Lecture 6
Covariance Estimation

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Outline of Lecture

1. Last Class
2. Stationarity and Covariance Estimation
3. Variogram Estimation
4. Putting it all together
5. Wrapping up
Where are we?

1. Last Class

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3. Variogram Estimation

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California Ozone Data

- \( y(s) \) is Gaussian process with mean \( \mu(s) \) and covariance \( \Sigma(s, s') \).
- Assume \( y(s) \leftarrow y(s) - \mu(s) \) so that \( y(s) \) has mean 0.
- Observe \( y(s_i) \) or \( z(s_i) = y(s_i) + \delta_i \) at locations \( s_1, \ldots, s_n \).
- Goal is to estimate \( y_0 \overset{def}{=} y(s_0) \).
- The MMSE estimator is:

\[
E(y_0 | y) = \Sigma_{y_0,y} \Sigma_{yy}^{-1} y
\]

\[
E(y_0 | z) = \Sigma_{y_0,y} (\Sigma_{yy} + \tau^2 I)^{-1} y
\]
California Ozone Data

- If we do not assume normality, the above estimator is also the best linear estimator, i.e., of the form
  \[
  f(y) = w^T y = \sum_{i=1}^{n} w_i y_i
  \]

- To see this, write
  \[
  E(y_0 - w^T y)^2 = \sum y_0 y_0 - 2w^T \sum y_0 y + w^T \sum y y w
  \]

- Optimizing over \(w\), we obtain
  \[
  w^T = \sum_{y_0,y} \sum_{y}^{-1}
  \]
Today’s question: what if we don’t know $\Sigma(s, s')$ in advance? Can we estimate it from the data?

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Stationarity and Isotropy

- If \( s \in \mathbb{R}^k \), then \( \Sigma(s, s') \) is a function on \( \mathbb{R}^k \times \mathbb{R}^k \).
- We can reduce the dimensionality if we assume \( \Sigma(s, s') = C(s - s') \). \( C(h) \) is a function on only \( \mathbb{R}^k \).
- If the covariance of \( y \) can be written in the form \( \Sigma(s, s') = C(s - s') \), we say that \( y \) is **stationary**. (We’ve already assumed \( y \) is mean 0.)
- We can further assume that \( \Sigma(s, s') = C(||s - s'||) \) so that \( C(h) \) is a function on \( \mathbb{R} \). In this case, we say that \( y \) is **isotropic**.
Issues in Estimation

- If data is regularly spaced, then estimating $C(h)$ is easy:

  $$\hat{C}(h) = \frac{1}{|N(h)|} \sum_{(s_i, s_j) \in N(h)} y(s_i)y(s_j)$$

  where $N(h) = \{(s_i, s_j) : s_i - s_j = h\}$.

- What if data is not regularly spaced?
- Simple solution: binning

  $$N(d) = \{(s_i, s_j) : d - \epsilon \leq ||s_i - s_j|| \leq d + \epsilon\}.$$
Sample Covariance

All \( y(s_i)y(s_j) \), plotted against \( ||s_i - s_j|| \)
Sample Covariance

\( \hat{C}(d_j) \), using a bin width .33
Parametric Modeling

- $\hat{C}$ is not necessarily a valid covariance function.
- Use parametric models that guarantee positive-definiteness, e.g.,
  - Exponential: $C_{\sigma^2,\nu}(h) = \sigma^2 \exp(-\nu ||h||)$
  - Gaussian: $C_{\sigma^2,\nu}(h) = \sigma^2 \exp(-\nu ||h||^2)$
  - Spherical: $C_{\sigma^2,m}(h) = \sigma^2 \left(1 - \frac{3||h||}{2m} + \frac{||h||^3}{2m^3}\right)$ for $||h|| \leq m$.
  - Matérn: $C_{\sigma^2,\nu}(h) = \frac{\sigma^2}{\Gamma(\eta + 1/2)} \left(\frac{||h||}{2\nu}\right)^{\eta} K_{\eta}(\nu ||h||)$
- Procedure: Calculate $\hat{C}(d_j)$ for $d_1, \ldots, d_m$. Use iterative procedure to minimize
  $$\sum_{j=1}^{m} w_j (\hat{C}(d_j) - C_{\theta}(d_j))^2$$
  over parameters $\theta$. 
Parametric Modeling

\[ \hat{C}(d), \] fit using various parametric models
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Variogram

- Historically, spatial statisticians have worked with the variogram instead of the covariance.

\[ 2\Gamma(s, s') = E(y(s) - y(s'))^2 \]

(or \( \Gamma(s, s') \), the semivariogram).
- We say a process is (variogram-)stationary if \( \Gamma(s, s') = \gamma(s - s') \) is a function of the difference only.
- If process is stationary, the variogram is easy to estimate:

\[ 2\hat{\gamma}(h) = \frac{1}{|N(h)|} \sum_{(s_i, s_j) \in N(h)} (y(s_i) - y(s_j))^2 \]

- Why prefer the variogram over the covariance?
  - More processes have a stationary variogram than a stationary covariance.
  - If we don’t assume \( y(s) \) has mean 0 but has mean \( \mu \), variogram doesn’t require an estimate of \( \mu \).
Variogram

- All the calculations that we did before carry over, except with the covariance replaced by the variogram.
- For example, to predict $y_0$, the optimal weights are:

\[ w^T = \Gamma_{y_0,y} \Gamma_{yy}^{-1} \]

- We use parametric models for the variogram, e.g., Exponential:

\[ \gamma_{\sigma^2,\nu}(h) = \sigma^2(1 - \exp(-\nu||h||)) \]

- And we choose parameters $\theta$ to minimize

\[ \sum_{i=1}^{n} w_j (\hat{\gamma}(d_j) - \gamma_\theta(d_j))^2 \]

- In keeping with tradition, we’ll use the variogram, but keep in mind that everything could be done with the covariance.
Sample (Semi)Variogram for Ozone Data

All \((y(s_i) - y(s_j))^2\), plotted against \(||s_i - s_j||\)
Sample (Semi)Variogram for Ozone Data

\[ \hat{\gamma}(d_j), \text{ using a bin width of } .33 \]
Sample (Semi)Variogram for Ozone Data

\( \hat{\gamma}(d) \), fit using a spherical covariance
Sample (Semi)Variogram for Ozone Data

Some geostatistics terminology:
- **Nugget**: The small variability at the origin.
- **Range**: The distance at which the variogram levels off.
- **Sill**: The maximum value of the variogram.

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Sample (Semi)Variogram for Ozone Data

\( \hat{\gamma}(d) \), fit using different parametric models
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Summary so far

- We have come up with a way to estimate the covariance $\Sigma(s, s')$ from the data:
  \[ \hat{\Sigma}(s, s') = \hat{C}(s - s'). \]

- Equivalently, we have a way to estimate the semivariogram $\Gamma(s, s')$ from the data:
  \[ \hat{\Gamma}(s, s') = \hat{\gamma}(s - s') \]

- Now we just need to plug $\hat{\Sigma}$ (or $\hat{\Gamma}$) into the kriging equations:
  \[ \hat{y}_0 = \hat{\Sigma}_{y_0,y} \hat{\Sigma}_{y y}^{-1} y \]
  \[ \hat{y}_0 = \hat{\Gamma}_{y_0,y} \hat{\Gamma}_{y y}^{-1} y \]
Original data

The original data
Kriging predictions

The kriging predictions $\hat{y}_0$ over a grid.
Kriging variances

The kriging standard deviations \( \sqrt{\text{Var}(\hat{y}_0 - y_0)} \).
Kriging variances

Where is the variance lowest?
Putting it all together

Original data

At the original data points!
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Summary

• Kriging gives optimal predictions if the covariance / variogram is known exactly.
• We’ve looked at how we might estimate the covariance / variogram from the data.
• This estimate can be plugged into the kriging equations, although the resulting estimate may no longer be optimal.
Homework 2 is shorter; it is due Monday.
Please work on it on your own.
I will be holding Edgar’s workshop tomorrow: I will be reviewing the Kalman filter for the first hour.