Package ‘stochvol’

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Description

This package provides an efficient algorithm for fully Bayesian estimation of stochastic volatility (SV) models via Markov chain Monte Carlo (MCMC) methods. Algorithmic details can be found in Kastner and Frühwirth-Schnatter (2014).

Details

Bayesian inference for stochastic volatility models using MCMC methods highly depends on actual parameter values in terms of sampling efficiency. While draws from the posterior utilizing the standard centered parameterization break down when the volatility of volatility parameter in the latent state equation is small, non-centered versions of the model show deficiencies for highly persistent latent variable series. The novel approach of ancillarity-sufficiency interweaving (Yu and Meng, 2011) has recently been shown to aid in overcoming these issues for a broad class of multilevel models. This package provides software for “combining best of different worlds” which allows for inference for parameter constellations that have previously been infeasible to estimate without the need to select a particular parameterization beforehand.

Note

This package is currently in active development. Your comments, suggestions and requests are warmly welcome!

Author(s)

Gregor Kastner <gregor.kastner@wu.ac.at>

References


Examples

```r
## Simulate a highly persistent SV process
sim <- svsim(500, mu = -10, phi = 0.99, sigma = 0.2)

## Obtain 4000 draws from the sampler (that's too little!)
draws <- svsample(sim$y, draws = 4000, burnin = 100, priormu = c(-10, 1),
                   priorphi = c(20, 1.2), priorsigma = 0.2)

## Predict 20 days ahead
fore <- predict(draws, 20)

## plot the results
plot(draws, forecast = fore)
```

Description

Simulates draws from the posterior predictive density of a fitted AR-SV model.

Usage

```r
arpredict(object, volpred)
```

Arguments

- `object`: svdraws object as returned from `svsample`
- `volpred`: svpredict object as returned from `predict.svdraws`

Value

Returns an object of class c("distpredict", "mcmc") containing simulations from the posterior predictive density of \(y_{n+1}, \ldots, y_{n+\text{steps}}\).

Note

You can use the usual coda methods for mcmc objects to print, plot, or summarize the predictions.

Author(s)

Gregor Kastner <gregor.kastner@wu.ac.at>

See Also

- `predict.svdraws`
Examples

```r
## Not run:
data(exrates)
y <- exrates$USD

## Fit AR(1)-SV model to EUR-USD exchange rates
res <- svsample(y, designmatrix = "ar1")

## Use predict.svdraws to obtain predictive volatilities
ahead <- 100
predvol <- predict(res, steps = ahead)

## Use arpredict to obtain draws from the posterior predictive
preddraws <- arpredict(res, predvol)

## Calculate predictive quantiles
predquants <- apply(preddraws, 2, quantile, c(.1, .5, .9))

## Visualize
ts.plot(y, xlim = c(length(y) - ahead, length(y) + ahead),
ylim = range(predquants))
for (i in 1:3) {
  lines((length(y) + i):(length(y) + ahead), predquants[i,],
       col = 3, lty = i
}
## End(Not run)
```

---

**exrates**

*Euro exchange rate data*

Description

The data set contains the daily bilateral prices of one Euro in 23 currencies from January 3, 2000, until April 4, 2012. Conversions to New Turkish Lira and Fourth Romanian Leu have been incorporated.

Usage

```r
data(exrates)
```

Source


See Also

```r
svsample
```
Examples

```r
## Not run:
data(exrates)
dat <- logret(exrates$USD, demean = TRUE)  ## de-meaned log-returns
res <- svsample(dat)                       ## run MCMC sampler
plot(res, forecast = 100)                 ## display results

## End(Not run)
```

### Extractors

#### Common Extractors for 'svdraws' Objects

**Description**

Some simple extractors returning the corresponding element of an `svdraws` object.

**Usage**

- `para(x)`: extracts the parameter draws and returns them as an `mcmc` object.
- `latent(x)`: extracts the latent contemporaneous log-volatility draws and returns them as an `mcmc` object.
- `latent0(x)`: extracts the latent initial log-volatility draws and returns them as an `mcmc` object.
- `priors(x)`: extracts the prior parameters used and returns them in a list.
- `thinning(x)`: extracts the thinning parameters used and returns them in a list.
- `runtime(x)`: extracts the runtime and returns it as a `proc_time` object.

**Arguments**

- `x`: `svdraws` object.

**Value**

The return value depends on the actual function:

- `para(x)`: extracts the parameter draws and returns them as an `mcmc` object.
- `latent(x)`: extracts the latent contemporaneous log-volatility draws and returns them as an `mcmc` object.
- `latent0(x)`: extracts the latent initial log-volatility draws and returns them as an `mcmc` object.
- `priors(x)`: extracts the prior parameters used and returns them in a list.
- `thinning(x)`: extracts the thinning parameters used and returns them in a list.
- `runtime(x)`: extracts the runtime and returns it as a `proc_time` object.

**Author(s)**

Gregor Kastner <gregor.kastner@wu.ac.at>
**logret**  
Computes (de-meaned) log returns.

**Description**

Small utility function returning either `diff(log(x))` in case the argument `demean` is set to `FALSE`, or `diff(log(x)) - mean(diff(log(x)))` in case that `demean` is `TRUE`.

**Usage**

```r
logret(x, demean = FALSE)
```

**Arguments**

- `x` Real-valued vector.
- `demean` A single logical value indicating whether the returns should be de-meaned. Defaults to `FALSE`.

**Value**

A vector of length `length(x) - 1`, containing (de-meaned) returns.

**Author(s)**

Gregor Kastner <gregor.kastner@wu.ac.at>

---

**paradensplot**  
Probability Density Function Plot for the Parameter Posteriors

**Description**

Displays a plot of the density estimate for the posterior distribution of the parameters `mu`, `phi`, `sigma` (and potentially `nu`), computed by the `density` function.

**Usage**

```r
paradensplot(x, showobs = TRUE, showprior = TRUE, showlab = TRUE, 
              mar = c(1.9, 1.9, 1.9, 0.5), mgp = c(2, 0.6, 0), 
              simobj = NULL, ...)
```
Arguments

\begin{itemize}
\item \texttt{x} \hspace{1cm} svdraws object.
\item \texttt{showobs} \hspace{1cm} logical value, indicating whether the observations should be displayed along the x-axis. If many draws have been obtained, the default (TRUE) can render the plotting to be quite slow, and you might want to try setting \texttt{showobs} to FALSE.
\item \texttt{showprior} \hspace{1cm} logical value, indicating whether the prior distribution should be displayed. The default value is TRUE.
\item \texttt{showxlab} \hspace{1cm} logical value, indicating whether the x-axis should be labelled with the number of iterations and the bandwith obtained from \texttt{density}. The default value is TRUE.
\item \texttt{mar} \hspace{1cm} numerical vector of length 4, indicating the plot margins. See \texttt{par} for details. The default value is \texttt{c(1.9, 1.9, 1.9, 0.5)}, which is slightly smaller than the R-defaults.
\item \texttt{mgp} \hspace{1cm} numerical vector of length 3, indicating the axis and label positions. See \texttt{par} for details. The default value is \texttt{c(2, 0.6, 0)}, which is slightly smaller than the R-defaults.
\item \texttt{simobj} \hspace{1cm} object of class \texttt{svsim} as returned by the SV simulation function \texttt{svsim}. If provided, “true” data generating values will be added to the plots.
\item \texttt{...} \hspace{1cm} further arguments are passed on to the invoked \texttt{plot} function.
\end{itemize}

Details

\texttt{paradensplot} is modeled after \texttt{densplot} in the \texttt{coda} package, with some modifications for parameters that have (half-)bounded support.

Value

Called for its side effects. Returns argument \texttt{x} invisibly.

Note

You can call this function directly, but it is more commonly called by the \texttt{plot.svdraws} method.

Author(s)

Gregor Kastner \texttt{<gregor.kastner@wu.ac.at>}

See Also

\texttt{paratraceplot, volplot, plot.svdraws}
paratraceplot  

Trace Plot of MCMC Draws from the Parameter Posteriors

Description
Displays a plot of iterations vs. sampled values the parameters \( \mu, \phi, \sigma \) (and potentially \( \nu \)), with a separate plot per variable.

Usage
paratraceplot(x, mar = c(1.9, 1.9, 1.9, 0.5), mgp = c(2, 0.6, 0), simobj = NULL, ...)

Arguments

\( x \)  svdraws object.
\( \text{mar} \)  numerical vector of length 4, indicating the plot margins. See \texttt{par} for details. The default value is \( c(1.9, 1.9, 1.9, 0.5) \), which is slightly smaller than the R-defaults.
\( \text{mgp} \)  numerical vector of length 3, indicating the axis and label positions. See \texttt{par} for details. The default value is \( c(2, 0.6, 0) \), which is slightly smaller than the R-defaults.
\( \text{simobj} \)  object of class \texttt{svsim} as returned by the SV simulation function \texttt{svsim}. If provided, “true” data generating values will be added to the plots.
\( \ldots \)  further arguments are passed on to the invoked \texttt{matplot} function.

Details
paratraceplot is modeled after \texttt{traceplot} in the coda package, with very minor modifications.

Value
Called for its side effects. Returns argument \( x \) invisibly.

Note
You can call this function directly, but it is more commonly called by the \texttt{plot.svdraws} method.

Author(s)
Gregor Kastner <gregor.kastner@wu.ac.at>

See Also
paradensplot, volplot, plot.svdraws
plot.svdraws

--

Graphical Summary of the Posterior Distribution

Description

plot.svdraws generates some plots visualizing the posterior distribution and can also be used to display predictive distributions of future volatilities.

Usage

## S3 method for class 'svdraws'

plot(x, forecast = NULL, dates = NULL, show0 = FALSE, showobs = TRUE,
     showprior = TRUE, col = NULL, forecastlty = NULL, tcl = -0.4,
     mar = c(1.9, 1.9, 1.7, 0.5), mgp = c(2, 0.6, 0), simobj = NULL, ...)

Arguments

x

svdraws object.

forecast
	nonnegative integer or object of class svpredict, as returned by predict.svdraws. If an integer greater than 0 is provided, predict.svdraws is invoked to obtain the forecast-step-ahead prediction. The default value is 0.

dates

vector of length ncol(x$latent), providing optional dates for labelling the x-axis. The default value is NULL; in this case, the axis will be labelled with numbers.

show0

logical value, indicating whether the initial volatility exp(h_0/2) should be displayed. The default value is FALSE.

showobs

logical value, indicating whether the observations should be displayed along the x-axis. If many draws have been obtained, the default (TRUE) can render the plotting to be quite slow, and you might want to try setting showobs to FALSE.

showprior

logical value, indicating whether the prior distribution should be displayed. The default value is TRUE.

col

vector of color values (see par) used for plotting the quantiles. The default value NULL results in gray lines for all quantiles except the median, which is displayed in black.

forecastlty

vector of line type values (see par) used for plotting quantiles of predictive distributions. The default value NULL results in dashed lines.

tcl

The length of tick marks as a fraction of the height of a line of text. See par for details. The default value is -0.4, which results in slightly shorter tick marks than usual.

mar

numerical vector of length 4, indicating the plot margins. See par for details. The default value is c(1.9, 1.9, 1.9, 0.5), which is slightly smaller than the R-defaults.

mgp

numerical vector of length 3, indicating the axis and label positions. See par for details. The default value is c(2, 0.6, 0), which is slightly smaller than the R-defaults.
plot.svdraws

simobj

Object of class `svsim` as returned by the SV simulation function `svsim`. If provided, the “true” data generating values will be added to the plots.

... Further arguments are passed on to the invoked plotting functions.

Details

This function sets up the page layout and calls `volplot`, `paratraceplot` and `paradensplot`.

Value

Called for its side effects. Returns argument `x` invisibly.

Note

In case you want different quantiles to be plotted, use `updatesummary` on the `svdraws` object first. An example of doing so is given in the Examples section.

Author(s)

Gregor Kastner <gregor.kastner@wu.ac.at>

See Also

`updatesummary`, `volplot`, `paratraceplot`, `paradensplot`.

Examples

```r
## Simulate a short and highly persistent SV process
sim <- svsim(100, mu = -10, phi = 0.99, sigma = 0.2)

## Obtain 5000 draws from the sampler (that's not a lot)
draws <- svsample(sim$y, draws = 5000, burnin = 1000,
                  priormu = c(-10, 1), priorphi = c(20, 1.5), priorsigma = 0.2)

## Plot the latent volatilities and some forecasts
plot(draws, forecast = 10)

## Re-plot with different quantiles
newquants <- c(0.01, 0.05, 0.25, 0.5, 0.75, 0.95, 0.99)
draws <- updatesummary(draws, quantiles = newquants)

plot(draws, forecast = 20, showobs = FALSE, col = seq(along = newquants),
     forecastlty = 3, showprior = FALSE)
```
**predict.svdraws**  
*Prediction of Future Log-Volatilities*

**Description**

Simulates draws from the predictive density of the latent log-volatility process.

**Usage**

```r
## S3 method for class 'svdraws'
predict(object, steps = 1, ...)
```

**Arguments**

- `object`: svdraws object.
- `steps`: single number, coercible to integer. Denotes the number of steps to forecast.
- `...`: currently ignored.

**Value**

Returns an object of class `c("svpredict", "mcmc")` containing simulations from the predictive density of \( h_{n+1}, \ldots, h_{n+steps} \).

**Note**

You can use the usual coda methods for `mcmc` objects to print, plot, or summarize the predictions, or use them within `volplot` or `plot.svdraws`.

**Author(s)**

Gregor Kastner <gregor.kastner@wu.ac.at>

**See Also**

`plot.svdraws`, `volplot`.

**Examples**

```r
## Simulate a short and highly persistent SV process
sim <- svsim(100, mu = -10, phi = 0.99, sigma = 0.2)

## Obtain 5000 draws from the sampler (that's not a lot)
draws <- svsample(sim$y, draws = 5000, burnin = 100,
                  priormu = c(-10, 1), priorphi = c(20, 1.5), priorsigma = 0.2)

## Predict 10 days ahead
fore <- predict(draws, 10)
```
## Summary of the Results

```
sample(FORE)
plot(draws, forecast = fore)
```

---

### Description

svsample simulates from the joint posterior distribution of the SV parameters \( \mu, \phi, \sigma \) (and potentially \( \nu \)), along with the latent log-volatilities \( h_0, \ldots, h_n \) and returns the MCMC draws. If a design matrix is provided, simple Bayesian regression can also be conducted.

### Usage

```
svsample(y, draws = 10000, burnin = 1000, designmatrix = NA, priormu = c(0, 100),
         priorphi = c(5, 1.5), priorsigma = 1, priornu = NA, priorbeta = c(0, 10000),
         thinpara = 1, thinlatent = 1, thintime = 1, keeptau = FALSE, quiet = FALSE,
         startpara, startlatent, expert, ...)
```

### Arguments

- **y**: numeric vector containing the data (usually log-returns), which must not contain zeros. Alternatively, y can be an svsim object. In this case, the returns will be extracted and a warning is thrown.
- **draws**: single number greater or equal to 1, indicating the number of draws after burn-in (see below). Will be automatically coerced to integer. The default value is 10000.
- **burnin**: single number greater or equal to 0, indicating the number of draws discarded as burn-in. Will be automatically coerced to integer. The default value is 1000.
- **designmatrix**: regression design matrix for modeling the mean. Must have `length(y)` rows. Alternatively, designmatrix may be a string of the form "arX", where X is a nonnegative integer. To fit a constant mean model, use `designmatrix = "ar0"` (which is equivalent to `designmatrix = matrix(1, nrow = length(y))`). To fit an AR(1) model, use `designmatrix = "ar1"`, and so on. If some elements of `designmatrix` are NA, the mean is fixed to zero (pre-1.2.0 behavior of `stochvol`).
- **priormu**: numeric vector of length 2, indicating mean and standard deviation for the Gaussian prior distribution of the parameter \( \mu \), the level of the log-volatility. The default value is \( c(0, 100) \), which constitutes a practically uninformative prior for common exchange rate datasets, stock returns and the like.
- **priorphi**: numeric vector of length 2, indicating the shape parameters for the Beta prior distribution of the transformed parameter \( (\phi+1)/2 \), where \( \phi \) denotes the persistence of the log-volatility. The default value is \( c(5, 1.5) \), which constitutes a prior that puts some belief in a persistent log-volatility but also encompasses the region where \( \phi \) is around 0.
priorsigma

A single positive real number, which stands for the scaling of the transformed parameter \( \sigma \), where \( \sigma \) denotes the volatility of log-volatility. More precisely, \( \sigma^2 \sim \text{priorsigma} \times \text{chisq(df = 1)} \). The default value is 1, which constitutes a reasonably vague prior for many common exchange rate datasets, stock returns and the like.

pironu

A numeric vector of length 2 (or NA), indicating the lower and upper bounds for the uniform prior distribution of the parameter \( \nu \), the degrees-of-freedom parameter of the conditional innovations \( t \)-distribution. The default value is NA, fixing the degrees-of-freedom to infinity. This corresponds to conditional standard normal innovations, the pre-1.1.0 behavior of \texttt{stochvol}.

priorbeta

A numeric vector of length 2, indicating the mean and standard deviation of the Gaussian prior for the regression parameters. The default value is \( c(0, 10000) \), which constitutes a very vague prior for many common datasets. Not used if \texttt{designmatrix} is NA.

thintime

A single number greater or equal to 1, coercible to integer. Every \texttt{thintime}th latent variable draw is kept and returned. The default value is 1, corresponding to no thinning of the latent variable draws, i.e. every draw is kept.

keeptau

A logical value indicating whether the 'variance inflation factors' should be stored (used for the sampler with conditional \( t \) innovations only). This may be useful to check at what point(s) in time the normal disturbance had to be 'upscaled' by a mixture factor and when the series behaved 'normally'.

startlatent

An \texttt{optional} vector of length \( \text{length}(x@y) \), containing the starting values for the latent log-volatility draws. The default value is \texttt{rep(-10, length(x@y))}.

expert

An \texttt{optional} named list of expert parameters. For most applications, the default values probably work best. Interested users are referred to the literature provided in the References section. If \texttt{expert} is provided, it may contain the following named elements:

- **parameterization**: Character string equal to "centered", "noncentered", "GIS_C", or "GIS_NC". Defaults to "GIS_C".
- **mhcontrol**: Single numeric value controlling the proposal density of a Metropolis-Hastings (MH) update step when sampling \( \sigma \). If \texttt{mhcontrol} is smaller than
0, an independence proposal will be used, while values greater than zero control the stepsize of a log-random-walk proposal. Defaults to -1.

gammaprior: Single logical value indicating whether a Gamma prior for \( \sigma^2 \) should be used. If set to FALSE, an Inverse Gamma prior is employed. Defaults to TRUE.

truncnormal: Single logical value indicating whether a truncated Gaussian distribution should be used as proposal for draws of \( \phi \). If set to FALSE, a regular Gaussian prior is employed and the draw is immediately discarded when values outside the unit ball happen to be drawn. Defaults to FALSE.

mhsteps: Either 1, 2, or 3. Indicates the number of blocks used for drawing from the posterior of the parameters. Defaults to 2.

proposalvar4sigmaphi: Single positive number indicating the conditional prior variance of \( \sigma^*\phi \) in the ridge proposal density for sampling (\( \mu, \phi \)). Defaults to 10^8.

proposalvar4sigmatheta: Single positive number indicating the conditional prior variance of \( \sigma^*\theta \) in the ridge proposal density for sampling (\( \mu, \phi \)). Defaults to 10^12.

... Any extra arguments will be forwarded to updatesummary, controlling the type of statistics calculated for the posterior draws.

Details

For details concerning the algorithm please see the paper by Kastner and Frühwirth-Schnatter (2014).

Value

The value returned is a list object of class svdraws holding

- para mcmc object containing the parameter draws from the posterior distribution.
- latent mcmc object containing the latent instantaneous log-volatility draws from the posterior distribution.
- latent0 mcmc object containing the latent initial log-volatility draws from the posterior distribution.
- tau mcmc object containing the latent variance inflation factors for the sampler with conditional t-innovations (optional).
- beta mcmc object containing the regression coefficient draws from the posterior distribution (optional).
- y the argument \( y \).
- runtime proc_time object containing the run time of the sampler.
- priors list containing the parameter values of the prior distribution, i.e. the arguments priormu, priorphi, priorsigma, and potentially priornu and priorbeta.
- thinning list containing the thinning parameters, i.e. the arguments thinpara, thinlatent and thintime.
- summary list containing a collection of summary statistics of the posterior draws for para, latent, and latent0.
To display the output, use `print`, `summary` and `plot`. The `print` method simply prints the posterior draws (which is very likely a lot of output); the `summary` method displays the summary statistics currently stored in the object; the `plot` method `plot.svdraws` gives a graphical overview of the posterior distribution by calling `volplot`, `traceplot` and `densplot` and displaying the results on a single page.

**Note**

If `y` contains zeros, you might want to consider de-meaning your returns or use `designmatrix = "ar0"`.

**Author(s)**

Gregor Kastner <gregor.kastner@wu.ac.at>

**References**


**See Also**

`svsim`, `updatesummary`, `predict.svdraws`, `plot.svdraws`.

**Examples**

```r
## Simulate a short and highly persistent SV process
sim <- svsim(100, mu = -10, phi = 0.99, sigma = 0.2)

## Obtain 5000 draws from the sampler (that's not a lot)
draws <- svsample(sim$y, draws = 5000, burnin = 100,
                  priormu = c(-10, 1), priorphi = c(20, 1.5), priorsigma = 0.2)

## Check out the results
summary(draws)
plot(draws)

## Another example, this time with an AR(1) structure for the mean
## Not run:
data(exrates)
y <- exrates$USD

## Fit AR(1)-SV model to EUR-USD exchange rates
res <- svsample(y, designmatrix = "ar1")

## Use `predict.svdraws` to obtain predictive volatilities
ahead <- 100
predvol <- predict(res, steps = ahead)

## Use `arpredict` to obtain draws from the posterior predictive
preddraws <- arpredict(res, predvol)
```
## Description

`svsample2` is a minimal overhead version of `svsample` with slightly different default arguments and a simplified return value structure. It is intended to be used mainly for one-step updates where speed is an issue, e.g., as a plug-in into other MCMC samplers. Note that absolutely no input checking is performed, thus this function is to be used with proper care!

## Usage

```r
svsample2(y, draws = 1, burnin = 0, priormu = c(0, 100),
           priorphi = c(5, 1.5), priorsigma = 1, priornu = NA,
           thinpara = 1, thinlatent = 1, thintime = 1,
           keeptau = FALSE, quiet = TRUE, startpara, startlatent)
```

## Arguments

- **y** numeric vector containing the data (usually log-returns), which must not contain zeroes.
- **draws** single number greater or equal to 1, indicating the number of draws after burn-in (see below). Will be automatically coerced to integer. The defaults value is 1.
- **burnin** single number greater or equal to 0, indicating the number of draws discarded as burn-in. Will be automatically coerced to integer. The default value is 0.
- **priormu** numeric vector of length 2, indicating mean and standard deviation for the Gaussian prior distribution of the parameter `mu`, the level of the log-volatility. The default value is `c(0, 100)`, which constitutes a practically uninformative prior for common exchange rate datasets, stock returns and the like.
- **priorphi** numeric vector of length 2, indicating the shape parameters for the Beta prior distribution of the transformed parameter `(phi+1)/2`, where `phi` denotes the persistence of the log-volatility. The default value is `c(5, 1.5)`, which constitutes a prior that puts some belief in a persistent log-volatility but also encompasses the region where `phi` is around 0.
priorsigma  
single positive real number, which stands for the scaling of the transformed parameter sigma^2, where sigma denotes the volatility of log-volatility. More precisely, sigma^2 \sim priorsigma \times \text{chisq}(df = 1). The default value is 1, which constitutes a reasonably vague prior for many common exchange rate datasets, stock returns and the like.

priorsigma  

priornu  
numeric vector of length 2 (or NA), indicating the lower and upper bounds for the uniform prior distribution of the parameter nu, the degrees-of-freedom parameter of the conditional innovations t-distribution. The default value is NA, fixing the degrees-of-freedom to infinity. This corresponds to conditional standard normal innovations, the pre-1.1.0 behavior of stochvol.

thinpara  
single number greater or equal to 1, coercible to integer. Every thinpara parameter draw is kept and returned. The default value is 1, corresponding to no thinning of the parameter draws – every draw is stored.

thinlatent  
single number greater or equal to 1, coercible to integer. Every thinlatent latent variable draw is kept and returned. The default value is 1, corresponding to no thinning of the latent variable draws, i.e. every draw is kept.

thintime  
single number greater or equal to 1, coercible to integer. If thintime is different from 1, only every thintime-th latent log-volatility is being monitored. If, e.g., thintime = 3, the latent log-volatilities h_{1, h_{4, h_{7, \ldots}} will be kept. The default value is 1, meaning that all latent variables h_{1,\ldots, h_{3,\ldots}} are stored.

keeptau  
logical value indicating whether the ‘variance inflation factors’ should be stored (used for the sampler with conditional t innovations only). This may be useful to check at what point(s) in time the normal disturbance had to be ‘upscaled’ by a mixture factor and when the series behaved ‘normally’.

quiet  
logical value indicating whether the progress bar and other informative output during sampling should be omitted. The default value is TRUE, implying non-verbose output.

startpara  
compulsory named list, containing the starting values for the parameter draws. startpara must contain three elements named mu, phi, and sigma, where mu is an arbitrary numerical value, phi is a real number between -1 and 1, and sigma is a positive real number.

startlatent  
compulsory vector of length length(x$y), containing the starting values for the latent log-volatility draws.

Details

As opposed to the ordinary svsample, the default values differ for draws, burnin, and quiet. Note that currently neither expert nor ... arguments are provided.

Value

A list with three components:

para  
3 times draws matrix containing the parameter draws. If priornu is not NA, this is a 4 times draws matrix.

latent  
length(y) times draws matrix containing draws of the latent variables h_{1, \ldots, h_n}.

latent0  
Vector of length draws containing the draw(s) of the initial latent variable h_0.
### Description

`svsim` is used to produce realizations of a stochastic volatility (SV) process.

### Usage

```r
svsim(len, mu = -10, phi = 0.98, sigma = 0.2, nu = Inf)
```

### Arguments

- `len` length of the simulated time series.
- `mu` level of the latent log-volatility AR(1) process. The defaults value is -10.
- `phi` persistence of the latent log-volatility AR(1) process. The default value is 0.98.
- `sigma` volatility of the latent log-volatility AR(1) process. The default value is 0.2.
- `nu` degrees-of-freedom for the conditional innovations distribution. The default value is `Inf`, corresponding to standard normal conditional innovations.

### Details

This function draws an initial log-volatility $h_0$ from the stationary distribution of the AR(1) process and iteratively generates $h_1, \ldots, h_n$. Finally, the “log-returns” are simulated from a normal distribution with mean 0 and standard deviation $\exp(h/2)$. 

### Note

Please refer to the package vignette for an example.

### Author(s)

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### See Also

- `svsample`
Value

The output is a list object of class `svsim` containing

- `y`: a vector of length `len` containing the simulated data, usually interpreted as “log-returns”.
- `vol`: a vector of length `len` containing the simulated instantaneous volatilities $\exp(h_t/2)$.
- `vol0`: the initial volatility $\exp(h_0/2)$, drawn from the stationary distribution of the latent AR(1) process.
- `para`: a named list with three elements `mu`, `phi`, `sigma` (and potentially `nu`), containing the corresponding arguments.

To display the output use `print`, `summary` and `plot`. The `print` method simply prints the content of the object in a moderately formatted manner. The `summary` method provides some summary statistics (in %), and the `plot` method plots the the simulated 'log-returns' `y` along with the corresponding volatilities `vol`.

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See Also

`svsample`

Examples

```r
## Simulate a highly persistent SV process of length 500
sim <- svsim(500, phi = 0.99, sigma = 0.1)

print(sim)
summary(sim)
plot(sim)
```

updatesummary

Updating the Summary of MCMC Draws

Description

Creates or updates a summary of an `svdraws` object.

Usage

`updatesummary(x, quantiles = c(0.05, 0.5, 0.95), esspara = TRUE, esslatent = FALSE)`
Arguments

- `x`: `svdraws` object.
- `quantiles`: numeric vector of posterior quantiles to be computed. The default is `c(0.05, 0.5, 0.95)`.
- `esspara`: logical value which indicates whether the effective sample size (ESS) should be calculated for the `parameter draws`. This is achieved by calling `effectiveSize` from the `coda` package. The default is `TRUE`.
- `esslatent`: logical value which indicates whether the effective sample size (ESS) should be calculated for the `latent log-volatility` draws. This is achieved by calling `effectiveSize` from the `coda` package. The default is `FALSE`, because this can be quite time-consuming when many latent variables are present.

Details

`updatesummary` will always calculate the posterior mean and the posterior standard deviation of the raw draws and some common transformations thereof. Moreover, the posterior quantiles, specified by the argument `quantiles`, are computed. If `esspara` and/or `esslatent` are `TRUE`, the corresponding effective sample size (ESS) will also be included.

Value

The value returned is an updated list object of class `svdraws` holding

- `para`: `mcmc` object containing the `parameter` draws from the posterior distribution.
- `latent`: `mcmc` object containing the `latent instantaneous log-volatility` draws from the posterior distribution.
- `latent0`: `mcmc` object containing the `latent initial log-volatility` draws from the posterior distribution.
- `y`: argument `y`.
- `runtime`: "proc.time" object containing the run time of the sampler.
- `priors`: list containing the parameter values of the prior distribution, i.e. the arguments `priormu, priorphi, priorsigma` (and potentially `nu`).
- `thinning`: list containing the thinning parameters, i.e. the arguments `thinpara, thinlatent` and `thintime`.
- `summary`: list containing a collection of summary statistics of the posterior draws for `para, latent, and latent0`.

To display the output, use `print, summary` and `plot`. The `print` method simply prints the posterior draws (which is very likely a lot of output); the `summary` method displays the summary statistics currently stored in the object; the `plot` method gives a graphical overview of the posterior distribution by calling `volplot, traceplot` and `densplot` and displaying the results on a single page.

Note

`updatesummary` does not actually overwrite the object’s current summary, but in fact creates a new object with an updated summary. Thus, don’t forget to overwrite the old object if this is want you intend to do. See the examples below for more details.
volplot

Author(s)
Gregor Kastner <gregor.kastner@wu.ac.at>

See Also
svsample

Examples

## Here is a baby-example to illustrate the idea.
## Simulate an SV time series of length 51 with default parameters:
sim <- svsim(51)

## Draw from the posterior (but save only every fifth point in time):
res <- svsample(sim$y, draws = 7000, thintime = 5, priorphi = c(10, 1.5))

## Check out the results:
summary(res)
plot(res)

## Look at other quantiles and calculate ESS of latents:
newquants <- c(0.01, 0.05, 0.25, 0.5, 0.75, 0.95, 0.99)
res <- updatesummary(res, quantiles = newquants, esslatent = TRUE)

## See the difference?
summary(res)
plot(res)

---

volplot

*Plotting Quantiles of the Latent Volatilities*

Description

Displays quantiles of the posterior distribution of the volatilities over time as well as predictive distributions of future volatilities.

Usage

```r
volplot(x, forecast = 0, dates = NULL, show0 = FALSE, col = NULL,
forecastlty = NULL, tcl = -0.4, mar = c(1.9, 1.9, 1.9, 0.5),
mgp = c(2, 0.6, 0), simobj = NULL, ...)
```

Arguments

- `x` svdraws object.
- `forecast` nonnegative integer or object of class svpredict, as returned by `predict.svdraws`. If an integer greater than 0 is provided, `predict.svdraws` is invoked to obtain the forecast-step-ahead prediction. The default value is 0.
dates vector of length \texttt{ncol(x$latent)}, providing optional dates for labeling the x-axis. The default value is \texttt{NULL}; in this case, the axis will be labeled with numbers.

show\theta logical value, indicating whether the initial volatility \exp(h_0/2) should be displayed. The default value is \texttt{FALSE}.

col vector of color values (see \texttt{par}) used for plotting the quantiles. The default value \texttt{NULL} results in gray lines for all quantiles except the median, which is displayed in black.

forecastlty vector of line type values (see \texttt{par}) used for plotting quantiles of predictive distributions. The default value \texttt{NULL} results in dashed lines.

tcl The length of tick marks as a fraction of the height of a line of text. See \texttt{par} for details. The default value is \texttt{-0.4}, which results in slightly shorter tick marks than usual.

mar numerical vector of length 4, indicating the plot margins. See \texttt{par} for details. The default value is \texttt{c(1.9, 1.9, 1.9, 0.5)}, which is slightly smaller than the R-defaults.

mgp numerical vector of length 3, indicating the axis and label positions. See \texttt{par} for details. The default value is \texttt{c(2, 0.6, 0)}, which is slightly smaller than the R-defaults.

simobj object of class \texttt{svsim} as returned by the SV simulation function \texttt{svsim}. If provided, “true” data generating values will be added to the plot(s).

... further arguments are passed on to the invoked \texttt{ts.plot} function.

Value

Called for its side effects. Returns argument \texttt{x} invisibly.

Note

In case you want different quantiles to be plotted, use \texttt{updatesummary} on the \texttt{svdraws} object first. An example of doing so is given below.

Author(s)

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See Also

\texttt{updatesummary, paratraceplot, paradensplot, plot.svdraws}.

Examples

```r
## Simulate a short and highly persistent SV process
sim <- svsim(100, mu = -10, phi = 0.99, sigma = 0.2)

## Obtain 5000 draws from the sampler (that’s not a lot)
draws <- svsample(sim$y, draws = 5000, burnin = 100, 
                   priormu = c(-10, 1), priorphi = c(20, 1.5),
```
volplot

```
priorsigma = 0.2)

## Plot the latent volatilities and some forecasts
volplot(draws, forecast = 10)

## Re-plot with different quantiles
newquants <- c(0.01, 0.05, 0.25, 0.5, 0.75, 0.95, 0.99)
draws <- updatesummary(draws, quantiles=newquants)

volplot(draws, forecast = 10)
```
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