Applications of statistical physics to problems in economics

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Abstract

Econophysics describes the application of tools from statistical physics to the study of problems in economics such as correlations in stock prices or the distribution of wealth in society.

We present an analysis of financial data from stocks that belong to the London Stock Exchange, FTSE100, using the concept of random matrix theory and minimal spanning trees. This reveals a division of the stocks in industrial sub-sectors, mostly in good agreement with empirically derived groupings, but also indicating possible refinements, important for the use in portfolio optimisation. A similar analysis of market indices of different countries shows that despite globalisation strong regional geographical correlations still exist.

The general observation that the distribution of wealth in society takes the form of power-laws is reproduced by various physical models, based on the analogy with collisions of particles or Langevin type equations. We briefly review this and point to still existing difficulties in explaining the details of the distribution.

Keywords: statistical physics, econophysics, random matrix theory, minimal spanning trees, wealth distributions.
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Chapter 1

Introduction

“I think the next century will be the century of complexity.” (Stephen Hawking)

Econophysics describes the application of Physics concepts to the study of economics and financial topics. This field had a big boom in the last decade when physicists started to look at open problems in economics and with the large amount of financial data available started to see many differences between the economic theory and empirical results.

Econophysics can be divided in two main areas:

• The first area and probably the main one, is related to the study of stock markets [1, 2].
  • The second area is related to the study of wealth or income distributions in society. [3, 4].

The manipulation of Physics concepts in economics started more than 100 years ago when Bachelier, in his doctoral thesis, Théorie de la spéculation [5], was the first to formalise the concept of random walks, predating the work of Einstein on Brownian motion.

1.1 Stock Markets

The area of study of stock markets has a big impact, because many physicist try to apply their techniques to predict market oscillations or crashes, or to get better ways to filter data and construct better portfolios of stocks, where the risk will be lower and the return higher.

An important issue is the huge amount of data that appeared from electronic formats. Nowadays it is possible to access 1 minute variations of prices of stocks in the market, which was impossible some decades ago. In Figure 1.1 we can see an example of the daily evolution of the price, \( P_t(t) \) of a company in time, in this case the bank HSBC (tick symbol HSBA) that belongs to the main index of the London Stock Exchange, FTSE100. With the study of the distribution of returns of the price of a stock, some empirical results didn’t match some laws used by the
the economics community [6, 7, 8]. The returns are defined as: \( R_i(t) = \ln P_i(t) - \ln P_i(t-1) \) (Figure 1.2) and we use the logarithmic return for two reasons: first there is a common belief that the price of stocks, \( P_i(t) \) increase exponentially, in time, on average; second is related with the fact that the difference between two consecutive prices is very small, so:

\[
R_i(t) = \ln \left( \frac{P_i(t)}{P_i(t-1)} \right) = \ln \left( 1 + \frac{P_i(t) - P_i(t-1)}{P_i(t-1)} \right) \approx \frac{P_i(t) - P_i(t-1)}{P_i(t-1)} \tag{1.1}
\]

i.e. the log-return has approximately the same value as the quotient return. The distribution of returns generally does not follow a Gaussian, but as we can see from Figure 1.3 the tails of the distribution are more enhanced than a Gaussian distribution. The strength of the tails depends on the time scale at which returns are evaluated and scaling behaviour can be found for different time scales [1]. Figures 1.2 and 1.3 are one example of the large study that we did for all the stocks in our database.

An important issue is thus to redevelop financial tools that were developed from Gaussian statistics, but now based on non-Gaussian statistics.

An important method frequently used for the study of time series in the stock market is Random Matrix Theory. Random Matrix Theory was previously used in Nuclear Physics to study the statistical behaviour of energy levels of nuclear reactions [9]. According to quantum mechanics, the energy levels are given by the eigenvalues of a Hermitian operator, the Hamiltonian which was postulated to have independent random elements. However, analysis of the
Figure 1.2: Daily return of price of company HSBC (bank with the tick symbol HSBA) as a function of time.

Figure 1.3: Normalised distribution of daily returns of price of company HSBC (bank with the tick symbol HSBA) represented as black circles. The solid and broken lines represent fits to a Gaussian and T-student distribution, respectively. The plot is in a log-linear scale. Note that the data cannot be adequately represented by the Gaussian.
eigenvalues of real data showed deviations from the spectra of fully random matrices, thus indicating non-random properties, useful for an understanding of the interactions between nuclei. This approach is nowadays applied to the study of correlations of time series of returns in the stock market (Section 2.2), where physicists try to find the non-random properties of the matrix of correlations [10, 11, 12]. With the prediction of the eigensystem of a random matrix, compared with the eigensystem of the matrix of real data of stocks, we can see eigenvalues far from the prediction spectrum, that have a lot of information about the market [13, 14], as the index of the market, or the clustering in industrial sector in markets. The index of the market can be calculated as the simple mean of the prices of all the stocks that belong to the market or the weighted mean, where some stocks contribute more to the index, related with the size of the company. The industrial sectors can be different for different classifications, but normally the industrial sector means which kind of business the company is included in.

To visualise the hierarchical structure of financial markets, Mantegna defined a distance between stocks (Section 2.4.1), using the correlations between them [15]. Using this distance, he constructed a network of stocks (Minimal Spanning Tree, Section 2.4), where nodes are stocks and links are the distances between them. An example of a network of companies is represented in Figure 1.4. The relations between companies show the formation of clusters of sectors, as we can see that same symbols in Figure 1.4, are linked together. The 100 most highly capitalised companies in the UK that comprise the London Stock Exchange FTSE100, represent approximately 80% of the UK market. From these 100 stocks, we study the time series of the daily closing price of 67 stocks that have been in the index continuously over a period of almost 9 years, starting in 2nd August 1996 until 27th June 2005. This equals 2322 trading days per stock. The legend for the symbols and industrial sectors for the data of London Stock Exchange, FTSE100 and for the World Indices data is explained in Appendix B. The tree represented in Figure 1.4 is just one example of the many trees that we already produced in our work.

Properties of the trees, like topology for different time scales [16, 17], degree distribution of the nodes [18, 19, 20, 21, 22], time evolution of moments of the distances of the trees [20, 21, 23, 24, 25, 26, 27], spread of nodes in the tree (Section 2.4.2) [20, 24, 25], robustness of the tree (Section 2.4.3) [20, 21, 22, 24, 25, 26, 28], topology before and after financial crashes [26] and others were studied for different kinds of data [29, 30].

### 1.2 Wealth Distributions

The area of study of wealth distributions is another important aspect of economics now looked at by physicists, which is not only related with the study of wealth or income distributions in societies [3], but also with the size of companies in a country [31], or the GDP (Gross Domestic
1. Introduction

Figure 1.4: MST of 67 stocks of the main index of the London Stock Exchange (FTSE100) computed from the time series of returns for each stock. For this tree we use the full time series of 2322 daily prices from 2nd August 1996 until 27th June 2005. A division in clusters can be seen from the figure where one sector (grey ◦) is the backbone of the tree and many sectors are linked with this one. The classification of the sectors is presented in Appendix B.

Product) of countries [32]. The study of wealth distributions has attracted great interest since the work of the socio-economist Vilfredo Pareto, who wrote a book about economical politics, 100 years ago [33], studying a large amount of economical data (Table 1.1), he suggested that the distribution of wealth from different cities and countries follow a power law distribution with similar exponents $\alpha$ (between 1 and 2), known nowadays as Pareto’s index:

$$P(w) \sim w^{-(1+\alpha)}, \text{ for large } w.$$  \hfill (1.2)

The power law distribution is also known as Pareto’s Law and sketches of both probability distribution and cumulative distribution are shown in Figures 1.5 and 1.6, respectively. The cumulative distribution of wealth is known as the probability that the wealth takes on a value equal of bigger than $w$:

$$C(>w) \sim w^{-\alpha}, \text{ for large } w.$$  \hfill (1.3)

This work of Pareto was the first empirical study of wealth distributions, but over the last decade many physicists studied an extensive amount of data from different countries, summarised in Table 1.2.
Figure 1.5: Sketch of the distribution of income according to Pareto. For large values of income this follows a power law.

Figure 1.6: Sketch of the cumulative distribution of income. In this $\log - \log$ plot the power-law regime results in a straight line with slope $-\alpha$.

Apart from the study of the empirical data, physicists are very interested in modelling wealth distributions [34]. A detailed review of some models and open problems in the study of wealth distribution [35] was published by us in a chapter of an Econophysics book [4]. Models used in biological systems like Lotka-Volterra models, were used by physicists to explain the economic trade relations in communities [36]. Gas models of collisions were transformed into economic
Table 1.1: Table, taken from Pareto’s book [33], showing the exponent $\alpha$ for a number of different data sets. Note that this is only a small extract of all the data that Pareto analysed.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>$\alpha$</th>
<th>Country</th>
<th>Year</th>
<th>$\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>1843</td>
<td>1.50</td>
<td>Perouse, village</td>
<td>1879-80</td>
<td>1.35</td>
</tr>
<tr>
<td></td>
<td>1879-80</td>
<td>1.35</td>
<td>Perouse, campagne</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prussia</td>
<td>1852</td>
<td>1.89</td>
<td>$^a$</td>
<td>1876</td>
<td>1.72</td>
</tr>
<tr>
<td></td>
<td>1876</td>
<td>1.72</td>
<td>Italian villages</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1881</td>
<td>1.73</td>
<td>Basle</td>
<td>1887</td>
<td>1.24</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>1.68</td>
<td>Paris</td>
<td></td>
<td>1.57</td>
</tr>
<tr>
<td></td>
<td>1890</td>
<td>1.60</td>
<td>Augsburg</td>
<td>1471</td>
<td>1.43</td>
</tr>
<tr>
<td></td>
<td>1894</td>
<td>1.60</td>
<td></td>
<td>1498</td>
<td>1.47</td>
</tr>
<tr>
<td>Saxony</td>
<td>1880</td>
<td>1.58</td>
<td></td>
<td>1512</td>
<td>1.26</td>
</tr>
<tr>
<td></td>
<td>1886</td>
<td>1.51</td>
<td></td>
<td>1526</td>
<td>1.13</td>
</tr>
<tr>
<td>Florence</td>
<td></td>
<td>1.41</td>
<td>Peru</td>
<td>end of $18^{th}$ century</td>
<td>1.79</td>
</tr>
</tbody>
</table>

$^a$Some of the Italian main cities: Ancone, Arezzo, Parma and Pisa

models where agents substitute molecules, money substitutes energy and trade substitutes collisions [37, 38]. A model of dynamical network of families [39], where each node is one family and links between nodes means family relations, were used to implement money exchange between different families due to payments of new links (like weddings), payments to the society (to rear a child), distributions of money from nodes that will disappear (inheritance). The appeal in using all these models is that they are simple models, with an analytical solution, few parameters and the final result for some parameters can fit the real data of wealth distributions. But there is still parts of the distribution of wealth that are not explained completely. For example, the power law distribution of the wealth just appear for the upper 5-10% of the society. The other part of the society is normally defined to have a log-normal or Gibbs distribution (Table 1.2). But even the power law in the end of the distribution seems to have more than one Pareto exponent. As we can see from Table 1.2 when the distribution of wealth is just related with the top billionaires, the exponent is low, compared with the top richest of the society in the other studies. A model able to explain an exponent for the rich members of the society and other exponent for the billionaires that normally appear on the list of World Top Richest (like Forbes [40]) is our goal for this project, in the future, in terms of wealth distributions.
Table 1.2: Table of empirical data. In column Source: S.H. - Size of Houses; I. - Income; I.T. - Income Tax; Inhe. T. - Inheritance Tax; W. - Wealth. In column Distributions: Par. - Pareto tail; LN - Log-normal; Exp. - Exponential; D. Par. - Double Pareto Log-normal; G. - Gamma.

<table>
<thead>
<tr>
<th>Country</th>
<th>Source</th>
<th>Distributions</th>
<th>Pareto Exponents</th>
<th>Ref.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>S.H. (14th B.C.)</td>
<td>Par.</td>
<td>$\alpha = 1.59 \pm 0.19$</td>
<td>[41]</td>
</tr>
<tr>
<td>Japan</td>
<td>I.T. (1992)</td>
<td>Par.</td>
<td>$\alpha = 2.057 \pm 0.005$</td>
<td>[42, 43, 44]</td>
</tr>
<tr>
<td></td>
<td>I. (1998)</td>
<td>Par.</td>
<td>$\alpha = 1.98$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I.T. (1998)</td>
<td>Par.</td>
<td>$\alpha = 2.05$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. / I.T. (1998)</td>
<td>Par.</td>
<td>$\alpha = 2.06$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1887-2000)</td>
<td>LN / Par.</td>
<td>$\tau \sim 2.6^{b}$</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>I.T. (1997)</td>
<td>Par.</td>
<td>$\alpha = 1.6$</td>
<td>[45]</td>
</tr>
<tr>
<td>Japan</td>
<td>I.T. (2000)</td>
<td>Par.</td>
<td>$\alpha = 2.0$</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>I. (1998)</td>
<td>Exp. / Par.</td>
<td>$\alpha = 1.7 \pm 0.1$</td>
<td>[46, 47, 48]</td>
</tr>
<tr>
<td>U.K.</td>
<td>Inhe. T. (1996)</td>
<td>Exp. / Par.</td>
<td>$\alpha = 1.9$</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>I. (1977-2002)</td>
<td>LN / Par.</td>
<td>$\alpha \sim 2.09 - 3.45$</td>
<td>[49]</td>
</tr>
<tr>
<td></td>
<td>I. (1987)</td>
<td>LN / Par.</td>
<td>$\alpha = 2.09 \pm 0.002$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. (1993)</td>
<td>LN / Par.</td>
<td>$\alpha = 2.74 \pm 0.002$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. (1998)</td>
<td>LN / Par.</td>
<td>$\alpha = 2.76 \pm 0.002$</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>I. (1993-97)</td>
<td>Par.</td>
<td>$\alpha \sim 2.2 - 2.6$</td>
<td>[50]</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>I. (1997)</td>
<td>D. Par.</td>
<td>$\alpha = 22.43 / \beta = 1.43$</td>
<td>[51]</td>
</tr>
<tr>
<td>Canada</td>
<td>I. (1996)</td>
<td>D. Par.</td>
<td>$\alpha = 4.16 / \beta = 0.79$</td>
<td></td>
</tr>
<tr>
<td>Sri-Lanka</td>
<td>I. (1981)</td>
<td>D. Par.</td>
<td>$\alpha = 2.09 / \beta = 3.09$</td>
<td></td>
</tr>
<tr>
<td>Bohemia</td>
<td>I. (1933)</td>
<td>D. Par.</td>
<td>$\alpha = 2.15 / \beta = 8.40$</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>1980</td>
<td>G. / Par.</td>
<td>$\alpha = 2.2$</td>
<td>[52]</td>
</tr>
<tr>
<td></td>
<td>1969</td>
<td>G. / Par.</td>
<td>$\alpha = 1.63$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2001</td>
<td>G. / Par.</td>
<td>$\alpha = 1.85$</td>
<td></td>
</tr>
<tr>
<td>U.K.</td>
<td>1996</td>
<td>Par.</td>
<td>$\alpha = 1.85$</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1998-99</td>
<td>Par.</td>
<td>$\alpha = 1.85$</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>I. (1992)</td>
<td>Exp. / LN</td>
<td>$\tau \sim 3$</td>
<td>[53]</td>
</tr>
<tr>
<td>India</td>
<td>W. (2002-2004)</td>
<td>Par.</td>
<td>$\alpha \sim 0.81 - 0.92$</td>
<td>[54]</td>
</tr>
<tr>
<td></td>
<td>I. (1997)</td>
<td>Par.</td>
<td>$\alpha = 1.51$</td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>W. (1996)</td>
<td>Par.</td>
<td>$\alpha = 1.36$</td>
<td>[55, 56, 57]</td>
</tr>
<tr>
<td></td>
<td>W. (1997)</td>
<td>Par.</td>
<td>$\alpha = 1.35$</td>
<td></td>
</tr>
<tr>
<td>U.K.</td>
<td>W. (1970)</td>
<td>Par.</td>
<td>$\alpha = 1.06$</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>W. (1965)</td>
<td>Par.</td>
<td>$\alpha = 1.66$</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>W. (1994)</td>
<td>Par.</td>
<td>$\alpha = 1.83$</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>I.T. (1998-2000)</td>
<td>Par.</td>
<td>$\alpha \sim 2.30 - 2.46$</td>
<td>[58]</td>
</tr>
</tbody>
</table>

*a*Related to the size of houses found in an archaeological study.  
*b*This value is an average Pareto exponent.  
*c*$\alpha$ and $\beta$ are Pareto exponents for the richest and poorest part, respectively.  
*d*Both distributions are a good fit of the data.  
*e*125 wealthiest individuals in India.  
*f*400 wealthiest people, by Forbes.  
*g*Top wealthiest people, by Forbes.  
*h*Top wealthiest people, by Sunday Times.
Chapter 2

Methods

The computational part of our work concerns the analysis of financial data. Nowadays, we can find much financial data on the Internet [59], but there is a big problem with this: parts of data are missing, so in the beginning of our work, before uploading the data to a database, we have to check what we can use and what we cannot. Which days are missing, which stocks are missing, even the format of the data that we download from the Internet needs to be converted in a different format for our database.

We create a MySQL database [60], where we upload all our data. After uploading the data we have to classify the data, for example, if we have data from stocks of the London Stock Exchange, and we just have the tick symbol of each company we will need to check the sector or industry to which one belongs. But there is more than one classification, so we have to test different classifications and see which one is more powerful for our study. With the term powerful we mean the classification that will show the better visualisation of clusters of sectors in the Minimal Spanning Tree, for example.

In this chapter, we will discuss the methods used until now.

2.1 Analysing returns

As we already said in the Introduction, some economists assume the returns to be Gaussian distributed, but we saw in Figure 1.3 that the tails of the distribution are “fatter” than a Gaussian distribution. To fit the Gaussian distribution we computed the mean (μ) and standard deviation (σ) of the returns and plotted the probability distribution function:

$$ P(x) = \frac{1}{\sigma \sqrt{2\pi}} \exp \left( -\frac{(x-\mu)^2}{2\sigma^2} \right) $$

But we can fit distributions with fat tails, like the T-student or Tsallis distribution [61] to the distribution of returns and see if the tails are better fitted with this. The probability
distribution function of a T-student is given as:

\[ P_k(x) = N_k \frac{1}{\sqrt{2\pi \sigma_k^2}} e_{k}^{-x^2/2\sigma_k^2} \]  

(2.2)

where \( N_k \) is a normalisation factor:

\[ N_k = \frac{\Gamma(k)}{\sqrt{k \Gamma(k - \frac{1}{2})}} \]  

(2.3)

and \( \Gamma(k) = (k - 1)! \) is the Gamma function. The factor \( \sigma_k = \sigma \sqrt{(k - 3/2)/k} \) is related with the effective standard deviation of the distribution (\( \sigma \)) and with the degree of distribution (\( k \)). The function \( e_k^z \) is an approximation of the exponential function called \( k \)-exponential:

\[ e_k^z = (1 - z/k)^{-k} \]  

(2.4)

and in the limit \( k \to \infty \) this function reduces to the ordinary exponential function. The probability distribution function can be written as:

\[ P_k(x) = \frac{\Gamma(k)}{\Gamma(k - \frac{1}{2}) \sigma \sqrt{\pi (2k - 3)}} \left[ 1 + \frac{x^2}{\sigma^2(2k - 3)} \right]^{-k} \]  

(2.5)

The parameter \( k \) is related with the Tsallis parameter \( q \) by \( k = 1/(q - 1) \). The computation of the parameters of T-student distribution is explained in Appendix A. For all the stocks of the London Stock Exchange that we studied, the minimum value of \( k \) is 1.7 and the maximum 9.0, but most of the values are in the \([2, 4]\) interval, which means values of \( q \) in the \([1.25, 1.5]\) interval, that is around the values found by Tsallis [62] (1.40, 1.37 and 1.38) for 1-, 2- and 3-minutes return, respectively, for the NYSE in 2001. For example the value of \( k \) found for HSBC company is \( \sim 2.90 \) (the one used in the T-student distribution in Figure 1.3).

Our study is based on the assumption that the returns of the stock price carry more information than random noise. To check this, we will compute the correlation between returns of stock prices and analyse the correlation matrix. The main idea of our work is to find the underlying correlation matrix of stock returns.

### 2.2 The correlation of stock prices

The correlation coefficient, \( \rho_{ij} \) between stocks \( i \) and \( j \) is given by:

\[ \rho_{ij} = \frac{\langle R_i R_j \rangle - \langle R_i \rangle \langle R_j \rangle}{\sqrt{\langle R_i^2 \rangle - \langle R_i \rangle^2} \sqrt{\langle R_j^2 \rangle - \langle R_j \rangle^2}} \]  

(2.6)

where \( R_i \) is the vector of the time series of log-returns, \( R_i(t) = \ln P_i(t) - \ln P_i(t - 1) \) and \( P_i(t) \) is the daily closure price of stock \( i \) at day \( t \). The notation \( \langle \cdots \rangle \) means an average over time.
2. Methods

\[ \frac{1}{T} \sum_{t=t}^{t+T-1} \cdots, \] where \( t \) is the first day and \( T \) is the length of our time series. We can normalise the time series of returns for each stock by subtracting the mean and dividing by the standard deviation:

\[
\tilde{R}_i = \frac{R_i - \langle R_i \rangle}{\sqrt{\langle R_i^2 \rangle - \langle R_i \rangle^2}} \quad (2.7)
\]

The correlation coefficient is then given by: \( \rho_{ij} = \langle \tilde{R}_i \tilde{R}_j \rangle \).

This coefficient can vary between \(-1 \leq \rho_{ij} \leq 1\), where \(-1\) means completely anti-correlated stocks and \(+1\) completely correlated stocks. If \( \rho_{ij} = 0 \) the stocks \( i \) and \( j \) are uncorrelated. The coefficients form a symmetric \( N \times N \) matrix with diagonal elements equal to unity. The correlation matrix with elements \( \rho_{ij} \) can be represented as:

\[
C = \frac{1}{T} G G^T \quad (2.8)
\]

where \( G \) is an \( N \times T \) matrix with elements \( \tilde{R}_i(t) \) and \( G^T \) denotes the transpose of \( G \).

The distribution of correlation coefficients is an important aspect of our study because can show how the stocks from a portfolio are related with each other. If we compare the distribution of real data with the one made from random data (Figure 3.1), conclusions about the non-randomness of the market can be done. We can also study the moments of this distribution, as the mean [20, 25]:

\[
\bar{\rho} = \frac{2}{N(N-1)} \sum_{i<j} \rho_{ij} \quad (2.9)
\]

the variance:

\[
\lambda_2 = \frac{2}{N(N-1)} \sum_{i<j} (\rho_{ij} - \bar{\rho})^2, \quad (2.10)
\]

the skewness:

\[
\lambda_3 = \frac{2}{N(N-1)\lambda_2^{3/2}} \sum_{i<j} (\rho_{ij} - \bar{\rho})^3, \quad (2.11)
\]

and the kurtosis:

\[
\lambda_4 = \frac{2}{N(N-1)\lambda_2^2} \sum_{i<j} (\rho_{ij} - \bar{\rho})^4. \quad (2.12)
\]

Just the elements of the upper triangle of the matrix are used to compute the matrix, because it’s a symmetric matrix with diagonal elements equal to unity. If we divide our time series in small windows and we move these windows in small steps, we create different correlation matrices, and if we compute the moments of each matrix, we can study these moments in time.
2.3 A Random Matrix Theory based analysis of stock correlations

Studying the eigensystem of the correlation matrix, we can see some financial information in the eigenvalues of the matrix and in the respective eigenvectors. We know that comparing the spectrum of eigenvalues of correlation matrix with the spectrum of eigenvalues of a random matrix, we can extract information about the market and about the sectors that constitute the market. A random matrix is defined by [63]:

$$C' = \frac{1}{T} G' G'^T$$  \hspace{1cm} (2.13)

where $G'$ is a $N \times T$ matrix with columns of time series with zero mean and unit variance, that are uncorrelated, the spectrum of eigenvalues can be calculated analytically. In the limit $N \to \infty$ and $T \to \infty$, where $Q = T/N$ is fixed and bigger than 1, the probability density function of eigenvalues of the random matrix is:

$$P_{RM}(\lambda) = \frac{Q}{2\pi} \sqrt{\frac{(\lambda_{\text{max}} - \lambda)(\lambda - \lambda_{\text{min}})}{\lambda}}$$  \hspace{1cm} (2.14)

where

$$\lambda_{\text{min}}^{\text{max}} = \left(1 \pm \frac{1}{\sqrt{Q}}\right)^2$$  \hspace{1cm} (2.15)

limits the interval where the probability density function is different from zero. The $P_{RM}(\lambda)$ for $Q = 34.6$ ($T = 2321$ and $N = 67$ are the values for our London Stock Exchange data) is shown in Figure 2.1 and it’s compared with the distribution of eigenvalues of a correlation matrix computed from shuffled time series of original data of stocks from the London Stock Exchange.

If we compare the results of a correlation matrix constructed with real time series, with the random matrix (Figure 3.3) we can see that the highest eigenvalues of the real matrix are much higher than the highest eigenvalue of random matrix. The largest eigenvalue represents something that is common to all stocks. If we analyse the respective eigenvector, all the stocks have the same sign (Figure 3.4), so all participate in the same way.

The largest eigenvalue and its corresponding eigenvector can be interpreted as the collective response of the market to any external factors, so it can be compared with the market index [13, 14]. A way to prove this is to see the correlation between the index of the market and the projection of the time series in the eigenvector related with the largest eigenvalue (Figure 3.5). The projection is given by:

$$R^N(t) = \sum_{i=1}^{N} u^N_i R_i(t)$$  \hspace{1cm} (2.16)

where $R^N(t)$ is the return of the portfolio of $N$ stocks, defined by the eigenvector $u^N$ and we call it market mode.
2. Methods

Figure 2.1: Spectrum of the eigenvalues of random correlation matrix, computed using 2.14 with $Q = 34.6$, in bold compared with the normalised distribution of eigenvalues of a correlation matrix computed from shuffled time series, that should be similar to random time series but with the same distribution as the original time series of returns.

If we filter the real time series, extracting the market mode from every stock, we get a new correlation matrix with the residuals $C^{res}$ [14]. A way to filter the market mode is to use the one-factor model or Capital Asset Pricing model [64], where the return of the price can be expressed as:

$$R_i(t) = \alpha_i + \beta_i R^N(t) + \epsilon_i(t)$$  (2.17)

The first term is the mean of the returns, the second term is the influence of the market index and the last term is the residual. If we fit every time series ($R_i(t)$ for every $i$) to the time series of market mode ($R^N(t)$) using the least square regression, we can get the values of parameters $\alpha$ and $\beta$:

$$\alpha_i = < R_i > - \beta_i < R^N >$$
$$\beta_i = \frac{\text{cov}(R_i, R^N)}{\sigma_{R^N}^2}$$  (2.18)

where $\sigma_{R^N}$ is the standard deviation of the market mode and $\text{cov}()$ is the covariance.

The residuals are given by:

$$\epsilon_i(t) = R_i(t) - \alpha_i - \beta_i R^N(t)$$  (2.19)

and we can compute the matrix of residuals with these new time series.
If we analyse the spectrum of eigenvalues of the new filtered matrix, some eigenvalues continue to be far outside the range obtained from equation 2.14. These are the eigenvalues that represent different sectors. Our main work is to try to understand a way to filter this information, to end up with a time series of random information. Our approach is to use a multifactor model, where we not just use a market mode, but also a sector mode [65, 66]. This sector mode is defined for each sector in our portfolio and is related with the highest eigenvalue of the correlation matrix of the stocks of only one sector, similar to what we did for the whole market. Our multifactor model can be represented as:

\[ R_i(t) = \alpha_i + \beta_i R^N(t) + \sum_{j=1}^{N_S} \gamma_{ij} R^{S_j}(t) + \epsilon_i(t) \]  

(2.20)

where \( j \) represent the index of the sector presented in the portfolio. The new term has the sector mode \( R^{S_j}(t) \) and a parameter \( \gamma_{ij} \) that is only different from zero if the stock belongs to the sector \( j \). As we did before, we can now filter our time series by subtracting the market and sector modes:

\[ \epsilon_i(t) = R_i(t) - \alpha_i - \beta_i R^N(t) - \sum_{j=1}^{N_S} \gamma_{ij} R^{S_j}(t) \]  

(2.21)

We use least square fitting to find the values of the parameters:

\[
\alpha_i = < R_i > - \beta_i < R^N > - \gamma_{ij} < R^{S_j} > \\
\beta_i = \frac{\text{cov}(R_i, R^N) - \gamma_{ij} \text{cov}(R^{S_j}, R^N)}{\sigma^2_{R^N}} \\
\gamma_i = \frac{\text{cov}(R_i, R^{S_j}) \sigma^2_{R^N} - \text{cov}(R_i, R^N) \text{cov}(R^{S_j}, R^N)}{\sigma^2_{R^{S_j}} \sigma^2_{R^N} - [\text{cov}(R^{S_j}, R^N)]^2} 
\]

(2.22)

We will need to check if this model is enough to represent the returns of the stocks, or if there are other terms, like for example a term of correlations between stocks of different sectors.

### 2.4 Minimal Spanning Trees

Another way to study the correlation of stocks is to create a matrix of distances between stocks from the correlation coefficients. With this matrix of distances we can create a tree where nodes are stocks and links are the distance between the stocks. If two stocks are correlated, the distance between them is small. The tree that we use to study these properties is the Minimal Spanning Tree (MST).
2.4.1 Distances

The metric distance, introduced by Mantegna [15], is determined from the Euclidean distance between vectors, \( d_{ij} = |\vec{R}_i - \vec{R}_j| \). Because \( |\vec{R}_i| = 1 \) it follows that:

\[
d_{ij}^2 = |\vec{R}_i - \vec{R}_j|^2 = |\vec{R}_i|^2 + |\vec{R}_j|^2 - 2\vec{R}_i \cdot \vec{R}_j = 2 - 2\rho_{ij}
\]  

(2.23)

This relates the distance of two stocks to their correlation coefficient:

\[
d_{ij} = \sqrt{2(1 - \rho_{ij})}
\]  

(2.24)

This distance varies between \( 0 \leq d_{ij} \leq 2 \) where small values imply strong correlations between stocks. Following the procedure of Mantegna [15], this distance matrix is now used to construct a network with the essential information of the market.

This network (MST) has \( N - 1 \) links connecting \( N \) nodes. The nodes represent stocks and the links are chosen such that the sum of all distances (normalised tree length) is minimal. We perform this computation using Prim’s algorithm [67]. The Prim’s algorithm is given by:

- Choose the minimum distance between a pair of stocks and construct a link between them;

- Choose the next minimum distance between a pair of stocks, where one of the stocks already has a link but the other does not have any links. If the conditions are respected construct a link between them, if not, choose the next minimum distance where this is obeyed;

- Continue to choose pairs of stocks to link, with the conditions to verify until we reach \( N - 1 \) links.

With the information of which stocks are connected to one another, we use the Pajek software to visualise these links [68]. The Pajek software uses the Kamada-Kawai algorithm [69] to display the links and nodes. This algorithm introduce a dynamic system in which every two nodes are connected by a “spring” with the respective distance between two stocks. The optimal layout of vertices is when the total spring energy is minimal. As we saw in Figure 1.4 of the Introduction, a MST of stock data is almost organised in clusters of different industrial sectors of the market.

The main idea for using MST, apart of the visualisation of links between companies, is to filter data. From the \( N \times (N - 1)/2 \) correlation coefficients we are only left with \( N - 1 \) points, which we believe are the most important coefficients of the correlation matrix.

To see better this clustering property we developed a new kind of tree, where the stocks, if they belong to the same sector and are linked together, emerge in one big node. The sizes of the final nodes are proportional to the number of stocks that they contain, as shown in Figure 2.2.
Figure 2.2: New visualisation of the clusters of the MST of figure 1.4. The meaning of the symbols is explained in Appendix B.

As we did for the correlations, we study the distribution of distances in the tree and the main moments, as the mean or normalised tree length:

\[ L = \frac{1}{N-1} \sum_{d_{ij} \in \Theta} d_{ij} \]  \hspace{1cm} (2.25)

where \( \Theta \) represents the MST. The other moments are the variance:

\[ \nu_2 = \frac{1}{N-1} \sum_{d_{ij} \in \Theta} (d_{ij} - L)^2, \]  \hspace{1cm} (2.26)

the skewness:

\[ \nu_3 = \frac{1}{(N-1)\nu_2^{3/2}} \sum_{d_{ij} \in \Theta} (d_{ij} - L)^3, \]  \hspace{1cm} (2.27)

and the kurtosis:

\[ \nu_4 = \frac{1}{(N-1)\nu_2^2} \sum_{d_{ij} \in \Theta} (d_{ij} - L)^4. \]  \hspace{1cm} (2.28)

Again we can divide our time series in small windows and move those windows in small steps, creating different MST. If we compute the moments of each MST, we can study these moments in time.
2. Methods

2.4.2 Mean Occupation Layer

Changes in the density, or spread, of the MST can be examined through calculation of the mean occupation layer, as defined by Onnela et al. [20]:

\[ l(t, v_c) = \frac{1}{N} \sum_{i=1}^{N} L(v_i^t), \]  

(2.29)

where \( L(v_i^t) \) denotes the level of a node, or vertex, \( v_i^t \) in relation to the central node, whose level is defined as zero. The central node can be defined as the node with the highest number of links or as the node with the highest sum of correlations of its links. Both criteria produce similar results. The mean occupation layer can then be calculated using either a fixed central node for all windows, or with a continuously updated node.

2.4.3 Single and Multi Step Survival Rates

Finally, the robustness of links over time can be examined by calculating survival ratios of links, or edges in successive MST. The single-step survival ratio is the fraction of links found in two consecutive MST in common at times \( t \) and \( t-1 \) and is defined by Onnela et al. [20] as:

\[ \sigma(t) = \frac{1}{N-1} |E(t) \cap E(t-1)| \]  

(2.30)

where \( E(t) \) is the set of edges of the MST at time \( t \), \( \cap \) is the intersection operator, and \( | \cdots | \) gives the number of elements in the set. A multi-step survival ratio can be used to study the longer-term evolution [20]:

\[ \sigma(t, k) = \frac{1}{N-1} |E(t) \cap E(t-1) \cdots E(t-k+1) \cap E(t-k)| \]  

(2.31)

in which only the connections that continue for the entire period without any interruption are counted.
Chapter 3

Results

The data that we have in our database is daily prices from stocks of the main index of the London Stock Exchange, FTSE100; weekly price from indices all around the world; daily price from stocks of the main index in Euronext Lisbon, PSI20; daily prices of more than 6000 stocks all over the world; Forbes’ list of top richest individuals in World from 1996 to 2006. In this section, the results presented are from the daily prices of stocks of the London Stock Exchange, FTSE100 and from weekly price of world indices.

3.1 The correlations of stock prices

The distribution of coefficients of the correlation matrix constructed from the time series of stocks of the FTSE100, is shown in Figure 3.1 and compared with the distribution of coefficients of a correlation matrix of shuffled time series. The results of the shuffle time series are similar with the one for random time series, because the correlation in time of different companies is destroyed. As expected for a random matrix, the distribution of the coefficients for the shuffle time series is symmetric and with zero mean, different from the original time series, where the distribution is asymmetric with non-zero mean. But the distribution depends on the length of the time series and depends on external aspects that affect the market as we can see in Figure 3.2. If we divide our time series in small windows and we move these windows in time, we will get different matrices of correlations and different distributions of the coefficients. We do this in order to see the market changes. We choose to divide the time series in windows of size 500 days and move them day by day, so we will get 1822 \((2322 - 500)\) different matrices. In Figure 3.2 we can see the moments of the distribution of coefficients in time where the mean and variance are highly correlated \((0.779)\), the skewness and kurtosis are also highly correlated and the mean and skewness are anti-correlated. This implies that when the mean correlation increases, usually after some negative event in market, the variance increases. Thus the dispersion of values...
of the correlation coefficient is higher. The skewness is almost always positive, which means that the distribution is asymmetric, but after a negative event the skewness decreases, and the distribution of the correlation coefficients becomes more symmetric.

![Graph](image)

Figure 3.1: Distribution of coefficients of correlations between 67 stocks of the FTSE100, the main index of the London Stock Exchange. The time series of each stock have 2322 days, resulting in 2321 returns. The solid line represents the distribution for the original time series and the broken line represents the distribution for the time series after been shuffled. The shuffled time series work like random time series but with the same distribution of returns as the original one.

### 3.2 Random Matrix Theory

Comparing the probability density functions of eigenvalues of random matrix, \( P_{RM}(\lambda) \) with the real correlation matrix, \( P_{\text{real}}(\lambda) \) we can see that some eigenvalues are way out of the spectrum of the random matrix (Figure 3.3). We can regard this as the information of the market that is not random. All the eigenvalues that are outside the region defined by random matrix theory contain information that can be revealed when we look closer at the respective eigenvectors. The elements of the eigenvector related with the largest eigenvalue are represented in Figure 3.4 and as we can see, they all have the same sign. Comparing the market mode constructed from this eigenvector (equation 2.16) with the real index of the FTSE100, we can see a very high correlation of 0.95 (Figure 3.5).
3. Results

Figure 3.2: Mean (eq. 2.9), variance (eq. 2.10), skewness (eq. 2.11) and kurtosis (eq. 2.12) of the correlation coefficients of the matrix constructed from time series of 67 stocks of the FTSE100. We use time windows of length $T = 500$ days and window step length parameter $\delta T = 1$ day.

Figure 3.3: Empirical spectrum of the eigenvalues of correlation matrix constructed from time series of 67 stocks of the FTSE100, compared with the analytical spectrum of the random matrix, equation 2.14 (bold curve).
Figure 3.4: Elements of the highest eigenvector of the real correlation matrix constructed from time series of 67 stocks of the FTSE100.

Figure 3.5: Returns of the portfolio of 67 stocks of FTSE100 using the definition of equation 2.16 against the real index of FTSE100 in time. The correlation between them is high, 0.95.

Analysing the eigensystem of the residual matrix ($C^{res}$) we conclude that the eigenvector of the highest eigenvalue (Figure 3.6) is the same as the second eigenvector of the original matrix.
3. Results

So, we conclude that we are able to filter the influence of the market from our time series. This eigenvector has information about the sectors. Stocks from the same sector that have different signs are not clustered together when we see them in the MST (Figure 1.4), but if they have the same sign they form a cluster. We can see that these companies belong to different sub-sectors (Appendix B).

![Figure 3.6: Elements of the highest eigenvector of the correlation matrix of residuals (C\textsuperscript{res}) constructed from filtered time series of 67 stocks of the FTSE100.](image)

The correlation between the sector mode and the real index, FTSE100 is different for different sectors. For example, Financial has a large correlation of 0.882, but Health Care have a negative correlation of \(-0.673\), as we can see in Figures 3.7 and 3.8.

3.3 Minimal Spanning Trees

3.3.1 Distances

To see how the results of the MST are similar with the results from the correlation matrix, we compute the moments of the distances of the tree in time and compare with the same moments for the correlation coefficient (Figure 3.9). As expected from equation 2.24, when the mean correlation increases, the mean distance decreases and vice versa. Here, the mean and the variance of the distances of the tree are anti-correlated but the skewness and the mean continue to be anti-correlated. This means that after some negative event impacts the market, the tree shrinks, so the mean distance decreases [26], the variance increases implying a higher dispersion.
Figure 3.7: Returns of the portfolio of the stocks of FTSE100 that belong to Financial Sector using the definition of equation 2.16 against the real index of FTSE100 in time. The correlation between them is high, 0.882.

Figure 3.8: Returns of the portfolio of the stocks of FTSE100 that belong to Health Care Sector using the definition of equation 2.16 against the real index of FTSE100 in time. They are anticorrelated with a value of −0.673.
of the values of distance and the skewness, that is almost always negative, increases showing that the distribution of the distances of the MST gets more symmetric.

Figure 3.9: Mean (eq. 2.25), variance (eq. 2.26), skewness (eq. 2.27) and kurtosis (eq. 2.28) of the distances of the MST constructed from time series of 67 stocks of the FTSE100. We use time windows of length $T = 500$ days and window step length parameter $\delta T = 1$ day.

A MST visualisation for our study of the world indices is shown in Figure 3.10. The clusters which we observe appear to be organized principally according to a geographical criterion. With the highest number of links, France can be considered the central node. Closely connected to France are a number of the more developed European countries. We can also identify several branches which form the major subsets of the MST and these can then be broken down into clusters. The Netherlands heads a branch that includes clusters of additional European countries. The U.S.A. links a cluster of North and South American countries to France via Germany. Australia heads a branch with several groupings: all the Asian-Pacific countries form two clusters, one of more developed and the other of less advanced countries. Most of the Central and East European (CEE) countries, that joined the E.U. in 2004, form a cluster. Jordan, which appears in a European clustering, is an apparent anomaly. This is likely due to the fact that Jordan is the last node connected to the network and has correlations with other countries close to zero, which means a relatively high minimum distance. We can conclude that Jordan is an outlier of our study that does not have any close relation to any of the other countries represented here.
Figure 3.10: MST of 53 countries computed from the time series of returns for each country market index. For this tree we use the full time series of 475 weekly prices from 8th January 1997 until 1st February 2006. The classification is presented in Appendix B.

3.3.2 Mean Occupation Layer

The mean occupation layer can be calculated using either a fixed central node for all windows, i.e., France, or with a continuously updated node. In Figure 3.11 the results are shown for France as the fixed central node (black line), the dynamic maximum vertex degree node (black dots) and the dynamic highest correlation vertex (gray line). The three sets of calculations are roughly consistent. The mean occupation layer fluctuates over time as changes in the MST occur due to market forces. There is, however, a broad downward trend in the mean occupation layer, indicating that the MST over time is becoming more compact.

3.3.3 Single and Multi Step Survival Rates

Figure 3.12 presents the single-step survival ratios for the MST of country indices. The average is about 0.85, indicating that a large majority of links between markets survives from one window to the next. As might be expected, the ratio increases with increases in window length. Figure 3.13 shows the multi-step survival ratio. In both cases we used $T = 52$ weeks and $\delta T = 1$ week. Here, as might be expected, the connections disappear quite rapidly, but a small proportion of links remains intact, creating a stable base for construction of the MST. Again the evidence here is of importance for the construction of portfolios, indicating that while most
3. Results

Figure 3.11: Plot of mean occupation layer as function of time for the country indices ($T = 52$ weeks and window step length $\delta T = 4$ weeks). Black line shows static central vertex (France), black dots uses dynamic central vertex based on maximum number of links, while gray line shows dynamic central vertex based on maximum correlation value.

Linkages disappear in the relatively short to medium term there are islands of stability where the dynamics are consistent. The behavior of these two measures is similar to what has been observed for individual stocks within a single equity market [20]. These results may understated the stability of the global system of markets since some of the linkage shifts appear to take place within relatively coherent geographical groups.
Figure 3.12: Single-step survival ratio as function of time, for the country indices data. Window length $T = 52$ weeks and window step length $\delta T = 1$ week.

Figure 3.13: Multi-step survival ratio as function of the number of weeks in a log-log scale, for the country indices data. Window length $T = 52$ weeks and window step length $\delta T = 1$ week.
Chapter 4

Forward Plan

Future work can be divided in four main parts:

- Analytical study of moments and other parameters using the one-factor model and the multifactor model. Multifactor model with intra-sector and inter-sector terms. One term is just related with the correlations between stocks of the same sector and the other with the correlations of stocks from different sectors. Explaining the correlation between moments of correlations and distances in the MST and the MST arrangement in clusters. Derive the equation for the spectrum of eigenvalues of the correlation matrix for multifactor models.

- Study of large amount of data of daily stock prices from different markets. How these stocks will cluster is the main propose of this study. In our studies we saw that stocks from the same market (London Stock Exchange, FTSE100) clustered together in terms of industrial sectors, and that indices from different countries cluster in terms of geographical distance. Now we want to now if the geographical distance is more important that the industrial classification.

- Simulation of stock prices using a new model, based on our studies of multifactor models, for the return of the price of a stock. We want to create a new stochastic model for the returns and compare the results with our empirical data.

- Simulation of a wealth distribution model, with dynamical networks, with few parameters, that will mimic the real results of a Pareto’s Law with an exponent between 1.5 and 2.5. This model should be able to get a distribution of wealth with double Pareto tail, as we can see in many different results of empirical data, a Pareto exponent for the richest individuals, and another exponent for the few very rich that normally appear in the top richest list, like Forbes.
### Table 4.1: Gantt chart

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Appendix A

Computation of parameters of T-student distribution

To compute the parameters of a T-student distribution we have to take in account the fact that some moments of the distribution might not exist, because they diverge, so we use fractional moments to avoid problems. If we consider:

\[
< S^{F+1} > = \frac{1}{T} \sum_{t=1}^{T} |R(t)|^{F+1}
\]

as a fractional moment of the distribution of the returns \(R(t)\) because \(F\) is a fractional number, and we compute the rate of the moments as:

\[
r_F = \frac{< S^{F-1} >}{< S^{F+1} >} = \frac{1}{(2k-3)\sigma^2} \left[ (k-1) \frac{2}{F} \right] - \frac{1}{(2k-3)\sigma^2}
\]

for different exponents in the interval: \(\frac{2}{3} < F < 1\), we can see that \(r_F = a \frac{1}{F} + b\) is a linear function of the parameters, so we can take the values of \(\sigma\) and \(k\) from the linear regression:

\[
k = \frac{2a - b}{2a}
\]

and

\[
\sigma^2 = \frac{1}{a + b}
\]
Appendix B

Classification and legend for the industrial sectors of FTSE100 and the world indices

The classification used for the industrial sectors of FTSE100 is the new classification adopted by FTSE since the beginning of 2006, the Industry Classification Benchmark [70] created by Dow Jones Indexes and FTSE. This classification is divided into 10 Industries, 18 Supersectors, 39 Sectors and 104 Subsectors. Our portfolio is composed of 10 industries and 28 sectors: Oil & Gas (Oil & Gas Producers), Basic Materials (Chemicals, Mining), Industrials (Construction & Materials, Aerospace & Defence, General Industrials, Industrial Transportation, Support Services), Consumer Goods (Beverages, Food Producers, Household Goods, Tobacco), Health Care (Health Care Equipment & Services, Pharmaceuticals & Biotechnology), Consumer Services (Food & Drug Retailers, General Retailers, Media, Travel & Leisure), Telecommunications (Fixed Line Telecommunications, Mobile Telecommunications), Utilities (Electricity, Gas Water & Multiutilities), Financials (Banks, Nonlife Insurance, Life Insurance, Real Estate, General Financial, Equity Investment Instruments, Nonequity Investment Instruments) and Technology (Software & Computer Services). We represent each industry by a symbol: Oil & Gas (■), Basic Materials (△), Industrials (♦), Consumer Goods (grey □), Health Care (□), Consumer Services (▲), Telecommunications (◊), Utilities (●), Financials (grey ○) and Technology (○).

The coding for the world indices is: Europe, grey circles (grey ○); North America, white diamonds (◊); South America, grey squares (grey □); Asian-Pacific area, black triangles (▲); and “other” (Israel, Jordan, Turkey, South Africa), white squares (□).
Appendix C

List of Publications and Presentations

Publications


Presentations

• “Dynamics of correlations from a FTSE100 portfolio”, Poster presentation in “Physics of socio-economic Systems (AKSOE)”, Dresden 26th-31st March 2006

• “Minimal Spanning Trees (MST) analysis of random time series from different distributions”, Oral presentation in COST P10 Workshop “Network dynamics: From structure to function”, 23rd September 2006, Vienna
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