

Bayesian Inference with Variable-Memory Models for Times Series

Statistics Seminar, AUEB

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Joint work with **I. Papageorgiou** and also based on earlier work involving
V. Lungu, A. Panotopoulou, L. Mertzanis, M. Skoularidou



Outline

Background: Variable-memory Markov chains

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Bayesian Context Trees

Prior structure, marginal likelihood, the posterior

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Exact Inference Algorithms

CTW, BCT, k -BCT, MCMC

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Model selection

Segmentation

Filtering

Causality testing

Estimation

Anomaly detection

Prediction

Compression

Content recognition

Markov order estimation

Entropy estimation

Change-point detection

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~> **BCT-X**: Hierarchical models and exact inference
for **continuous** time series

Some history

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- ~> **Today's talk**:
Presents **BCT-X**: a principled, unified Bayesian framework for general inference and learning tasks on time series, centered around CTW and generalizations of tree-source models

Motivation

~> **Discrete time series are often hard**

Inference

Machine learning

Signal processing

Communications

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~> **Difficulty: Memory modelling**

E.g. for a binary time series with memory length of only 20 bits
 2^{20} parameters must be estimated before even getting started

~> **Need astronomical amounts of data**

~> **Need smarter, parsimonious models**

~> **Variable-memory Markov chains**

Variable-memory Markov chain models

Markov chain $\{\dots, X_0, X_1, \dots\}$ with **alphabet** $A = \{0, 1, \dots, m - 1\}$
of size m

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Distribution To fully describe it, we need to specify
 m^d conditional distributions $P(X_n | X_{n-1}, \dots, X_{n-d})$

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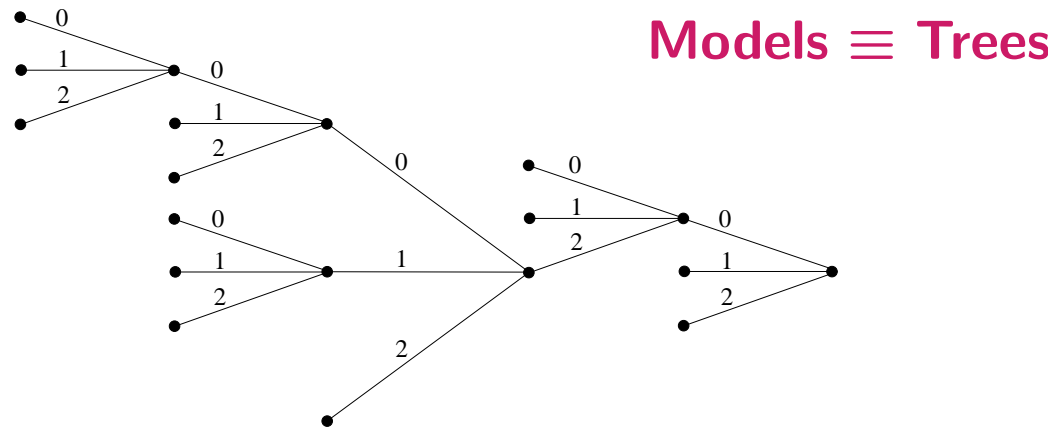
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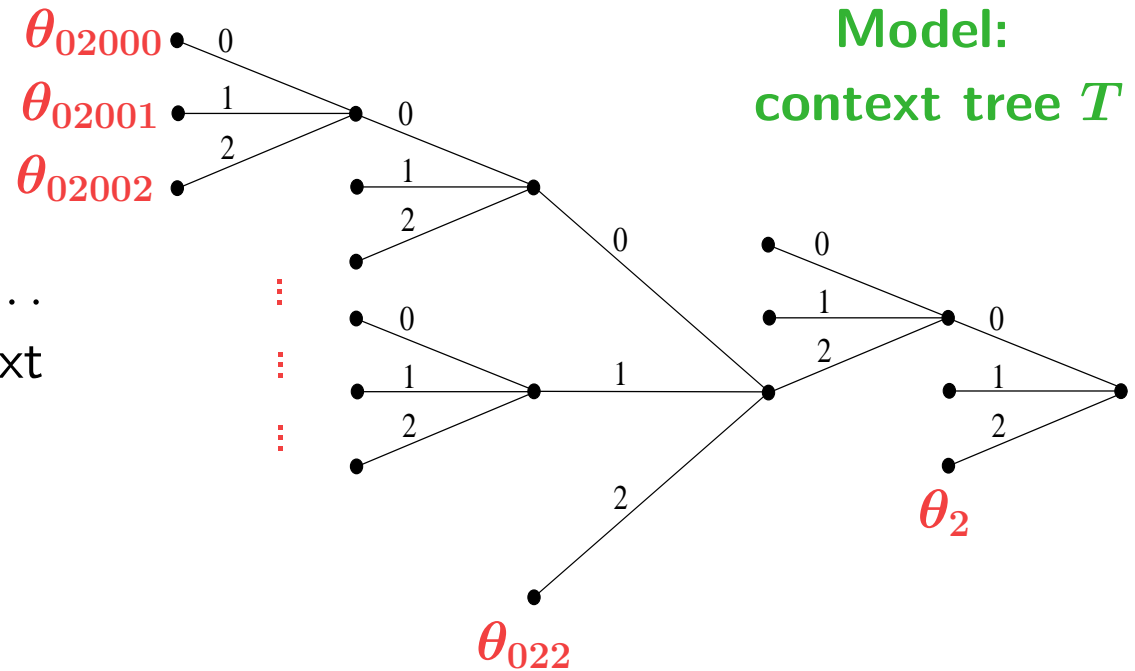


Variable-memory Markov chains: An example

Alphabet $m = 3$ symbols

Memory length $d = 5$

Each past string X_{n-1}, X_{n-2}, \dots
corresponds to a unique context
on a leaf of the tree



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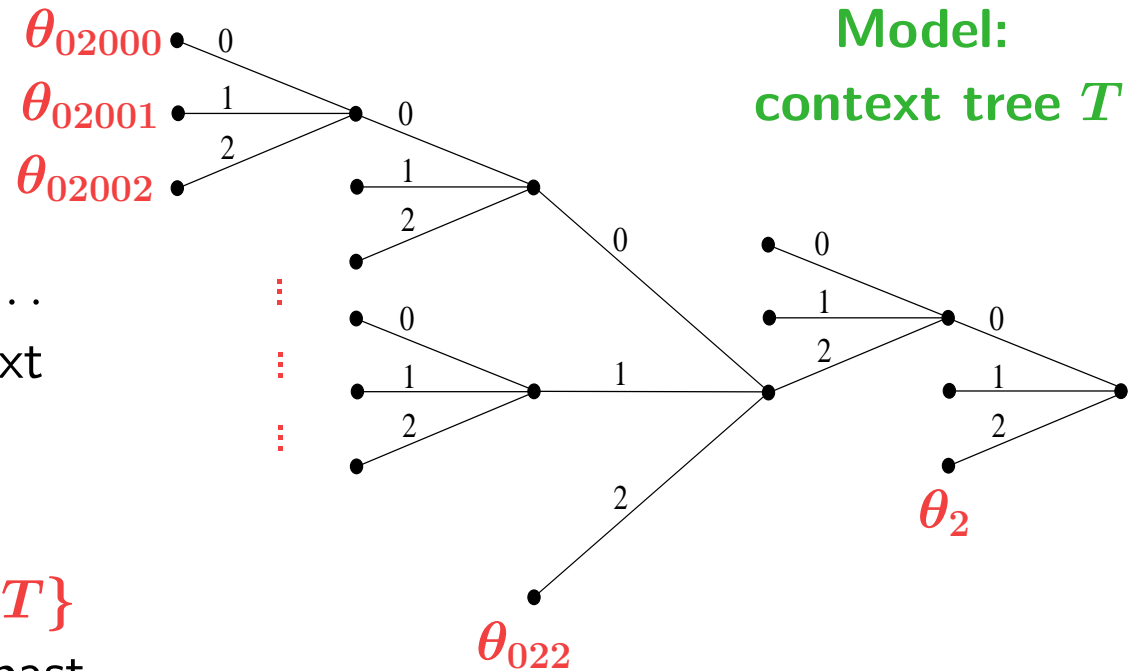
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The distr of X_n given the past
is given by the distr on that leaf

E.g. $P(X_n = 1 | X_{n-1} = 0, X_{n-2} = 2, X_{n-2} = 2, X_{n-3} = 1, \dots) = \theta_{022}(1)$



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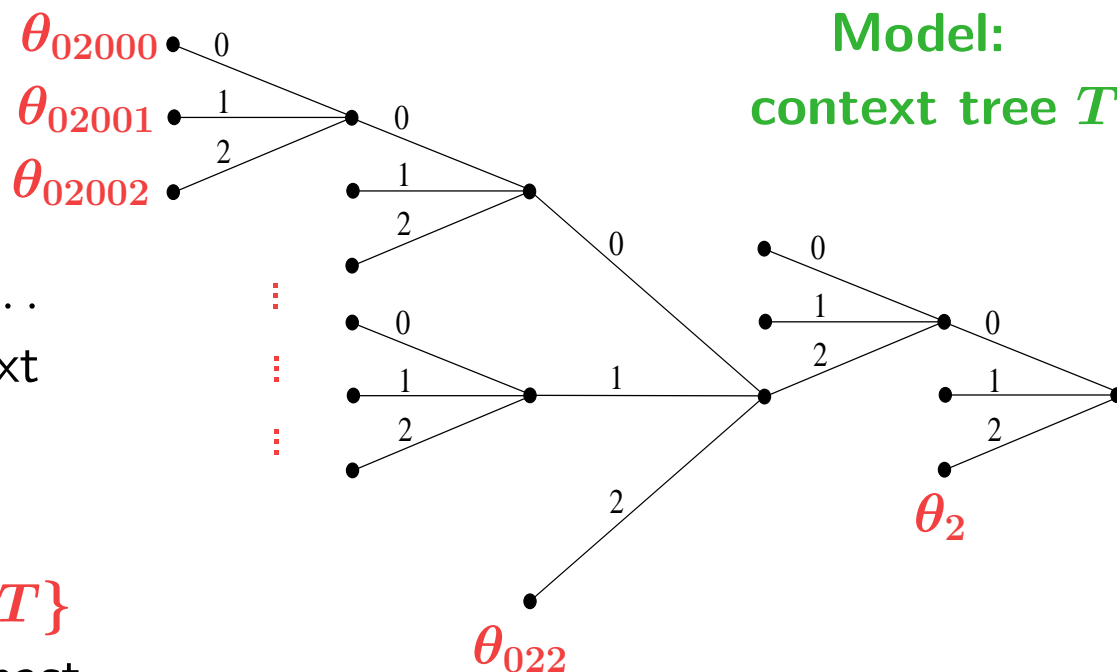
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Instead of $3^5 = 243$ conditional distributions only need 13

\Rightarrow potentially huge savings in general



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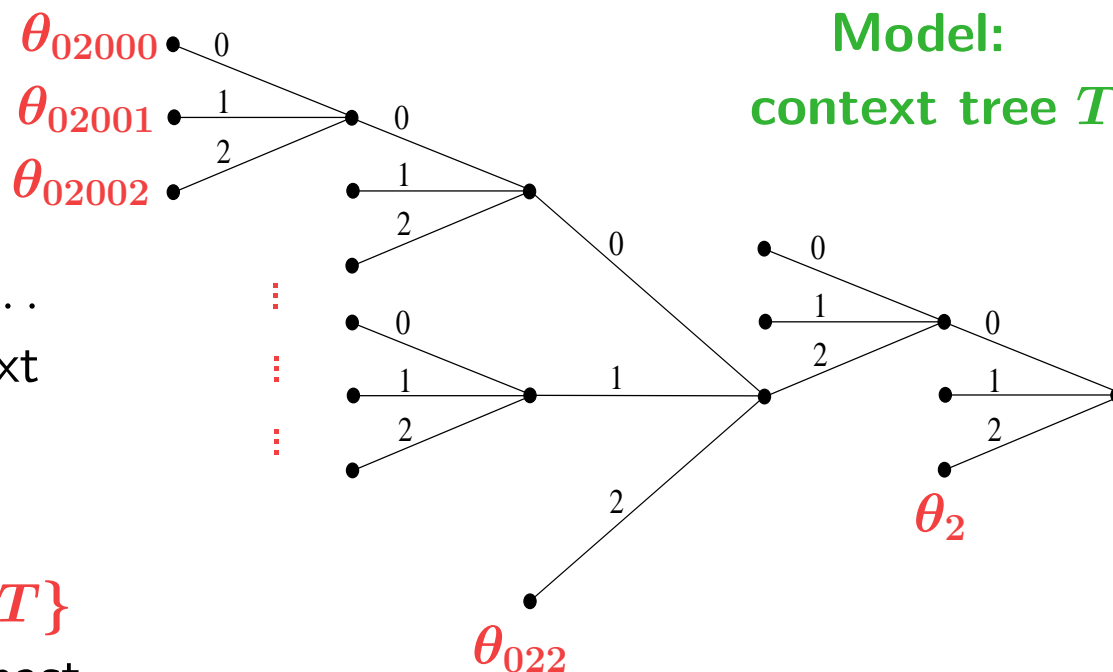
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→ Parsimony

Instead of $3^5 = 243$ conditional distributions only need 13

⇒ potentially huge savings in general

→ Determining the underlying context tree of an empirical time series is of great scientific and engineering interest



Bayesian modelling for VMMCs:

The Bayesian Context Trees (BCT) framework

Prior on models Indexed family of priors on trees T of depth $\leq D$

Given m, D , for each $\beta \in (0, 1)$:

$$\pi(T) = \pi_D(T; \beta) = \alpha^{|T|-1} \beta^{|T|-L_D(T)}$$

with $\alpha = (1 - \beta)^{1/(m-1)}$; $|T| = \#$ leaves of T ; $L_D(T) = \#$ leaves at D

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Prior on parameters Given model T , the parameters $\theta = \{\theta_s; s \in T\}$ are taken independent with each $\pi(\theta_s | T) \sim \text{Dirichlet}(\frac{1}{2}, \frac{1}{2}, \dots, \frac{1}{2})$

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Observations $X = X_{-D+1}, \dots, X_0, X_1, \dots, X_n$

Write $X_i^j = (X_i, X_{i+1}, \dots, X_j)$ and suppress initial context X_{-D+1}^0

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Write $X_i^j = (X_i, X_{i+1}, \dots, X_j)$ and suppress initial context X_{-D+1}^0

Likelihood Given model T and parameters $\theta = \{\theta_s; s \in T\}$:

$$f(X_1^n | X_{-D+1}^0, \theta, T) = \prod_{s \in T} \prod_{j \in A} \theta_s(j)^{a_s(j)}$$

where $a_s(j) = \#$ times letter j follows context s in X_1^n

Bayesian inference for VMMCs

Given. Data $X = X_{-D+1}, \dots, X_0, X_1, \dots, X_n$
 Max model depth D

“The” goal of Bayesian inference

Determination of the **posterior distributions**:

$$\pi(\theta, T|X) = \frac{\pi(T)\pi(\theta|T)f(X|\theta, T)}{f(X)}$$

and

$$\pi(T|X) = \frac{\int_{\theta} f(X|\theta, T)\pi(\theta|T) d\theta \pi(T)}{f(X)}$$

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Main obstacle

Determination of the **prior predictive likelihood**:

$$f(X) = \sum_T \pi(T) \int_{\theta} f(X|\theta, T)\pi(\theta|T) d\theta$$

\leadsto the number of models in the sum grows *doubly exponentially* in D

Computation of the marginal likelihood

Given the structure of the model, it is not surprising that the **marginal likelihoods** $f(X|T)$ can be computed explicitly

Lemma The *marginal likelihood* $f(X|T)$ can be computed as

$$f(X|T) = \prod_{s \in T} P_e(a_s)$$

where $P_e(a_s) = \frac{\prod_{j=0}^{m-1} [(1/2)(3/2) \cdots (a_s(j) - 1/2)]}{(m/2)(m/2 + 1) \cdots (m/2 + M_s - 1)}$

with the count vectors $a_s = (a_s(0), \dots, a_s(m-1))$ as before and $M_s = a_s(0) + \cdots + a_s(m-1)$

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What *is* quite surprising is that the entire **prior predictive likelihood** $f(X) = \sum_T \pi(T) f(X|T)$ can also be computed effectively

The Context Tree Weighting algorithm (CTW)

Given. **Data** $X = X_{-D+1}, \dots, X_0, X_1, X_2, \dots, X_n$
 Alphabet size m **Maximum depth** D
 Prior parameter β

- △ 1. [*Tree.*] Construct a tree with nodes corresponding to all contexts of length $1, 2, \dots, D$ contained in X
- △ 2. [*Estimated probabilities.*] At each node s compute the vectors a_s
 $[a_s(j) = \# \text{ times letter } j \text{ follows context } s \text{ in } X_1^n]$
 and the probabilities $P_{e,s} = P_e(a_s)$ as in the Lemma
- △ 3. [*Weighted probabilities.*] At each node s compute

$$P_{w,s} = \begin{cases} P_{e,s}, & \text{if } s \text{ is a leaf} \\ \beta P_{e,s} + (1 - \beta) \prod_{j \in A} P_{w,sj}, & \text{o/w} \end{cases}$$

The CTW computes the prior predictive likelihood

Theorem

The weighted probability $P_{w,\lambda}$ given by the CTW at the root λ is exactly equal to the prior predictive likelihood of the data X :

$$P_{w,\lambda} = f(X) = \sum_T \pi(T) \int_{\theta} f(X|\theta, T) \pi(\theta|T) d\theta$$

The CTW computes the prior predictive likelihood

Theorem

The weighted probability $P_{w,\lambda}$ given by the CTW at the root λ is exactly equal to the prior predictive likelihood of the data X :

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Note

The CTW computes a “doubly exponentially hard” quantity in $O(nmD)$ time

The CTW can be updated *sequentially*

This is one of the very few examples of nontrivial Bayesian models for which the prior predictive likelihood is explicitly computable probably the most complex/interesting one

Bayesian Context Tree algorithm (BCT)

[The algorithm formerly known as
Context Tree Maximizing (CTM)]

Given. **Data** $X = X_{-D+1}, \dots, X_0, X_1, X_2, \dots, X_n$
Alphabet size m **Maximum depth** D
Prior parameter β

△ 1. [Tree.] and △ 2. [Estimated probabilities.]

Construct the tree and compute a_s and $P_{e,s}$ as before

△ 3. [Maximal probabilities.]

At each node s compute

$$P_{m,s} = \begin{cases} P_{e,s}, & \text{if } s \text{ is a leaf} \\ \max\{\beta P_{e,s}, (1 - \beta) \prod_{j \in A} P_{m,sj}\}, & \text{o/w} \end{cases}$$

△ 4. [Pruning.]

For each node s , if the above max is achieved
by the first term, then prune all its descendants

The BCT computes the MAP model

Theorem

The (pruned) tree T_1^* resulting from the BCT procedure has maximal *a posteriori* probability among all trees:

$$\pi(T_1^*|X) = \max_T \pi(T|X) = \max_T \left\{ \frac{\int_{\theta} f(X|\theta, T) \pi(\theta|T) d\theta \pi(T)}{f(X)} \right\}$$

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Note – as with the CTW

The BCT also computes a doubly exponentially hard quantity in $O(nmD)$ time

Again, one of the very few examples of nontrivial Bayesian models for which the mode of the posterior is explicitly computable probably the most complex/interesting one

A first empirical result: Simulated data

5th order VMMC data $X_{-D+1}, \dots, X_0, X_1, X_2, \dots, X_n$

Alphabet size $m = 3$

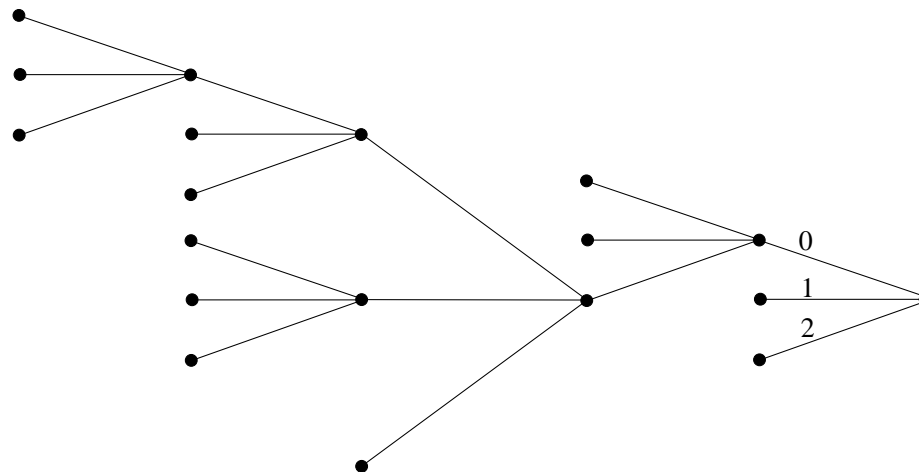
VMMC with $d = 5$ as in the example

Data length $n = 10000$ samples

BCT

MAP model with max depth $D = 5$, $\beta = 3/4$?

$\leadsto D = 5$: space of more than 10^{24} models



Finding the k a posteriori most likely models: The k -BCT algorithm

- △ 1. [*Construct full tree.*] △ 2. [*Compute a_s and $P_{e,s}$.*]
- △ 3. [*Matrix representation.*] Each node s contains a $k \times m$ matrix B_s
Line i represents the i th best subtree starting at s
Either entire line consists of * meaning “prune at s ”
Or j th element describes which line of the j child of s to follow
Line i also contains the “maximal probab” $P_{m,s}^{(i)}$ associated with i th subtree
- △ 4. [*At each leaf s .*] Entire matrix B_s contains *’s and all $P_{m,s}^{(i)}$ are $= P_{e,s}$
- △ 5. [*At each internal node s .*]
Consider all k^m combinations of subtrees of the children of s
For each combination compute the associated maximal prob as in BCT
Order the results by prob, keep the top k , describe them in the matrix B_s
- △ 6. [*Bottom-to-top-to-bottom.*] Repeat (5.) recursively until the root
Starting at the root, read the top k trees

The k -BCT identifies the k a posteriori most likely models

Theorem

The k trees $T_1^*, T_2^*, \dots, T_k^*$ described recursively at the root after the k -BCT procedure are the k a posteriori most likely models w.r.t.:

$$\pi(T|X) = \frac{\int_{\theta} f(X|\theta, T) \pi(\theta|T) d\theta \pi(T)}{f(X)}$$

Note

The complexity of k -BCT is $O(nmD \times k^m)$ in both time and space
Lower complexity implementations are possible

Additional results

(i) *Model posterior probabilities* $\pi(T|X) = \frac{\pi(T) \prod_{s \in T} P_e(a_s)}{P_{w,\lambda}}$

for ANY model T , where $P_{w,\lambda}$ = prior predictive likelihood
and $P_e(a_s) = P_{e,s}$ are the estimated probabilities in CTW

(ii) *Posterior odds* $\frac{\pi(T|X)}{\pi(T'|X)} = \frac{\pi(T) \prod_{s \in T, s \notin T'} P_e(a_s)}{\pi(T') \prod_{s \in T', s \notin T} P_e(a_s)}$.

for ANY pair of models T, T'

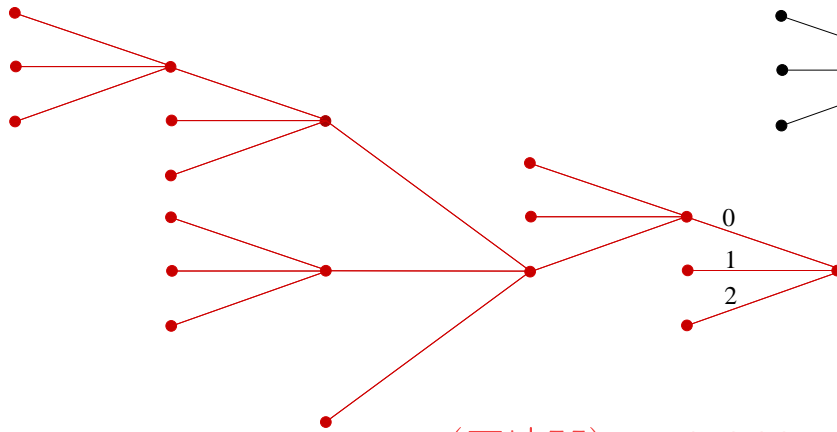
(iii) *Full conditional density of θ*

$$\pi(\theta|T, X) \sim \prod_{s \in T} \text{Dirichlet}(a_s(0) + 1/2, a_s(1) + 1/2, \dots, a_s(m-1) + 1/2)$$

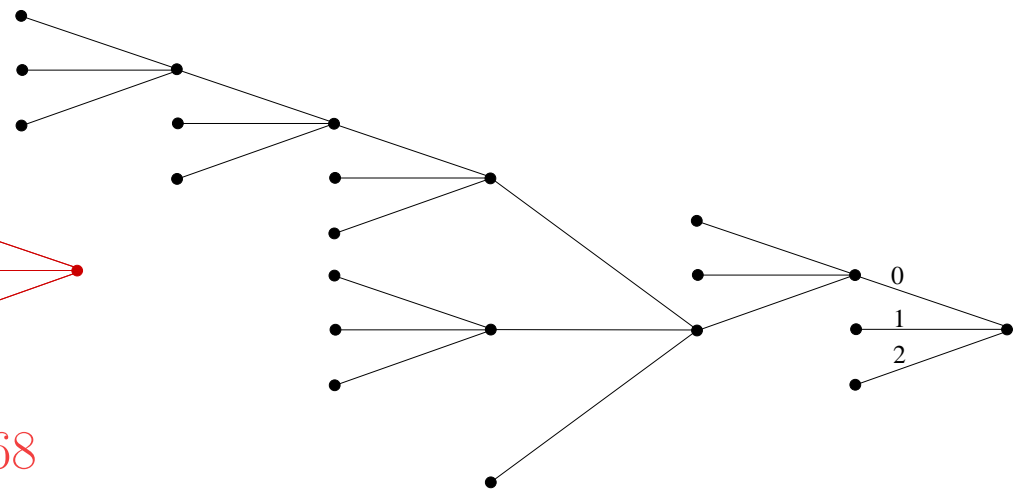
k -BCT models for the same 5th order chain

$D = 10 \leadsto$ more than 10^{5900} models

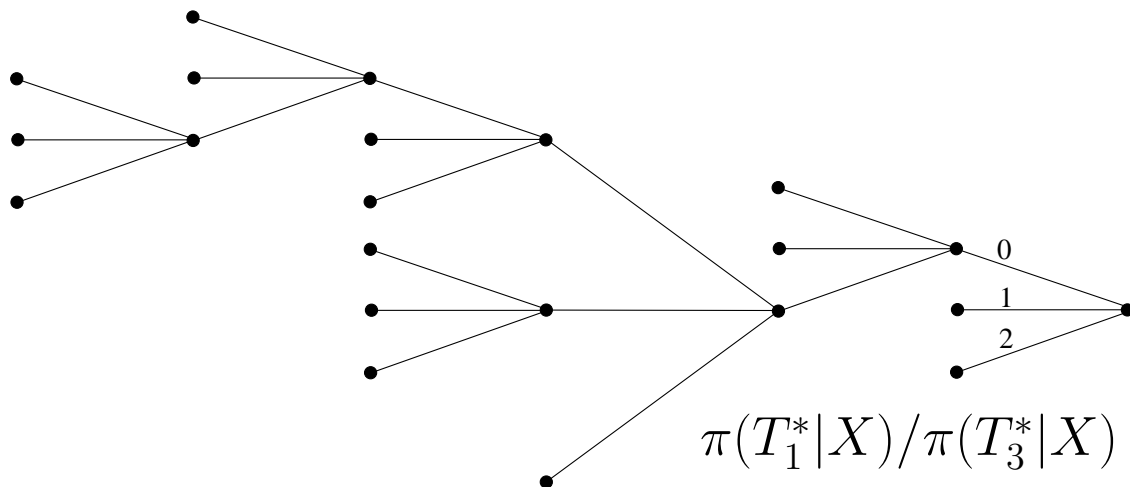
$n = 10000$, $k = 3$, $\beta = 3/4$



$$\pi(T_1^*|X) \approx 0.368$$
$$\pi(T_1^*) \approx 3.8 \times 10^{-6}$$



$$\pi(T_1^*|X)/\pi(T_2^*|X) \approx 6.29$$



$$\pi(T_1^*|X)/\pi(T_3^*|X) \approx 8.82$$

MCMC exploration of the posterior

Given. **Data** $X = X_{-D+1}, \dots, X_0, X_1, \dots, X_n$
 Parameters m, D, β

Run BCT algorithm

Initialize: $T(0) = T_1^*$ and $\theta(0) \sim \prod_{s \in T(0)} \text{Unif}$

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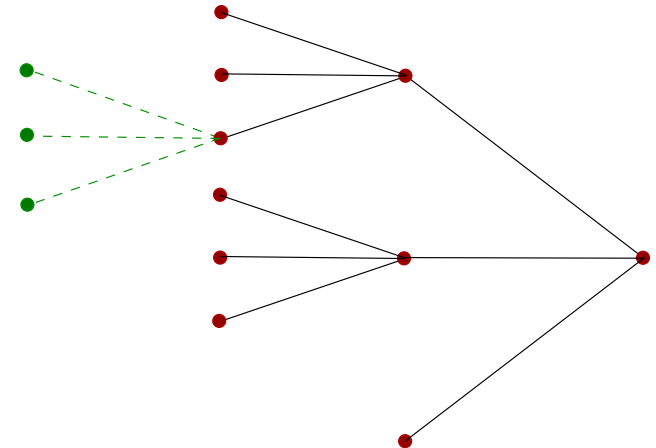
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\triangle [Metropolis proposal] Given $T(t)$ propose T'
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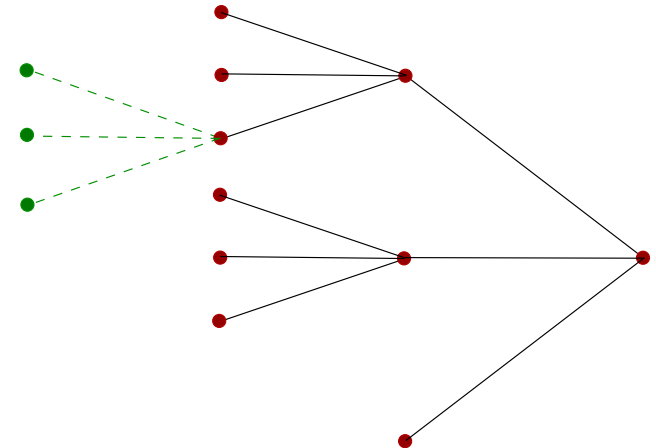
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△ [Metropolis step] Define $T(t+1)$ by accepting or rejecting T'

$$\frac{\pi(T'|X)}{\pi(T(t)|X)} = \frac{\pi(T') \prod_{s \in T', s \notin T(t)} P_e(a_s)}{\pi(T(t)) \prod_{s \in T(t), s \notin T'} P_e(a_s)}$$



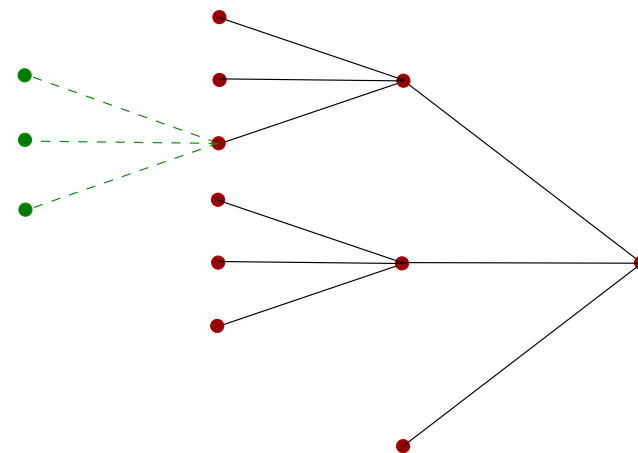
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$$\frac{\pi(T'|X)}{\pi(T(t)|X)} = \frac{\pi(T') \prod_{s \in T', s \notin T(t)} P_e(a_s)}{\pi(T(t)) \prod_{s \in T(t), s \notin T'} P_e(a_s)}$$

△ [Gibbs step] Take $\theta(t+1) \sim$ sample from the full cond'al density

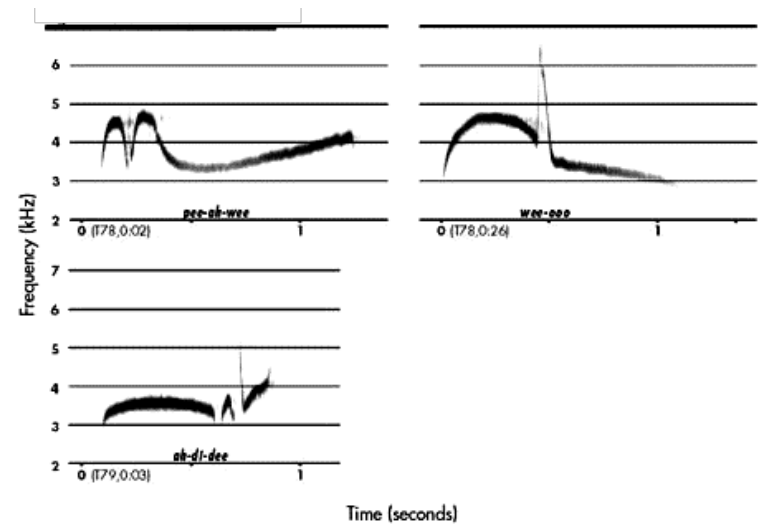
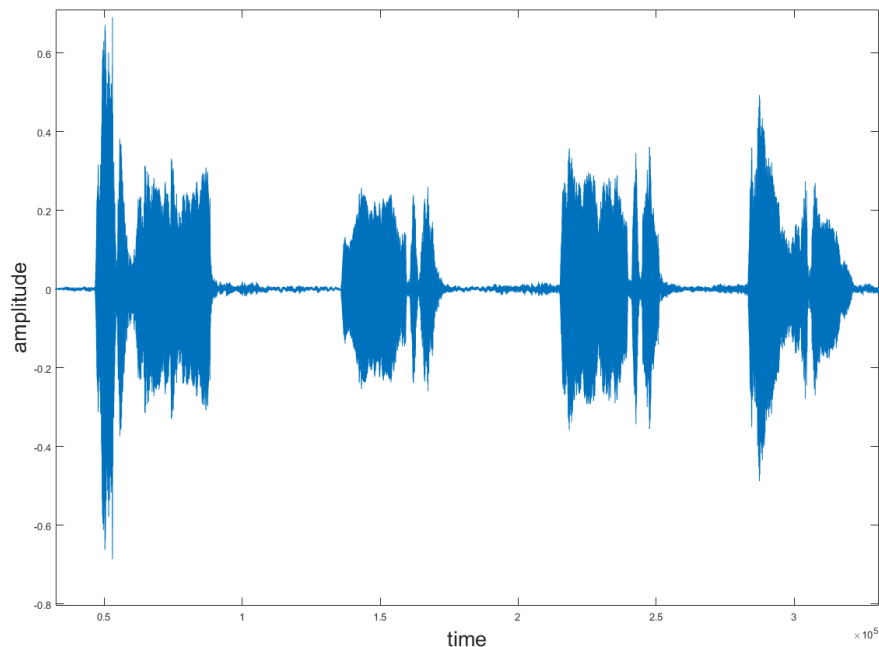
$$\prod_{s \in T(t+1)} \text{Dirichlet}(a_s(0) + 1/2, a_s(1) + 1/2, \dots, a_s(m-1) + 1/2)$$

A fun data set: Wood Peewee bird song

Data Recorded bird song data, transcribed as a sequence of (mono-)phthongs
Goal: Understand structure, complexity, variation and function

[Craig (1943) “The song of the wood pewee”]

[Berchtold-Rahtery (2002) “The MTD model”]



Wood Peewee bird song: MAP model

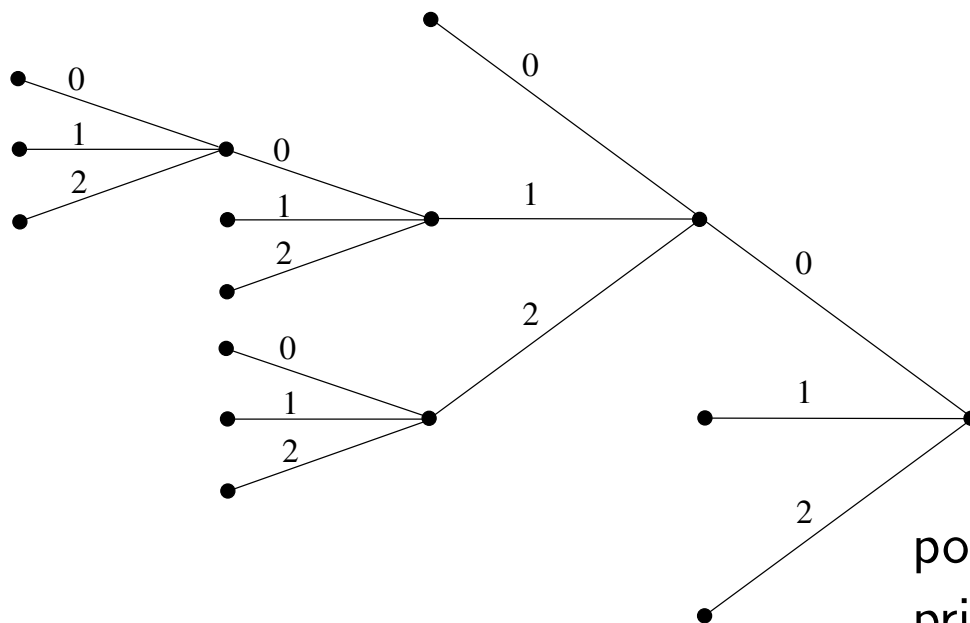
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***k*-BCT** With $n = 1327$ samples

$m = 3$, $\beta = 3/4$, $k = 5$ and depth $D = 20$



posterior: $\pi(T_1^*|x) \approx 12.6\%$

prior: $\pi(T_1^*) \approx 4 \times 10^{-5}$

$\pi(T_2^*|x) \approx 2.2\%$

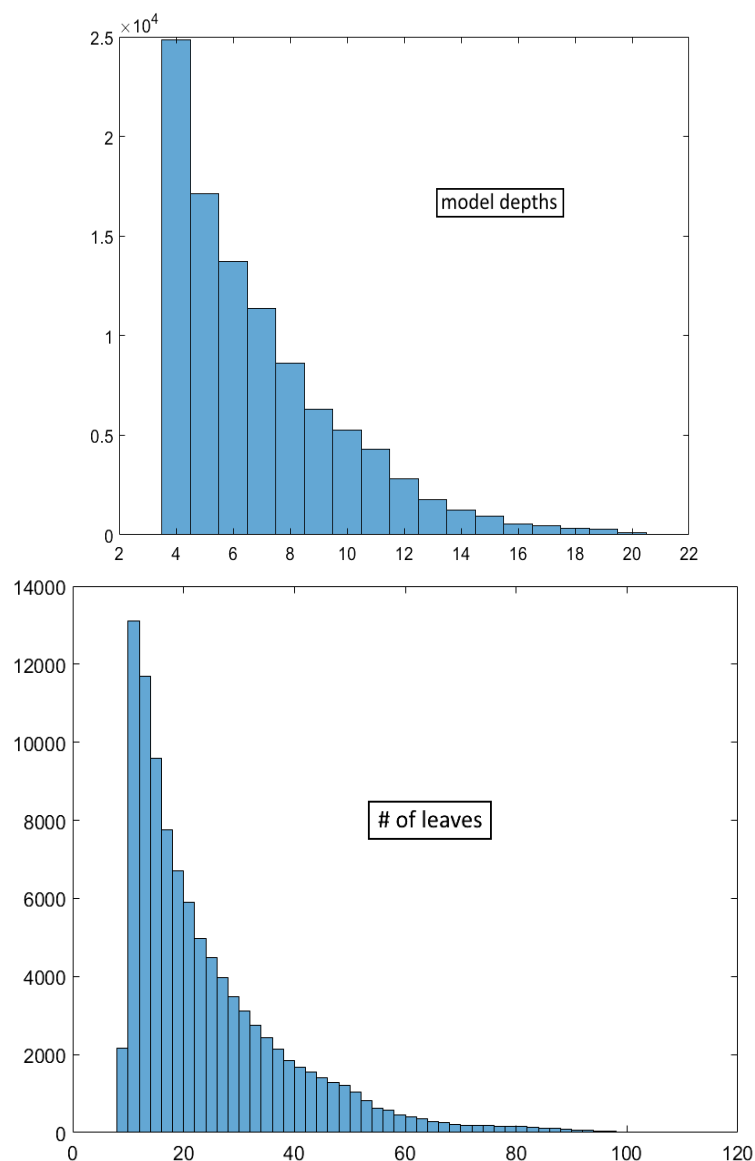
[illegible]

$\pi(T_4^*|x) \approx 1.8\%$

$\pi(T_5^*|x) \approx 1.8\%$

Total posterior of top 5 models $\approx 20.2\%$

MCMC results on Peewee data

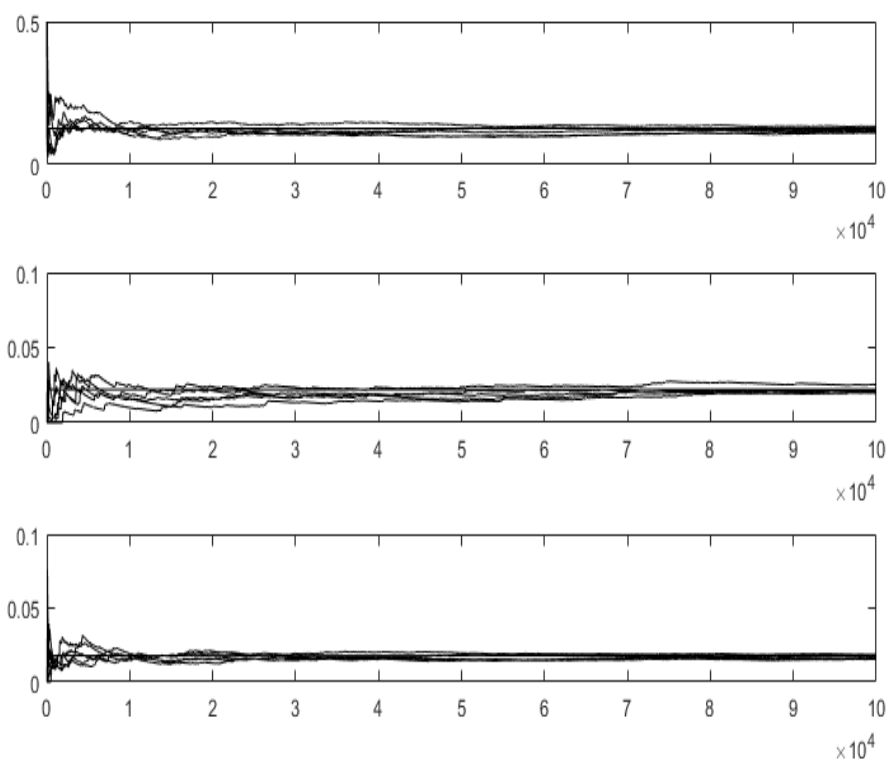


After 10^6 iterations:

Acceptance rate $\approx 59 - 61\%$

$\approx 306,000$ models visited

posterior of models visited $\approx 61.3\%$



[\leadsto Markov order estimation]

Truly Bayesian entropy estimation

Given **Data** $X = X_{-D+1}, \dots, X_0, X_1, \dots, X_n$
 Parameters m, D, β

Run BCT algorithm

Initialize: $T(0) = T_1^*$ and $\theta(0) \sim \prod_{s \in T(0)} \text{Unif}$

Truly Bayesian entropy estimation

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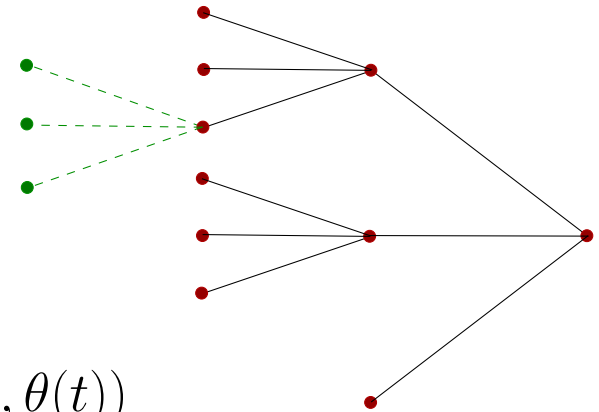
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Iterate: At each t :

△ [Metropolis-Gibbs step]

Obtain model and parameters sample $(T(t), \theta(t))$



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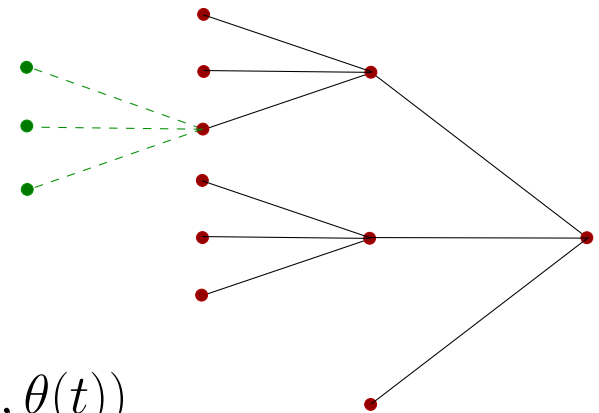
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△ [Entropy step] Obtain entropy sample $H(t)$:

↪ either compute $H(t) = H(T(t), \theta(t))$ directly



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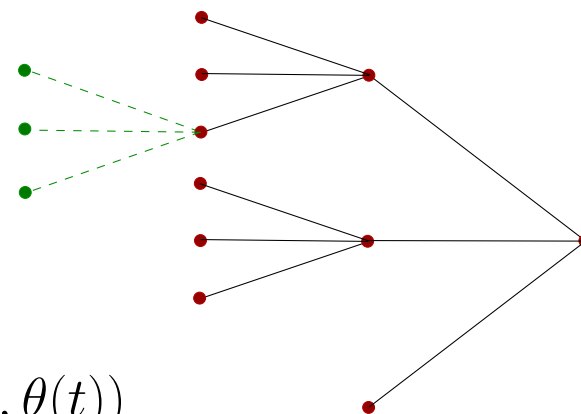
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↪ or generate $Y_1^L \sim (T(t), \theta(t))$

and estimate $H(t) = -\frac{1}{L} \log P(Y_1^L | T(t), \theta(t))$



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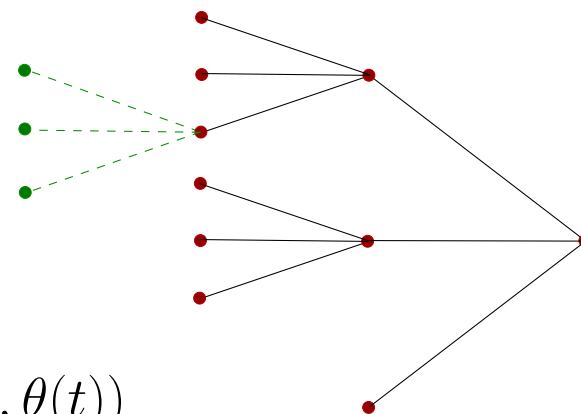
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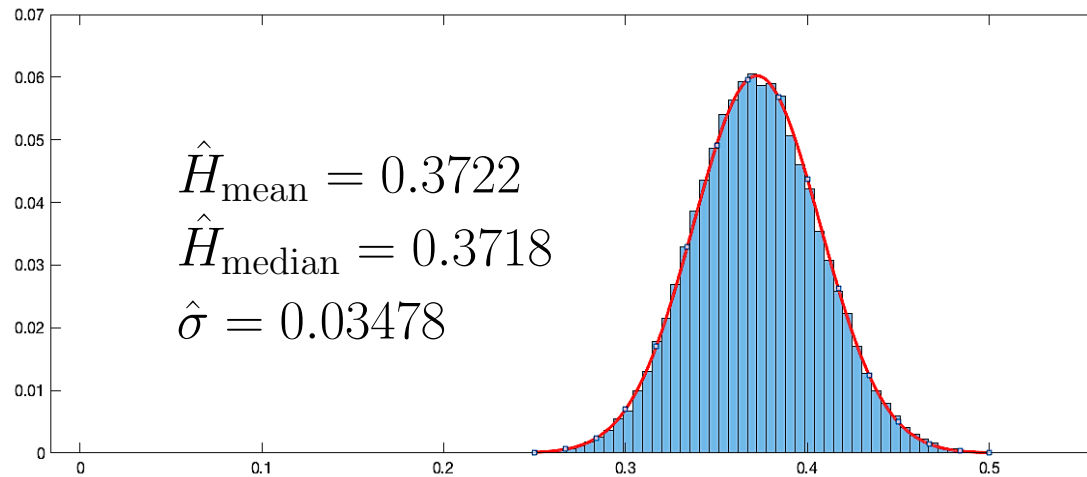
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Estimate $\pi(H|X)$

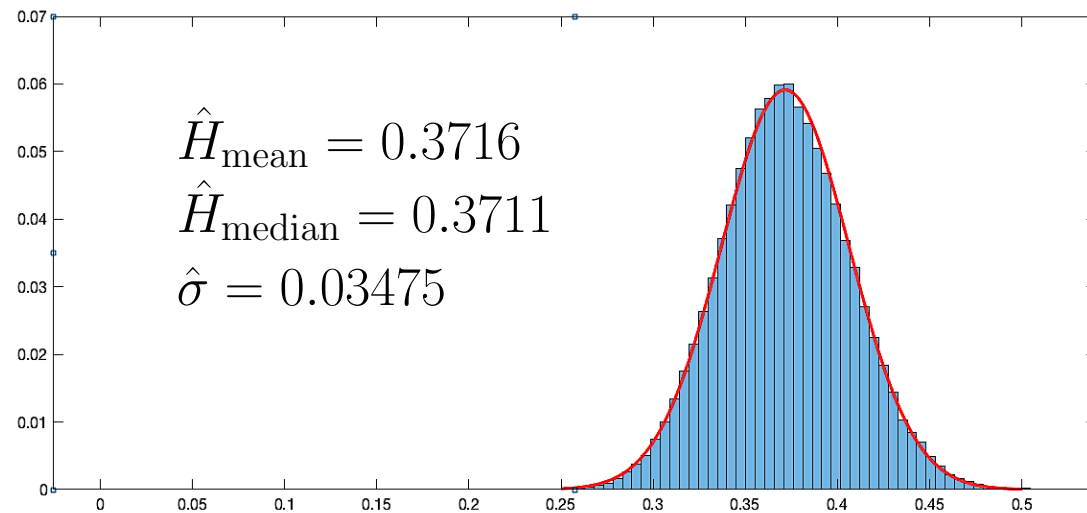
Compute posterior of H from $(H(1), H(2), \dots, H(N))$



Entropy of Peewee song



After 10^5 MCMC iterations



$\hat{H} = 0.372$ bits/sample
 $= 0.217$ bits/second

Prediction

Observe

The **posterior predictive distribution**

$$f(x_{n+1}|X_{-D+1}^n) = \sum_T \int_{\theta} \underbrace{f(x_{n+1}|X_{-D+1}^n, \theta, T)}_{\text{likelihood}} \underbrace{\pi(\theta, T|X_{-D+1}^n)}_{\text{posterior}} d\theta$$

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- (i) can be computed *sequentially*, online
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Compare BCT with

Raftery's **MTD** (Markov Transition Distribution)

Dunson et al's **CTF** (Conditional Tensor Factorization)

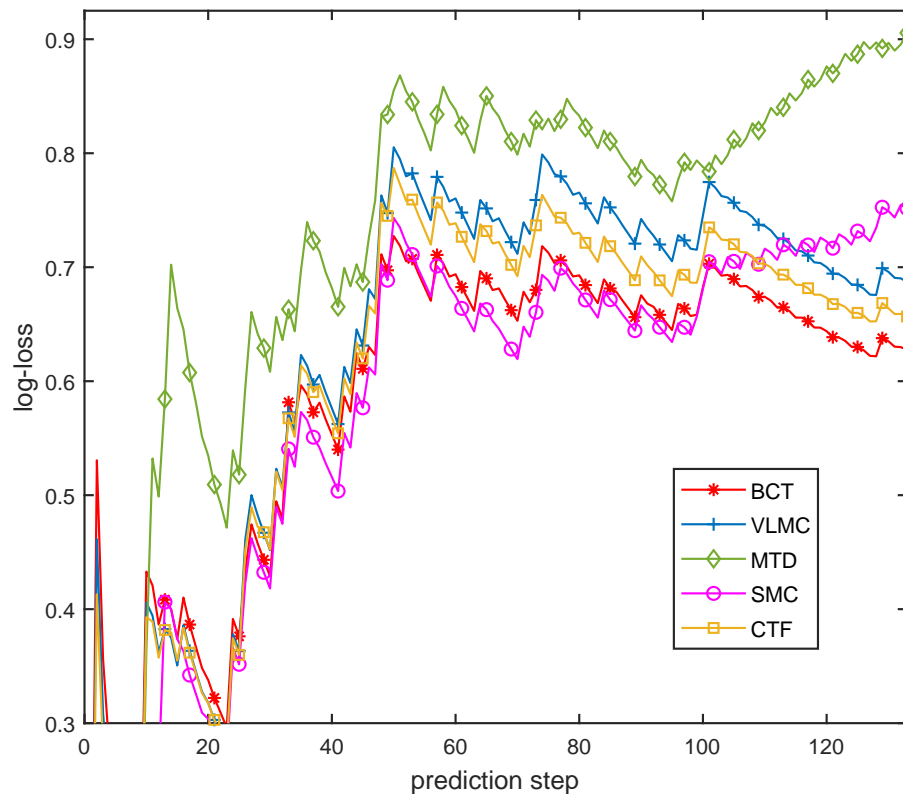
Bühlmann et al's **VLMC** (Variable Memory Markov Chains)

Xiong et al's **SMC** (Sparse Markov Chains)

Prediction results

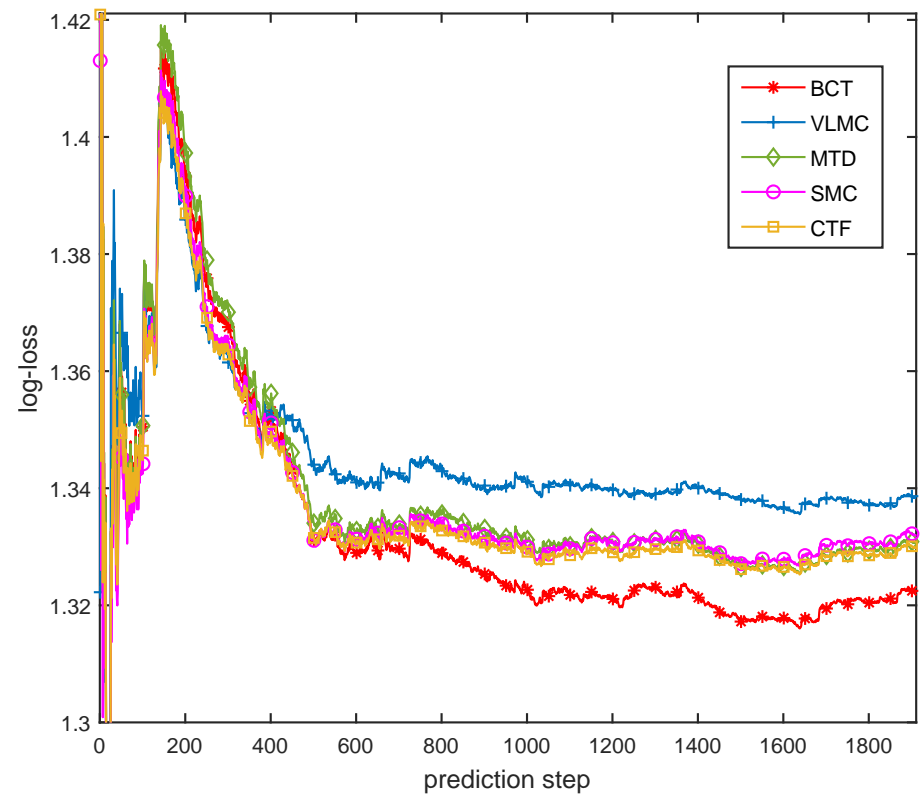
Pewee song data

training = 1185 (90%), testing = 132 (10%)



SARS-CoV-2 protein S gene

training = prediction = 1906 samples



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Dunson et al's **CTF** (Conditional Tensor Factorization)

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Theoretical justifications

“Theorem 1” [BIC/MDL connection]

For every data string X of arbitrary length n , any initial context X_{-D+1}^0 and any model T of depth no more than D with parameters θ the prior predictive likelihood $f(X) = f(X_1^n | X_{-D+1}^0)$ satisfies

$$\log f(X) \approx \log P(X|\theta, T) - \frac{|T|(m-1)}{2} \log n$$

and this is in a strong sense best possible

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Theorem 2 The BCT predictive distribution

$$f(j | X_{-D+1}^n)$$

converges to the true underlying distribution as fast as possible:

(i) For data generated by any model T of depth no more than D with parameters θ , and for any $j \in A$:

$$f(j | X_{-D+1}^n) - P(j | X_{-D+1}^n, \theta, T) \rightarrow 0 \quad \text{with prob 1}$$

(ii) Theorem 1 \Rightarrow that it achieves the minimal log-loss

More theoretical justifications

Theorem 3 [Consistency]

For any ergodic VMMC $\{X_n\}$ of depth no more than D

$$\pi(\cdot, \cdot | X) \xrightarrow{\mathcal{D}} \delta_{(T^*, \theta^*)} \quad \text{with prob 1}$$

and

$$T_1^{(n)} = T^* \quad \text{eventually, with prob 1}$$

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Theorem 4 [Asymptotic normality]

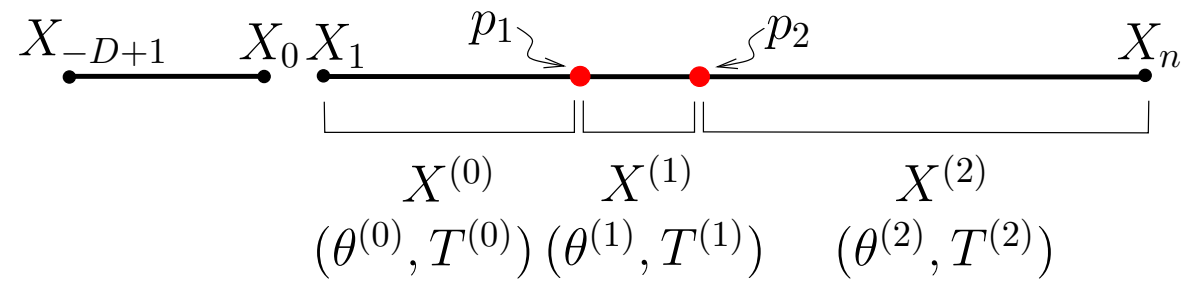
Let $\{X_n\}$ be an ergodic VMMC of depth $\leq D$, with stationary distr π

Suppose $\theta^{(n)} \sim \pi(\cdot | X_{-D+1}^n, T^*)$ and let $\bar{\theta}^{(n)}$ denote its mean. Then:

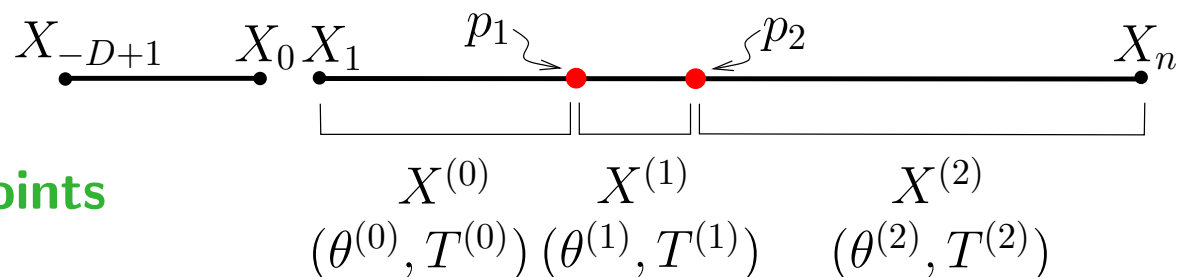
$$\sqrt{n} \left[\theta^{(n)} - \bar{\theta}^{(n)} \right] \xrightarrow{\mathcal{D}} N(0, J) \quad \text{with prob 1}$$

[Let Θ_s^* be the diagonal matrix with entries $\theta_s^*(j)$, $j \in A$, and let J_s denote the $m \times m$ matrix $J_s = \frac{1}{\pi(s)} [\Theta_s^* - (\theta_s^*)^t (\theta_s^*)]$. Then J is the $m|T^*| \times m|T^*|$ block-diagonal matrix consisting of all $m \times m$ blocks J_s]

Changepoint detection: A Bayesian setting



Changepoint detection: A Bayesian setting

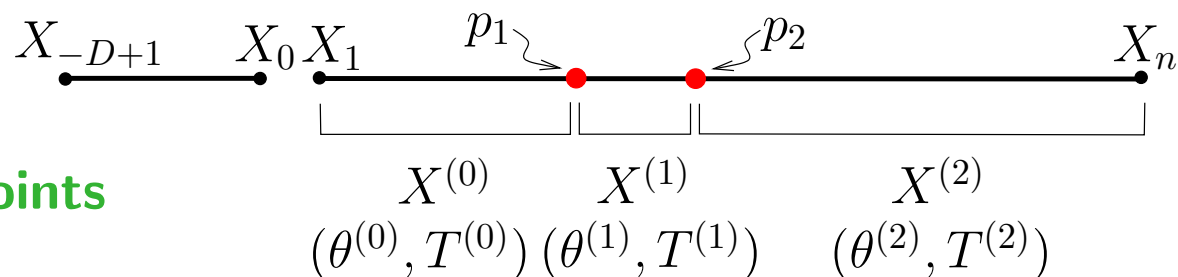


Number of changepoints

$$0 \leq \ell \leq \ell_{\max}$$

$$\text{Prior } \pi(\ell) \sim \text{Po}(\lambda) \mid \ell \leq \ell_{\max}$$

Changepoint detection: A Bayesian setting



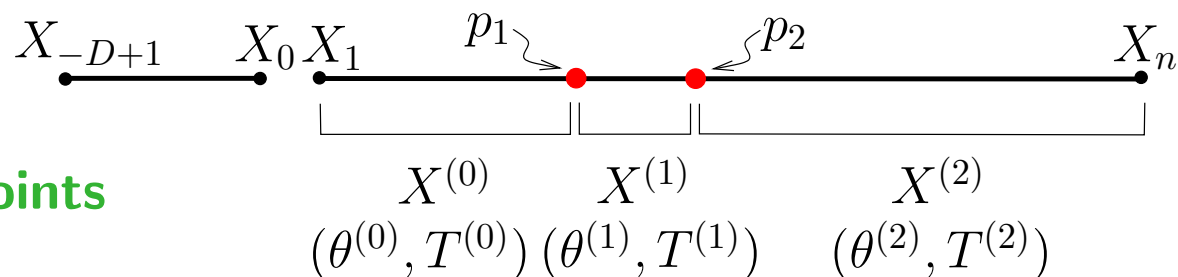
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Changepoint locations Given ℓ , the prior $\pi(p|\ell)$ of the locations $p = (p_1, \dots, p_\ell)$ is the distr of the even points in $2\ell + 1$ indep ordered draws from $\{1, 2, \dots, n\}$ without replacement

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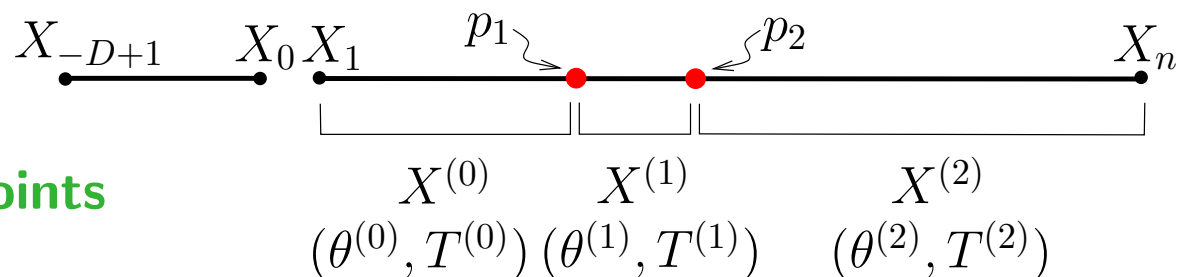
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Prior on models Given ℓ, p , the $\ell + 1$ models $\{T^{(i)}\}$ are i.i.d. under $\pi(\{T^{(i)}\}|\ell, p)$ each with distr $\pi_D(T^{(i)})$ as before

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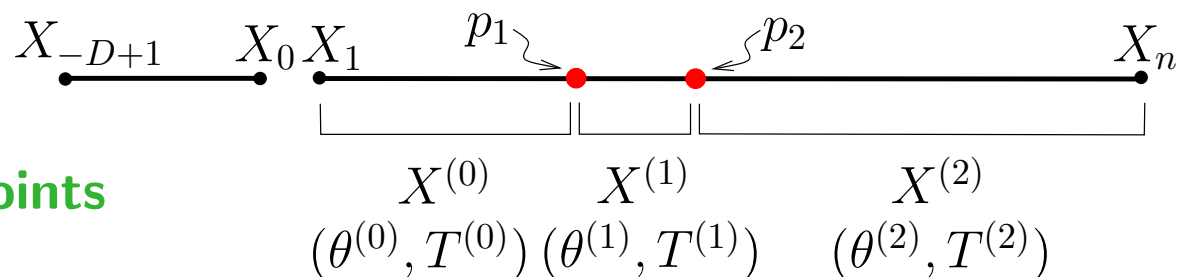
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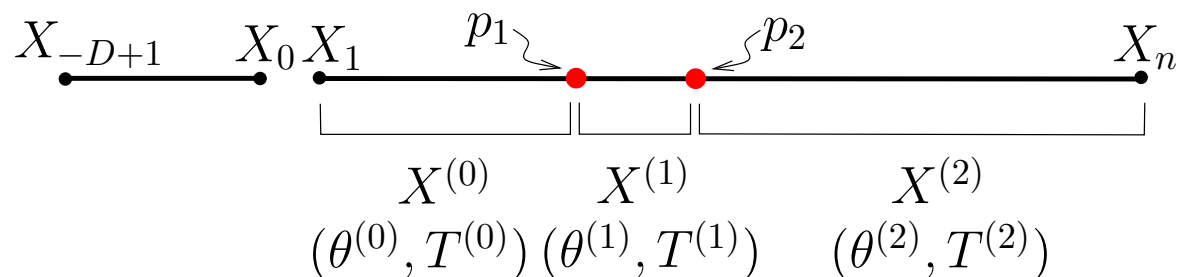
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Likelihood
$$f(X_1^n | X_{-D+1}^0, \ell, p, \{\theta^{(i)}\}, \{T^{(i)}\}) = \prod_{0 \leq i \leq \ell} f(X^{(i)} | T^{(i)}, \theta^{(i)})$$

where each term in the product is a VMMC likelihood as before

BCT changepoint detection



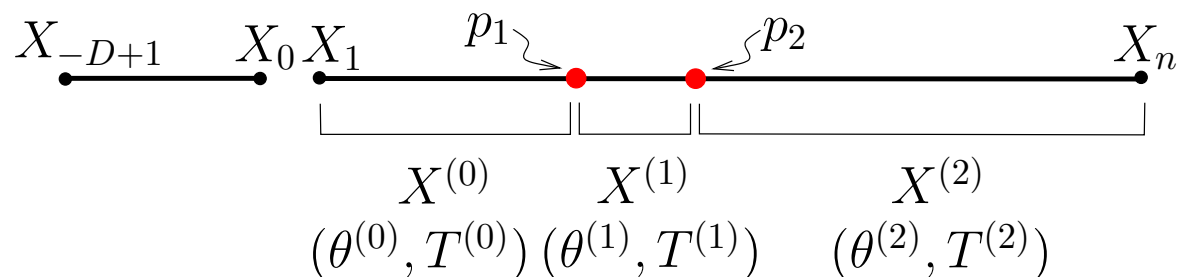
Goal From the likelihood

$$f(X_1^n | X_{-D+1}^0, \ell, p, \{\theta^{(i)}\}, \{T^{(i)}\})$$

and the priors, **determine the posterior $\pi(\ell, p | X)$**

Ordinarily MCMC would require sampling from all the parameters $(\ell, p, \{\theta^{(i)}\}, \{T^{(i)}\}) \rightsquigarrow$ a nearly impossible task

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But here $\pi(\ell, p | X) \propto f(X | \ell, p) \pi(p | \ell) \pi(\ell) = \left[\prod_{0 \leq i \leq \ell} f(X^{(i)}) \right] \pi(p | \ell) \pi(\ell)$

which can be computed by $(\ell + 1)$ applications of the CTW!

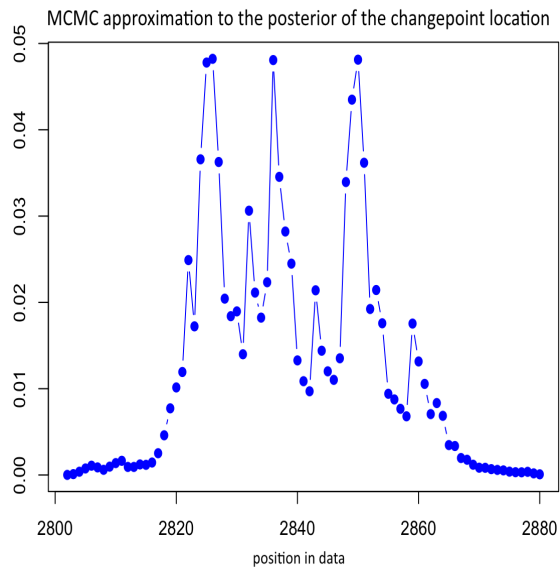
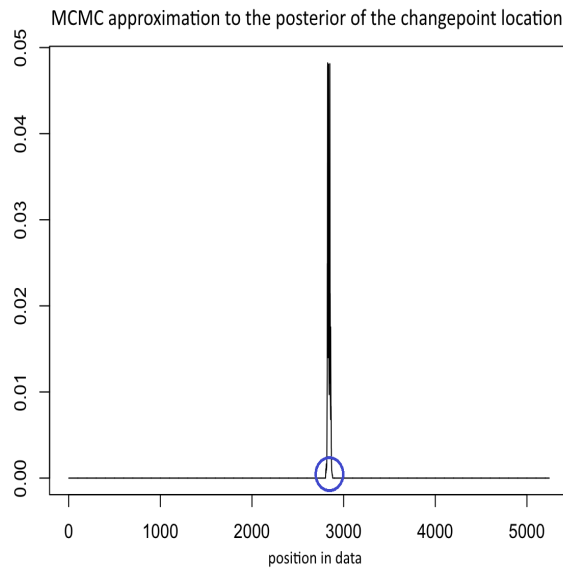
\rightsquigarrow **Effective MCMC** We can sample from the desired posterior $\pi(\ell, p | X)$ with a Metropolis-Hastings sampler that employs the CTW in each step

Changepoint detection results

Simian vacuolating virus 40:

DNA genome, $n = 5243$ bp

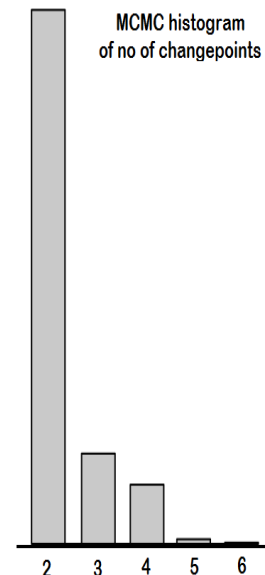
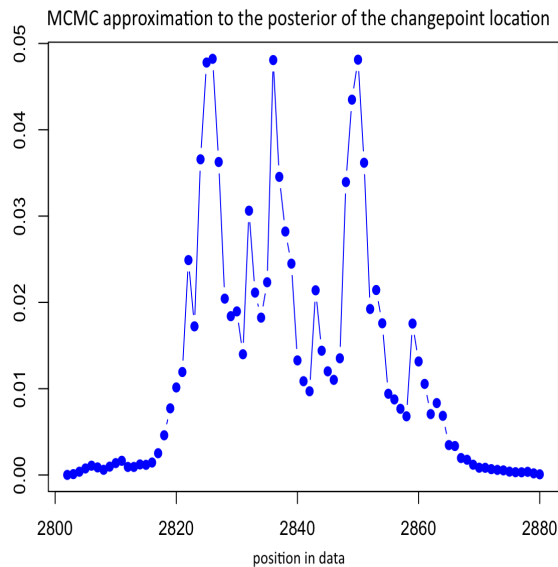
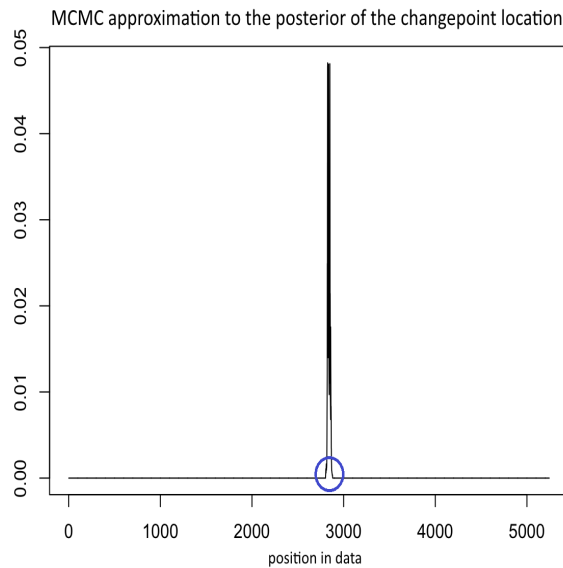
MCMC: $D = 5$, $\ell_{\max} = 1$



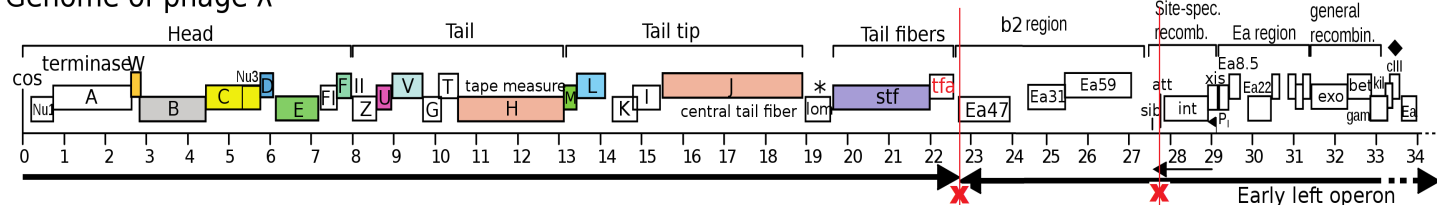
Changepoint detection results

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Enterophage λ bacterium: Examine $n = 35$ Kbp
of its DNA genome, with $D = 10$, $\ell_{\max} = 10$

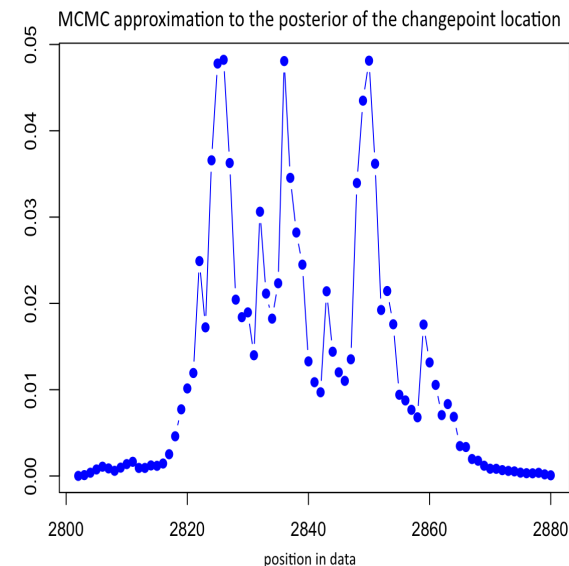
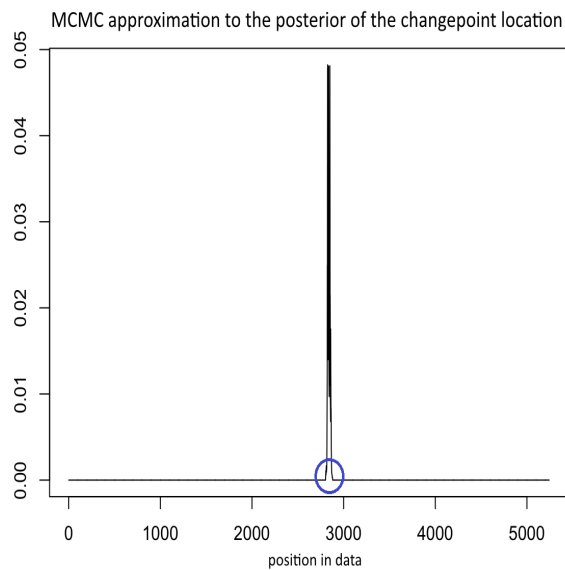


Genome of phage λ

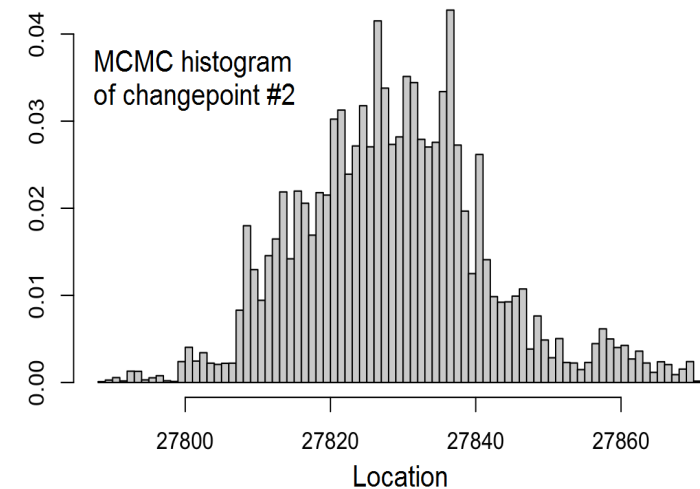
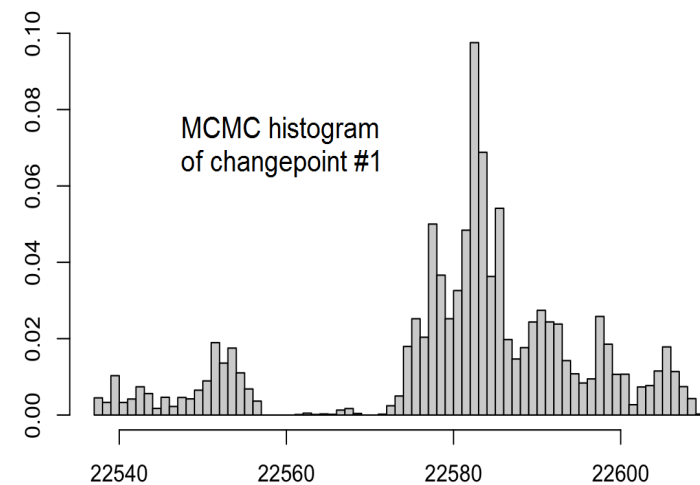
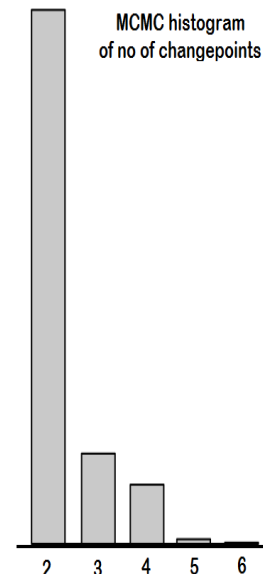


Changepoint detection results

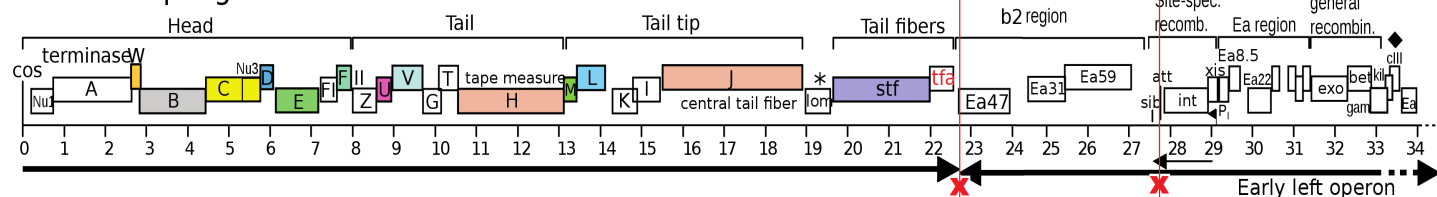
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Real-valued time series: The **BCT-X** framework

Goal Perform effective Bayesian inference with real-valued time series

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First step: Define an appropriate model-class

Idea: **Quantize and mix**

- i. Start with an existing model class $\mathcal{M} = \{M\}$
e.g., $\text{AR}(p)$, $\text{MA}(p)$, $\text{ARMA}(p)$, $\text{ARIMA}(p)$, etc
- ii. Quantize the continuous observations X to a discrete time series Y on $A = \{0, 1, \dots, m-1\}$ in a meaningful way
- iii. Select an m -ary context tree T of depth $\leq D$
- iv. Place a model M_s at each leaf $s \in T$
- v. Define the distribution of X_n given its past $(\dots, X_{n-2}, X_{n-1})$ as the distribution dictated by (M_s, ϕ_s) , where $s \in T$ is the context corresponding to Y_{n-D}, \dots, Y_{n-1}

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Main step: Inference

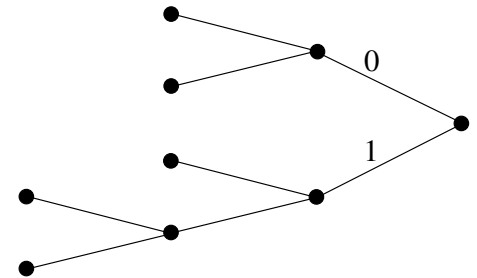
Idea: **Generalize the CTW/BCT** ideas, tools and algorithms

- i. Perform inference jointly on (M, ϕ) and on (T, θ)
- ii. Develop new methodological tools in applications

Example: The binary BCT-AR model class

Model class

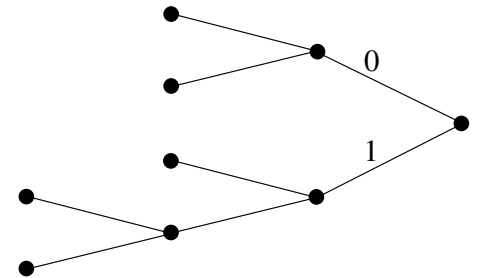
▷ Binary context trees T of depth $\leq D$



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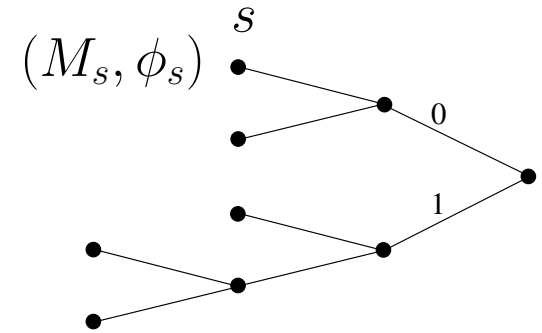
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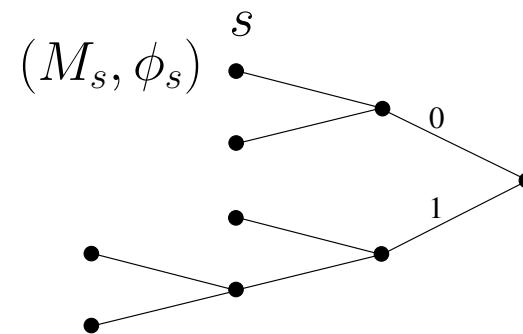
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- ▷ Inv-Gamma/Gaussian AR(p) 'conjugate' priors



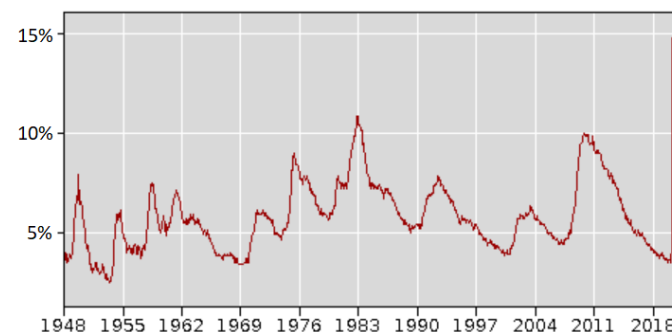
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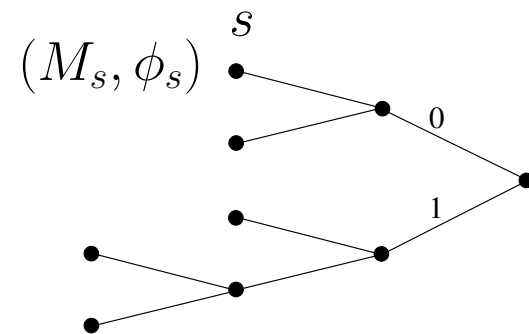
Application US unemployment data
Sequence X of differences of quarterly rates
1948-2019: $n = 288$ observations



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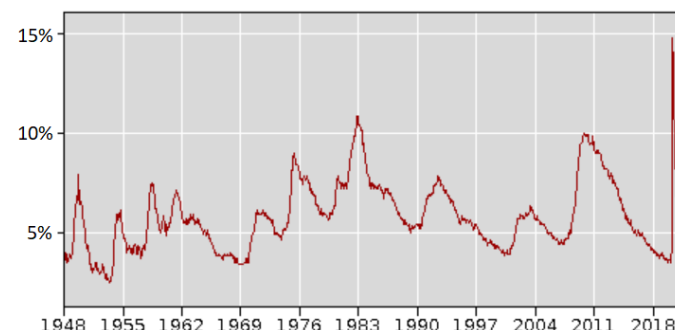
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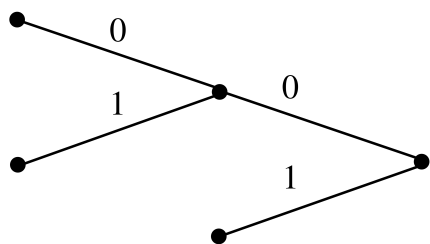
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Results With AR $p_{\max} = 5$, $D = 10$

Estimated quantizer threshold is $\approx 0.15\%$



Mean squared error (MSE) of forecasts

Model	Prediction step				
	1	2	3	4	5
Seas. ARIMA	5.40	7.71	10.1	11.6	11.0
SETAR	5.42	8.34	8.82	9.48	9.95
MAR	5.33	7.61	8.92	9.56	9.71
BCT-AR	4.90	7.33	8.44	9.08	9.48

Example: The binary BCT-ARCH model class

Modelling observations

► **Nonstationarity** \rightsquigarrow transform data: $y_n = \log \frac{x_n}{x_{n-1}}$

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$$\rightsquigarrow \text{ARCH:} \quad y_n \sim N(0, \sigma_n^2) \quad \sigma_n^2 = \alpha_0 + \sum_{j=1}^p \alpha_j y_{n-j}^2$$

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► **Leverage effect**: Asymmetric volatility response to +ve and -ve shocks

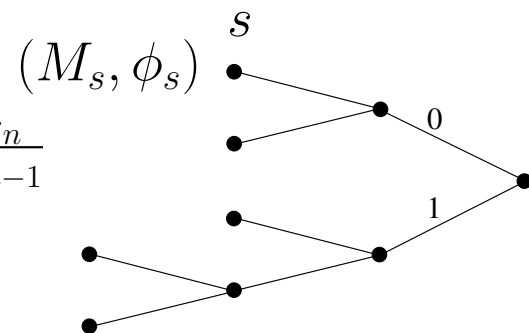
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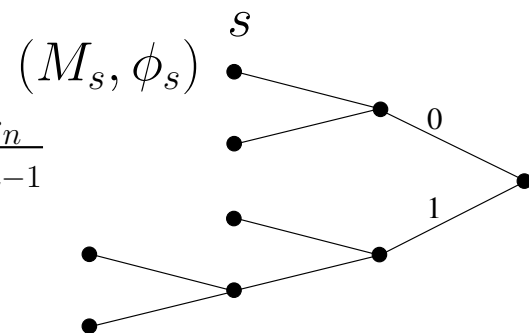
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Model class

- ▷ Binary context trees T of depth $\leq D$
- ▷ Binary quantizer with threshold $c = 0$
- ▷ ARCH model M_s and parameters ϕ_s at each $s \in T$
- ▷ Non-informative non-conjugate priors
 \rightsquigarrow Laplace approximation for the marginal likelihoods

BCT-ARCH application: Market index data

Data FTSE, CAC and DAX $n = 7821$ daily values

Parameters ARCH $p_{\max} = 5$, $D = 5$

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Table: Comparing the predictive ability of volatility models in terms of the cumulative log-loss

	BCT-ARCH	ARCH	GARCH	GJR	EGARCH	MSGARCH	SV
ftse	−161.9	−157.7	−154.5	−159.7	−159.0	−159.7	−154.4
cac40	−112.5	−108.6	−108.7	−111.0	−112.4	−109.2	−106.9
dax	−111.7	−105.9	−105.4	−106.4	−107.5	−106.1	−103.2

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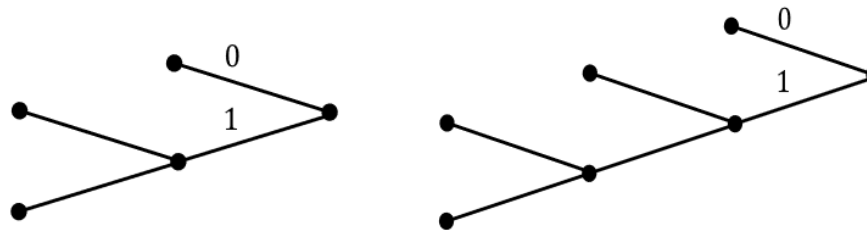
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Modelling results



MAP context-tree models for FTSE 100 (left), CAC 40 and DAX (right)

$$\pi(T^*|x) \approx 95\%$$

$$\pi(T^*|x) \approx 64\%$$

$$\pi(T^*|x) \approx 49\%$$

~> **Enhanced leverage effect**

Extensions and further results

~> Applications

Model selection	Estimation	Change-point detection
Segmentation	Anomaly detection	Markov order estimation
Filtering	Prediction	Entropy estimation
Causality testing	Compression	Content recognition

~> Results on real data

- ▷ Satellite imaging ▷ genetics ▷ neuroscience
 - ▷ finance ▷ economics
 - ▷ meteorology (wind and rainfall prediction),
 - ▷ animal communication (whale/dolphin/bird song data)
- + **R** package: **BCT**

~> Theoretical foundation

- ▶ Rich collection of asymptotics and non-asymptotic bounds