

# Package ‘quarks’

June 20, 2022

**Type** Package

**Title** Simple Methods for Calculating and Backtesting Value at Risk and Expected Shortfall

**Version** 1.1.2

**Description** Enables the user to calculate Value at Risk (VaR) and Expected Shortfall (ES) by means of various types of historical simulation. Currently plain-, age-, volatility-weighted- and filtered historical simulation are implemented in this package. Volatility weighting can be carried out via an exponentially weighted moving average model (EWMA) or other GARCH-type models. The performance can be assessed via Traffic Light Test, Coverage Tests and Loss Functions. The methods of the package are described in Gurrola-Perez, P. and Murphy, D. (2015) <<https://EconPapers.repec.org/RePEc:boe:boewp:0525>> as well as McNeil, J., Frey, R., and Embrechts, P. (2015) <<https://ideas.repec.org/b/pup/pbooks/10496.html>>.

**License** GPL-3

**Depends** R (>= 2.10)

**Imports** graphics, progress, rugarch, smoots, stats

**Encoding** UTF-8

**LazyData** true

**RoxygenNote** 7.2.0

**NeedsCompilation** no

**Author** Sebastian Letmathe [aut, cre] (Paderborn University, Germany)

**Maintainer** Sebastian Letmathe <[sebastian.letmathe@uni-paderborn.de](mailto:sebastian.letmathe@uni-paderborn.de)>

**Repository** CRAN

**Date/Publication** 2022-06-20 10:00:02 UTC

## R topics documented:

cvgtest . . . . .	2
DAX . . . . .	5
DJI . . . . .	6

ewma . . . . .	6
fhs . . . . .	7
FTSE100 . . . . .	8
hs . . . . .	9
HSI . . . . .	10
lossfun . . . . .	10
NIK225 . . . . .	12
plop . . . . .	13
plot.quarks . . . . .	14
print.quarks . . . . .	14
rollcast . . . . .	15
SP500 . . . . .	17
trftest . . . . .	18
vwhs . . . . .	19
<b>Index</b>	<b>21</b>

---

cvgtest	<i>Unconditional and Conditional Coverage Tests, Independence Test</i>
---------	--

---

## Description

The conditional (Kupiec, 1995), the unconditional coverage test (Christoffersen, 1998) and the independence test (Christoffersen, 1998) of the Value-at-Risk (VaR) are applied.

## Usage

```
cvgtest(obj = list(loss = NULL, VaR = NULL, p = NULL), conflvl = 0.95)
```

## Arguments

obj	a list that contains the following elements: loss a numeric vector that contains the values of a loss series ordered from past to present; is set to NULL by default. VaR a numeric vector that contains the estimated values of the VaR for the same time points of the loss series loss; is set to NULL by default. p a numeric vector with one element; defines the probability p stated in the null hypotheses of the coverage tests (see the section Details for more information); is set to NULL by default.
conflvl	a numeric vector with one element; the significance level at which the null hypotheses are evaluated; is set to 0.95 by default. Please note that a list returned by the rollcast function can be directly passed to cvgtest.

### Details

With this function, the conditional and the unconditional coverage tests introduced by Kupiec (1995) and Christoffersen (1998) can be applied. Given a return series  $r_t$  with  $n$  observations, divide the series into  $n - K$  in-sample and  $K$  out-of-sample observations, fit a model to the in-sample data and obtain rolling one-step forecasts of the VaR for the out-of-sample time points.

Define

$$I_t = 1,$$

if  $-r_t > \widehat{VaR}_t(\alpha)$  or

$$I_t = 0,$$

otherwise,

for  $t = n+1, n+2, \dots, n+K$  as the hit sequence, where  $\alpha$  is the confidence level for the VaR (often  $\alpha = 0.95$  or  $\alpha = 0.99$ ). Furthermore, denote  $p = \alpha$  and let  $w$  be the actual covered proportion of losses in the data.

1. Unconditional coverage test:

$$H_{0,uc} : p = w$$

Let  $K_1$  be the number of ones in  $I_t$  and analogously  $K_0$  the number of zeros (all conditional on the first observation). Also calculate  $\hat{w} = K_0/(K - 1)$ . Obtain

$$L(I_t, p) = p^{K_0}(1 - p)^{K_1}$$

and

$$L(I_t, \hat{w}) = \hat{w}^{K_0}(1 - \hat{w})^{K_1}$$

and subsequently the test statistic

$$LR_{uc} = -2 * \ln\{L(I_t, p)/L(I_t, \hat{w})\}.$$

$LR_{uc}$  now asymptotically follows a chi-square-distribution with one degree of freedom.

2. Conditional coverage test:

The conditional coverage test combines the unconditional coverage test with a test on independence. Denote by  $w_{ij}$  the probability of an  $i$  on day  $t - 1$  being followed by a  $j$  on day  $t$ , where  $i$  and  $j$  correspond to the value of  $I_t$  on the respective day.

$$H_{0,cc} : w_{00} = w_{10} = p$$

with  $i = 0, 1$  and  $j = 0, 1$ .

Let  $K_{ij}$  be the number of observations, where the values on two following days follow the pattern  $ij$ . Calculate

$$L(I_t, \hat{w}_{00}, \hat{w}_{10}) = \hat{w}_{00}^{K_{00}} (1 - \hat{w}_{00})^{K_{01}} * \hat{w}_{10}^{K_{10}} (1 - \hat{w}_{10})^{K_{11}},$$

where  $\hat{w}_{00} = K_{00}/K_0$  and  $\hat{w}_{10} = K_{10}/K_1$ . The test statistic is then given by

$$LR_{cc} = -2 * \ln\{L(I_t, p)/L(I_t, \hat{w}_{00}, \hat{w}_{10})\},$$

which asymptotically follows a chi-square-distribution with two degrees of freedom.

3. Independence test:

$$H_{0,ind} : w_{00} = w_{10}$$

The asymptotically chi-square-distributed test statistic (one degree of freedom) is given by

$$LR_{ind} = -2 * \ln\{L(I_t, \hat{w}_{00}, \hat{w}_{10})/L(I_t, \hat{w})\}.$$

---

The function needs four inputs: the out-of-sample loss series `obj$loss`, the corresponding estimated VaR series `obj$VaR`, the coverage level `obj$p`, for which the VaR has been calculated and the significance level `conflvl`, at which the null hypotheses are evaluated. If an object returned by this function is entered into the R console, a detailed overview of the test results is printed.

### Value

A list of class quarks with the following four elements:

**p** probability  $p$  stated in the null hypotheses of the coverage tests

**p.uc** the p-value of the unconditional coverage test

**p.cc** the p-value of the conditional coverage test

**p.ind** the p-value of the independence test

**conflvl** the significance level at which the null hypotheses are evaluated

**model** selected model for estimation; only available if a list returned by the `rollcast` function is passed to `cvgtest`

**method** selected method for estimation; only available if a list returned by the `rollcast` function is passed to `cvgtest`

### References

Christoffersen, P. F. (1998). Evaluating interval forecasts. *International economic review*, pp. 841-862.

Kupiec, P. (1995). Techniques for verifying the accuracy of risk measurement models. *The J. of Derivatives*, 3(2).

## Examples

```
prices <- DAX$price.close
returns <- diff(log(prices))
n <- length(returns)
nout <- 250 # number of obs. for out-of-sample forecasting
nwin <- 500 # window size for rolling forecasts
results <- rollcast(x = returns, p = 0.975, method = 'age', nout = nout,
                   nwin = nwin)
cvgtest(results)
```

---

DAX

*German Stock Market Index (DAX) Financial Time Series Data*

---

## Description

A dataset that contains the daily financial data of the DAX from 2000 to December 2021 (currency in EUR).

## Usage

DAX

## Format

A data frame with 5582 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD

**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

## Source

The data was obtained from Yahoo Finance.

---

DJI

*Dow Jones Industrial Average (DJI) Financial Time Series Data*

---

### Description

A dataset that contains the daily financial data of the DJI from 2000 to December 2021 (currency in EUR).

### Usage

DJI

### Format

A data frame with 5535 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD

**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

### Source

The data was obtained from Yahoo Finance.

---

ewma

*Exponentially weighted moving average*

---

### Description

Estimates volatility of a return series by means of an exponentially weighted moving average.

### Usage

`ewma(x, lambda = 0.94)`

**Arguments**

x a numeric vector of asset returns  
 lambda decay factor for the calculation of weights; default is 0.94

**Value**

Returns a numerical vector vol that contains the computed volatility.

**Examples**

```
prices <- DAX$price.close
returns <- diff(log(prices))
date <- DAX$ref.date[-1]
cvar <- ewma(x = returns, lambda = 0.94)
csig <- sqrt(cvar)
plot(date, csig, type = 'l',
      main = 'conditional standard deviations for the DAX30 return series')
```

fhs

*Filtered historical simulation***Description**

Calculates univariate Value at Risk and Expected Shortfall (Conditional Value at Risk) by means of filtered historical simulation. Volatility can be estimated with an exponentially weighted moving average or a GARCH-type model.

**Usage**

```
fhs(x, p = 0.975, model = c("EWMA", "GARCH"), lambda = 0.94, nboot = NULL, ...)
```

**Arguments**

x a numeric vector of asset returns  
 p confidence level for VaR calculation; default is 0.975  
 model model for estimating conditional volatility; options are 'EWMA' and 'GARCH'; if model = 'GARCH', additional arguments can be adjusted via ...; default is 'EWMA'  
 lambda decay factor for the calculation of weights; default is 0.94  
 nboot size of bootstrap sample; must be a single non-NA integer value with nboot > 0; default is NULL  
 ... additional arguments of the ugarchspec function from the rugarch-package; only applied if model = 'GARCH'; default settings for the arguments variance.model and mean.model are:  
 variance.model = list(model = 'sGARCH', garchOrder = c(1, 1))  
 mean.model = list(armaOrder = c(0, 0))

**Value**

Returns a list with the following elements:

**VaR** Calculated Value at Risk

**ES** Calculated Expected Shortfall (Conditional Value at Risk)

**p** Confidence level for VaR calculation

**garchmod** The model fit. Is the respective GARCH fit for model = "GARCH" (see rugarch documentation) and 'EWMA' for model = "EWMA"

**Examples**

```
prices <- DAX$price.close
returns <- diff(log(prices))
# volatility weighting via EWMA
ewma <- fhs(x = returns, p = 0.975, model = "EWMA", lambda = 0.94,
            nboot = 10000)

ewma
# volatility weighting via GARCH
garch <- fhs(x = returns, p = 0.975, model = "GARCH", variance.model =
            list(model = "sGARCH"), nboot = 10000)
garch
```

---

FTSE100

*Financial Times Stock Exchange Index (FTSE) Financial Time Series Data*

---

**Description**

A dataset that contains the daily financial data of the FTSE from 2000 to December 2021 (currency in EUR).

**Usage**

FTSE100

**Format**

A data frame with 5558 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD



**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

### Source

The data was obtained from Yahoo Finance.

---

hs	<i>Nonparametric calculation of univariate Value at Risk and Expected Shortfall</i>
----	---

---

### Description

Computes Value at Risk and Expected Shortfall (Conditional Value at Risk) by means of plain and age-weighted historical simulation.

### Usage

```
hs(x, p = 0.975, method = c("age", "plain"), lambda = 0.98)
```

### Arguments

x	a numeric vector of asset returns
p	confidence level for VaR calculation; default is 0.975
method	method to be used for calculation; default is 'plain'
lambda	decay factor for the calculation of weights; default is 0.98

### Value

Returns a list with the following elements:

**VaR** Calculated Value at Risk

**ES** Calculated Expected Shortfall (Conditional Value at Risk)

**p** Confidence level for VaR calculation

### Examples

```
prices <- DAX$price.close
returns <- diff(log(prices))
hs(x = returns, p = 0.975, method = 'plain')
hs(x = returns, p = 0.975, method = 'age', lambda = 0.98)
```

---

HSI

*Hang Seng Index (HSI) Financial Time Series Data*

---

### Description

A dataset that contains the daily financial data of the HSI from 2000 to December 2021 (currency in EUR).

### Usage

HSI

### Format

A data frame with 5424 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD

**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

### Source

The data was obtained from Yahoo Finance.

---

lossfun

*Loss Functions*

---

### Description

This functions allows for the calculation of loss functions in order to assess the performance of models in regard to forecasting ES.

### Usage

```
lossfun(obj = list(loss = NULL, ES = NULL), beta = 1e-04)
```

**Arguments**

**obj** a list that contains the following elements:  
**loss** a numeric vector that contains the values of a loss series ordered from past to present; is set to NULL by default  
**ES** a numeric vector that contains the estimated values of the ES for the same time points of the loss series **loss**; is set to NULL by default  
Please note that a list returned by the `rollcast` function can be directly passed to `lossfun`.

**beta** a single numeric value; a measure for the opportunity cost of capital; default is  $1e-04$ .

**Details**

Given a negative return series `obj$loss`, the corresponding Expected Shortfall (ES) estimates `obj$ES` and a parameter `beta` that defines the opportunity cost of capital, four different definitions of loss functions are considered.

**Value**

an S3 class object, which is a list of

**loss.fun1** regulatory loss function

**loss.fun2** firm's loss function following Sarma et al. (2003)

**loss.fun3** loss function following Abad et al. (2015)

**loss.fun4** Feng's loss function; a compromise of regulatory and firm's loss function

**References**

Abad, P., Muela, S. B., & Martín, C. L. (2015). The role of the loss function in value-at-risk comparisons. *The Journal of Risk Model Validation*, 9(1), 1-19.

Sarma, M., Thomas, S., & Shah, A. (2003). Selection of Value-at-Risk models. *Journal of Forecasting*, 22(4), 337-358.

**Examples**

```
prices <- DAX$price.close
returns <- diff(log(prices))
n <- length(returns)
nout <- 250 # number of obs. for out-of-sample forecasting
nwin <- 500 # window size for rolling forecasts
results <- rollcast(x = returns, p = 0.975, method = 'age', nout = nout,
                   nwin = nwin)
loss <- -results$xout
ES <- results$ES
loss.data <- list(loss = loss, ES = ES)
lossfun(loss.data)
```

```
# directly passing the output object of 'rollcast()' to 'lossfun()'  
lossfun(results)
```

---

NIK225

*Nikkei Heikin Kabuka Index (NIK) Financial Time Series Data*

---

### Description

A dataset that contains the daily financial data of the NIK from 2000 to December 2021 (currency in EUR).

### Usage

NIK225

### Format

A data frame with 5391 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD

**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

### Source

The data was obtained from Yahoo Finance.

---

plop

*Profit & Loss operator function*

---

### Description

Calculates portfolio returns or losses by assigning weights

### Usage

```
plop(x, wts = NULL, approxim = c(0, 1))
```

### Arguments

x	a numeric matrix of asset returns or losses
wts	a numeric vector or matrix containing the portfolio weights; portfolio value is standardized to 1 on any observation unit; sum of weights should not exceed 1 (row-wise for matrices); by default the portfolio is equally weighted over time and across all assets; if a vector is passed to wts the portfolio is equally weighted over time
approxim	controls if a first-order approximation for the calculation of returns or losses is used; default is 1 (first-order approximation is employed)

### Value

Returns a list with the following elements:

**pl** Weighted portfolio returns or losses

**wts** Portfolio weights

### Examples

```
# creating portfolio
portfol <- cbind(SP500$price.close, DJI$price.close)
returns <- apply(portfol, 2, function(x) diff(log(x)))
# defining weights and applying the P&L operator function
wts <- c(0.4, 0.6)
portret <- plop(returns, wts = wts, approxim = 1)
portloss <- plop(-returns, wts = wts, approxim = 1)
plot.ts(cbind(portret$pl, portloss$pl))
```

---

`plot.quarks`*Plot Method for the Package 'quarks'*

---

**Description**

This function regulates how objects created by the package quarks are plotted.

**Usage**

```
## S3 method for class 'quarks'  
plot(x, ...)
```

**Arguments**

`x` an input object of class quarks.  
`...` additional arguments of the standard plot method.

**Value**

None

---

`print.quarks`*Print Method for the Package 'quarks'*

---

**Description**

This function regulates how objects created by the package quarks are printed.

**Usage**

```
## S3 method for class 'quarks'  
print(x, ...)
```

**Arguments**

`x` an input object of class quarks.  
`...` included for compatibility; additional arguments will however not affect the output.

**Value**

None

---

rollcast	<i>Rolling one-step ahead forecasts of Value at Risk and Expected Shortfall</i>
----------	---

---

### Description

Computes rolling one-step ahead forecasts of Value at Risk and Expected Shortfall (Conditional Value at Risk) by means of plain historical simulation age- and volatility-weighted historical simulation as well as filtered historical simulation.

### Usage

```
rollcast(
  x,
  p = 0.975,
  model = c("EWMA", "GARCH"),
  method = c("plain", "age", "vwhs", "fhs"),
  lambda = c(0.94, 0.98),
  nout = NULL,
  nwin = NULL,
  nboot = NULL,
  smoothscale = c("none", "lpr", "auto"),
  smoothopts = list(),
  ...
)
```

### Arguments

x	a numeric vector of asset returns
p	confidence level for VaR calculation; default is 0.975
model	model for estimating conditional volatility; options are 'EWMA' and 'GARCH'; if model = 'GARCH', additional arguments can be adjusted via ...; default is 'EWMA'
method	method to be used for calculation; default is 'plain'
lambda	decay factor for the calculation of weights; default is 0.98 for method = 'age' and 0.94 for method = 'vwhs' or method = 'fhs'
nout	number of out-of-sample observations; most recent observations are used; default is NULL
nwin	window size for rolling one-step forecasting; most recent observations before out-of-sample are used; default is NULL
nboot	size of bootstrap sample; must be a single non-NA integer value with nboot > 0; default is NULL

<code>smoothscale</code>	a character object; defines the smoothing approach for the unconditional variance from the logarithm of the squared centralized returns; for <code>smoothscale = 'lpr'</code> , the unconditional variance is smoothed via the <code>smoots::gsmooth()</code> function from the <code>smoots</code> package; the bandwidth has to be chosen manually; otherwise the default is used; if <code>smoothscale = 'auto'</code> , the function <code>smoots::msmooth()</code> is employed and the bandwidth is chosen automatically (data-driven); see the documentation of the <code>smoots</code> package for more information; is set to <code>smoothscale = 'none'</code> by default
<code>smoothopts</code>	additional arguments of <code>smoots::gsmooth()</code> and <code>smoots::msmooth()</code> ; see the documentation of the <code>smoots</code> package for more information; is set to customized default settings
<code>...</code>	additional arguments of the <code>ugarchspec</code> function from the <code>rugarch</code> -package; only applied if <code>model = 'GARCH'</code> ; default settings for the arguments <code>variance.model</code> and <code>mean.model</code> are:  <code>variance.model = list(model = 'sGARCH', garchOrder = c(1, 1))</code> <code>mean.model = list(armaOrder = c(0, 0))</code>

### Value

Returns a list with the following elements:

**VaR** Numerical vector containing out-of-sample forecasts of Value at Risk

**ES** Numerical vector containing out-of-sample forecasts of Expected Shortfall (Conditional Value at Risk)

**xout** Numerical vector containing out-of-sample returns

**p** Confidence level for VaR calculation

**model** Model for estimating conditional volatility

**method** Method to be used for calculation

**nout** Number of out-of-sample observations

**nwin** Window size for rolling one-step forecasting

**nboot** Size of bootstrap sample

### Examples

```
prices <- DAX$price.close
returns <- diff(log(prices))
n <- length(returns)
nout <- 250 # number of obs. for out-of-sample forecasting
nwin <- 500 # window size for rolling forecasts

### Example 1 - plain historical simulation
results1 <- rollcast(x = returns, p = 0.975, method = 'plain', nout = nout,
                    nwin = nwin)
matplot(1:nout, cbind(-results1$xout, results1$VaR, results1$ES),
        type = 'hll',
```



```
xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
main = 'Plain HS - 97.5% VaR and ES for the DAX30 return series')

### Example 2 - age weighted historical simulation
results2 <- rollcast(x = returns, p = 0.975, method = 'age', nout = nout,
                    nwin = nwin)
matplot(1:nout, cbind(-results2$xout, results2$VaR, results2$ES),
        type = 'hll',
        xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
        main = 'Age weighted HS - 97.5% VaR and ES for the DAX30 return series')

### Example 3 - volatility weighted historical simulation - EWMA
results3 <- rollcast(x = returns, p = 0.975, model = 'EWMA',
                    method = 'vwhts', nout = nout, nwin = nwin)
matplot(1:nout, cbind(-results3$xout, results3$VaR, results3$ES),
        type = 'hll',
        xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
        main = 'Vol. weighted HS (EWMA) - 97.5% VaR and ES for the DAX30 return
series')

### Example 4 - volatility weighted historical simulation - GARCH
results4 <- rollcast(x = returns, p = 0.975, model = 'GARCH',
                    method = 'vwhts', nout = nout, nwin = nwin)
matplot(1:nout, cbind(-results4$xout, results4$VaR, results4$ES),
        type = 'hll',
        xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
        main = 'Vol. weighted HS (GARCH) - 97.5% VaR and ES for the DAX30 return
series')

### Example 5 - filtered historical simulation - EWMA
results5 <- rollcast(x = returns, p = 0.975, model = 'EWMA',
                    method = 'fhs', nout = nout, nwin = nwin, nboot = 10000)
matplot(1:nout, cbind(-results5$xout, results5$VaR, results5$ES),
        type = 'hll',
        xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
        main = 'Filtered HS (EWMA) - 97.5% VaR and ES for the DAX30 return
series')

### Example 6 - filtered historical simulation - GARCH
results6 <- rollcast(x = returns, p = 0.975, model = 'GARCH',
                    method = 'fhs', nout = nout, nwin = nwin, nboot = 10000)
matplot(1:nout, cbind(-results6$xout, results6$VaR, results6$ES),
        type = 'hll',
        xlab = 'number of out-of-sample obs.', ylab = 'losses, VaR and ES',
        main = 'Filtered HS (GARCH) - 97.5% VaR and ES for the DAX30 return
series')
```

**Description**

A dataset that contains the daily financial data of the SP500 from 2000 to December 2021 (currency in EUR).

**Usage**

SP500

**Format**

A data frame with 5535 rows and 10 variables:

**price.open** opening price (daily)

**price.high** highest price (daily)

**price.low** lowest price (daily)

**price.close** closing price (daily)

**volume** trading volume

**price.adjusted** adjusted closing price (daily)

**ref.date** date in format YY-MM-DD

**ticker** ticker symbol

**ret.adjusted.prices** returns obtained from the adj. closing prices

**ret.closing.prices** returns obtained from the closing prices

**Source**

The data was obtained from Yahoo Finance.

---

trftest

*Backtesting of Value-at-Risk via Traffic Light Test*

---

**Description**

The Traffic Light Test, is applied to previously calculated Value-at-Risk series.

**Usage**

trftest(obj)

**Arguments**

obj A list returned by the rollcast function, that contains a Value-at-Risk series; any other list that follows the name conventions of the rollcast function can be used as well.

## Details

This function uses an object returned by the `rollcast` function of the `quarks` package as an input for the function argument `obj`. A list with different elements, such as the cumulative probabilities for the VaR series within `obj`, is returned. Instead of the list, only the traffic light backtesting results are printed to the R console.

## Value

A list of class `quarks` is returned with the following elements.

**model** selected model for estimation

**method** selected method for estimation

**p\_VaR** cumulative probability of observing the number of breaches or fewer for  $(1 - p)100\%$ -VaR

**pot\_VaR** number of exceedances for  $(1 - p)100\%$ -VaR

**p** coverage level for  $(1-p)100\%$  VaR

## Examples

```
prices <- DAX$price.close
returns <- diff(log(prices))
n <- length(returns)
nout <- 250 # number of obs. for out-of-sample forecasting
nwin <- 500 # window size for rolling forecasts
results <- rollcast(x = returns, p = 0.975, method = 'age', nout = nout,
                   nwin = nwin)
trftest(results)
```

---

vwhs

*Volatility weighted historical simulation*


---

## Description

Calculates univariate Value at Risk and Expected Shortfall (Conditional Value at Risk) by means of volatility weighted historical simulation. Volatility can be estimated with an exponentially weighted moving average or a GARCH-type model.

## Usage

```
vwhs(x, p = 0.975, model = c("EWMA", "GARCH"), lambda = 0.94, ...)
```

**Arguments**

<code>x</code>	a numeric vector of asset returns
<code>p</code>	confidence level for VaR calculation; default is 0.975
<code>model</code>	model for estimating conditional volatility; default is 'EWMA'
<code>lambda</code>	decay factor for the calculation of weights; default is 0.94
<code>...</code>	additional arguments of the <code>ugarchspec</code> function from the <code>rugarch</code> -package; the default settings for the arguments <code>variance.model</code> and <code>mean.model</code> are <code>list(model = 'sGARCH', garchOrder = c(1, 1))</code> and <code>list(armaOrder = c(0, 0))</code> , respectively

**Value**

Returns a list with the following elements:

**VaR** Calculated Value at Risk

**ES** Calculated Expected Shortfall (Conditional Value at Risk)

**p** Confidence level for VaR calculation

**garchmod** The model fit. Is the respective GARCH fit for `model = 'GARCH'` (see `rugarch` documentation) and 'EWMA' for `model = 'EWMA'`

**Examples**

```
prices <- DAX$price.close
returns <- diff(log(prices))
# volatility weighting via EWMA
ewma <- vwhs(x = returns, p = 0.975, model = "EWMA", lambda = 0.94)
ewma
# volatility weighting via GARCH
garch <- vwhs(x = returns, p = 0.975, model = "GARCH", variance.model =
list(model = "sGARCH"))
garch
```

# Index

## \* datasets

DAX, [5](#)

DJI, [6](#)

FTSE100, [8](#)

HSI, [10](#)

NIK225, [12](#)

SP500, [17](#)

cvgtest, [2](#)

DAX, [5](#)

DJI, [6](#)

ewma, [6](#)

fhs, [7](#)

FTSE100, [8](#)

hs, [9](#)

HSI, [10](#)

lossfun, [10](#)

NIK225, [12](#)

plop, [13](#)

plot.quarks, [14](#)

print.quarks, [14](#)

rollcast, [15](#)

SP500, [17](#)

trftest, [18](#)

vwhs, [19](#)