Package ‘BLCOP’

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BLCOP data sets  Monthly equity returns

Description

A matrix holding time series of monthly returns (calculated from closing prices) for six stocks. The returns span the period from January 1998 through December 2003.

Usage

monthlyReturns

Format

A matrix with 6 columns and 71 rows. The names of the rows hold the dates of each series entry, and the column names are the names of the six equities from which the return series are taken.
BLCOPOptions

Examples

CAPMList(monthlyReturns, marketIndex = sp500Returns, riskFree = US13wTB)

BLCOPOptions

Global package options

Description

This function can be used to set or get global options for the BLCOP package.

Usage

BLCOPOptions(opt, setting)

Arguments

opt A string with the name of an option
setting The new setting for the option

Details

If setting is omitted, the current setting for opt is returned. If both arguments are omitted, a list with all of the settings is returned. The following settings may be changed: regFunc: Function used to perform the regression in CAPM alphas numSimulations: Number of monte-carlo simulations to perform in copula opinion pooling functions unitTestPath: Path where unit tests are located.

Value

If both arguments omitted, a list. If setting is omitted, value of an individual setting.

Author(s)

Francisco Gochez <fgochez@mango-solutions>

Examples

BLCOPOptions("numSimulations")
Description

BLposterior

Usage

BLPosterior(returns, views, tau = 1, marketIndex, riskFree = NULL, kappa = 0, covEstimator = "cov")

Arguments

returns  A matrix of time series of returns. The columns should correspond to individual assets.
views  An object of class BLViews
tau  The "tau" parameter in the Black-Litterman model.
marketIndex  A set of returns of a market index.
riskFree  A time series of risk-free rates of return. Defaults to 0
kappa  if greater than 0, the confidences in each view are replaced. See the online help for details
covEstimator  A string holding the name of the function that should be used to estimate the variance-covariance matrix. This function should simply return a matrix.

Value

An object of class BLResult

Author(s)

Francisco

Class “BLResult”: posterior of a market distribution in the Black-Litterman sense

Description

This class holds the posterior market mean and variance-covariance matrix calculated from some prior and set of views. The original views are also returned.
Objects from the Class

Objects can be created by calls of the form `new("BLResult",...)`. However, it is intended that they be created by the function `posteriorEst` (or wrappers to that function).

Slots

views: Object of class "BLViews". These are the original views used to calculate this posterior
tau: Object of class "numeric". The value of "tau" used
priorMean: Object of class "numeric": prior vector of market means
priorCovar: Object of class "matrix": prior of the variance-covariance
posteriorMean: Object of class "numeric": posterior mean
posteriorCovar: Object of class "matrix": posterior variance-covariance
kappa: Object of class "logical": logical flag indicating whether or not confidences-in-views were ignored.

Methods

densityPlots signature(result = "BLResult"): Plots the marginal distributions of the asset returns under the prior and posterior distributions
show signature(object = "BLResult"): Displays the contents of a result
optimalPortfolios.fPort signature(result = "BLResult"): Generates optimal prior and posterior portfolios using fPortfolio package routines

Author(s)

Francisco Gochez

Class "BLViews" (Black-Litterman views)

Description

An object that holds a set of analyst views, in the Black-Litterman sense, on a set of assets

Objects from the Class

Objects can be created by calls of the form `new("BLViews",...)` or with the BLViews function.

Slots

P: Object of class "matrix". The "pick" matrix
qv: Object of class "numeric". Means of the views
confidences: Object of class "numeric". Holds the confidence in each of the individual views
assets: Object of class "character": Name of the asset "universe" to which these views apply
Methods

**deleteViews** signature(views = "BLViews", viewsToDel = "numeric"): Deletes a vector of views from the object, where the vector entries correspond to rows of the pick matrix

**show** signature(object = "BLViews"): Prints views in a user-friendly manner

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

---

Build Views  
Create or add to a BLViews object

Description

`BLViews` and `COPViews` are "constructors" for `BLViews` and `COPViews` objects respectively. `addBLViews` and `addCOPViews` allow one to easily add more views to a pre-existing views objects. `newPMatrix` is a utility function for creating pick matrices.

Usage

```r
addBLViews(pickMatrix, q, confidences, views)
addCOPViews(pickMatrix, viewDist, confidences, views)
BLViews(P, q, confidences, assetNames)
COPViews(pickMatrix, viewDist, confidences, assetNames)
newPMatrix(assetNames, numViews, defaultValue = 0)
```

Arguments

- **P**  
  "Pick" matrix with columns named after assets to which views correspond
- **pickMatrix**  
  "Pick" matrix with columns named after assets to which views correspond
- **q**  
  "q" vector of views
- **confidences**  
  Vector of confidences in views. Note that confidences are reciprocals of standard deviations
- **viewDist**  
  A list of marginal distributions of the views
- **views**  
  A `BLViews` object
- **assetNames**  
  Names of the assets in the universe
- **numViews**  
  Number of views in the pick matrix
- **defaultValue**  
  Default value to use to fill the new pick matrix

Value

A `BLViews` or `COPViews` class object as appropriate. `newPMatrix` creates a matrix.
CAPMList

Author(s)
Francisco Gochez

See Also
createBLViews, updateBLViews

Examples

### example from T. M. Idzorek's paper "A STEP-BY-STEP GUIDE TO THE BLACK-LITTERMAN MODEL"

```r
## Not run:
pick <- newPMatrix(letters[1:8], 3)
pick[1,7] <- 1
pick[2,1] <- -1
pick[2,2] <- 1
pick[3,3:6] <- c(0.9, -0.9, 0.1, -0.1)
confidences <- 1 / c(0.00709, 0.000141, 0.000866)
myViews <- BLViews(pick, q = c(0.0525, 0.0025, 0.02), confidences, letters[1:8])
myViews
```

### Modified COP example from Meucci's "Beyond Black-Litterman: Views on non-normal markets"

```r
dispersion <- c(.376,.253,.360,.333,.360,.600,.397,.396,.578,.775) / 1000
sigma <- BLCOP:::symmetricMatrix(dispersion, dim = 4)
caps <- rep(1/4, 4)
mu <- 2.5 * sigma
dim(mu) <- NULL
marketDistribution <- mvdistribution("mt", mean = mu, S = sigma, df = 5)
pick <- newPMatrix(c("SP", "FTSE", "CAC", "DAX"), 1)
pick[1,4] <- 1
vdist <- list(distribution("unif", min = -0.02, max = 0))
views <- COPViews(pick, vdist, 0.2, c("SP", "FTSE", "CAC", "DAX"))
```

## End(Not run)

CAPMList

*Compute CAPM alphas for a set of assets*

**Description**

CAPMList is a helper function that computes the "alphas" and "betas" in the sense of the CAPM for series of asset returns. It is meant to be used for computing "prior" means for the Black-Litterman model.

**Usage**

```r
CAPMList(returns, marketIndex, riskFree = NULL, regFunc = BLCOPOptions("regFunc"),
        coeffExtractFunc = NULL, ...)
```
Arguments

returns       A matrix or data.frame of asset returns, with different columns corresponding to different assets
marketIndex   A time series of returns for some market index (e.g. SP500)
riskFree      Risk-free rate of return
regFunc       The name of the function to used to regress the asset return series against the market index. This is set in the BLCOP options, and is lm by default.
coeffExtractFunc
              A function that extracts the intercept (alpha) and coefficient of the market index (beta) from the results of a call to the regression function. It should return a vector containing these two elements.
...            Additional arguments to the regression function

Details

coeffExtractFunc is needed because some regression functions such as gls from the nlme package don’t return their results in the same format as lm does. If it is not supplied, a default that works with lm results is used.

Value

A data.frame with one column for the "alphas" and another for the "betas"

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

Examples

library(MASS)
CAPMList(monthlyReturns, marketIndex = sp500Returns, riskFree = US13wTB, regFunc = "rlm")

Construct views

Create or add to a view object using a graphical interface

Description

These helper functions allow one to easily create or add to an object of class BLViews or COPViews through the use of R’s built-in data editor.

Usage

createBLViews(allAssets, numAssetViews = 1, assetSubset = NULL, mode = c("editor", "Window"))
updateBLViews(views, includeNullViews = FALSE, numNewViews = 0, assets = NULL)
createCOPViews (allAssets, numAssetViews = 1, assetSubset = NULL, mode = c("editor", "Window"))
### Arguments

- **allAssets**: A character vector holding the names of all of the assets in one’s "universe"
- **numAssetViews**: The number of views to form. Should be less than or equal to the total number of assets
- **assetSubset**: A character vector of assets that is a subset of allAssets. Views will be formed only on this subset. By default, assetSubset = allAssets.
- **mode**: Mode of GUI. Currently unused
- **views**: Object of class BLViews
- **assets**: Set of assets to form or modify views on. If NULL, will use the full set of assets
- **includeNullViews**: When updating views, should the 0 columns of the pick matrix be included?
- **numNewViews**: In updateViews, this is the number of new views to add

### Details

createCOPViews does not allow one to specify the distributions of the views at the moment. Such a feature may be added later through another GUI. At the moment the object returned by this function has its distribution set to a default. updateViews allows one to modify pre-existing views

### Value

An object of class BLViews or COPViews that holds all of the views created.

### Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

### See Also

- addBLViews, addCOPViews, COPViews, BLViews

### Examples

```r
## Not run:
views <- createBLViews(colnames(monthlyReturns), 2)

## End(Not run)
```
COPPosterior  

**Description**

COPPosterior uses Attilio Meucci’s copula opinion pooling method to incorporate an analyst’s subjective views with a prior "official" market distribution. Both the views and the market may have an arbitrary distribution as long as it can be sampled in R. Calculations are done with monte-carlo simulation, and the object returned will hold samples drawn from the market posterior distribution.

**Usage**

```r
COPPosterior(marketDist, views, numSimulations = BLCOPOptions("numSimulations"))
```

**Arguments**

- `marketDist`: An object of class mvdistribution which describes the prior "official" distribution of the market.
- `views`: An object of class COPViews which describe the subjective views on the market distribution
- `numSimulations`: The number of monte carlo samples to draw during calculations. Each asset in one’s universe will have numSimulations samples from the posterior.

**Value**

An object of class COPResult.

**Author(s)**

Francisco Gochez <fgochez@mango-solutions.com>

**References**

Attilio Meucci, "Beyond Black-Litterman:Views on Non-normal Markets". See also Attilio Meucci, "Beyond Black-Litterman in Practice: a Five-Step Recipe to Input Views on non-Normal Markets."

**See Also**

BLPosterior
COPResult-class

Examples

```r
## Not run:
# An example based on one found in "Beyond Black-Litterman: Views on Non-normal Markets"
dispersion <- c(.376,.253,.360,.360,.333,.397,.396,.578,.775) / 1000
sigma <- BLCOP:::.symmetricMatrix(dispersion, dim = 4)
caps <- rep(1/4, 4)
mu <- 2.5 * sigma
dim(mu) <- NULL
marketDistribution <- mvdistribution("mt", mean = mu, S = sigma, df = 5)
pick <- matrix(0, ncol = 4, nrow = 1, dimnames = list(NULL, c("SP", "FTSE", "CAC", "DAX")))
pick[1,4] <- 1
vdist <- list(distribution("unif", min = -0.02, max = 0))
views <- COPViews(pick, vdist, 0.2, c("SP", "FTSE", "CAC", "DAX"))
posterior <- COPPosterior(marketDistribution, views)
## End(Not run)
```

---

COPResult-class  Class “COPResult”

Description

A class that holds the posterior distribution produced with the COP framework

Objects from the Class

Objects can be created by calls of the form `new("COPResult",...)`. In general however they are created by the function `COPPosterior`

Slots

views: Object of class "COPViews". These are the views that led to the result
marketDist: Object of class "mvdistribution". Prior distribution of the market
posteriorSims: Object of class "matrix". Matrices holding the simulations of the posteriors with a column for each asset.

Methods

densityPlots signature(result = "COPResult"): Generates density plots of the marginal prior and posterior distributions of each asset.
show signature(result = "COPResult"): Displays basic information about the posterior results
optimalPortfolios.fPort signature(result = "COPResult"): Generates optimal prior and posterior portfolios using fPortfolio package routines
Author(s)
Francisco Gochez <fgochez@mango-solutions.com>

See Also
COPPosterior, BLResult-class

COPViews-class
Class "COPViews" (copula opinion pooling views)

Description
An object that holds a set of analyst views, in the copula opinion pooling sense, on a set of assets

Objects from the Class
Objects can be created by calls of the form new("COPViews",...) or with the COPViews function.

Slots
- `pick`: Object of class "matrix". The pick matrix
- `viewDist`: Object of class "list". List of probability distributions of the views
- `confidences`: Object of class "numeric".
- `assets`: Object of class "character". Name of the asset "universe" to which these views apply.

Methods
- `deleteViews` signature(views = "COPViews", viewsToDel = "numeric"): Deletes a vector of views from the object, where the vector entries correspond to rows of the pick matrix
- `show` signature(object = "COPViews"): Prints views in a user-friendly manner

Author(s)
Francisco Gochez <fgochez@mango-solutions.com>

See Also
BLViews, COPViews, addCOPViews, createCOPViews

Examples
showClass("COPViews")
**deleteViews**  

Delete individual views from view objects

**Description**

A generic function that allows one to delete individual views from objects of class BLViews or COPViews. The inputs are a view object and a numeric vector of views to delete, where the entries of the vector map to rows of the pick matrix.

**Usage**

`deleteViews(views, viewsToDel)`

**Arguments**

- `views` An object of class BLViews or COPViews
- `viewsToDel` A numeric vector of views to delete, as described above

**Value**

The original object with the indicated views deleted

**Author(s)**

Francisco Gochez `<fgochez@mango-solutions.com>`

**See Also**

BLViews-class, COPViews-class

**Examples**

```r
stocks <- colnames(monthlyReturns)
pick <- matrix(0, ncol = 6, nrow = 2, dimnames = list(NULL, stocks))
pick[1,"IBM"] <- 1
pick[1, "DELL"] <- 0.04
pick[2, "C"] <- 1
pick[2, "JPM"] <- 0.6

confidences <- 1 / c(0.7, 0.1)

views <- BLViews( P = pick, q = c(0.1,0.1) , confidences = confidences,stocks)
deleteViews(views, 1)
```
**densityPlots**  

*Density plots of prior and posterior distributions*

**Description**

This generic function generates density plots of the marginal posterior and prior distributions of a set of assets in an object of class `BLResult` or `COPResult` for comparative purposes.

**Usage**

```r
densityPlots(result, assetsSel = NULL, numSimulations = BLCOPOptions("numSimulations"), ...)
```

**Arguments**

- `result`: Object of class `BLResult` or `COPResult`.
- `assetsSel`: A numeric vector of assets to plot.
- `numSimulations`: For `COPResult` class objects, the number of simulations to use for the market posterior distribution.
- `...`: Additional arguments passed to `plot`.

**Details**

For `COPResults` objects, density kernel estimates from the samples are used.

**Value**

None

**Author(s)**

Francisco Gochez, `<fgochez@mango-solutions>`

**Examples**

```r
## Not run:
dispersion <- c(.376,.253,.360,.333,.360,.600,.397,.396,.578,.775) / 1000
sigma <- BLCOP:::symmetricMatrix(dispersion, dim = 4)
caps <- rep(1/4, 4)
mu <- 2.5 * sigma
dim(mu) <- NULL
marketDistribution <- mvdistribution("mt", mean = mu, S = sigma, df = 5 )
pick <- matrix(0, ncol = 4, nrow = 1, dimnames = list(NULL, c("SP", "FTSE", "CAC", "DAX")))
pick[1,4] <- 1
vdist <- list(distribution("unif", min = -0.02, max = 0))
views <- COPViews(pick, vdist, 0.2, c("SP", "FTSE", "CAC", "DAX"))
posterior <- COPPosterior(marketDistribution, views)
```
densityPlots(posterior, 4)

## End(Not run)

---

**Distribution class constructors**

*Constructors for distribution and mvdistribution class objects*

---

**Description**

These functions create objects of class distribution and mvdistribution.

**Usage**

```
mdistribution(RName, ...)
distribution(RName, ...)
```

**Arguments**

- **RName**
  - A string holding the R suffix corresponding to the distribution, e.g. "pois" for the Poisson distribution
- **...**
  - Additional parameters that parametrize the distribution

**Details**

In general any distribution with a corresponding sampling function can be used. This function should have the name given in RName but preceded with an "r", e.g. `rnorm` for the normal distribution. When the constructors are called, they check that the given sampling function exists and that it takes the arguments that were passed in the . . .

**Value**

An object of class distribution or mvdistribution.

**Author(s)**

Francisco Gochez <fgochez@mango-solutions.com>

**See Also**

`sampleFrom`
distribution-class

Class "distribution"

description

A class that describes univariate distributions

Objects from the Class

Objects can be created by calls of the form new("distribution", ...). There is also a constructor which is also named distribution.

slots

RName: Object of class "character". This is the R "suffix" of the distribution.

parameters: Object of class "numeric". A named numeric vector that holds the parameters of the distribution.

author(s)

Francisco Gochez <fgochez@mango-solutions.com>

see also

distribution, mvdistribution, mvdistribution

examples

showClass("distribution")
Estimators

Get prior and posterior estimators stored in package scope

Description

These functions are not intended to be called directly by the user but exist to allow third party optimizer routines to access prior and posterior estimators calculated as part of the portfolio optimisation.

Usage

getPriorEstim(x, spec=NULL, ...)
getPosteriorEstim(x, spec=NULL, ...)

Arguments

x       multivariate time series
spec    optional portfolio specification
...     additional arguments

Value

A list with 2 elements:

mu       estimate of mean
Sigma     estimate of covariance

Author(s)

Richard Chandler-Mant <rchandler-mant@mango-solutions.com>

Extractors

Extract various fields of view or posterior objects

Description

A collection of functions to extract several fields of BLViews, COPViews, COPPosterior and BLPosterior objects.
Usage

- assetSet(views)
- viewMatrix(views, dropZeroColumns = TRUE)
- PMatrix(views)
- confidences(views)
- posteriorMeanCov(posterior)
- posteriorSimulations(posterior)
- numSimulations(posterior)
- priorViews(posterior)

Arguments

- views: An object of class BLViews or COPViews
- posterior: An object of class BLPosterior (posteriorMeanCov) or COPPosterior (posteriorSimulations, priorViews), as appropriate
- dropZeroColumns: Logical flag. If TRUE, columns of "view matrix" which only have zeros are dropped

Value

- assetSet: The names of the assets in the view object's universe
- confidences: The set of confidences in each view.
- PMatrix: The 'pick' matrix
- viewMatrix: The pick matrix augmented with the q vector of the BL model
- posteriorMeanCov: The posterior mean and covariance (in a list) of a BLPosterior object
- posteriorSimulations: Matrix of posterior distribution simulations held in a COPPosterior object
- numSimulations: Number of simulations in posterior COP distribution

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

Examples

```R
pick <- matrix(0, ncol = 4, nrow = 1, dimnames = list(NULL, c("SP", "FTSE", "CAC", "DAX")))
pick[1,4] <- 1
vdist <- list(distribution("unif", min = -0.02, max = 0))
views <- COPViews(pick, vdist, 0.2, c("SP", "FTSE", "CAC", "DAX"))
assetSet(views)
confidences(views)
PMatrix(views)
```
Description

A class that describes multivariate distributions

Objects from the Class

Objects can be created by calls of the form `new("distribution", ...`). There is also a constructor which is also named `mvdistribution`.

Slots

- `RName`: Object of class "character". This is the R "suffix" of the distribution.
- `parameters`: A named list of parameters that characterize the distribution

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

See Also

distribution, mvdistribution, distribution-class

Examples

```r
showClass("mvdistribution")
```

optimalPortfolios

Calculates optimal portfolios under prior and posterior distributions

Description

These are wrapper functions that calculate optimal portfolios under the prior and posterior return distributions. `optimalPortfolios` works with a user-supplied optimization function, though simple Markowitz minimum-risk optimization is done with `solve.QP` from `quadprog` if none is supplied. `optimalPortfolios.fPort` is a generic utility function which calculates optimal portfolios using routines from the `fPortfolio` package.

Usage

```r
optimalPortfolios(result, optimizer = .optimalWeights.simpleMV, ..., doPlot = TRUE, beside = TRUE)
```

```r
optimalPortfolios.fPort(result, spec = NULL, constraints = "LongOnly", optimizer = "minriskPortfolio", inputData = NULL, numSimulations = BLCOPOptions("numSimulations"))
```
Arguments

result: An object of class BLResult
optimizer: For optimalPortfolios, an optimization function. It should take as arguments a vector of means and a variance-covariance matrix, and should return a vector of optimal weights. For optimalPortfolios, the name of a fPortfolio function that performs portfolio optimization.
spec: Object of class fPORTFOLIOSPEC. If NULL, will use a basic mean-variance spec for Black-Litterman results, and a basic CVaR spec for COP results.
inputData: Time series data (any form that can be coerced into a timeSeries object).
constraints: String of constraints that may be passed into fPortfolio optimization routines.
numSimulations: For COP results only - the number of posterior simulations to use in the optimization (large numbers here will likely cause the routine to fail).
... Additional arguments to the optimization function.
doPlot: A logical flag. Should barplots of the optimal portfolio weights be produced?
beside: A logical flag. If a barplot is generated, should the bars appear side-by-side? If FALSE, differences of weights will be plotted instead.

Details

By default, optimizer is a simple function that performs Markowitz optimization via solve.QP. In addition to a mean and variance, it takes an optional constraints parameter that if supplied should hold a named list with all of the parameters that solve.QP takes.

Value

optimalPortfolios will return a list with the following items:

priorPFolioWeights: The optimal weights under the prior distribution.
postPFolioWeights: The optimal weights under the posterior distribution.

optimalPortfolios.fPort will return a similar list with 2 elements of class fPORTFOLIO.

Note

It is expected that optimalPortfolios will be deprecated in future releases in favour of optimalPortfolios.fPort.

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

References

Wuertz, D., Chalabi, Y., Chen W., Ellis A. (2009); Portfolio Optimization with R/Rmetrics, Rmetrics eBook, Rmetrics Association and Finance Online, Zurich.
Examples

```r
## Not run:
entries <- c(0.001005, 0.001328, -0.000579, -0.000675, 0.000121, 0.000128, -0.000445, -0.000437, 0.001328, 0.007277, -0.001307, -0.000610, -0.002237, 0.063497, 0.026572, 0.021465, 0.020697, 0.029854, 0.00121, -0.002237, 0.063497, 0.026572, 0.102488, 0.042744, 0.039943, 0.065994, 0.000128, -0.000989, 0.023036, 0.021465, 0.042744, 0.032056, 0.019881, 0.032235, -0.000445, 0.001442, 0.032967, 0.029854, 0.065994, 0.032235, 0.035064, -0.000437, -0.001535, 0.048039, 0.029854, 0.065994, 0.032235, 0.035064, 0.079958 )
varcov <- matrix(entries, ncol = 8, nrow = 8)
mu <- c(0.08, 0.67, 6.41, 4.08, 7.43, 4.80, 6.60) / 100
pick <- matrix(0, ncol = 8, nrow = 3, dimnames = list(NULL, letters[1:8]))
pick[1,7] <- 1
pick[2,1] <- -1; pick[2,2] <- 1
pick[3, 3:6] <- c(0.9, -0.9, .1, -.1)
confidences <- 1 / c(0.00709, 0.000141, 0.000866)
views <- BLViews(pick, c(0.0525, 0.0025, 0.02), confidences, letters[1:8])
posterior <- posteriorEst(views, tau = 0.025, mu, varcov)
optimalPortfolios(posterior, doPlot = TRUE)

## End(Not run)
```

`posteriorEst`

This function performs the "core" calculation of the Black-Litterman model.
Description
This function performs the "core" calculation of the Black-Litterman model.

Usage
posteriorEst(views, mu, tau = 0.5, sigma, kappa = 0)

Arguments
- views: An object of class BLViews
- mu: A vector of mean equilibrium returns
- tau: The "tau" parameter in the Black-Litterman model.
- sigma: The variance-covariance matrix of the returns of the assets
- kappa: if greater than 0, the confidences in each view are replaced. See the online help for details

Value
An object of class BLResult holding the updated Black-Litterman posterior

Author(s)
Francisco

posteriorFeasibility
Calculate the "feasibility" of the (Black-Litterman) posterior mean

Description
Attilio Meucci and Gianluca Fusai have suggested using the Mahalanobis distance to assess the feasibility of a set of Black-Litterman views. This function calculates this distance, along with a "feasibility" measure based on this distance and the sensitivity of the measure to changes in the "q" vector.

Usage
posteriorFeasibility(result)

Arguments
- result: An object of class BLResult
**Details**

The feasibility measure proposed by Meucci and Fusai (see the references below) is $1 - F(m)$, where $m$ is the Mahalanobis distance from the prior mean calculated with respect to the prior distribution. $F$ is the chi-squared CDF of $n$-degrees of freedom, where $n$ is the number assets in one’s universe. It should be noted that in Meucci and Fusai’s paper, a version of Black-Litterman is used in which the tau parameter is always set to 1.

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>mahalDist</td>
<td>Mahalonobis distance of posterior mean vector from prior mean</td>
</tr>
<tr>
<td>mahalDistProb</td>
<td>$1 - F(\text{mahalDist})$, where $F$ is the CDF of the Chi-squared distribution with $n = #\text{assets degrees of freedom}$</td>
</tr>
<tr>
<td>sensitivities</td>
<td>Derivatives of mahalDistProb with respect to the elements of the &quot;q&quot; vector in the set of views. Not yet implemented</td>
</tr>
</tbody>
</table>

**Warning**

It is not clear that the results produced by this routine are entirely sensible, though the calculation is very straightforward and seems to match the one discussed in the source paper. Use with caution.

**Author(s)**

Francisco Gochez <fgochez@mango-solutions.com>

**References**


**Examples**

```r
pickMatrix <- matrix(c(rep(1/2, 2), -1, rep(0, 3)), nrow = 1, ncol = 6)
views <- BLViews(P = pickMatrix, q = 0.08, confidences = 100, assetNames = colnames(monthlyReturns))
marketPosterior <- BLPosterior(monthlyReturns, views, marketIndex = sp500Returns, riskFree = US13wTB)
posteriorFeasibility(marketPosterior)
```

**Description**

These functions allow for direct replacement of fields of view objects such as the pick matrix and vector of confidences.
Replacer functions

Usage

\begin{verbatim}
PMatrix(views) <- value
confidences(views) <- value
qv(views) <- value
\end{verbatim}

Arguments

- **views**: An object of class BLViews or COPViews, except in the case of qv<- which applies only to BLViews.
- **value**: A vector in confidences<- and qv<- or a matrix in PMatrix<-.

Value

The object is modified directly.

Author(s)

Francisco Gochez <fgochez@mango-solutions.com>

Examples

```r
## example from Thomas M. Idzorek's paper "A STEP-BY-STEP GUIDE TO THE BLACK-LITTERMAN MODEL"

x <- c(0.001005, 0.001328, -0.000579, -0.000675, 0.000121, 0.000128, -0.000445, -0.000437,
0.001328, 0.007277, -0.001307, -0.000610, -0.002237, -0.000989, 0.001442, -0.001535,
-0.000579, -0.001307, 0.059852, 0.027588, 0.063497, 0.023036, 0.032967, 0.048039,
-0.000675, -0.000610, 0.027588, 0.029609, 0.026572, 0.021465, 0.020697, 0.029854,
0.000121, -0.002237, 0.063497, 0.026572, 0.102488, 0.042744, 0.039943, 0.065994,
0.000128, -0.000989, 0.023036, 0.021465, 0.042744, 0.032056, 0.019881, 0.032235,
-0.000445, 0.001442, 0.032967, 0.020697, 0.039943, 0.019881, 0.028355, 0.035064,
-0.000437, -0.001535, 0.048039, 0.029854, 0.065994, 0.032235, 0.035064, 0.079958)

varCov <- matrix(x, ncol = 8, nrow = 8)
mu <- c(0.08, 0.67, 6.41, 4.08, 7.43, 3.70, 4.80, 6.60) / 100
pick <- matrix(0, ncol = 8, nrow = 3, dimnames = list(NULL, letters[1:8]))
pick[1, 7] <- 1
pick[2, 1] <- -1; pick[2, 2] <- 1
pick[3, 3:6] <- c(0.9, -0.9, 0.1, -0.1)
confidences <- 1 / c(0.000709, 0.000141, 0.000866)
myViews <- BLViews(pick, c(0.0525, 0.0025, 0.02), confidences, letters[1:8])
myPosterior <- posteriorEst(myViews, tau = 0.025, mu, varCov)
myPosterior
# increase confidences
confidences(myViews) <- 1 / c(0.0001, 0.0001, 0.0005)
myPosterior2 <- posteriorEst(myViews, tau = 0.025, mu, varCov)
myPosterior2
```
runBLCOPTests

**Description**

Uses the RUnit package to execute a series of unit tests.

**Usage**

```r
runBLCOPTests(testPath = BLCPOptions("unitTestPath"), protocolFile = "BLCOPTests.html", writeProtocol = FALSE)
```

**Arguments**

- `testPath` Location of the unit tests.
- `protocolFile` Name of the html report file generated by the RUnit function printHTMLProtocol
- `writeProtocol` Logical flag. Should the above html report be produced?

**Value**

The summary of an object returned by RUnit's `runTestSuite`

**Warning**

These unit tests are in need of additional test cases, and should not be regarded as exhaustive in their current state.

**Author(s)**

Francisco Gochez <fgoeche@mango-solutions.com>

**Examples**

```r
## Not run:
runBLCOPTests()
## End(Not run)
```
sampleFrom  
*Sample from a distribution object*

**Description**
Generates samples from a distribution held by an object of class distribution or mvdistribution. Intended mainly for internal use.

**Usage**
```r
goingleFrom(dstn, n = 1)
```

**Arguments**
- `dstn`: an object of class distribution or mvdistribution.
- `n`: Number of samples to generate

**Value**
A vector or matrix of samples.

**Author(s)**
Francisco Gochez <fgochez@mango-solutions.com>

**Examples**
```r
x <- distribution("pois", lambda = 5)
hist(sampleFrom(x, 1000), col = "blue", prob = TRUE)
```

---

**sp500Returns**  
*S&P500 Returns*

**Description**
Monthly returns of the S&P 500 index for the period 2/2/1998 through 1/12/2003

**Usage**
```r
sp500Returns
```

**Format**
A matrix with 1 column and 71 rows.
Examples

ts.plot(sp500Returns)

<table>
<thead>
<tr>
<th>US13wTB</th>
<th>Risk free rate of return</th>
</tr>
</thead>
</table>

Description
The monthly rate of return of the US 13 week Treasury Bill for the period 30/1/1998 through 30/11/2003.

Usage

US13wTB

Format
A one-column matrix with 71 rows.

Examples

ts.plot(US13wTB)
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