameters of  $R_p$ .

**Usage**

```

\code{res <- setPortfolioParam(strPMNTS,w)}
\code{res <- setPortfolioParam(strPMNTS,w, FALSE)}

```

## Arguments

strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). res\$Rho : $\rho$ matrix (Correlation) of the std NTS distribution (X). res\$Sigma : Covariance $\Sigma$ matrix of return data $r$ .
w	Capital allocation weight vector.
stdform	If stdform is FALSE, then the return parameter has the following representation $R_p = \langle w, r \rangle = \mu + \text{diag}(\sigma)X$ , where $X$ follows $\text{stdNTS}_1(\alpha, \theta, \beta, 1)$ . If stdform is TRUE, then the return parameter has the following representation $R_p = \langle w, r \rangle$ follows $\text{NTS}_1(\alpha, \theta, \beta, \gamma, \mu, 1)$

## Value

The weighted sum follows 1-dimensional NTS.

$$R_p = \langle w, r \rangle = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $\text{stdNTS}_1(\alpha, \theta, \beta, 1)$ .

Hence we obtain

res\$mu :  $\mu$  mean of  $R_p$ .

res\$sigma :  $\sigma$  standard deviation of  $R_p$ .

res\$alpha :  $\alpha$  of  $X$ .

res\$theta :  $\theta$  of  $X$ .

res\$beta :  $\beta$  of  $X$ .

## References

Proposition 2.1 of Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk <https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")
strPMNTS <- list(ndim = 2,
  mu = c( 9.876552e-05, 4.747343e-04 ),
  sigma = c( 0.01620588, 0.02309643 ),
  alpha = 0.1888129 ,
  theta = 0.523042,
  beta = c( -0.04632938, 0.04063555 ),
  Rho = matrix( data = c(1.0, 0.469883,
    0.469883, 1.0),
```

```

                                nrow = 2, ncol = 2)
CovMtx = matrix( data = c(0.0002626304, 0.0001740779,
                           0.0001740779, 0.0005334452),
                  nrow = 2, ncol = 2)
)
w <- c(0.3, 0.7)
res <- getPortNTSParm(strPMNTS,w)

```

---

importantSampling	<i>importantSampling</i>
-------------------	--------------------------

---

### Description

importantSampling do the important sampling for the TS Subordinator.

### Usage

```
importantSampling(alpha, theta)
```

---

ipnts	<i>ipnts</i>
-------	--------------

---

### Description

ipnts calculates inverse cdf of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it calculates inverse cdf of the standard NTS distribution with parameter  $(\alpha, \theta, \beta)$

### Usage

```
ipnts(u, ntsparm, maxmin = c(-10, 10), du = 0.01)
```

### Arguments

u	Real value between 0 and 1
ntsparm	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ .

### Value

Inverse cdf of the NTS distribution. It is the same as qnts function.

### References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

**Examples**

```

library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(u, q, type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(x, q, type = 'l')

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- seq(from = 0.01, to = 0.99, length.out = 99)
q <- ipnts(u, ntsparam)
plot(x, q, type = 'l')

```

---

mctCVaRmnts

---

*mctCVaRmnts*


---

**Description**

Calculate the marginal contribution to CVaR for the multivariate NTS market model: the random vector  $r$  is

$$r = \mu + \text{diag}(\sigma)X$$

where

$X$  follows  $\text{stdNTS}_N(\alpha, \theta, \beta, \Sigma)$

**Usage**

```
\code{mctCVaRmnts(eta, n, w, st)}
```

## Arguments

eta	Significant level of CVaR.
n	The target stock to calculate the mctCVaR
w	The capital allocation rate vector for the current portfolio
st	Structure of parameters for the N-dimensional NTS distribution. $st\$ndim$ : Dimension of the model. Here $st\$ndim=N$ . $st\$mu$ : $\mu$ mean vector (column vector) of the input data. $st\$sigma$ : $\sigma$ standard deviation vector (column vector) of the input data. $st\$alpha$ : $\alpha$ of the std NTS distribution (X). $st\$theta$ : $\theta$ of the std NTS distribution (X). $st\$beta$ : $\beta$ vector (column vector) of the std NTS distribution (X). $st\$rho$ : $\rho$ matrix of the std NTS distribution (X), which is correlation matrix of epsilon. $st\$CovMtx$ : Covariance matrix of return data $r$ .

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library(functional)
library(nloptr)
library(pracma)
library(spatstat)
library(Matrix)
library(quantmod)
library(mvtnorm)
library("temStaR")

#Fix alpha and theta.
#Estimate alpha and theta from DJIA and use those parameter for IBM, INTL parameter fit.
getSymbols("^DJIA", src="yahoo", from = "2020-8-25", to = "2020-08-31")
prDJ <- as.numeric(DJIA$DJIA.Adjusted)
ret <- diff(log(prDJ))
ntsparam <- fitnts(ret)
getSymbols("IBM", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr1 <- as.numeric(IBM$IBM.Adjusted)
getSymbols("INTL", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr2 <- as.numeric(INTL$INTL.Adjusted)

returndata <- matrix(data = c(diff(log(pr1)),diff(log(pr2))),
                     ncol = 2, nrow = (length(pr1)-1))
st <- fitmnts( returndata = returndata,
              n = 2,
              alphaNtheta = c(ntsparam["alpha"], ntsparam["theta"]) )
w <- c(0.3, 0.7)
eta <- 0.01

mctVaRmnts(eta, 1, w, st) #MCT-VaR for IBM
mctVaRmnts(eta, 2, w, st) #MCT-VaR for INTL
```

```
mctCVaRmnts(eta, 1, w, st) #MCT-CVaR for IBM
mctCVaRmnts(eta, 2, w, st) #MCT-CVaR for INTL
```

---

mctCVaRnts	<i>mctCVaRnts</i>
------------	-------------------

---

**Description**

Calculate the marginal contribution to CVaR for the multivariate NTS market model. Developer's version.

**Usage**

```
mctCVaRnts(
  eta,
  n,
  w,
  covMtx,
  alpha,
  theta,
  betaArray,
  muArray,
  CVaR = NULL,
  dCVaR = NULL
)
```

---

mctStdDev	<i>mctStdDev</i>
-----------	------------------

---

**Description**

Morginal contribution to Risk for Standard Deviation.

**Usage**

```
mctStdDev(n, w, covMtx)
```

**Arguments**

- n                   The targer stock to calculate the mctCVaR
- w                   The capital allocation rate vector for the current portfolio
- CovMtx             Covariance matrix of return data.

mctVaRmnts

*mctVaRmnts***Description**

Calculate the marginal contribution to VaR for the multivariate NTS market model: the random vector  $r$  is

$$r = \mu + \text{diag}(\sigma)X$$

where

$X$  follows  $\text{stdNTS}_N(\alpha, \theta, \beta, \Sigma)$

**Usage**

```
\code{mctVaRmnts(eta, n, w, st)}
```

**Arguments**

eta	Significant level of CVaR.
n	The target stock to calculate the mctCVaR
w	The capital allocation rate vector for the current portfolio
st	Structure of parameters for the N-dimensional NTS distribution. $\text{st}\$ndim$ : Dimension of the model. Here $\text{st}\$ndim=N$ . $\text{st}\$\mu$ : $\mu$ mean vector (column vector) of the input data. $\text{st}\$\sigma$ : $\sigma$ standard deviation vector (column vector) of the input data. $\text{st}\$\alpha$ : $\alpha$ of the std NTS distribution (X). $\text{st}\$\theta$ : $\theta$ of the std NTS distribution (X). $\text{st}\$\beta$ : $\beta$ vector (column vector) of the std NTS distribution (X). $\text{st}\$\rho$ : $\rho$ matrix of the std NTS distribution (X), which is correlation matrix of epsilon. $\text{st}\$CovMtx$ : Covariance matrix of return data $r$ .

**References**

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

**Examples**

```
library(functional)
library(nloptr)
library(pracma)
library(spatstat)
library(Matrix)
library(quantmod)
library(mvtnorm)
library("temStaR")

#Fix alpha and theta.
#Estimate alpha and theta from DJIA and use those parameter for IBM, INTL parameter fit.
```

```

getSymbols("^DJI", src="yahoo", from = "2020-8-25", to = "2020-08-31")
prDJ <- as.numeric(DJI$DJI.Adjusted)
ret <- diff(log(prDJ))
ntsparm <- fitnts(ret)
getSymbols("IBM", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr1 <- as.numeric(IBM$IBM.Adjusted)
getSymbols("INTL", src="yahoo", from = "2016-1-1", to = "2020-08-31")
pr2 <- as.numeric(INTL$INTL.Adjusted)

returndata <- matrix(data = c(diff(log(pr1)),diff(log(pr2))),
                     ncol = 2, nrow = (length(pr1)-1))
st <- fitmnts( returndata,
               n = 2,
               alphaNtheta = c(ntsparm["alpha"], ntsparm["theta"]) )
w <- c(0.3, 0.7)
eta <- 0.01

mctVaRmnts(eta, 1, w, st) #MCT-VaR for IBM
mctVaRmnts(eta, 2, w, st) #MCT-VaR for INTL

mctCVaRmnts(eta, 1, w, st) #MCT-CVaR for IBM
mctCVaRmnts(eta, 2, w, st) #MCT-CVaR for INTL

```

---

mctVaRnts

*mctVaRnts*


---

## Description

Calculate the marginal contribution to VaR for the multivariate NTS market model. Developer's version.

## Usage

```

mctVaRnts(
  eta,
  n,
  w,
  covMtx,
  alpha,
  theta,
  betaArray,
  muArray,
  icdf = NULL,
  dicdf = NULL
)

```



---

moments\_NTS

*moments\_NTS*


---

**Description**

moments\_NTS calculates mean, variance, skewness, and excess kurtosis of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

**Usage**

```
moments_NTS(param)
```

**Arguments**

param                      A vector of the NTS parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

**Value**

First 4 moments (Mean, Variance, Skewness, Excess Kurtosis) of NTS distribution. The mean is always the same as the parameter  $\mu$ .

**References**

Kim, Y.S, K-H Roh, R. Douady (2020) Tempered Stable Processes with Time Varying Exponential Tails <https://arxiv.org/pdf/2006.07669.pdf>

**Examples**

```
library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
moments_NTS(param = ntsparam)
```

---

moments\_stdNTS

*moments\_stdNTS*


---

**Description**

moments\_stdNTS calculates mean, variance, skewness, and excess kurtosis of the standard NTS distribution with parameters  $(\alpha, \theta, \beta)$ .

**Usage**

```
moments_stdNTS(param)
```

**Arguments**

param                      A vector of the standard NTS parameters  $(\alpha, \theta, \beta)$ .

**Value**

First 4 moments (Mean, Variance, Skewness, Excess Kurtosis) of NTS distribution. Of course, the mean and variance are always 0 and 1, respectively.

**References**

Kim, Y.S, K-H Roh, R. Douady (2020) Tempered Stable Processes with Time Varying Exponential Tails <https://arxiv.org/pdf/2006.07669.pdf>

**Examples**

```
library("temStaR")
alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
moments_stdNTS(param = ntsparam)
```

---

pmarginalmnts

*pmarginalmnts*

---

**Description**

pmarginalmnts calculates the marginal cdf of the  $n$ -th element of the multivariate NTS distributed random variable.

**Usage**

```
pmarginalmnts(x, n, st)
```

**Arguments**

x	the $x$ such that $F(x) = P(X_n < x)$
n	the $n$ -th element to be calculated.
st	Structure of parameters for the $n$ -dimensional NTS distribution.

---

pmnts

*pmnts*

---

**Description**

pmnts calculates the cdf values of the multivariate NTS distribution:  $F(x_1, \dots, x_n) = P(x_n < R_1, \dots, x_n < R_n)$ . The multivariate NTS random vector  $R = (R_1, \dots, R_n)$  is defined

$$R = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $stdNTS_n(\alpha, \theta, \beta, \Sigma)$

**Usage**

```
pmnts(x, st, subTS = NULL)
```

**Arguments**

**x** array of the  $(x_1, \dots, x_n)$

**st** Structure of parameters for the n-dimensional NTS distribution.  
**st\$ndim**: dimension  
**st\$mu**:  $\mu$  mean vector (column vector) of the input data.  
**st\$sigma**:  $\sigma$  standard deviation vector (column vector) of the input data.  
**st\$alpha**:  $\alpha$  of the std NTS distribution (X).  
**st\$theta**:  $\theta$  of the std NTS distribution (X).  
**st\$beta**:  $\beta$  vector (column vector) of the std NTS distribution (X).  
**st\$Rho**:  $\rho$  matrix of the std NTS distribution (X).

**numofsample** number of samples.

**Value**

Simulated NTS random vectors

**References**

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

**Examples**

```
library(mvtnorm)
library(temStaR)

strPMNTS <- list(ndim = 2,
  mu = c( 0.5, -1.5 ),
  sigma = c( 2, 3 ),
  alpha = 0.1,
  theta = 3,
  beta = c( 0.1, -0.3 ),
  Rho = matrix( data = c(1.0, 0.75, 0.75, 1.0),
    nrow = 2, ncol = 2)
)
pmnts(c(0.6, -1.0), st = strPMNTS)

strPMNTS <- list(ndim = 2,
  mu = c( 0, 0, 0 ),
  sigma = c( 1, 1, 1 ),
  alpha = 0.1,
  theta = 3,
  beta = c( 0.1, -0.3, 0 ),
  Rho = matrix(
    data = c(1.0, 0.75, 0.1, 0.75, 1.0, 0.2, 0.1, 0.2, 1.0),
    nrow = 3, ncol = 3)
)
pmnts(c(0,0,0), st = strPMNTS)
```

```
dmnts(c(0,0,0), st = strPMNTS)
```

---

pnts	<i>pnts</i>
------	-------------

---

### Description

pnts calculates cdf of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it calculates cdf of the standard NTS distribution with parameter  $(\alpha, \theta, \beta)$ . If a time parameter value is given, it calculates cdf of the process  $F(x) = P((X(t+s) - X(s)) < x)$ , where  $X$  is the NTS process generated by the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

### Usage

```
pnts(xdata, ntsparam, dz = 2^-8, m = 2^12)
```

### Arguments

xdata	An array of x
ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$ . A vector of the standard NTS parameters $(\alpha, \theta, \beta)$ .

### Value

Cumulative probability of the NTS distribution

### References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

### Examples

```
library("temStaR")

alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
x <- seq(from = -6, to = 6, length.out = 101)
p <- pnts(x, ntsparam)
plot(x,p,type = 'l')

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
x <- seq(from = -2, to = 2, by = 0.01)
p <- pnts(x, ntsparam)
```

```

plot(x,p,type = 'l')

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
x <- seq(from = -0.02, to = 0.02, length.out = 101)
p <- pnts(x, ntsparam)
plot(x,p,type = 'l')

```

---

portfolioCVaRmnts	<i>portfolioCVaRmnts</i>
-------------------	--------------------------

---

## Description

Calculate portfolio conditional value at risk (expected shortfall) on the NTS market model

## Usage

```
portfolioCVaRmnts(strPMNTS, w, eta)
```

## Arguments

strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). res\$Rho : $\rho$ matrix (Correlation) of the std NTS distribution (X). res\$Sigma : Covariance $\Sigma$ matrix of return data $r$ .
w	Capital allocation weight vector.
eta	significanlt level

## Value

portfolio value at risk on the NTS market model

---

portfolioVaRmnts	<i>portfolioVaRmnts</i>
------------------	-------------------------

---

**Description**

Calculate portfolio value at risk on the NTS market model

**Usage**

```
portfolioVaRmnts(strPMNTS, w, eta)
```

**Arguments**

strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). res\$Rho : $\rho$ matrix (Correlation) of the std NTS distribution (X). res\$Sigma : Covariance $\Sigma$ matrix of return data $r$ .
w	Capital allocation weight vector.
eta	significant level

**Value**

portfolio value at risk on the NTS market model

---

qmarginalmnts	<i>qmarginalmnts</i>
---------------	----------------------

---

**Description**

qmarginalmnts calculates the quantile value of the  $n$ -th element of the multivariate NTS distributed random variable.

**Usage**

```
qmarginalmnts(u, n, st)
```

**Arguments**

u	vector of probabilities.
n	the $n$ -th element to be calculated.
st	Structure of parameters for the n-dimensional NTS distribution.

qnts

qnts

## Description

qnts calculates quantile of the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it calculates quantile of the standard NTS distribution with parameter  $(\alpha, \theta, \beta)$ . If a time parameter value is given, it calculates quantile of NTS process. That is it finds  $x$  such that  $u = P((X(t+s) - X(s)) < x)$ , where  $X$  is the NTS process generated by the NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ .

## Usage

```
qnts(u, ntsparam)
```

## Arguments

u	vector of probabilities.
ntsparam	A vector of the NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . For the NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$ . A vector of standard NTS parameters $(\alpha, \theta, \beta)$ .

## Value

The quantile function of the NTS distribution

## Examples

```
library("temStaR")

alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
u <- c(0.01, 0.05, 0.25, 0.5, 0.75, 0.95, 0.99)
q <- qnts(u, ntsparam)

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparam <- c(alpha, theta, beta, gamma, mu)
u <- c(0.01, 0.05, 0.25, 0.5, 0.75, 0.95, 0.99)
q <- qnts(u, ntsparam)

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
```

```
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparam <- c(alpha, theta, beta, gamma, mu, dt)
u <- c(0.01,0.05,0.25,0.5, 0.75, 0.95, 0.99)
q <- qnts(u, ntsparam)
```

---

rmnts

---

*rmnts*


---

## Description

rmnts generates random vector following the n dimensional NTS distribution using Cholesky decomposition.

$$r = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $\text{stdNTS}_n(\alpha, \theta, \beta, \Sigma)$

## Usage

```
rmnts(strMnts, numofsample)
```

## Arguments

numofsample	number of samples.
strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). strPMNTS\$Rho : $\rho$ matrix of the std NTS distribution (X).

## Value

Simulated NTS random vectors

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>



## Examples

```
strPMNTS <- list(ndim = 2,
                 mu = c( 0.00011, 0.00048 ),
                 sigma = c( 0.0162, 0.0231 ),
                 alpha = 1.23,
                 theta = 3.607,
                 beta = c( -0.1209, 0.0905 ),
                 Rho = matrix( data = c(1.0, 0.55, 0.55, 1.0), nrow = 2, ncol = 2)
)
gensim <- rmnts( strPMNTS, 100 )
plot(gensim)
```

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rmnts_subord	<i>rmnts_subord</i>
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## Description

rmnts\_subord generates random vector following the n dimensional NTS distribution using subordination.

$$r = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $\text{stdNTS}_n(\alpha, \theta, \beta, \Sigma)$

## Usage

```
rmnts_subord(strPMNTS, numofsample, rW = NaN, rTau = NaN)
```

## Arguments

strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). strPMNTS\$Rho : $\rho$ matrix of the std NTS distribution (X).
numofsample	number of samples.

## Value

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## Examples

```
strPMNTS <- list(ndim = 2,
                 mu = c( 0.00011, 0.00048 ),
                 sigma = c( 0.0162, 0.0231 ),
                 alpha = 1.23,
                 theta = 3.607,
                 beta = c( -0.1209, 0.0905 ),
                 Rho = matrix( data = c(1.0, 0.55, 0.55, 1.0), nrow = 2, ncol = 2)
)
gensim <- rmnts_subord( strPMNTS, 100 )
plot(gensim)
```

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<i>rnts</i>	<i>rnts</i>
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## Description

*rnts* generates random numbers following NTS distribution with parameters  $(\alpha, \theta, \beta, \gamma, \mu)$ . If only three parameters are given, it generates random numbers of standard NTS distribution with parameter  $(\alpha, \theta, \beta)$ . If a time parameter value is given, it generates random numbers of increments of NTS process for time interval  $t$ .

## Usage

```
rnts(n, ntsparam)
```

## Arguments

<i>n</i>	number of random numbers to be generated.
<i>ntsparam</i>	A vector of NTS parameters $(\alpha, \theta, \beta, \gamma, \mu)$ . For NTS process case it is a vector of parameters $(\alpha, \theta, \beta, \gamma, \mu, t)$ . A vector of standard NTS parameters $(\alpha, \theta, \beta)$ .

## Value

NTS random numbers

## References

Kim, Y. S. (2020) Portfolio Optimization on the Dispersion Risk and the Asymmetric Tail Risk  
<https://arxiv.org/pdf/2007.13972.pdf>

## Examples

```
library("temStaR")

alpha <- 1.2
theta <- 1
beta <- -0.2
ntsparam <- c(alpha, theta, beta)
r <- rnts(100, ntsparam) #generate 100 NTS random numbers
plot(r)
```

```

alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
ntsparm <- c(alpha, theta, beta, gamma, mu)
r <- rnts(100, ntsparm) #generate 100 NTS random numbers
plot(r)

#Annual based parameters
alpha <- 1.2
theta <- 1
beta <- -0.2
gamma <- 0.3
mu <- 0.1
#scaling annual parameters to one day
dt <- 1/250 #one day
ntsparm <- c(alpha, theta, beta, gamma, mu, dt)
r <- rnts(100, ntsparm) #generate 100 NTS random numbers
plot(r)

```

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setPortfolioParam	<i>setPortfolioParam</i>
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## Description

Please use getPortNTSParm instead of setPortfolioParam.

Portfolio return with capital allocation weight is  $R_p = \langle w, r \rangle$ , which is a weighted sum of elements in the N-dimensional NTS random vector.  $R_p$  becomes an 1-dimensional NTS random variable. setPortfolioParam find the parameters of  $R_p$ .

## Usage

```
\code{res <- setPortfolioParam(strPMNTS,w)}
```

## Arguments

strPMNTS	Structure of parameters for the n-dimensional NTS distribution. strPMNTS\$ndim : dimension strPMNTS\$mu : $\mu$ mean vector (column vector) of the input data. strPMNTS\$sigma : $\sigma$ standard deviation vector (column vector) of the input data. strPMNTS\$alpha : $\alpha$ of the std NTS distribution (X). strPMNTS\$theta : $\theta$ of the std NTS distribution (X). strPMNTS\$beta : $\beta$ vector (column vector) of the std NTS distribution (X). strPMNTS\$Rho : $\Sigma$ matrix of the std NTS distribution (X).
w	Capital allocation weight vector.

**Value**

The weighted sum follows 1-dimensional NTS.

$$R_p = \langle w, r \rangle = \mu + \text{diag}(\sigma)X,$$

where

$X$  follows  $\text{stdNTS}_1(\alpha, \theta, \beta, 1)$ .

Hence we obtain

res\$mu :  $\mu$  mean of  $R_p$ .

res\$sigma :  $\sigma$  standard deviation of  $R_p$ .

res\$alpha :  $\alpha$  of  $X$ .

res\$theta :  $\theta$  of  $X$ .

res\$beta :  $\beta$  of  $X$ .

**References**

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**Examples**

```
library("temStaR")
strPMNTS <- list(ndim = 2,
  mu = c( 9.876552e-05, 4.747343e-04 ),
  sigma = c( 0.01620588, 0.02309643 ),
  alpha = 0.1888129 ,
  theta = 0.523042,
  beta = c( -0.04632938, 0.04063555 ),
  Rho = matrix( data = c(1.0, 0.469883,
    0.469883, 1.0),
    nrow = 2, ncol = 2)
  CovMtx = matrix( data = c(0.0002626304, 0.0001740779,
    0.0001740779, 0.0005334452),
    nrow = 2, ncol = 2)
)
w <- c(0.3, 0.7)
res <- setPortfolioParam(strPMNTS,w)
```

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