I.1 Importance sampling.

Let us for this problem assume that you can only generate random numbers with a standard normal distribution, $q(x) = \mathcal{N}(x; 0, 1)$, but are interested in (possibly weighted) samples from $\pi(x) = \mathcal{U}(x; 0, 4)$. $\mathcal{N}$ denotes the normal (Gaussian) distribution, and $\mathcal{U}$ the uniform distribution.

(a) Consider an importance sampler with proposal $q(x) = \mathcal{N}(x; 0, 1)$ and target $\pi(x)$. Is this a valid importance sampler?

(b) Implement the suggested importance sampler with $N = 10\,000$. Plot the result as, for example, a kernel density estimate or a weighted histogram. What problems do you experience with your sampler, and how can you improve it?

(c) For importance sampling it holds that an estimate of any test function $\phi$ is unbiased. Use the weighted samples to estimate the mean of the target ($\phi(x)$ is the identity function), and make a simulation study to support that this estimate is indeed unbiased (regardless of choice of proposal $q$). Note that this claim holds for any finite number of samples $N$! Confirm this by using only a small number of samples, e.g., $N = 10$, in your simulations.

(d) We have so far assumed that we can evaluate $\pi(x)$ exactly. However, sometimes we can only evaluate the target $\pi(x)$ up to proportionality, as $\pi(x) = \tilde{\pi}(x) / Z$, where we can evaluate $\tilde{\pi}(x)$ but the normalizing constant $Z$ is unknown to us. Actually, sometimes $Z$ is the quantity of interest. (If, e.g., the target $\pi(x)$ is a posterior, then $\tilde{\pi}(x)$ is the likelihood times the prior, and $Z$ is the marginal likelihood which can be useful for, e.g., model selection.)

Give an informal derivation to the estimator

$$\hat{Z} = \frac{1}{N} \sum_{i=1}^{N} \tilde{W}^i, \text{ where } \tilde{W}^i = \frac{\tilde{\pi}(X_i)}{q(X_i)}.$$

*Hint: Start with $Z = \int \tilde{\pi}(x)dx$."

(e) Implement the estimator to estimate $Z$ if $\tilde{\pi}$ is the indicator function for the interval $[0, 4]$. Make a simulation study supporting the theoretical claim that $\hat{Z}$ is an unbiased estimate of $Z$ (for some finite $N$). Also explore how the variance of $\hat{Z}$ changes with more or less ‘good’ choices of proposals $q$.

(f) The estimator $\hat{Z}$ is indeed unbiased, but we still have to take care when using it. A typical case is when we can only evaluate $\pi$ up to proportionality (i.e., $\tilde{\pi}$), but are still interested in functionals of $\pi$. (Note that $Z$ is actually a functional of $\tilde{\pi}$ rather than $\pi$.) Let us say that we are once again (cf. (c)) interested in estimating the mean of the target, but we can only access $\tilde{\pi}$, which here is the indicator function for the interval $[0, 4]$. Derive your
estimator for the mean of $\pi$ for this case, and confirm with a simulation study that it is not unbiased. (Note: your proposal $q$ has to be asymmetric around the true mean in order to see the effect. Use, e.g., $q(x) = N(x; 0, 3^2)$ and a small number of samples, e.g., $N = 10$.) Also confirm that the bias vanishes as $N \to \infty$.

(g) Show that the solution to the previous problem essentially corresponds to simply normalizing the sample weights $w_i$ such that $\sum_i w_i = 1$ before reporting the mean estimate.

1.2 Importance sampling in higher dimensions.

Let us consider importance sampling in a $D$-dimensional space. Assume that you have access to $D$-dimensional random vectors from the standard multivariate normal distribution $N(0, I_D)$ ($I_D$ is here the $D$-dimensional identity matrix), and use importance sampling to generate weighted samples from the $D$-dimensional multivariate uniform distribution $\pi(x) = U(x; [-.5, .5]^D)$, i.e., the unit cube centered around the origin. (In this problem, you can evaluate the target $\pi(x)$ exactly.) Repeat the experiment for different values of $D$, and plot the proportion of samples with non-zero weights as a function of $D$. Conclude at what rate this fraction decreases (constant, linear, polynomial, exponential, etc.) based on both your simulations as well as a theoretical argument.

1.3 An important numerical aspect

Consider again the high-dimensional problem, but this time with focus on the numerical aspects in $D = 1000$ dimensions:

(a) Consider importance sampling in $\mathbb{R}^D$, with target $\pi(x) = N(x; 0, I_D)$ (i.e., $x$ is a $D$-dimensional vector). Use the proposal $q(x) = N(x; 0, 2^2 \cdot I_D)$. Generate $N = 10$ samples $x^i$ and compute, for each sample, first $\pi(x^i)$ and then $q(x^i)$. Note that since the covariance matrices are diagonal, the densities factorize $\pi(x; 0, I_D) = \prod_{k=1}^D \mathcal{N}(x_k; 0, 1)$ etc, where $x_k$ is the $k$th component of $x$. Next, compute the weights $w_i = \frac{\pi(x^i)}{q(x^i)}$ and the normalized version of it $\tilde{w}^i = \frac{w_i}{\sum_i w_i}$. What normalized weights $\tilde{w}^i$ do you obtain? Why?

(b) The perhaps most useful remedy to this problem is to consider the logarithm of the weights instead. Hence, use that $\log \mathcal{N}(x; 0, I_D) = \sum_{k=1}^D \log \mathcal{N}(x_k; 0, 1)$, and compute $\log \tilde{w}^i = \log \pi(x^i) - \log q(x^i)$ instead. Do you experience the same problem?

(c) If $\log \tilde{w}^i$ is too small, $\exp(\log \tilde{w}^i)$ may still be smaller than what the system can represent. In order to obtain a normalized version of the weights, explore the ‘trick’ of computing $\tilde{w}^i = \exp(\log w^i - \max_j \{\log w^j\})$ instead, and use $\tilde{w}^i$ to obtain the normalized weights instead. Why is this a valid approach?

The aspects explored in this problem are highly relevant also for state-space filtering problems when the state dimension is small, but $T$ large. Our recommendation is to always implement the logarithm of the weights when working with Monte Carlo!

1.4 Bootstrap particle filter for the stochastic volatility model

Consider the so-called stochastic volatility model

\begin{align}
x_t | x_{t-1} &\sim \mathcal{N}(x_t; \phi x_{t-1}, \sigma^2), \\
y_t | x_t &\sim \mathcal{N}(y_t; 0, \beta^2 \exp(x_t)),
\end{align}

where the parameter vector is given by $\theta = \{\phi, \sigma, \beta\}$. Here, $x_t$ denotes the underlying latent volatility (the variations in the asset price) and $y_t$ denotes the observed scaled log-returns from some financial asset. The $T = 500$ observations that we consider in this task are log-returns from the NASDAQ OMX Stockholm 30 Index during a two year period between January 2, 2012 and January 2, 2014. We have calculated the log-returns by $y_t = 100[\log(s_t) - \log(s_{t-1})]$, where $s_t$ denotes the closing price of the index at day $t$. The data is found in seOMX10greturns2012to2014.csv. For more details on stochastic volatility models, see e.g. [1, 2].

Assume that the parameter vector is given by $\theta = \{0.98, 0.16, 0.70\}$. Estimate the marginal filtering distribution at each time index $t = 1, \ldots, T$ using the bootstrap particle filter with $N = 500$ particles. Make a reasonable assumption about the initial state $x_0$. Plot the mean of the filtering distribution $p(x_t | y_{1:t-1})$ at each time step and compare with the observations. Is the estimated volatility reasonable?
I.5 Bootstrap particle filter central limit theorem

Recall the bootstrap particle filter central limit theorem,

\[ \sqrt{N} \left( \sum_{i=1}^{N} W_i \varphi(X_i^t) - I_t(\varphi) \right) \xrightarrow{d} \mathcal{N}(0, V_t(\varphi)) \]

with

\[ V_t(\varphi) = \sum_{k=0}^{t} \int \frac{p(x_k | y_{1:k})^2}{p(x_k | y_{1:k-1})} (I_{k,t}(\varphi | x_k) - I_t(\varphi))^2 \, dx_k, \quad (2) \]

\[ I_t(\varphi) = \mathbb{E}[\varphi(X_t) | y_{1:t}], \]

\[ I_{k,t}(\varphi | x_k) = \mathbb{E}[\varphi(X_t) | y_{k+1:t}, x_k] = \begin{cases} \varphi(x_t), & \text{if } k = t, \\ \int \varphi(x_t) p(x_t | x_k, y_{k+1:t}) \, dx_t, & \text{if } k < t. \end{cases} \]

Use the recursive expressions for the asymptotic variance (see lecture 5)

\[ \tilde{V}_{t-1}(\varphi) = V_{t-1}(\varphi) + \text{Var}[\varphi(X_{t-1}) | y_{1:t-1}], \quad \text{(resampling)} \]

\[ V_t(\varphi) = \tilde{V}_{t-1}(\mathbb{E}[\varphi(X_t) | x_{t-1}]) + \mathbb{E}[\text{Var}[\varphi(X_t) | X_{t-1}] | y_{1:t-1}], \quad \text{(propagation)} \]

\[ V_t(\varphi) = \tilde{V}_t \left( \frac{p(y_t | x_t)}{p(y_t | y_{1:t-1})} \cdot \{ \varphi(x_t) - \mathbb{E}[\varphi(X_t) | y_{1:t}] \} \right), \quad \text{(weighting)} \]

to verify the additive expression for the variance (2).

Hint: Start by verifying that

\[ V_t(\varphi_t) = V_{t-1}(\varphi_{t-1}) + \text{Var}[\zeta_t(x_t) | y_{1:t-1}] \]

for some functions \( \varphi_{t-1}(x_{t-1}) \) and \( \zeta_t(x_t) \) which are expressed in terms of \( \varphi_t(x_t) = \varphi(x_t) \). Then compute the two terms of the above expression explicitly using an inductive argument.

References
