Package: mFilter (via r-universe)

October 10, 2024

Title Miscellaneous Time Series Filters

Date 2019-07-04

Version 0.1-6

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Depends R (>= 2.2.0), stats

Suggests tseries, pastecs, locfit, tseriesChaos, tsDyn, forecast

Description The mFilter package implements several time series filters
useful for smoothing and extracting trend and cyclical
components of a time series. The routines are commonly used in
economics and finance, however they should also be interest to
other areas. Currently, Christiano-Fitzgerald, Baxter-King,
Hodrick-Prescott, Butterworth, and trigonometric regression
filters are included in the package.

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License GPL (>= 2)

URL <http://www.mbalcilar.net>

Encoding UTF-8

RoxygenNote 7.2.3

Repository https://mbalcilar.r-universe.dev

RemoteUrl https://github.com/mbalcilar/mfilter

RemoteRef HEAD

RemoteSha 9dc5dc7afff323a0a197d116b268617b617aa67f

Contents

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mFilter-package   *Getting started with the mFilter package*

Description

Getting started with the mFilter package

Details

This package provides some tools for decomposing time series into trend (smooth) and cyclical
(irregular) components. The package implements come commonly used filters such as the Hodrick-
Prescott, Baxter-King and Christiano-Fitzgerald filter.

For loading the package, type:

```
library(mFilter)
```

A good place to start learning the package usage is to examine examples for the mFilter function.
At the R prompt, write:

```
example("mFilter")
```

For a full list of functions exported by the package, type:

```
ls("package:mFilter")
```

Each exported function has a corresponding man page (some man pages are common to more
functions). Display it by typing

```
help(functionName).
```

Almost all filters in this package can be put into the following framework. Given a time series
$\{x_t\}_{t=1}^{T}$ we are interested in isolating component of x_t, denoted y_t with period of oscillations
between p_l and p_u, where $2 \le p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \quad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b-a}{\pi}$$

The finite sample approximation to the ideal bandpass filter uses the alternative filter

$$y_t = \hat{B}(L)x_t = \sum_{j=-n_1}^{n_2} \hat{B}_{t,j} x_{t+j}$$

Here the weights, $\hat{B}_{t,j}$, of the approximation is a solution to

$$\hat{B}_{t,j} = \arg\min E\{(y_t - \hat{y}_t)^2\}$$

The Christiano-Fitzgerald filter is a finite data approximation to the ideal bandpass filter and minimizes the mean squared error defined in the above equation.

Several band-pass approximation strategies can be selected in the function `cffilter`. The default setting of `cffilter` returns the filtered data $\hat{y}_t$ associated with the unrestricted optimal filter assuming no unit root, no drift and an iid filter.

If `theta` is not equal to 1 the series is assumed to follow a moving average process. The moving average weights are given by `theta`. The default is `theta=1` (iid series). If `theta`$= (\theta_1, \theta_2, \ldots)$ then the series is assumed to be

$$x_t = \mu + 1_{root} x_{t-1} + \theta_1 e_t + \theta_2 e_{t-1} + \ldots$$

where $1_{root} = 1$ if the option `root=1` and $1_{root} = 0$ if the option `root=0`, and e_t is a white noise.

The Baxter-King filter is a finite data approximation to the ideal bandpass filter with following moving average weights

$$y_t = \hat{B}(L)x_t = \sum_{j=-n}^{n} \hat{B}_j x_{t+j} = \hat{B}_0 x_t + \sum_{j=1}^{n} \hat{B}_j (x_{t-j} + x_{t+j})$$

where

$$\hat{B}_j = B_j - \frac{1}{2n+1} \sum_{j=-n}^{n} B_j$$

The Hodrick-Prescott filter obtains the filter weights $\hat{B}_j$ as a solution to

$$\hat{B}_j = \arg\min E\{(y_t - \hat{y}_t)^2\} = \arg\min \left\{ \sum_{t=1}^{T} (y_t - \hat{y}_t)^2 + \lambda \sum_{t=2}^{T-1} (\hat{y}_{t+1} - 2\hat{y}_t + \hat{y}_{t-1})^2 \right\}$$

The Hodrick-Prescott filter is a finite data approximation with following moving average weights

$$\hat{B}_j = \frac{1}{2\pi} \int_{-\pi}^{\pi} \frac{4\lambda(1 - \cos(\omega))^2}{1 + 4\lambda(1 - \cos(\omega))^2} e^{i\omega j} d\omega$$

The digital version of the Butterworth highpass filter is described by the rational polynomial expression (the filter's z-transform)

$$\frac{\lambda(1 - z)^n(1 - z^{-1})^n}{(1 + z)^n(1 + z^{-1})^n + \lambda(1 - z)^n(1 - z^{-1})^n}$$

The time domain version can be obtained by substituting z for the lag operator L.

Pollock (2000) derives a specialized finite-sample version of the Butterworth filter on the basis of signal extraction theory. Let s_t be the trend and c_t cyclical component of y_t, then these components are extracted as

$$y_t = s_t + c_t = \frac{(1 + L)^n}{(1 - L)^d} \nu_t + (1 - L)^{n-d} \varepsilon_t$$

where $\nu_t \sim N(0, \sigma_\nu^2)$ and $\varepsilon_t \sim N(0, \sigma_\varepsilon^2)$.

Let T be even and define $n_1 = T/p_u$ and $n_2 = T/p_l$. The trigonometric regression filter is based on the following relation

$$y_t = \sum_{j=n_2}^{n_1} \{a_j \cos(\omega_j t) + b_j \sin(\omega_j t)\}$$

where a_j and b_j are the coefficients obtained by regressing x_t on the indicated sine and cosine functions. Specifically,

$a_j = \frac{T}{2} \sum_{t=1}^{T} \cos(\omega_j t) x_t$, for $j = 1, \ldots, T/2 - 1$

$a_j = \frac{T}{2} \sum_{t=1}^{T} \cos(\pi t) x_t$, for $j = T/2$

and

$b_j = \frac{T}{2} \sum_{t=1}^{T} \sin(\omega_j t) x_t$, for $j = 1, \ldots, T/2 - 1$

$b_j = \frac{T}{2} \sum_{t=1}^{T} \sin(\pi t) x_t$, for $j = T/2$

Let $\hat{B}(L)x_t$ be the trigonometric regression filter. It can be showed that $\hat{B}(1) = 0$, so that $\hat{B}(L)$ has a unit root for $t = 1, 2, \ldots, T$. Also, when $\hat{B}(L)$ is symmetric, it has a second unit root in the middle of the data for t. Therefore it is important to drift adjust data before it is filtered with a trigonometric regression filter.

If `drift=TRUE` the drift adjusted series is obtained as

$$\tilde{x}_t = x_t - t \left(\frac{x_T - x_1}{T - 1} \right), \quad t = 0, 1, \ldots, T - 1$$

where $\tilde{x}_t$ is the undrifted series.

How to cite this package

Whenever using this package, please cite as

Balcilar, M. (2019). mFilter: Miscellaneous Time Series Filters. R package version 1.5-0. https://github.com/mbalcilar/mFilte

```
@Manual{Balcilar_2019,
 author      = {Mehmet Balcilar},
 title       = {{mFilter}: Miscellaneous Time Series Filters.},
 year        = {2019},
 note        = {R package version 1.5-0.},
 URL         = {https://github.com/mbalcilar/mFilter}}
```

License

The releases of this package is licensed under GPL version 3.

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

J. D. Hamilton. *Time series analysis.* Princeton, 1994.

R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

mFilter-methods for listing all currently available mFilter methods. For help on common interface function "mFilter", mFilter. For individual filter function usage, bwfilter, bkfilter, cffilter, hpfilter, trfilter.

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bkfilter	*Baxter-King filter of a time series*

Description

This function implements the Baxter-King approximation to the band pass filter for a time series. The function computes cyclical and trend components of the time series using band-pass approximation for fixed and variable length filters.

Usage

```
bkfilter(x,pl=NULL,pu=NULL,nfix=NULL,type=c("fixed","variable"),drift=FALSE)
```

Arguments

x	a regular time series
type	character, indicating the filter type, `"fixed"`, for the fixed length Baxter-King filter (default), `"variable"`, for the variable length Baxter-King filter.
pl	integer. minimum period of oscillation of desired component (pl<=2).
pu	integer. maximum period of oscillation of desired component (2<=pl<pu<infinity).
drift	logical, `FALSE` if no drift in time series (default), `TRUE` if drift in time series.
nfix	sets fixed lead/lag length or order of the filter. The `nfix` option sets the order of the filter by 2*nfix+1. The default is `frequency(x)*3`.

Details

Almost all filters in this package can be put into the following framework. Given a time series $\{x_t\}_{t=1}^{T}$ we are interested in isolating component of x_t, denoted y_t with period of oscillations between p_l and p_u, where $2 \leq p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \qquad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b - a}{\pi}$$

The Baxter-King filter is a finite data approximation to the ideal bandpass filter with following moving average weights

$$y_t = \hat{B}(L)x_t = \sum_{j=-n}^{n} \hat{B}_j x_{t+j} = \hat{B}_0 x_t + \sum_{j=1}^{n} \hat{B}_j (x_{t-j} + x_{t+j})$$

where

$$\hat{B}_j = B_j - \frac{1}{2n+1} \sum_{j=-n}^{n} B_j$$

If `drift=TRUE` the drift adjusted series is obtained

$$\tilde{x}_t = x_t - t \left(\frac{x_T - x_1}{T-1} \right), \ \ t = 0, 1, \ldots, T - 1$$

where $\tilde{x}_t$ is the undrifted series.

Value

A `"mFilter"` object (see [mFilter](#)).

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

J. D. Hamilton. *Time series analysis.* Princeton, 1994.

R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

[mFilter](#), [bwfilter](#), [cffilter](#), [hpfilter](#), [trfilter](#)

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.bk <- bkfilter(unemp)
plot(unemp.bk)
unemp.bk1 <- bkfilter(unemp, drift=TRUE)
unemp.bk2 <- bkfilter(unemp, pl=8,pu=40,drift=TRUE)
```

```
unemp.bk3 <- bkfilter(unemp, pl=2,pu=60,drift=TRUE)
unemp.bk4 <- bkfilter(unemp, pl=2,pu=40,drift=TRUE)

par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp.bk1$x,
    main="Baxter-King filter of unemployment: Trend, drift=TRUE",
    col=1, ylab="")
lines(unemp.bk1$trend,col=2)
lines(unemp.bk2$trend,col=3)
lines(unemp.bk3$trend,col=4)
lines(unemp.bk4$trend,col=5)
legend("topleft",legend=c("series", "pl=2, pu=32", "pl=8, pu=40",
        "pl=2, pu=60", "pl=2, pu=40"), col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.bk1$cycle,
main="Baxter-King filter of unemployment: Cycle,drift=TRUE",
        col=2, ylab="", ylim=range(unemp.bk3$cycle,na.rm=TRUE))
lines(unemp.bk2$cycle,col=3)
lines(unemp.bk3$cycle,col=4)
lines(unemp.bk4$cycle,col=5)
## legend("topleft",legend=c("pl=2, pu=32", "pl=8, pu=40", "pl=2, pu=60",
## "pl=2, pu=40"), col=1:5, lty=rep(1,5), ncol=1)

par(opar)
```

---

bwfilter   *Butterworth filter of a time series*

Description

Filters a time series using the Butterworth square-wave highpass filter described in Pollock (2000).

Usage

```
bwfilter(x,freq=NULL,nfix=NULL,drift=FALSE)
```

Arguments

x	a regular time series
nfix	sets the order of the filter. The default is nfix=2, when nfix=NULL.
freq	integer, the cut-off frequency of the Butterworth filter. The default is trunc(2.5*frequency(x)).
drift	logical, FALSE if no drift in time series (default), TRUE if drift in time series.

Details

Almost all filters in this package can be put into the following framework. Given a time series $\{x_t\}_{t=1}^T$ we are interested in isolating component of x_t, denoted y_t with period of oscillations between p_l and p_u, where $2 \le p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \qquad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b - a}{\pi}$$

The digital version of the Butterworth highpass filter is described by the rational polynomial expression (the filter's z-transform)

$$\frac{\lambda(1 - z)^n(1 - z^{-1})^n}{(1 + z)^n(1 + z^{-1})^n + \lambda(1 - z)^n(1 - z^{-1})^n}$$

The time domain version can be obtained by substituting z for the lag operator L.

Pollock derives a specialized finite-sample version of the Butterworth filter on the basis of signal extraction theory. Let s_t be the trend and c_t cyclical component of y_t, then these components are extracted as

$$y_t = s_t + c_t = \frac{(1 + L)^n}{(1 - L)^d}\nu_t + (1 - L)^{n-d}\varepsilon_t$$

where $\nu_t \sim N(0, \sigma_\nu^2)$ and $\varepsilon_t \sim N(0, \sigma_\varepsilon^2)$.

If `drift=TRUE` the drift adjusted series is obtained as

$$\tilde{x}_t = x_t - t\left(\frac{x_T - x_1}{T - 1}\right), \quad t = 0, 1, \dots, T - 1$$

where $\tilde{x}_t$ is the undrifted series.

Value

A `"mFilter"` object (see `mFilter`).

Author(s)

Mehmet Balcilar, `<mehmet@mbalcilar.net>`

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

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R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

mFilter, hpfilter, cffilter, bkfilter, trfilter

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.bw <- bwfilter(unemp)
plot(unemp.bw)
unemp.bw1 <- bwfilter(unemp, drift=TRUE)
unemp.bw2 <- bwfilter(unemp, freq=8,drift=TRUE)
unemp.bw3 <- bwfilter(unemp, freq=10, nfix=3, drift=TRUE)
unemp.bw4 <- bwfilter(unemp, freq=10, nfix=4, drift=TRUE)

par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp.bw1$x,
     main="Butterworth filter of unemployment: Trend,
     drift=TRUE",col=1, ylab="")
lines(unemp.bw1$trend,col=2)
lines(unemp.bw2$trend,col=3)
lines(unemp.bw3$trend,col=4)
lines(unemp.bw4$trend,col=5)
legend("topleft",legend=c("series", "freq=10, nfix=2",
       "freq=8, nfix=2", "freq=10, nfix=3", "freq=10, nfix=4"),
       col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.bw1$cycle,
```

```
      main="Butterworth filter of unemployment: Cycle,drift=TRUE",
      col=2, ylab="", ylim=range(unemp.bw3$cycle,na.rm=TRUE))
lines(unemp.bw2$cycle,col=3)
lines(unemp.bw3$cycle,col=4)
lines(unemp.bw4$cycle,col=5)
## legend("topleft",legend=c("series", "freq=10, nfix=2", "freq=8,
## nfix=2", "freq## =10, nfix=3", "freq=10, nfix=4"), col=1:5,
## lty=rep(1,5), ncol=1)

par(opar)
```

---

cffilter   *Christiano-Fitzgerald filter of a time series*

Description

This function implements the Christiano-Fitzgerald approximation to the ideal band pass filter for a
time series. The function computes cyclical and trend components of the time series using several
band-pass approximation strategies.

Usage

```
cffilter(x,pl=NULL,pu=NULL,root=FALSE,drift=FALSE,
        type=c("asymmetric","symmetric","fixed","baxter-king","trigonometric"),
  nfix=NULL,theta=1)
```

Arguments

x	a regular time series.
type	the filter type, `"asymmetric"`, asymmetric Christiano-Fitzgerald filter (default), `"symmetric"`, symmetric Christiano-Fitzgerald filter `"fixed"`, fixed length Christiano-Fitzgerald filter, `"baxter-king"`, Baxter-King fixed length symmetric filter, `"trigonometric"`, trigonometric regression filter.
pl	minimum period of oscillation of desired component (pl<=2).
pu	maximum period of oscillation of desired component (2<=pl<pu<infinity).
root	logical, FALSE if no unit root in time series (default), TRUE if unit root in time series. The root option has no effect if type is `"baxter-king"` or `"trigonometric"`.
drift	logical, FALSE if no drift in time series (default), TRUE if drift in time series.
nfix	sets fixed lead/lag length or order of the filter with `"baxter-king"` and `"fixed"`. The nfix option sets the order of the filter by 2*nfix+1. The default is nfix=1.
theta	moving average coefficients for time series model: $x(t) = mu + root*x(t-1) + theta(1)*e(t) + theta(2)*e(t-1) + \ldots$, where $e(t)$ is a white noise.

Details

Almost all filters in this package can be put into the following framework. Given a time series $\{x_t\}_{t=1}^T$ we are interested in isolating component of x_t, denoted y_t with period of oscillations between p_l and p_u, where $2 \le p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \qquad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b - a}{\pi}$$

The finite sample approximation to the ideal bandpass filter uses the alternative filter

$$y_t = \hat{B}(L)x_t = \sum_{j=-n_1}^{n_2} \hat{B}_{t,j} x_{t+j}$$

Here the weights, $\hat{B}_{t,j}$, of the approximation is a solution to

$$\hat{B}_{t,j} = \arg\min E\{(y_t - \hat{y}_t)^2\}$$

The Christiano-Fitzgerald filter is a finite data approximation to the ideal bandpass filter and minimizes the mean squared error defined in the above equation.

Several band-pass approximation strategies can be selected in the function `cffilter`. The default setting of `cffilter` returns the filtered data $\hat{y}_t$ associated with the unrestricted optimal filter assuming no unit root, no drift and an iid filter.

If `theta` is not equal to 1 the series is assumed to follow a moving average process. The moving average weights are given by `theta`. The default is `theta=1` (iid series). If `theta`$= (\theta_1, \theta_2, \dots)$ then the series is assumed to be

$$x_t = \mu + 1_{root}x_{t-1} + \theta_1 e_t + \theta_2 e_{t-1} + \dots$$

where $1_{root} = 1$ if the option root=1 and $1_{root} = 0$ if the option root=0, and e_t is a white noise.

If drift=TRUE the drift adjusted series is obtained as

$$\tilde{x}_t = x_t - t\left(\frac{x_T - x_1}{T-1}\right), \quad t = 0, 1, \ldots, T-1$$

where $\tilde{x}_t$ is the undrifted series.

Value

A "mFilter" object (see mFilter).

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

J. D. Hamilton. *Time series analysis.* Princeton, 1994.

R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

mFilter, bwfilter, bkfilter, hpfilter, trfilter

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.cf <- cffilter(unemp)
plot(unemp.cf)
unemp.cf1 <- cffilter(unemp, drift=TRUE, root=TRUE)
unemp.cf2 <- cffilter(unemp, pl=8,pu=40,drift=TRUE, root=TRUE)
unemp.cf3 <- cffilter(unemp, pl=2,pu=60,drift=TRUE, root=TRUE)
unemp.cf4 <- cffilter(unemp, pl=2,pu=40,drift=TRUE, root=TRUE,theta=c(.1,.4))
```

```
par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp.cf1$x,
main="Christiano-Fitzgerald filter of unemployment: Trend \n root=TRUE,drift=TRUE",
col=1, ylab="")
lines(unemp.cf1$trend,col=2)
lines(unemp.cf2$trend,col=3)
lines(unemp.cf3$trend,col=4)
lines(unemp.cf4$trend,col=5)
legend("topleft",legend=c("series", "pl=2, pu=32", "pl=8, pu=40", "pl=2, pu=60",
"pl=2, pu=40, theta=.1,.4"), col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.cf1$cycle,
main="Christiano-Fitzgerald filter of unemployment: Cycle \n root=TRUE,drift=TRUE",
col=2, ylab="", ylim=range(unemp.cf3$cycle))
lines(unemp.cf2$cycle,col=3)
lines(unemp.cf3$cycle,col=4)
lines(unemp.cf4$cycle,col=5)
## legend("topleft",legend=c("pl=2, pu=32", "pl=8, pu=40", "pl=2, pu=60",
## "pl=2, pu=40, theta=.1,.4"), col=2:5, lty=rep(1,4), ncol=2)

par(opar)
```

---

hpfilter   *Hodrick-Prescott filter of a time series*

Description

This function implements the Hodrick-Prescott for estimating cyclical and trend component of a time series. The function computes cyclical and trend components of the time series using a frequency cut-off or smoothness parameter.

Usage

```
hpfilter(x,freq=NULL,type=c("lambda","frequency"),drift=FALSE)
```

Arguments

x	a regular time series.
type	character, indicating the filter type, "lambda", for the filter that uses smoothness penalty parameter of the Hodrick-Prescott filter (default), "frequency", for the filter that uses a frequency cut-off type Hodrick-Prescott filter. These are related by $lambda = (2 * sin(pi/frequency))^{-4}$.
freq	integer, if type="lambda" then freq is the smoothing parameter (lambda) of the Hodrick-Prescott filter, if type="frequency" then freq is the cut-off frequency of the Hodrick-Prescott filter.
drift	logical, FALSE if no drift in time series (default), TRUE if drift in time series.

Details

Almost all filters in this package can be put into the following framework. Given a time series $\{x_t\}_{t=1}^T$ we are interested in isolating component of x_t, denoted y_t with period of oscillations between p_l and p_u, where $2 \le p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \qquad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b - a}{\pi}$$

The Hodrick-Prescott filter obtains the filter weights $\hat{B}_j$ as a solution to

$$\hat{B}_j = \arg\min E\{(y_t - \hat{y}_t)^2\} = \arg\min \left\{ \sum_{t=1}^{T} (y_t - \hat{y}_t)^2 + \lambda \sum_{t=2}^{T-1} (\hat{y}_{t+1} - 2\hat{y}_t + \hat{y}_{t-1})^2 \right\}$$

The Hodrick-Prescott filter is a finite data approximation with following moving average weights

$$\hat{B}_j = \frac{1}{2\pi} \int_{-\pi}^{\pi} \frac{4\lambda(1 - \cos(\omega))^2}{1 + 4\lambda(1 - \cos(\omega))^2} e^{i\omega j} d\omega$$

If `drift=TRUE` the drift adjusted series is obtained as

$$\tilde{x}_t = x_t - t\left(\frac{x_T - x_1}{T - 1}\right), \quad t = 0, 1, \ldots, T - 1$$

where $\tilde{x}_t$ is the undrifted series.

Value

A `"mFilter"` object (see `mFilter`).

Author(s)

Mehmet Balcilar, `<mehmet@mbalcilar.net>`

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

J. D. Hamilton. *Time series analysis.* Princeton, 1994.

R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

mFilter, bwfilter, cffilter, bkfilter, trfilter

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.hp <- hpfilter(unemp)
plot(unemp.hp)
unemp.hp1 <- hpfilter(unemp, drift=TRUE)
unemp.hp2 <- hpfilter(unemp, freq=800, drift=TRUE)
unemp.hp3 <- hpfilter(unemp, freq=12,type="frequency",drift=TRUE)
unemp.hp4 <- hpfilter(unemp, freq=52,type="frequency",drift=TRUE)

par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp.hp1$x,   ylim=c(2,13),
main="Hodrick-Prescott filter of unemployment: Trend, drift=TRUE",
     col=1, ylab="")
lines(unemp.hp1$trend,col=2)
lines(unemp.hp2$trend,col=3)
lines(unemp.hp3$trend,col=4)
lines(unemp.hp4$trend,col=5)
legend("topleft",legend=c("series", "lambda=1600", "lambda=800",
       "freq=12", "freq=52"), col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.hp1$cycle,
main="Hodrick-Prescott filter of unemployment: Cycle,drift=TRUE",
```

```
      col=2, ylab="", ylim=range(unemp.hp4$cycle,na.rm=TRUE))
lines(unemp.hp2$cycle,col=3)
lines(unemp.hp3$cycle,col=4)
lines(unemp.hp4$cycle,col=5)
## legend("topleft",legend=c("lambda=1600", "lambda=800",
## "freq=12", "freq=52"), col=1:5, lty=rep(1,5), ncol=1)

par(opar)
```

---

mFilter   *Decomposition of a time series into trend and cyclical components*
                        using various filters

Description

mFilter is a generic function for filtering time series data. The function invokes particular *filters* which depend on filter type specified via its argument filter. The filters implemented in the package mFilter package are useful for smoothing, and estimating tend and cyclical components. Some of these filters are commonly used in economics and finance for estimating cyclical component of time series.

The mFilter currently applies only to time series objects. However a default method is available and should work for any [numeric](#) or [vector](#) object.

Usage

```
   mFilter(x, ...)
   ## Default S3 method:
mFilter(x, ...)
   ## S3 method for class 'ts'
mFilter(x, filter=c("HP","BK","CF","BW","TR"), ...)
```

Arguments

x	a regular a time series.
filter	filter type, the filter types are "HP" (Hodrick-Prescott), "BK" (Baxter-King), "CF" (Christiano-Fitzgerald), "BW" (Butterworth), and "TR" (trigonometric regression).
...	Additional arguments to pass to the relevant filter functions. These are passed to hpfilter, bkfilter, cffilter, bwfilter, and trfilter, respectively for the "HP", "BK", "CF", "BW", and "TR" filters.

Details

The default behaviour is to apply the default filter to [ts](#) objects.

Value

An object of class "mFilter".

The function summary is used to obtain and print a summary of the results, while the function plot produces a plot of the original series, the trend, and the cyclical components. The function print is also available for displaying estimation results.

The generic accessor functions fitted and residuals extract estimated trend and cyclical componets of an "mFilter" object, respectively.

An object of class "mFilter" is a list containing at least the following elements:

cycle   Estimated cyclical (irregular) component of the series.

trend   Estimated trend (smooth) component of the series.

fmatrix   The filter matrix applied to original series.

method   The method, if available, for the filter type applied.

type   The filter type applied to the series.

call   Call to the function.

title   The title for displaying results.

xname   Name of the series passed to mFilter for filtering.

x   The original or drift adjusted, if drift=TRUE, time series passed to the mFilter.

Following additional elements may exists depending on the type of filter applied:

nfix   Length or order of the fixed length filters.

pl   Minimum period of oscillation of desired component (2<=pl).

pu   Maximum period of oscillation of desired component (2<=pl<pu<infinity).

lambda   Lambda (smoothness) parameter of the HP filter.

root   Whether time series has a unit root, TRUE or FALSE (default).

drift   Whether time series has drift, TRUE or FALSE (default).

theta   MA coefficients for time series model, used in "CF" filter.

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

See Also

Other functions which return objects of class "mFilter" are bkfilter, bwfilter, cffilter, bkfilter, trfilter. Following functions apply the relevant methods to an object of the "mFilter" class: print.mFilter, summary.mFilter, plot.mFilter, fitted.mFilter, residuals.mFilter.

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.hp <- mFilter(unemp,filter="HP")  # Hodrick-Prescott filter
print(unemp.hp)
summary(unemp.hp)
residuals(unemp.hp)
fitted(unemp.hp)
plot(unemp.hp)

unemp.bk <- mFilter(unemp,filter="BK")  # Baxter-King filter
unemp.cf <- mFilter(unemp,filter="CF")  # Christiano-Fitzgerald filter
unemp.bw <- mFilter(unemp,filter="BW")  # Butterworth filter
unemp.tr <- mFilter(unemp,filter="TR")  # Trigonometric regression filter

par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp,main="Unemployment Series & Estimated Trend", col=1, ylab="")
lines(unemp.hp$trend,col=2)
lines(unemp.bk$trend,col=3)
lines(unemp.cf$trend,col=4)
lines(unemp.bw$trend,col=5)
lines(unemp.tr$trend,col=6)

legend("topleft",legend=c("series", "HP","BK","CF","BW","TR"),
    col=1:6,lty=rep(1,6),ncol=2)

plot(unemp.hp$cycle,main="Estimated Cyclical Component",
     ylim=c(-2,2.5),col=2,ylab="")
lines(unemp.bk$cycle,col=3)
lines(unemp.cf$cycle,col=4)
lines(unemp.bw$cycle,col=5)
lines(unemp.tr$cycle,col=6)
## legend("topleft",legend=c("HP","BK","CF","BW","TR"),
## col=2:6,lty=rep(1,5),ncol=2)

unemp.cf1 <- mFilter(unemp,filter="CF", drift=TRUE, root=TRUE)
unemp.cf2 <- mFilter(unemp,filter="CF", pl=8,pu=40,drift=TRUE, root=TRUE)
unemp.cf3 <- mFilter(unemp,filter="CF", pl=2,pu=60,drift=TRUE, root=TRUE)
unemp.cf4 <- mFilter(unemp,filter="CF", pl=2,pu=40,drift=TRUE,
            root=TRUE,theta=c(.1,.4))

plot(unemp,
main="Christiano-Fitzgerald filter of unemployment: Trend \n root=TRUE,drift=TRUE",
     col=1, ylab="")
lines(unemp.cf1$trend,col=2)
lines(unemp.cf2$trend,col=3)
lines(unemp.cf3$trend,col=4)
lines(unemp.cf4$trend,col=5)
```

```
legend("topleft",legend=c("series", "pl=2, pu=32", "pl=8, pu=40",
"pl=2, pu=60", "pl=2, pu=40, theta=.1,.4"), col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.cf1$cycle,
main="Christiano-Fitzgerald filter of unemployment: Cycle \n root=TRUE,drift=TRUE",
     col=2, ylab="", ylim=range(unemp.cf3$cycle))
lines(unemp.cf2$cycle,col=3)
lines(unemp.cf3$cycle,col=4)
lines(unemp.cf4$cycle,col=5)
## legend("topleft",legend=c("pl=2, pu=32", "pl=8, pu=40", "pl=2, pu=60",
## "pl=2, pu=40, theta=.1,.4"), col=2:5, lty=rep(1,4), ncol=2)

par(opar)
```

---

mFilter-methods   *Methods for mFilter objects*

Description

Common methods for all `mFilter` objects usually created by the `mFilter` function.

Usage

```
## S3 method for class 'mFilter'
residuals(object, ...)
## S3 method for class 'mFilter'
fitted(object, ...)
## S3 method for class 'mFilter'
print(x, digits = max(3, getOption("digits") - 3), ...)
## S3 method for class 'mFilter'
plot(x, reference.grid = TRUE, col = "steelblue", ask=interactive(), ...)
## S3 method for class 'mFilter'
summary(object, digits = max(3, getOption("digits") - 3), ...)
```

Arguments

object, x	an object of class "mFilter"; usually, a result of a call to mFilter.
digits	number of digits used for printing (see print).
col	color of the graph (see plot).
ask	logical. if TRUE the user is asked for input before a new graph drawn in an interactive session (see interactive).
reference.grid	logical. if true grid lines are drawn.
...	further arguments passed to or from other methods.

Value

for `residuals` and `fitted` a univariate time series; for `plot`, `print`, and `summary` the `"mFilter"` object.

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

See Also

mFilter for the function that returns an objects of class ″mFilter″. Other functions which return objects of class ″mFilter″ are bkfilter, bwfilter, cffilter, bkfilter, trfilter.

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.hp <- mFilter(unemp,filter="HP")  # Hodrick-Prescott filter
print(unemp.hp)
summary(unemp.hp)
residuals(unemp.hp)
fitted(unemp.hp)
plot(unemp.hp)

par(opar)
```

---

trfilter   *Trigonometric regression filter of a time series*

Description

This function uses trigonometric regression filter for estimating cyclical and trend components of a time series. The function computes cyclical and trend components of the time series using a lower and upper cut-off frequency in the spirit of a band pass filter.

Usage

```
trfilter(x,pl=NULL,pu=NULL,drift=FALSE)
```

Arguments

x	a regular time series.
pl	integer. minimum period of oscillation of desired component (pl<=2).
pu	integer. maximum period of oscillation of desired component (2<=pl<pu<infinity).
drift	logical, FALSE if no drift in time series (default), TRUE if drift in time series.

Details

Almost all filters in this package can be put into the following framework. Given a time series $\{x_t\}_{t=1}^T$ we are interested in isolating component of x_t, denoted y_t with period of oscillations between p_l and p_u, where $2 \le p_l < p_u < \infty$.

Consider the following decomposition of the time series

$$x_t = y_t + \bar{x}_t$$

The component y_t is assumed to have power only in the frequencies in the interval $\{(a, b) \cup (-a, -b)\} \in (-\pi, \pi)$. a and b are related to p_l and p_u by

$$a = \frac{2\pi}{p_u} \quad b = \frac{2\pi}{p_l}$$

If infinite amount of data is available, then we can use the ideal bandpass filter

$$y_t = B(L)x_t$$

where the filter, $B(L)$, is given in terms of the lag operator L and defined as

$$B(L) = \sum_{j=-\infty}^{\infty} B_j L^j, \quad L^k x_t = x_{t-k}$$

The ideal bandpass filter weights are given by

$$B_j = \frac{\sin(jb) - \sin(ja)}{\pi j}$$

$$B_0 = \frac{b - a}{\pi}$$

Let T be even and define $n_1 = T/p_u$ and $n_2 = T/p_l$. The trigonometric regression filter is based on the following relation

$$y_t = \sum_{j=n_2}^{n_1} \{a_j \cos(\omega_j t) + b_j \sin(\omega_j t)\}$$

where a_j and b_j are the coefficients obtained by regressing x_t on the indicated sine and cosine functions. Specifically,

$a_j = \frac{T}{2} \sum_{t=1}^T \cos(\omega_j t)x_t, \quad$ for $j = 1, \ldots, T/2 - 1$

$a_j = \frac{T}{2} \sum_{t=1}^T \cos(\pi t)x_t, \quad$ for $j = T/2$

and

$b_j = \frac{T}{2} \sum_{t=1}^T \sin(\omega_j t)x_t, \quad$ for $j = 1, \ldots, T/2 - 1$

$b_j = \frac{T}{2} \sum_{t=1}^T \sin(\pi t)x_t, \quad$ for $j = T/2$

Let $\hat{B}(L)x_t$ be the trigonometric regression filter. It can be showed that $\hat{B}(1) = 0$, so that $\hat{B}(L)$ has a unit root for $t = 1, 2, \ldots, T$. Also, when $\hat{B}(L)$ is symmetric, it has a second unit root in the middle of the data for t. Therefore it is important to drift adjust data before it is filtered with a trigonometric regression filter.

If `drift=TRUE` the drift adjusted series is obtained as

$$\tilde{x}_t = x_t - t\left(\frac{x_T - x_1}{T - 1}\right), \quad t = 0, 1, \ldots, T - 1$$

where $\tilde{x}_t$ is the undrifted series.

Value

A `"mFilter"` object (see [mFilter](#)).

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

References

M. Baxter and R.G. King. Measuring business cycles: Approximate bandpass filters. The Review of Economics and Statistics, 81(4):575-93, 1999.

L. Christiano and T.J. Fitzgerald. The bandpass filter. International Economic Review, 44(2):435-65, 2003.

J. D. Hamilton. *Time series analysis.* Princeton, 1994.

R.J. Hodrick and E.C. Prescott. Postwar US business cycles: an empirical investigation. Journal of Money, Credit, and Banking, 29(1):1-16, 1997.

R.G. King and S.T. Rebelo. Low frequency filtering and real business cycles. Journal of Economic Dynamics and Control, 17(1-2):207-31, 1993.

D.S.G. Pollock. Trend estimation and de-trending via rational square-wave filters. Journal of Econometrics, 99:317-334, 2000.

See Also

[mFilter](#), [hpfilter](#), [cffilter](#), [bkfilter](#), [bwfilter](#)

Examples

```
## library(mFilter)

data(unemp)

opar <- par(no.readonly=TRUE)

unemp.tr <- trfilter(unemp, drift=TRUE)
plot(unemp.tr)
unemp.tr1 <- trfilter(unemp, drift=TRUE)
unemp.tr2 <- trfilter(unemp, pl=8,pu=40,drift=TRUE)
unemp.tr3 <- trfilter(unemp, pl=2,pu=60,drift=TRUE)
unemp.tr4 <- trfilter(unemp, pl=2,pu=40,drift=TRUE)

par(mfrow=c(2,1),mar=c(3,3,2,1),cex=.8)
plot(unemp.tr1$x,
main="Trigonometric regression filter of unemployment: Trend, drift=TRUE",
     col=1, ylab="")
lines(unemp.tr1$trend,col=2)
lines(unemp.tr2$trend,col=3)
lines(unemp.tr3$trend,col=4)
lines(unemp.tr4$trend,col=5)
legend("topleft",legend=c("series", "pl=2, pu=32", "pl=8, pu=40",
```

```
"pl=2, pu=60", "pl=2, pu=40"), col=1:5, lty=rep(1,5), ncol=1)

plot(unemp.tr1$cycle,
main="Trigonometric regression filter of unemployment: Cycle,drift=TRUE",
      col=2, ylab="", ylim=range(unemp.tr3$cycle,na.rm=TRUE))
lines(unemp.tr2$cycle,col=3)
lines(unemp.tr3$cycle,col=4)
lines(unemp.tr4$cycle,col=5)
## legend("topleft",legend=c("pl=2, pu=32", "pl=8, pu=40", "pl=2, pu=60",
## "pl=2, pu=40"), col=1:5, lty=rep(1,5), ncol=1)

par(opar)
```

---

unemp   *US Quarterly Unemployment Series*

Description

Quarterly US unemployment series for 1959.1 to 2000.4.

number of observations : 168

observation : country

country : United States

Usage

```
data(unemp)
```

Format

A time series containing :

unemp unemployment rate (average of months in quarter)

Author(s)

Mehmet Balcilar, <mehmet@mbalcilar.net>

Source

Bureau of Labor Statistics, OECD, Federal Reserve.

References

Stock, James H. and Mark W. Watson (2003) *Introduction to Econometrics*, Addison-Wesley Educational Publishers, chapter 12 and 14.

Examples

```
## library(mFilter)

data(unemp)

unemp.hp <- mFilter(unemp,filter="HP")  # Hodrick-Prescott filter
unemp.bk <- mFilter(unemp,filter="BK")  # Baxter-King filter
unemp.cf <- mFilter(unemp,filter="CF")  # Christiano-Fitzgerald filter

opar <- par(no.readonly=TRUE)
par(mfrow=c(2,1),mar=c(3,3,2,1))
plot(unemp,main="Unemployment Series & Estimated Trend",col=1,ylab="")
lines(unemp.hp$trend,col=2)
lines(unemp.bk$trend,col=3)
lines(unemp.cf$trend,col=4)
legend("topleft",legend=c("series", "HP","BK","CF"),col=1:4,
       lty=rep(1,4),ncol=2)

plot(unemp.hp$cycle,main="Estimated Cyclical Component",col=2,
     ylim=c(-2,2),ylab="")
lines(unemp.bk$cycle,col=3)
lines(unemp.cf$cycle,col=4)
legend("topleft",legend=c("HP","BK","CF"),col=2:4,lty=rep(1,3),ncol=2)
par(opar)
```

Index