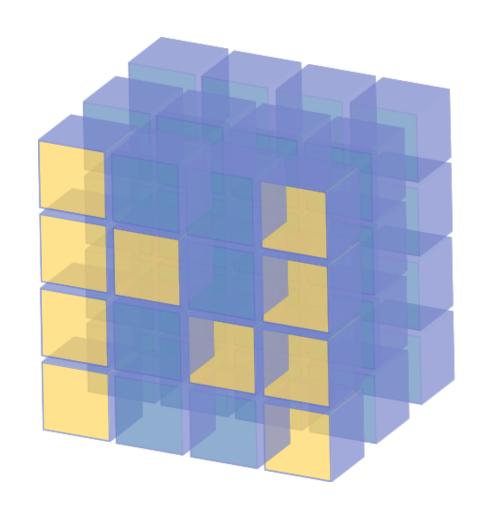
Python for Finance

Week 2 NumPy, Matplotlib, Pandas.

Community developed libraries



NumPy

Numpy

Numpy is a library for scientific computing. It is useful for working with arrays and matrices. Most of its code is written in C, so it is very fast. Numpy is used in many scientific computing applications, including machine learning and deep learning. Numpy is imported using the import keyword. Numpy is usually imported using the alias np.

import numpy as np

Numpy arrays

Numpy arrays are used to store multiple items in a single variable. They can be created using the np.array function. Numpy arrays are similar to lists, but they are faster and more efficient. Numpy arrays can be created from lists, tuples, and other arrays.

```
x = np.array([1, 2, 3])
```

```
array([1, 2, 3])
```

Numpy arrays are faster than lists

```
x = list(range(1000000))
y = np.array(x)
%timeit sum(x)
%timeit np.sum(y)
```

```
4.92 ms \pm 9.35 \mus per loop (mean \pm std. dev. of 7 runs, 100 loops each) 130 \mus \pm 75.3 ns per loop (mean \pm std. dev. of 7 runs, 10,000 loops each)
```

Why are numpy arrays faster than lists?

NumPy arrays are faster than lists because they are stored efficiently in memory, allowing for faster data access and manipulation. They also support vectorized operations, which are optimized and implemented in lower-level languages like C, making them much faster than equivalent Python loops. Additionally, NumPy takes advantage of CPU caching, optimized algorithms, and specialized functions, resulting in faster computations compared to pure Python list operations.

Pythor Use numpy for linear algebra

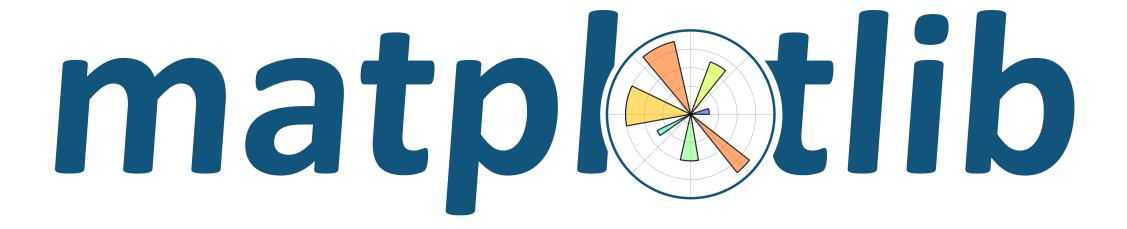
Most common functions

```
X = np.array([[1, 2, 3], [4, 5, 6]])
Y = np.array([[1, 2], [3, 4], [5, 6]])
x = np.array([1, 2, 3])
X.T # transpose
X@Y # matrix multiplication
X*X # element-wise multiplication
np.dot(X, Y) # matrix multiplication
np.matmul(X, Y) # matrix multiplication
np.vdot(x, x) # dot product
np.inner(x, x) # dot product
np.outer(x, x) # outer product
np.linalg.norm(x) # norm
np.linalg.det(X@Y) # determinant
np.linalg.inv(X@Y) # inverse
np.linalg.eig(X@Y) # eigenvalues and eigenvectors
np.linalg.svd(X@Y) # singular value decomposition
```

Numpy types

Numpy allows to store data in different types. This is useful when you want to save memory, or when you want to perform operations on different types of data. Data types include int32, int64, float32, float64, bool, and object. The default data type is float64.

```
x = np.array([1, 2, 3], dtype=np.int8)
x.dtype # dtype('int8')
```



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Matplotlib

Matplotlib is a library for plotting data. It is useful for visualizing data. Matplotlib is imported using the import keyword. Matplotlib is usually imported using the alias plt.

```
import matplotlib.pyplot as plt
# or
from matplotlib import pyplot as plt
```

Matplotlib - Most common plots

- Line plot plt.plot
- Scatter plot plt.scatter
- Bar plot plt.bar
- Histogram plt.hist
- Box plot plt.boxplot
- Pie chart plt.pie

Matplotlib is a very powerful library. Graphs can be customized in many ways, and a complete guide would be too long.

Customizing plots

- plt.title Set the title of the plot
- plt.xlabel Set the label for the x-axis
- plt.ylabel Set the label for the y-axis
- plt.rotate Rotate the x-axis labels
- plt.legend Show the legend
- plt.show Show the plot

Check out the examples here



Pythor Pandas

Pandas is a library for data analysis. Probably the most used library in data science. Pandas is imported using the import keyword. Pandas is usually imported using the alias pd.

```
import pandas as pd
```

Dataframes are the main data structure in Pandas. They are used to store tabular data. They can be created using the pd.DataFrame function. Dataframes can be created from lists, tuples, dictionaries, and other dataframes. It is common to name dataframes df.

```
df = pd.DataFrame({'a': [1, 2, 3], 'b': [4, 5, 6]})
```

```
a b
0 1 4
1 2 5
2 3 6
F. Imbet Ph.D.
```

Pandas - Load data from a file

Pandas can load data from CSV files, JSON files, Excel files, parquet files, and SQL databases.

```
df = pd.read_csv('file.csv')
df = pd.read_json('file.json')
df = pd.read_excel('file.xlsx')
df = pd.read_sql('SELECT * FROM table', connection)
df = pd.read_parquet('file.parquet')
```

Pandas - miscellaneous

Pandas can load data from a URL.

```
df = pd.read_csv('https://raw.githubusercontent.com/mwaskom/seaborn-data/master/iris.csv')
```

Pandas and NumPy are closely related. Pandas is built on top of NumPy, and it uses NumPy arrays to store data. Pandas can convert dataframes to NumPy arrays using the to_numpy method.

```
df.to_numpy()
```

Dataframe indexing

Dataframes can be indexed using the iloc and loc methods. The iloc method is used to index dataframes by position. The loc method is used to index dataframes by label. Dataframes can also be indexed using the [] operator. The [] operator is used to index dataframes by label.

Using iloc

```
df = pd.DataFrame({'a': [1, 2, 3], 'b': [4, 5, 6]})
df.iloc[0] # First row
df.iloc[0, 0] # First element of first row
df.iloc[:, 0] # First column
df.iloc[0:2] # First two rows
df.iloc[0:2] # First two rows and columns
df.iloc[[0, 2]] # First and third row
df.iloc[[0, 2]] # First and third row and column
df.iloc[lambda x: x.index % 2 == 0] # Even rows
df.iloc[lambda x: x.index % 2 == 0, lambda x: x.columns % 2 == 0] # Even rows and columns
```

Dataframe indexing

Using loc

```
df = pd.DataFrame({'a': [1, 2, 3], 'b': [4, 5, 6]})
df.loc[0] # First row
df.loc[0, 'a'] # First element of first row
df.loc[:, 'a'] # First column
df.loc[0:2] # First two rows
df.loc[0:2, 'a':'b'] # First two rows and columns
df.loc[[0, 2]] # First and third row
df.loc[[0, 2], ['a', 'b']] # First and third row and column
df.loc[lambda x: x.index % 2 == 0] # Even rows
df.loc[lambda x: x.index % 2 == 0, lambda x: x.columns % 2 == 0] # Even rows and columns
```

Data operations

Dataframes can be modified using the assign method. The assign method is used to modify dataframes by adding new columns. Dataframes can also be modified using the operator. The [] operator is used to modify dataframes by adding new columns.

```
df = pd.DataFrame({'a': [1, 2, 3], 'b': [4, 5, 6]})
df['c'] = df.a + df.b # Add a new column
df['c'] = df['a'] + df['b'] # Add a new column
```

Columns can be accessed using the [] operator. The [] operator is used to access columns by label. Columns can also be accessed using the . operator. The . operator is used to access columns by label. The . operator cannot be used to describe a column that does not exist, and cannot be used to describe a column with a reserved name. E.g. df.dtype is not a valid column.

Inplace vs not inplace

Dataframes can be modified inplace or not inplace. The <code>inplace</code> parameter is used to specify whether or not the dataframe should be modified inplace. The <code>inplace</code> parameter has two possible values: <code>True</code> and <code>False</code>. For efficiency reasons, it is recommended to not modify dataframes inplace.

```
df = pd.DataFrame({'a': [1, 2, 3], 'b': [4, 5, 6]})
df.rename(columns={'a': 'A'}, inplace=True) # Modify inplace
df = df.rename(columns={'a': 'A'}) # Modify not inplace
```

The groupby operation produces a DataFrameGroupBy object

```
df = pd.DataFrame({'group': ['A', 'A', 'B', 'B'], 'value': [1, 2, 3, 4]})
df.groupby('group')
```

<pandas.core.groupby.generic.DataFrameGroupBy object at 0x7f8e1c0b5d90>

Python for Finance

apply and custom functions

The apply method is used to apply a function to a dataframe. The apply method has two arguments: a function, and an axis. The function is applied to each row or column of the dataframe. The axis is used to specify whether the function should be applied to each row or column. The axis can be 0 for rows, or 1 for columns. The default axis is 0.

```
df = pd.DataFrame({'group': ['A', 'A', 'B', 'B'], 'value': [1, 2, 3, 4]})
df.groupby('group').apply(lambda x: x.value.sum())
# or
df.groupby('group')['value'].apply(lambda x: x.sum())
# or
df.groupby('group').value.sum()
```

```
group
A 3
B 7
```