HW3: Bootstrap (Due: Wed, Nov 10, at noon)

The following function simulates data from a bi-variate distribution.

```
simXY=function(n,rho){
    x=scale(rexp(n))
    y=x*rho+rnorm(n,sd=sqrt(1-rho^2))
    return(cbind(x,y))
}

# testing it
 tmp=simXY(1e6,.23)
 cor(tmp)

##           [,1]      [,2]
## [1,] 1.0000000 0.2305117
## [2,] 0.2305117 1.0000000
```

1) SE of the sample correlation and an approximate 95% CI

The following formula is commonly used to approximate the SE of the sample correlation

$$SE = \sqrt{\frac{(1-\rho^2)}{(n-2)}}$$

1.1) Using the following data set report the sample correlation, the SE, and an approximate 95% CI (assuming normality) using the formula presented above.

```
 set.seed(195021)
 DATA_30=simXY(n=30,rho=.5)
```

1.2) Repeat 1.1 using a sample size of 300, comment on the differences in the results

```
 set.seed(195021)
 DATA_300=simXY(n=300,rho=.5)
```

2) Bootstrap CIs (percentile method)

Use 5000 Bootstrap samples to estimate the SE of the sample correlation, and an approximate 95% CI, for each of the data sets simulated above (DATA_30 and DATA_300).

To estimate the CI use the percentile method we used in class. That is, report the empirical 2.5% and 97.5% percentiles of the bootstrap estimates.

Note: as you implement bootstrap, be sure to save the bootstrap estimates in a vector, you will need those for questions 3 and 4 as well.

3) Bootstrap CI: pivotal method

An alternative approach for estimating bootstrap CI is as follows

- Collect bootstrap estimates $[r_1, r_2, \ldots, r_k]$, here r_* is a bootstrap estimate of the correlation
- Subtract from the bootstrap estimate the mean of the bootstrap estimates ($\bar{r}$), that is form: $[\tilde{r}_1 = (r_1 - \bar{r}), \tilde{r}_2 = (r_2 - \bar{r}), \ldots, \tilde{r}_k = (r_k - \bar{r})]$
- Compute the relevant percentiles (e.g., $q_{0.025}$, and $q_{0.975}$) of the $\tilde{r}$'s
- Use $CI_{95\%} = [r - q_{0.025}\ ;\ r + q_{0.975}]$, where r is the sample correlation evaluated in the original data set.

Report 95% pivotal CIs for the DATA_30 and DATA_300 using the method described above.

4) Bootstrap CI: normal method

If we assume normality, we can compute a Bootstrap CI using $r +/-1.96 \times SE$ where r is the correlation estimated in the original sample, and SE is a Bootstrap estimate of the SE.

Report 95% CIs for each of the data sets using the normal method.

5) Compare all the CIs for each of the data sets