

Statistical inference for multidimensional AR processes

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Abstract. It is shown that the suitably normalized maximum likelihood estimator of some parameters of multidimensional autoregressive processes with coefficient matrix of a special structure have exactly a normal distribution.

1. Introduction

Consider the 2-dimensional real-valued stationary autoregressive process $X(t)$, $t \geq 0$, given by the stochastic differential equation (SDE)

$$\begin{pmatrix} dX_1(t) \\ dX_2(t) \end{pmatrix} = \begin{pmatrix} -\lambda & -\omega \\ \omega & -\lambda \end{pmatrix} \begin{pmatrix} X_1(t) dt \\ X_2(t) dt \end{pmatrix} + \begin{pmatrix} dW_1(t) \\ dW_2(t) \end{pmatrix},$$

where $W(t) = (W_1(t), W_2(t))$, $t \geq 0$, is a standard 2-dimensional Wiener process and $\lambda > 0$, $\omega \in \mathbb{R}$ are unknown parameters. This process is a so-called 2-dimensional Ornstein–Uhlenbeck process.

Now consider the following statistics:

$$s_X^2(t) = \int_0^t (X_1^2(u) + X_2^2(u)) du,$$

$$r_X(t) = \int_0^t (X_1(u) dX_2(u) - X_2(u) dX_1(u)).$$

As it is known the maximum likelihood estimator (MLE) of the parameter ω is given by

$$\hat{\omega}_X(t) = \frac{r_X(t)}{s_X^2(t)},$$

and the following holds

$$s_X(t)(\widehat{\omega}_X(t) - \omega) \stackrel{\mathcal{D}}{=} \mathcal{N}(0, 1) \quad \text{for all } t > 0,$$

where $\stackrel{\mathcal{D}}{=}$ denotes equality in distribution. This result was formulated in ARATÓ, KOLGOMOROV, SINAY [2], and gives not only an asymptotic property but an exact distribution.

We are interested in the multidimensional generalization of the above result. Let $X(t) = (X_1(t), \dots, X_d(t))'$, $t \geq 0$, prime means transposed, be the d -dimensional process given by the stochastic differential equation

$$dX(t) = AX(t)dt + dW(t), \quad X(0) = 0,$$

where $W(t)$, $t \geq 0$, is a standard d -dimensional Wiener process with independent components and A is a $d \times d$ matrix. The following question arises: what type of conditions should be assumed on the matrix A in order that the suitably normalized MLE of its certain entries will have exactly a normal distribution?

G. PAP and M. C. A. van ZUIJLEN [6] studied d -dimensional processes of the special form

$$(1) \quad dX(t) = \left(-\lambda I_d + \sum_{i=1}^m \omega_i C_i \right) X(t) dt + dW(t), \quad X(0) = 0$$

where I_d is the $d \times d$ unit matrix, $\lambda, \omega_1, \dots, \omega_m \in \mathbb{R}$ are unknown parameters and $C_1, \dots, C_m$ are fixed $d \times d$ skew-symmetric matrices, i.e., $C'_i = -C_i$, $i = 1, \dots, m$. The maximum likelihood estimator of $\omega = (\omega_1, \dots, \omega_m)'$ is given by

$$\widehat{\omega}_X(t) = \sigma_X^{-1}(t) r_X(t),$$

where $\sigma_X(t)$ is the $m \times m$ matrix

$$\sigma_X(t) = \left(\int_0^t \langle C_i X(s), C_j X(s) \rangle ds \right)_{1 \leq i, j \leq m},$$

and $r_X(t)$ is the m -dimensional column vector

$$r_X(t) = \left(\int_0^t \langle C_i X(s), dX(s) \rangle \right)'_{1 \leq i \leq m}.$$

In [6] it is proved that

$$(2) \quad \sigma_X^{1/2}(t)(\widehat{\omega}_X(t) - \omega) \stackrel{\mathcal{D}}{=} \mathcal{N}(0, I_m), \quad \text{for all } t > 0,$$

if conditions (C1)–(C3) are satisfied, where

- (C1) $C'_i = -C_i$, $i = 1, \dots, m$,
- (C2) $(C_i C_j + C_j C_i) C_k = C_k (C_i C_j + C_j C_i)$, $i, j, k = 1, \dots, m$,
- (C3) $(C_i C_j + C_j C_i)(C_k C_\ell + C_\ell C_k) \in \mathcal{L}(C_u C_v, 1 \leq u, v \leq m)$,
 $i, j, k, \ell = 1, \dots, m$,

where $\mathcal{L}(C_u C_v, 1 \leq u, v \leq m)$ denotes the linear hull of the matrices $C_u C_v, 1 \leq u, v \leq m$. The main purpose of this paper is to show that the condition (C3) is superfluous.

Theorem. *Let $X(t)$, $t \geq 0$, be the process given by (1). Let us suppose that the conditions (C1) and (C2) are satisfied. Then (2) holds.*

In Section 2 some preparatory lemmas are given. We prove the Theorem in Section 3. Section 4 contains some special cases. It should be remarked that we consider only processes $X(t)$, $t \geq 0$, with initial value $X(0) = 0$, but the results can be extended for processes with random initial value $X(0) = \xi$ having absolutely continuous distribution which does not depend on the parameter ω , as in [6]. This extension of the results cover the stationary solution of the SDE (1).

2. Preliminaries

We shall make use of the following explicit formula which is a special case of Lemma 11.6 in [4].

Lemma 1. *Consider a standard d -dimensional Wiener process $W(t)$, $t \geq 0$. For all $t \geq 0$ let $B(t)$ and $Q(t)$ be $d \times d$ matrices such that $Q(t)$ is symmetric, positive semidefinite and*

$$(3) \quad \text{Tr} \int_0^T (B(t)B'(t) + Q(t)) dt < \infty.$$

Then

$$\begin{aligned} \mathbb{E} \exp \left\{ - \int_0^T \left(\int_0^t B(s) dW(s) \right)' Q(t) \left(\int_0^t B(s) dW(s) \right) dt \right\} \\ = \exp \left\{ \frac{1}{2} \text{Tr} \int_0^T B(t)B'(t)\Gamma(t) dt \right\}, \end{aligned}$$

where $\Gamma(t)$, $t \geq 0$, are negative semidefinite matrices determined by the Riccati differential equation

$$\dot{\Gamma}(t) = 2Q(t) - \Gamma(t)B(t)B'(t)\Gamma(t), \quad \Gamma(T) = 0.$$

Let us denote the cone of the symmetric, positive semidefinite $d \times d$ matrices by $\mathcal{C}_d$. We shall also use that the distribution of a symmetric, positive semidefinite $d \times d$ random matrix is uniquely determined by the value of its Laplace transform on the cone $\mathcal{C}_d$.

Lemma 2. *If σ is a random matrix with $\sigma' = \sigma$ and $\sigma \geq 0$ then the distribution of σ is uniquely determined by the Laplace transform $\psi : \mathcal{C}_d \rightarrow (0, \infty)$ given by*

$$\psi(\alpha) := \mathbb{E} \exp\{-\text{Tr}(\alpha' \sigma)\} = \mathbb{E} \exp\left\{-\sum_{i=1}^d \sum_{j=1}^d \alpha_{ij} \sigma_{ij}\right\}, \quad \alpha \in \mathcal{C}_d.$$

PROOF. First we prove that for $\alpha \in \mathcal{C}_d$ we have $\text{Tr}(\alpha' \sigma) \geq 0$. It is well known that there is a matrix $\beta \in \mathcal{C}_d$ such that $\alpha = \beta^2 = \beta' \beta$. The matrix $\beta \sigma \beta'$ is again symmetric and positive definite since

$$\langle \beta \sigma \beta' x, x \rangle = \langle \sigma(\beta' x), (\beta' x) \rangle \geq 0, \quad x \in \mathbb{R}^d.$$

Hence, indeed

$$\text{Tr}(\alpha' \sigma) = \text{Tr}(\beta' \beta \sigma) = \text{Tr}(\beta \sigma \beta') \geq 0.$$

For fixed $k \in \{1, \dots, d\}$ let us consider the matrix $\alpha^{(k)} \in \mathcal{C}_d$ with entries

$$\alpha_{ij}^{(k)} = \begin{cases} 1 & \text{if } i = j = k, \\ 0 & \text{else.} \end{cases}$$

Then $\text{Tr}((\alpha^{(k)})' \sigma) = \sigma_{kk}$.

For fixed $k, \ell \in \{1, \dots, d\}$, $k \neq \ell$, let us consider the matrix $\alpha^{(k\ell)} \in \mathcal{C}_d$ with entries

$$\alpha_{ij}^{(k\ell)} = \begin{cases} 1 & \text{if } i, j \in \{k, \ell\}, \\ 0 & \text{else.} \end{cases}$$

Then $\text{Tr}((\alpha^{(k\ell)})' \sigma) = \sigma_{kk} + 2\sigma_{k\ell} + \sigma_{\ell\ell}$.

Using the classical result on the Laplace transform of a random vector with nonnegative coordinates we know that the joint distribution of the random variables

$$(4) \quad \{\sigma_{kk} : 1 \leq k \leq d\} \cup \{\sigma_{kk} + 2\sigma_{k\ell} + \sigma_{\ell\ell} : 1 \leq k < \ell \leq d\},$$

is uniquely determined by the Laplace transform

$$\begin{aligned} & \varphi(s_k, 1 \leq k \leq d; s_{k\ell}, 1 \leq k < \ell \leq d) \\ & := \mathbb{E} \exp\left\{-\sum_{k=1}^d s_k \sigma_{kk} - \sum_{1 \leq k < \ell \leq d} s_{k\ell} \sigma_{k\ell}\right\}, \quad s_k, s_{k\ell} \geq 0. \end{aligned}$$

Clearly

$$\begin{aligned}
& \varphi(s_k, 1 \leq k \leq d; s_{k\ell}, 1 \leq k < \ell \leq d) \\
&= \mathbb{E} \exp \left\{ - \sum_{k=1}^d s_k \operatorname{Tr} \left((\alpha^{(k)})' \sigma \right) - \sum_{1 \leq k < \ell \leq d} s_{k\ell} \operatorname{Tr} \left((\alpha^{(k\ell)})' \sigma \right) \right\} \\
&= \mathbb{E} \exp \{ - \operatorname{Tr}(\alpha' \sigma) \} = \psi(\alpha),
\end{aligned}$$

where

$$\alpha = \sum_{k=1}^d s_k \alpha^{(k)} + \sum_{1 \leq k < \ell \leq d} s_{k\ell} \alpha^{(k\ell)} \in \mathcal{C}_d.$$

Consequently the joint distribution of the random variables in (4) is uniquely determined by the Laplace transform $\psi : \mathcal{C}_d \rightarrow (0, \infty)$ of the random matrix σ , hence, the joint distribution of the entries of the matrix σ is also uniquely determined by $\psi : \mathcal{C}_d \rightarrow (0, \infty)$ since there is a one-to-one correspondence between the entries of σ and the random variables in (4). $\square$

3. Proof of the Theorem

The proof can be carried out as in [6]. We have to show only that for all $T > 0$ the distribution of the symmetric, positive semidefinite random matrix $\sigma_X(T)$ does not depend on the parameter $\omega = (\omega_1, \dots, \omega_m)'$. Using Lemma 2 it is sufficient to show that the Laplace transform

$$\Psi_T(\alpha) = \mathbb{E} \exp \left\{ - \sum_{i,j=1}^m \alpha_{i,j} \int_0^T \langle C_i X(t), C_j X(t) \rangle dt \right\}, \quad \alpha \in \mathcal{C}_d,$$

does not depend on the parameter ω . Using the notation

$$C := \sum_{i=1}^m \sum_{j=1}^m \alpha_{ij} C_i' C_j,$$

we have

$$\Psi_T(\alpha) = \mathbb{E} \exp \left\{ - \int_0^T X'(t) C X(t) dt \right\}.$$

Next we show that C is a symmetric, positive semidefinite matrix. We use again that there exists a matrix $\beta \in \mathcal{C}_d$ such that $\alpha = \beta^2 = \beta' \beta$, hence $\alpha_{ij} = \sum_{k=1}^d \beta_{ki} \beta_{kj}$. We have

$$\langle Cx, x \rangle = \sum_{i=1}^m \sum_{j=1}^m \sum_{k=1}^d \beta_{ki} \beta_{kj} \langle C'_i C_j x, x \rangle = \sum_{k=1}^d \left| \sum_{i=1}^m \beta_{ki} C_i x \right|^2 \geq 0,$$

thus $C \in \mathcal{C}_d$, indeed.

Let

$$A = -\lambda I_d + \sum_{i=1}^m \omega_i C_i.$$

It is known that the solution $X(t)$, $t \geq 0$, of the SDE (1) can be represented in the form

$$X(t) = \int_0^t e^{(t-s)A} dW(s).$$

Consequently,

$$\begin{aligned} & \int_0^T X'(t) C X(t) dt \\ &= \int_0^T \left(\int_0^t e^{-sA} dW(s) \right)' e^{tA'} C e^{tA} \left(\int_0^t e^{-sA} dW(s) \right) dt. \end{aligned}$$

We will show that Lemma 1 can be applied with $B(t) = e^{-tA}$ and $Q(t) = e^{tA'} C e^{tA}$. Clearly the conditions (C1) and (C2) imply

$$B(t)B'(t) = e^{2\lambda t} I_d$$

and $AC = CA$, hence

$$Q(t) = C e^{tA'} e^{tA} = e^{-2\lambda t} C,$$

and we conclude the validity of the condition (3). Applying Lemma 1 and using the above formulae we obtain

$$\Psi_T(\alpha) = \exp \left\{ \frac{1}{2} \text{Tr} \int_0^T e^{2\lambda t} \Gamma(t) dt \right\}, \quad \alpha \in \mathcal{C}_d,$$

where $\Gamma(t)$, $t \geq 0$, is defined by

$$\dot{\Gamma}(t) = 2e^{-2\lambda t} C - e^{2\lambda t} \Gamma^2(t), \quad \Gamma(T) = 0.$$

Consequently the Laplace transform Ψ_T does not depend on the parameter ω and the proof is completed. $\square$

4. Special cases

We give some application of the Theorem.

Corollary 1. Consider the d -dimensional process $X(t)$, $t \geq 0$, given by

$$dX(t) = \left(-\lambda I + \sum_{i=1}^m \omega_i C_i\right) X(t) dt + dW(t), \quad X(0) = 0,$$

where

$$C'_i = -C_i, \quad i = 1, \dots, m,$$

$$C_i C_j = -C_j C_i, \quad 1 \leq i < j \leq m.$$

Then the maximum likelihood estimators of the parameters $\omega_1, \dots, \omega_m$ are given by

$$\hat{\omega}_X^{(i)}(t) = \frac{r_X^{(i)}(t)}{\left(s_X^{(i)}(t)\right)^2},$$

where

$$r_X^{(i)}(t) = \int_0^t \langle C_i X(s), dX(s) \rangle, \quad \left(s_X^{(i)}(t)\right)^2 = \int_0^t |C_i X(s)|^2 ds,$$

and

$$\left(s_X^{(1)}(t) \left(\hat{\omega}_X^{(1)} - \omega_1\right), \dots, s_X^{(m)}(t) \left(\hat{\omega}_X^{(m)} - \omega_m\right)\right) \stackrel{\mathcal{D}}{=} \mathcal{N}(0, I_m),$$

for all $t > 0$.

Corollary 2. Consider the d -dimensional process $X(t)$, $t \geq 0$, given by

$$dX(t) = (-\lambda I + \omega C) X(t) dt + dW(t), \quad X(0) = 0,$$

where $C' = -C$.

Then the maximum likelihood estimator of the parameter ω is

$$\hat{\omega}_X(t) = \frac{r_X(t)}{s_X^2(t)},$$

where

$$r_X(t) = \int_0^t \langle CX(s), dX(s) \rangle, \quad s_X^2(t) = \int_0^t |CX(s)|^2 ds,$$

and

$$s_X(t) (\hat{\omega}_X(t) - \omega) \stackrel{\mathcal{D}}{=} \mathcal{N}(0, 1), \quad \text{for all } t > 0.$$

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