Package 'matrisk'

May 2, 2023

Title Macroeconomic-at-Risk

Version 0.1.0

Description The Macroeconomics-at-Risk (MaR) approach is based on a two-step semi-parametric estimation procedure that allows to forecast the full conditional distribution of an economic variable at a given horizon, as a function of a set of factors. These density forecasts are then be used to produce coherent forecasts for any downside risk measure, e.g., value-at-risk, expected shortfall, downside entropy. Initially introduced by Adrian et al. (2019) <doi:10.1257/aer.20161923> to reveal the vulnerability of economic growth to financial conditions, the MaR approach is currently extensively used by international financial institutions to provide Value-at-Risk (VaR) type forecasts for GDP growth (Growth-at-Risk) or inflation (Inflation-at-Risk). This package provides methods for estimating these models. Datasets for the US and the Eurozone are available to allow testing of the Adrian et al (2019) model. This package constitutes a useful toolbox (data and functions) for private practitioners, scholars as well as policymakers.

Depends R (>= 2.10)

License GPL-3

Encoding UTF-8

RoxygenNote 7.2.3

Imports stats, quantreg, sn, dfoptim, plot3D

NeedsCompilation no

Author Quentin Lajaunie [aut, cre],
Guillaume Flament [aut],
Christophe Hurlin [aut]

Maintainer Quentin Lajaunie <quentin_lajaunie@hotmail.fr>

Repository CRAN

Date/Publication 2023-05-02 08:30:05 UTC

R topics documented:

`data_euro` *Historical data for the eurozone (GDP and Financial Conditions) from 2008:Q4 to 2022:Q3*

Description

data_euro contains: - Quarterly annualized GDP, from 2008:Q4 to 2022:Q3 - Financial Condition Index of the euro Area, from 2008:Q4 to 2022:Q3 - Composite Indicator of Systemic Stress, from 2008:Q4 to 2022:Q3 Sources : https://sdw.ecb.europa.eu/browseExplanation.do?node=9689686 https://webstat.banque-france.fr/ws_wsen/browseSelection.do?node=DATASETS_FCI https://fred.stlouisfed.org/series/CLVMEURSCAB1GQEA1

Usage

```
data("data_euro")
```

Format

A data frame with 57 observations on the following 4 variables.

`DATE` Vector of dates.

`GDP` Vector of annualized PIB.

`FCI` Historical values of the Financial Condition Index (FCI).

`CISS` Historical values of the Composite Indicator of Systemic Stress (CISS).

`data_US` *Historical data for the US (GDP and Financial Conditions) from 1973:Q1 to 2022:Q3*

Description

data_euro contains: - Quarterly annualized GDP, from 1973:Q1 to 2022:Q3 - National Financial Condition Index of the US, from 1973:Q1 to 2022:Q3 Sources : https://www.chicagofed.org/research/data/nfci/current-data https://fred.stlouisfed.org/series/A191RL1Q225SBEA

Usage

```
data("data_US")
```

Format

A data frame with 200 observations on the following 4 variables.

`DATE` Vector of dates.

`GDP` Vector of annualized PIB.

`NFCI` Historical values of the National Financial Condition Index (NFCI).

---

f_compile_quantile *Estimation of quantiles*

Description

Predicted values based on each quantile regression (Koenker and Basset, 1978), at time=t_trgt, for each quantile in qt_trgt.

Usage

```
f_compile_quantile(qt_trgt, v_dep, v_expl, t_trgt)
```

Arguments

`qt_trgt`	Numeric vector, dim k, of k quantiles for different qt-estimations
`v_dep`	Numeric vector of the dependent variable
`v_expl`	Numeric vector of the (k) explanatory variable(s)
`t_trgt`	Numeric time target (optional)

Value

Numeric matrix with the predicted values based on each quantile regression, at time fixed in input

References

Koenker, Roger, and Gilbert Bassett Jr. "Regression quantiles." Econometrica: journal of the Econometric Society (1978): 33-50.

Examples

```
# Import data
data("data_euro")

#' # Data process
PIB_euro_forward_4 = data_euro["GDP"][c(5:length(data_euro["GDP"][,1])),]
FCI_euro_lag_4 = data_euro["FCI"][c(1:(length(data_euro["GDP"][,1]) - 4)),]
CISS_euro_lag_4 = data_euro["CISS"][c(1:(length(data_euro["GDP"][,1]) - 4)),]

quantile_target <- as.vector(c(0.10,0.25,0.75,0.90))
results_quantile_reg <- f_compile_quantile(qt_trgt=quantile_target,
```

```
v_dep=PIB_euro_forward_4,
v_expl=cbind(FCI_euro_lag_4, CISS_euro_lag_4),
t_trgt = 30)
```

`f_distrib` *Distribution*

Description

This function is used to estimate the parameters of the distribution (mean and standard deviation for Gaussian, xi, omega, alpha, and nu for skew-t) based on the quantile regression results (Koenker and Basset, 1978). See Adrian et al. (2019) and Adrian et al. (2022) for more details on the estimation steps.

Usage

```
f_distrib(type_function, compile_qt, starting_values)
```

Arguments

`type_function`	String argument : "gaussian" for normal distribution or "skew-t" for t-student distribution
`compile_qt`	Numeric matrix containing different quantiles and associated values
`starting_values`	Numeric vector with initial values for optimization

Value

a data.frame with the parameters of the distribution

References

Adrian, Tobias, Nina Boyarchenko, and Domenico Giannone. "Vulnerable growth." American Economic Review 109.4 (2019): 1263-89.

Adrian, Tobias, et al. "The term structure of growth-at-risk. " American Economic Journal: Macroeconomics 14.3 (2022): 283-323.

Koenker, Roger, and Gilbert Bassett Jr. "Regression quantiles." Econometrica: journal of the Econometric Society (1978): 33-50.

Examples

```
# Import data
data("data_euro")

# Data process
PIB_euro_forward_4 = data_euro["GDP"][c(5:length(data_euro["GDP"][,1])),]
```

```
FCI_euro_lag_4 = data_euro["FCI"][c(1:(length(data_euro["GDP"][,1]) - 4)),]
CISS_euro_lag_4 = data_euro["CISS"][c(1:(length(data_euro["GDP"][,1]) - 4)),]

# for a gaussian
quantile_target <- as.vector(c(0.25,0.75))
results_quantile_reg <- f_compile_quantile(qt_trgt=quantile_target,
v_dep=PIB_euro_forward_4,
v_expl=cbind(FCI_euro_lag_4, CISS_euro_lag_4),
t_trgt = 30)

results_g <- f_distrib(type_function="gaussian",
compile_qt=results_quantile_reg,
starting_values=c(0, 1))

# for a skew-t
quantile_target <- as.vector(c(0.10,0.25,0.75,0.90))
results_quantile_reg <- f_compile_quantile(qt_trgt=quantile_target,
v_dep=PIB_euro_forward_4,
v_expl=cbind(FCI_euro_lag_4, CISS_euro_lag_4),
t_trgt = 30)

results_s <- f_distrib(type_function="skew-t",
compile_qt=results_quantile_reg,
starting_values=c(0, 1, -0.5, 1.3))
```

`f_distrib_histo` *Historical distributions*

Description

This function is based on f_distrib function (Adrian et al., 2019; Adrian et al., 2022) and is used to get historical estimation of empirical distributions and associated parameters. Results allow to realize a 3D graphical representation.

Usage

```
f_distrib_histo(
  qt_trgt,
  v_dep,
  v_expl,
  type_function,
  starting_values,
  step,
  x_min,
  x_max
)
```

Arguments

qt_trgt	Numeric vector, dim k, of k quantiles for different qt-estimations
v_dep	Numeric vector of the dependent variable
v_expl	Numeric vector of the (k) explanatory variable(s)
type_function	String argument : "gaussian" for normal distribution or "skew-t" for t-student distribution
starting_values	Numeric vector with initial values for optimization
step	Numeric argument for accuracy graphics abscissa
x_min	Numeric optional argument (default value = -15)
x_max	Numeric optional argument (default value = 10)

Value

A list with:

distrib_histo	Numeric matrix with historical values of x, y and t
param_histo	Numeric matrix containing the parameters of the distribution for each period

References

Adrian, Tobias, Nina Boyarchenko, and Domenico Giannone. "Vulnerable growth." American Economic Review 109.4 (2019): 1263-89.

Adrian, Tobias, et al. "The term structure of growth-at-risk." American Economic Journal: Macroeconomics 14.3 (2022): 283-323.

Examples

```
# Import data
data("data_euro")

# Data process
PIB_euro_forward_4 = data_euro["GDP"][c(5:length(data_euro["GDP"][,1])),]
FCI_euro_lag_4 = data_euro["FCI"][c(1:(length(data_euro["GDP"][,1]) - 4)),]
CISS_euro_lag_4 = data_euro["CISS"][c(1:(length(data_euro["GDP"][,1]) - 4)),]

results_histo <- f_distrib_histo(qt_trgt=c(0.10,0.25,0.75,0.90), v_dep=PIB_euro_forward_4,
v_expl=cbind(FCI_euro_lag_4,CISS_euro_lag_4),
type_function="skew-t",
starting_values=c(0, 1, -0.5, 1.3),
step=5, x_min=-10, x_max=5)

library(plot3D) # load
scatter3D(results_histo$distrib_histo[,3],
results_histo$distrib_histo[,1],
results_histo$distrib_histo[,2],
pch = 10,  theta = 70, phi = 10,
main = "Distribution of GDP Growth over time - Euro Area",
```

```
xlab = "Date",
ylab ="Pib",
zlab="", cex = 0.3)
```

---

f_ES *Expected Shortfall*

Description

The function allows to calculate Expected-shortfall for a given distribution. It takes as parameters alpha (risk level), a distribution and the parameters associated with this distribution. For example, for a normal distribution, the user must enter the mean and the standard deviation. Currently, the function can calculate the Expected-shortfall for the normal distribution and for the skew-t distribution (Azzalini and Capitianio, 2003)

Usage

```
f_ES(alpha, dist, params, accuracy = 1e-05)
```

Arguments

alpha	Numeric argument for Expected-Shortfall, between 0 and 1
dist	String for the type of distribution (gaussian or skew-t)
params	Numeric vector containing parameters of the distribution
accuracy	Scalar value which regulates the accuracy of the ES (default value 1e-05)

Value

Numeric value for the expected-shortfall given the distribution and the alpha risk

References

Azzalini, Adelchi, and Antonella Capitanio. "Distributions generated by perturbation of symmetry with emphasis on a multivariate skew t-distribution." Journal of the Royal Statistical Society: Series B (Statistical Methodology) 65.2 (2003): 367-389.

Azzalini, Adelchi, and Maintainer Adelchi Azzalini. "Package 'sn'." The skew-normal and skew-t distributions (2015): 1-3.

Examples

```
f_ES(0.95, "gaussian", params=c(0,1))
f_ES(0.95, "gaussian", params=c(0,1), accuracy=1e-05)
f_ES(0.95, "gaussian", params=c(0,1), accuracy=1e-04)
```

f_VaR *Value-at-Risk*

Description

The function allows to calculate Value-at-Risk for a given distribution. It takes as parameters alpha (risk level), a distribution and the parameters associated with this distribution. For example, for a normal distribution, the user must enter the mean and the standard deviation. Currently, the function can calculate the Value-at-Risk for the normal distribution and for the skew-t distribution (Azzalini and Capitianio, 2003)

Usage

```
f_VaR(alpha, dist, params)
```

Arguments

alpha	Numeric argument for Expected-Shortfall, between 0 and 1
dist	String for the type of distribution (gaussian or skew-t)
params	Numeric vector containing parameters of the distribution

Value

Numeric value for the Value-at-Risk given the distribution and the alpha risk

References

Azzalini, Adelchi, and Antonella Capitanio. "Distributions generated by perturbation of symmetry with emphasis on a multivariate skew t-distribution." Journal of the Royal Statistical Society: Series B (Statistical Methodology) 65.2 (2003): 367-389.

Azzalini, Adelchi, and Maintainer Adelchi Azzalini. "Package 'sn'." The skew-normal and skew-t distributions (2015): 1-3.

Examples

```
f_VaR(0.95, "gaussian", params=c(0,1))
```

Index