

A Law of Iterated Logarithm for Reflected Fractional Brownian Motion

Shih-Min Chung

Advising Professor : May-Ru Chen

August 21, 2020

Department of Applied Mathematics,
National Sun Yat-sen University

Table of Contents

1. Introduction
2. Literature Review
3. The Proof of LIL for Reflected Fraction Brownian Motion
4. Future Work

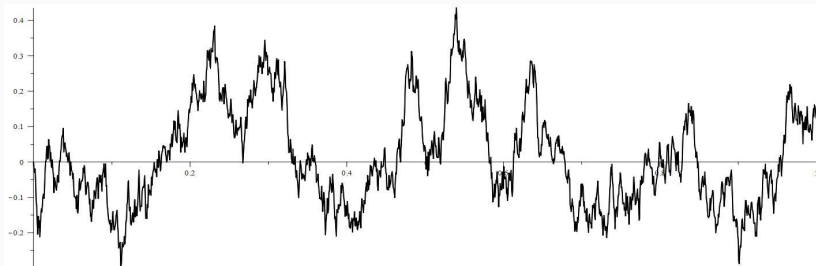
Introduction

The stochastic process $\{X(t), t \in \mathbb{T}\}$ is called a **Gaussian process** if for any $m \geq 1$ and any points $\{t_1, \dots, t_m\} \subset \mathbb{T}$, the vector $(X(t_1), \dots, X(t_m))$ follows a multivariate normal distribution.

Brownian Motion

Let $B = \{B(t) : t \in \mathbb{R}_+\}$ be a **standard Brownian motion**, which satisfied the following properties.

- (i) $B(0) = 0$ almost surely;
- (ii) B has stationary independent increments and $B(t) - B(s) \sim \mathcal{N}(0, t - s)$ for $0 \leq s < t$;
- (iii) almost surely, the paths of B are continuous.



Fractional Brownian Motion

Let $B_H = \{B_H(t) : t \in \mathbb{R}_+\}$ be a **standard fractional Brownian motion** (fBm) with Hurst parameter $H \in (0, 1)$, which is defined as a centered Gaussian process with covariance function

$$\text{Cov}(B_H(t), B_H(s)) = \frac{1}{2} (|t|^{2H} + |s|^{2H} - |t - s|^{2H}) .$$

Fractional Brownian Motion

Let $B_H = \{B_H(t) : t \in \mathbb{R}_+\}$ be a **standard fractional Brownian motion** (fBm) with Hurst parameter $H \in (0, 1)$, which is defined as a centered Gaussian process with covariance function

$$\text{Cov}(B_H(t), B_H(s)) = \frac{1}{2} (|t|^{2H} + |s|^{2H} - |t - s|^{2H}).$$

Note that

(i) if $H = \frac{1}{2}$, then B_H is the standard Brownian motion B ;

Fractional Brownian Motion

Let $B_H = \{B_H(t) : t \in \mathbb{R}_+\}$ be a **standard fractional Brownian motion** (fBm) with Hurst parameter $H \in (0, 1)$, which defined as a centered Gaussian process with covariance function

$$\text{Cov}(B_H(t), B_H(s)) = \frac{1}{2} (|t|^{2H} + |s|^{2H} - |t - s|^{2H}).$$

Note that

- (i) if $H = \frac{1}{2}$, then B_H is the standard Brownian motion B ;
- (ii) fBm is selfsimilar, i.e., $\{B_H(t), t \in \mathbb{R}_+\}$ and $\{s^{-H}B_H(st), t \in \mathbb{R}_+\}$ have the same distribution for any $s > 0$.

Reflected Fractional Brownian Motion

Consider a **reflected (at 0) fractional Brownian motion** (rfBm) with drift $Q_{B_H} = \{B_H(t) : t \in \mathbb{R}_+\}$, given by the following formula

$$Q_{B_H}(t) = B_H(t) - ct + \max \left(Q_{B_H}(0), - \inf_{s \in [0, t]} (B_H(s) - cs) \right),$$

where $c > 0$. To simplify the notation, we assume $c = 1$ in this talk.

Reflected Fractional Brownian Motion

Consider a **reflected (at 0) fractional Brownian motion** (rfBm) with drift $Q_{B_H} = \{B_H(t) : t \in \mathbb{R}_+\}$, given by the following formula

$$Q_{B_H}(t) = B_H(t) - ct + \max \left(Q_{B_H}(0), - \inf_{s \in [0, t]} (B_H(s) - cs) \right),$$

where $c > 0$. To simplify the notation, we assume $c = 1$ in this talk.

Note that if $Q_{B_H}(0) = 0$, then

$$Q_{B_H}(t) = B_H(t) - ct - \inf_{s \in [0, t]} (B_H(s) - cs) = \sup_{-\infty < s \leq t} (B_H(t) - B_H(s) - c(t-s))$$

Literature Review

Literature Review

Form	$\frac{B(t)}{\sqrt{2t \ln \ln t}}$	$\frac{\max_{0 \leq s \leq t} B(s) }{\sqrt{2t \ln \ln t}}$	$\frac{\max_{0 \leq s \leq t} B(s) }{\sqrt{t / \ln \ln t}}$
$\limsup_{t \nearrow \infty}$	1	1	\times
$\liminf_{t \nearrow \infty}$	-1	\times	$\frac{\pi}{\sqrt{8}}$
Form	$\frac{B_H(t)}{\sqrt{2t^{2H} \ln \ln \frac{1}{t}}}$	$\frac{\max_{0 \leq s \leq t} B_H(s) }{\sqrt{2t^{2H} \ln \ln \frac{1}{t}}}$	$\frac{\max_{0 \leq s \leq t} B_H(s) }{\sqrt{(2t / \ln \ln t)^{2H}}}$
$\limsup_{t \nearrow 0}$	1	1	\times
$\liminf_{t \nearrow 0}$	-1	\times	c_α
Form	$\frac{Q_{B_H}(t)}{(\frac{2}{A^2} \ln t)^{\frac{1}{2(1-H)}}}$	$\frac{\max_{0 \leq s \leq t} Q_{B_H}(s)}{g(t)}$	$\frac{\max_{0 \leq s \leq t} Q_{B_H}(s)}{h(t)}$
$\limsup_{t \nearrow \infty}$	1	?	\times
$\liminf_{t \nearrow \infty}$	0	\times	?

LIL for $B(t)$

The Classic Law of Iterated Logarithm (LIL) is used to describe the the limit behavior of the fluctuations of standard Brownian motion, which has the form

$$\limsup_{t \rightarrow 0} \frac{B(t)}{\sqrt{2t \ln \ln \frac{1}{t}}} = 1 \text{ and } \limsup_{t \rightarrow \infty} \frac{B(t)}{\sqrt{2t \ln \ln t}} = 1 \quad \text{a.s.}$$

Note that the denominator in the above equation is the maximum height of the fluctuation of B above 0 as $t \rightarrow \infty$.

By the reflection principle for Brownian motion, we can easily acquire that

$$\liminf_{t \rightarrow 0} \frac{B(t)}{\sqrt{2t \ln \ln \frac{1}{t}}} = -1 \text{ and } \liminf_{t \rightarrow \infty} \frac{B(t)}{\sqrt{2t \ln \ln t}} = -1 \quad \text{a.s.}$$

LIL for $\max_{0 \leq s \leq t} |B(s)|$

Next consider the cumulative maximum process of absolute Brownian motion. The $\liminf_{t \rightarrow 0}$ version was proved by Chung [1948] and we can derivate the $\limsup_{t \rightarrow 0}$ result.

$$\limsup_{t \rightarrow 0} \frac{\max_{s \leq t} |B(s)|}{\sqrt{2t \ln \ln \frac{1}{t}}} = 1 \text{ and } \liminf_{t \rightarrow 0} \frac{\max_{s \leq t} |B(s)|}{\sqrt{t / \ln \ln t}} = \frac{\pi}{\sqrt{8}} \quad \text{a.s.}$$

table

LIL for $\max_{0 \leq s \leq t} |B_H(s)|$

Next consider the cumulative maximum process of $|B_H|$. The $\limsup_{t \rightarrow 0}$ result is shown in Li and Shao [2001] and the $\liminf_{t \rightarrow 0}$ result is proved by Monrad and Rootzén [1995].

$$\limsup_{t \rightarrow 0} \frac{\max_{s \leq t} |B_H(t)|}{\sqrt{2t^{2H} \ln \ln \frac{1}{t}}} = 1 \text{ and } \liminf_{t \rightarrow 0} \frac{\max_{s \leq t} |B_H(t)|}{t^H / (\ln \ln t)^H} = c_\alpha \quad \text{a.s.,}$$

where c_α is a positive constant.

table

Recently, the LIL for rfBm is given in Dębicki and Kosiński [2017] without a clear proof.

Theorem 1.

$$\limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} = 1 \quad \text{a.s.},$$

where $A = \frac{1}{1-H} \left(\frac{H}{1-H}\right)^{-H}$.

The Proof of LIL for Reflected Fraction Brownian Motion

The Proof of LIL for rfBm

Proof of Theorem 1.

The proof can be separated into two parts, which is

$$\mathbb{P} \left(\limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} \geq 1 \right) = 1 \quad (1)$$

and

$$\mathbb{P} \left(\limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} \leq 1 \right) = 1. \quad (2)$$

If we can prove that $\mathbb{P}(Q_{B_H}(t) < f(t) \text{ i.o.}) = 0$, then (1) will hold.

Similarly, (2) will hold if we can have $\mathbb{P}(Q_{B_H}(t) < f(t) \text{ i.o.}) = 1$.

The Proof of LIL for rfBm

Therefore, we need the following two Theorems.

Theorem 2. (Dębicki and Kosiński [2017]) For all positive and nondecreasing functions $f(t)$ on some interval $[T, \infty)$,

$$\mathbb{P}(Q_{B_H}(t) > f(t) \text{ i.o.}) = 0 \quad \text{or} \quad 1,$$

according as the integral

$$\mathcal{I}_f := \int_T^\infty \frac{1}{f(u)} \mathbb{P} \left(\sup_{t \in [0, f(u)]} Q_{B_H}(t) > f(u) \right) du$$

is finite or infinite.

The Proof of LIL for rfBm

Theorem 3. (Piterbarg [2001]) For any $H \in (0, 1)$, as $u \rightarrow \infty$

$$\mathbb{P} \left(\sup_{[0, Tu]} Q_{B_H}(t) > u \right) = \sqrt{\pi} a^{\frac{2}{H}} b^{-\frac{1}{2}} T \mathcal{H}_{B_H}^2 (A u^{1-H})^{\frac{2}{H}-1} \Psi(A u^{1-H}) (1 + o(1)), \quad (3)$$

where

$$\tau_0 = \frac{H}{1-H}, a = \frac{1}{2\tau_0^{2H}}, B = H \left(\frac{H}{1-H} \right)^{-H-2}, b = \frac{B}{2A},$$

$$\mathcal{H}_{B_H} = \lim_{T \rightarrow \infty} T^{-1} \mathbb{E} \exp \left(\sup_{t \in [0, T]} (\sqrt{2} B_H(t) - t^{2H}) \right) \in (0, \infty)$$

$$\text{and } \Psi(u) = \frac{1}{\sqrt{2\pi}} \int_u^\infty \exp(-\frac{1}{2}x^2) dx.$$

Let $T = 1$ and replace u with $f_p(t)$ in (3), we see that as $u \rightarrow \infty$,

$$\mathbb{P} \left(\sup_{[0, f_p(u)]} Q_{B_H(t)} > f_p(u) \right) = \sqrt{\pi} a^{\frac{2}{H}} b^{-\frac{1}{2}} \mathcal{H}_{B_H}^2 (A f_p(u)^{1-H})^{\frac{2}{H}-1} \Psi(A f_p(u)^{1-H}) (1 + o(1)). \quad (4)$$

The Proof of LIL for rfBm

Let $T = 1$ and replace u with $f_p(t)$ in (3), we see that as $u \rightarrow \infty$,

$$\mathbb{P} \left(\sup_{[0, f_p(u)]} Q_{B_H(t)} > f_p(u) \right) = \sqrt{\pi} a^{\frac{2}{H}} b^{-\frac{1}{2}} \mathcal{H}_{B_H}^2 (A f_p(u)^{1-H})^{\frac{2}{H}-1} \Psi(A f_p(u)^{1-H}) (1 + o(1)). \quad (4)$$

To calculate (4), let

$$g(u) = \ln u + (1 + c_H - p) \ln \ln u \quad \text{and} \quad f_p(u) = (2A^{-2}g(u))^{\frac{1}{2(1-H)}},$$

where $c_H = \frac{1}{H} - 1 - \frac{1}{2(1-H)}$.

Notice that for all $p \in \mathbb{R}$, $g(u) \rightarrow \infty$ implies $f(u) \rightarrow \infty$ as $u \rightarrow \infty$.

From (2), there exists u_1 large enough such that for all $u > u_1$,

$$I(u) = \frac{1}{f_p(u)} \mathbb{P} \left(\sup_{[0, f_p(u)]} Q_{B_H}(t) > f_p(u) \right) = C \frac{\Psi(\sqrt{2g(u)})}{g(u)^{-(c_H + \frac{1}{2})}}$$

where $C = 2^{c_H + \frac{1}{2}} \sqrt{\pi} A^{\frac{1}{1-H}} a^{\frac{2}{H}} b^{-\frac{1}{2}} \mathcal{H}_{B_H}^2 (1 + o(1))$.

Since

$$\lim_{t \rightarrow \infty} \frac{\Psi(\sqrt{2t})}{\frac{1}{\sqrt{4\pi t}} \exp(-t)} \stackrel{\text{L'H}}{=} \lim_{t \rightarrow \infty} \frac{t^{-\frac{1}{2}}}{\frac{1}{2}t^{-\frac{3}{2}} + t^{-\frac{1}{2}}} = 1,$$

there exists $u_2 \geq u_1$ large enough such that for $u \geq u_2$,

$$\Psi(\sqrt{2t}) = \frac{1}{\sqrt{4\pi t}} \exp(-t) (1 + o(1)).$$

The Proof of LIL for rfBm

Recall $g(u) = \ln u + (1 + c_H - p) \ln \ln u$.

For any $p \in \mathbb{R}$ and $u > u_2$,

$$\begin{aligned} I(u) &= C \frac{\Psi(\sqrt{2g(u)})}{g(u)^{-(c_H + \frac{1}{2})}} = C \frac{\frac{1}{\sqrt{2\pi}} \frac{1}{\sqrt{2g(u)}} \exp(-g(u)) (1 + o(1))}{g(u)^{-(c_H + \frac{1}{2})}} \\ &= C' \frac{(\ln u + (1 + c_H - p) \ln \ln u)^{c_H}}{u(\ln u)^{1+c_H-p}} \end{aligned}$$

$$\Rightarrow \mathcal{I}_f = \int_T^\infty I(u) du = \infty \text{ if } \begin{cases} H \in (0, \frac{2}{3}] \text{ and takes } p = 1 + c_H; \\ H \in (\frac{2}{3}, 1) \text{ and takes } p = 1; \end{cases}$$

The Proof of LIL for rfBm

Therefore, by Theorem 2,

$$\mathbb{P}(Q_{B_H}(t) > f_p(t) \text{ i.o.}) = 1 \quad \text{for all } H \in (0, 1) \text{ for some } p.$$

$$\Rightarrow \limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{f_p(t)} \geq 1 \quad \text{a.s.}$$

Since

$$\lim_{t \rightarrow \infty} \frac{f_p(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} = \lim_{t \rightarrow \infty} \frac{\left(\frac{2}{A^2} (\ln t + (1 + c_H - p) \ln \ln t)\right)^{\frac{1}{2(1-H)}}}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} = 1,$$

we have

$$\limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} = \limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{f_p(t)} \frac{f_p(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} \geq 1 \quad \text{a.s.} \quad (5)$$

The Proof of LIL for rfBm

Similarly,

$$\mathcal{I}_f = \int_T^\infty I(u) du < \infty, \text{ if } \begin{cases} H \in (0, \frac{2}{3}] \text{ and takes } p = -1; \\ H \in (\frac{2}{3}, 1] \text{ and takes } p = 1 + c_H; \end{cases}$$

Also, by Theorem 2,

$$\mathbb{P}(Q_{B_H}(t) > f_p(t) \text{ i.o.}) = 0 \quad \text{for all } H \in (0, 1) \text{ for some } p.$$

$$\Rightarrow \limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{f_p(t)} \leq 1 \quad \text{a.s.}$$

$$\Rightarrow \limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{(\frac{2}{A^2} \ln t)^{\frac{1}{2(1-H)}}} = \limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{f_p(t)} \frac{f_p(t)}{(\frac{2}{A^2} \ln t)^{\frac{1}{2(1-H)}}} \leq 1 \quad \text{a.s.} \quad (6)$$

By (5) and (6), we can finish the proof

$$\limsup_{t \rightarrow \infty} \frac{Q_{B_H}(t)}{\left(\frac{2}{A^2} \ln t\right)^{\frac{1}{2(1-H)}}} = 1 \quad \text{a.s.}$$

□

Future Work

We are focusing on the LIL for the maximum process of rfBm, which is

$$\limsup_{t \rightarrow \infty} \frac{\sup_{s \leq t} Q_{B_H}(s)}{g(t)} = 1 \text{ and } \liminf_{t \rightarrow \infty} \frac{\sup_{s \leq t} Q_{B_H}(s)}{h(t)} = 1 \quad \text{a.s.}$$

Our goal is to find the exact form of $g(t)$ and $h(t)$.

References

- K. L. Chung. On the maximum partial sums of sequences of independent random variables. *Transactions of the American Mathematical Society*, 64(2):205–233, 1948.
- W. V. Li and Q-M Shao. Gaussian processes: inequalities, small ball probabilities and applications. *Handbook of Statistics*, 19: 533–597, 2001.
- D. Monrad and H. Rootzén. Small values of gaussian processes and functional laws of the iterated logarithm. *Probability theory and related fields*, 101(2):173–192, 1995.
- K. Dębicki and K. M. Kosiński. An erdős–révész type law of the iterated logarithm for reflected fractional brownian motion. *Extremes*, 20(4):729–749, 2017.
- V. I. Piterbarg. Large deviations of a storage process with fractional brownian motion as input. *Extremes*, 4(2):147–164, 2001.

Thanks for Your Attention