Time Sensitive Analysis of d-dim ISI Processes

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AMS Southeastern Sectional Meeting

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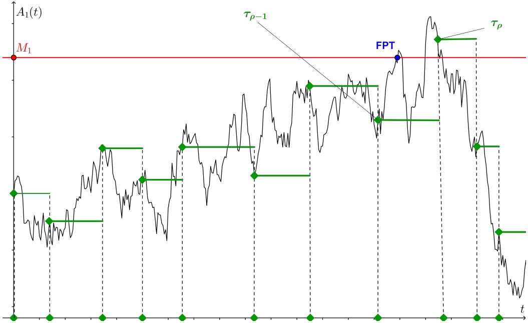
- The **first passage time** (FPT) is $T_\alpha = \inf\{t : A(t) \notin \mathcal{R}\}$
- We seek probabilistic data about the FPT T_α, position of the process at exit $A(T_\alpha)$, marginal values $A_j(T_\alpha)$, the relationships between exits of each component, etc.

Delayed Observation and a Complication

- $A(t)$ is inaccessible to the observer

Figure: A 1D process under delayed observation



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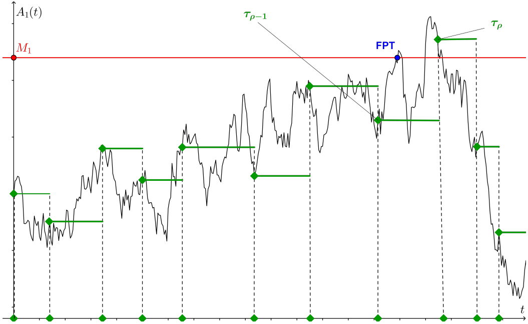

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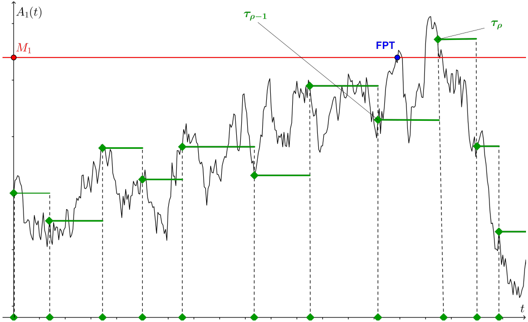

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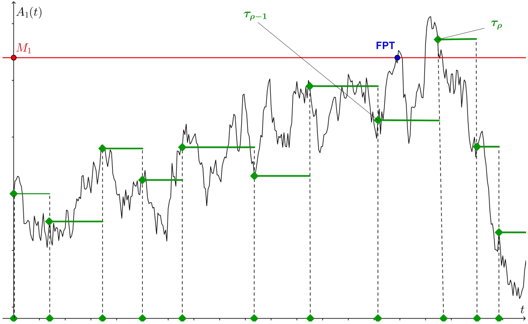

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  - We can only analyze the pw-constant $A_n = A(\tau_n)$
  - The FPT is not accessible
- We have the **virtual passage time** τ_ρ for $\rho = \inf\{n : A(\tau_n) \notin \mathcal{R}\}$

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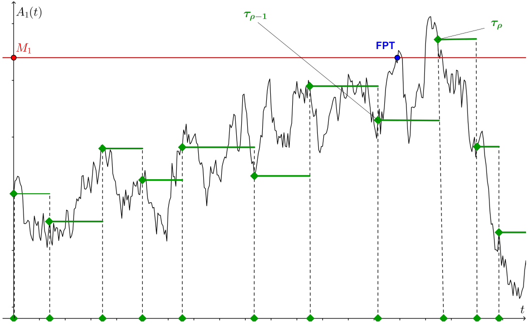

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- "Time insensitive" joint transforms[4,5]

$$\mathbb{E}\left[e^{-iv_1\cdot A_{\rho-1}-iv_2\cdot A_\rho-h_0\tau_{\rho-1}-h\tau_\rho}\right]$$

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  - Applications to finance[3], queueing[1], stochastic networks[6]

Approach

1. Introduce a new point process, $\mathcal{T} = \{T_0, T_1, \dots\}$, independent of the filtration $(\mathcal{F}_t)$, where each $\Delta_n = T_n - T_{n-1} > 0$ is independent

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2. Derive a general result for a joint characteristic function of the ISI processes

$$F_n(t, v_0, \dots, v_m, w, x) = \mathbb{E}\left[e^{-i\sum_{j=0}^{m} v_j \cdot A(T_j) - iw\cdot A(t) - ix\cdot\Delta}\mathbf{1}_{\{T_{n-1} \le t < T_n\}}\right]$$

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3. Apply the result to $A(t)$ as a compound Poisson process
4. Embed the $\{T_n\}$ into $\{\tau_n\}$ and find joint functionals restricted to random intervals $I_0 = [0, \tau_{\rho-1})$ and $I_1 = [\tau_{\rho-1}, \tau_\rho)$

Theorem 1.

For the d-dimensional ISI process $A(t)$ on the trace σ-algebra $\mathcal{F} \cap \{T_{n-1} \le t < T_n\}$ where T_{n-1} and Δ_n are independent of $\mathcal{F}_t$ satisfies

$$F_n^*(\theta, v_0, ..., v_m, w, x)$$
$$= \prod_{j=0}^{n-1} \gamma_j(b_j + w, x_j + \theta) E\left[e^{-ix_n\Delta_n}\psi(b_n, b_n + w, \Delta_n, \theta)\right] \prod_{j=n+1}^{m} \gamma_j(b_j, x_j)$$

under the notation

$$b_j = \sum_{i=j}^{m} v_i, \qquad \varphi(b, s) = E\left[e^{-ib\cdot A(s)}\right],$$
$$\psi(b, x, r, \theta) = \left(e^{-i\theta(\cdot)}\varphi(b, \cdot)\right) * \varphi(x, \cdot)(r)$$
$$\gamma_j(a, \vartheta) = E\left[e^{-i\vartheta\Delta_j} e^{-ia\cdot\left[A\left(T_j\right) - A\left(T_{j-1}\right)\right]}\right] = E\left[e^{-ia\cdot A\left(\Delta_j\right) - i\vartheta\Delta_j}\right]$$

where $v_j, w \in \mathbb{C}_-^d$ and $x \in \mathbb{C}_-^{m+1}$

Outline of Theorem 1 Proof (1)

- We seek $F_n^*\left(\theta, v_0, ..., v_m, w, x\right) = \int\limits_{-\infty}^{\infty} e^{-i\theta t} F_n\left(t, v_0, ..., v_m, w, x\right)\, dt$

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- Let $r = (r_0, \ldots, r_m)$ and $s_n = \sum_{j=0}^{n} r_j$.
- Writing F_n as an integral w.r.t. joint distribution of $(\Delta_0, \ldots, \Delta_m)$ and rewriting $A(T_k)$ and $A(t)$,

$$F_n^*(\theta, v_0, \ldots, v_m, w, x)$$
$$= \int_{t\in\mathbb{R}} e^{-i\theta t} \int_{r\in\mathbb{R}^{m+1}} e^{-ix\cdot r} E\Bigg[e^{-i\sum_{j=0}^{n-1}(b_j+w)\cdot\left[A(s_j)-A(s_{j-1})\right]-i(b_n+w)\cdot\left[A(t)-A(s_{n-1})\right]}$$
$$\times e^{-ib_n\cdot[A(s_n)-A(t)]-i\sum_{j=n+1}^{m} b_j\cdot\left[A(s_j)-A(s_{j-1})\right]}$$
$$\times \mathbf{1}_{\left\{s_{n-1}\le t< s_{n-1}+r_n\right\}}\Bigg]\, dP_{\bigotimes_{j=0}^{m}\Delta_j}(r_0, \ldots, r_m)\, dt$$

Outline of Theorem 1 Proof (2)

- By the ISI properties,

$$F_n^*(\theta, v_0, ..., v_m, w, x)$$
$$= \int_{t\in\mathbb{R}} e^{-i\theta t} \int_{\mathbf{r}\in\mathbb{R}^{m+1}} e^{-ix\cdot\mathbf{r}} \prod_{j=0}^{n-1} \varphi(b_j + w, r_j)\,\varphi(b_n + w, t - s_{n-1})$$
$$\times \varphi(b_n, s_{n-1} + r_n - t) \prod_{j=n+1}^{m} \varphi(b_j, r_j)\,\mathbf{1}_{\{s_{n-1} \le t < s_{n-1}+r_n\}}\, dP_{\bigotimes_{j=0}^{m}\Delta_j}(r_0, ..., r_m)\, dt$$

$$F_n^*(\theta, v_0, ..., v_m, w, x)$$
$$= \prod_{j=0}^{n-1} \int_{r_j\in\mathbb{R}} e^{-i(x_j+\theta)r_j} \varphi(b_j + w, r_j)\, dP_{\Delta_j}(r_j) \prod_{j=n+1}^{m} \int_{r_j\in\mathbb{R}} e^{-ix_j r_j} \varphi(b_j, r_j)\, dP_{\Delta_j}(r_j)$$
$$\times \int_{r_n\in\mathbb{R}} e^{-ix_n r_n} \int_{t=s_{n-1}}^{s_{n-1}+r_n} e^{-i\theta(t-s_{n-1})} \varphi(b_n + w, t - s_{n-1})$$
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- By Fubini's Theorem and the independence of $\Delta_0, \ldots, \Delta_m$,

$$F_n^*\left(\theta, v_0, \ldots, v_m, w, x\right)$$
$$= \prod_{j=0}^{n-1} \int_{r_j\in\mathbb{R}} e^{-i\left(x_j+\theta\right)r_j} \varphi\left(b_j + w, r_j\right) dP_{\Delta_j}\left(r_j\right) \prod_{j=n+1}^{m} \int_{r_j\in\mathbb{R}} e^{-ix_j r_j} \varphi\left(b_j, r_j\right) dP_{\Delta_j}\left(r_j\right)$$
$$\times \int_{r_n\in\mathbb{R}} e^{-ix_n r_n} \int_{t=s_{n-1}}^{s_{n-1}+r_n} e^{-i\theta\left(t-s_{n-1}\right)} \varphi\left(b_n + w, t - s_{n-1}\right)$$
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- For the t-independent integrals, return to expectation form.

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\begin{aligned}
&F_n^* (\theta, v_0, ..., v_m, w, x) \\
&= \prod_{j=0}^{n-1} \gamma_j (b_j + w, x_j + \theta) \prod_{j=n+1}^{m} \gamma_j(b_j, x_j) \\
&\quad \times \int_{r_n \in \mathbb{R}} e^{-ix_n r_n} \int_{u=0}^{r_n} e^{-i\theta u} \varphi (b_n + w, u) \varphi (b_n, r_n - u) \, du \, dP_{\Delta_n} (r_n) \\
&= \prod_{j=0}^{n-1} \gamma_j (b_j + w, x_j + \theta) E \left[e^{-ix_n \Delta_n} \psi (b_n + w, b_n, \Delta_n, \theta) \right] \prod_{j=n+1}^{m} \gamma_j (b_j, x_j)
\end{aligned}
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□

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- For the t-independent integrals, return to expectation form.
- By the translation invariance property of the Lebesgue measure and taking $u = t - s_{n-1}$, we can adjust the t-integral to an associated u-integral,

$$
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&\quad \times \int_{r_n \in \mathbb{R}} e^{-i x_n r_n} \int_{u=0}^{r_n} e^{-i\theta u} \varphi\left(b_n + w, u\right) \varphi\left(b_n, r_n - u\right) du \, dP_{\Delta_n}\left(r_n\right) \\
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Theorem 2.

Let $a(t)$ be a d-dimensional compound Poisson process of rate λ and assume $\mathcal{T}$ is independent of $\mathcal{F}_t$, then

$$\begin{aligned} & F_n^*\left(\theta, v_0, \ldots, v_m, w, x\right) \\ & = \prod_{j=0}^{n-1} L_j(\theta + x_j - i\lambda(1 - g(b_j + w))) \prod_{j=n+1}^{m} L_j(x_j - i\lambda(1 - g(b_j))) \\ & \quad \times \frac{L_n(x_n - i\lambda(1 - g(b_n))) - L_n(\theta + x_n - i\lambda(1 - g(b_n + w)))}{i\theta + \lambda(g(b_n + w) - g(b_n))} \end{aligned}$$

where $L_j(z) = E\left[e^{-iz\Delta_j}\right]$ denotes the characteristic function of Δ_j.

Proof of Theorem 2

- Since A is a compound Poisson process,

$$\varphi(a,s) = E\left[e^{-ia\cdot A(s)}\right] = e^{-\lambda s(1-g(a))},$$
$$\gamma_j\left(a,\vartheta\right) = E\left[e^{-ia\cdot A\left(\Delta_j\right)-i\vartheta\Delta_j}\right] = L_j\left(\vartheta - i\lambda(1-g(a))\right),$$

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- In addition,

$$\psi\,(b,a,\Delta_n,\theta) = \int_0^{\Delta_n} e^{-i\theta t}\varphi\,(b,t)\,\varphi\,(a,\Delta_n - t)\;dt$$
$$= \frac{e^{-\lambda(1-g(a))\Delta_n} - e^{-(i\theta+\lambda(1-g(b)))\Delta_n}}{i\theta + \lambda\,(g\,(a) - g\,(b))}$$

Random Vicinities of T_α

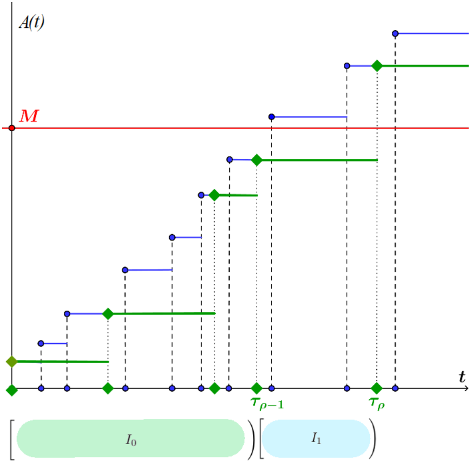

Figure: 1D compound Poisson process with random intervals in the vicinity of T_α

$\{T_n\}$ vs. $\tau_{\rho-1}$ & τ_ρ

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- Then, Theorem 2 determines

$$F^*_{j=\nu_1<\nu_2=k}(\theta, v_1, v_2, w, h_0, h)$$
$$= \int_{t\geq 0} e^{-i\theta t} E\left[e^{-iv_1\cdot A_{j-1}-iv_2\cdot A_j-iw\cdot A(t)-ih_0\tau_{j-1}-ih\delta_j}\mathbf{1}_{\{\tau_{j-1}\leq t<\tau_j\}}\boxed{\mathbf{1}_{\{\nu_1=j,\nu_2=k\}}}\right] d$$

where $\nu_j = \inf\{n : A_j(\tau_n) > M_j\}$, and $\delta_j = \tau_j - \tau_{j-1}$.

Partitioning and Geometric Series

- Splitting the goal functional into three parts,

$$\begin{aligned}
&\Phi^{(2)}(\theta, v_1, v_2, w, h_0, h) \\
&= \int_{t\geq 0} e^{-i\theta t} E\left[e^{-iv_1\cdot A_{\rho-1}-iv_2\cdot A_\rho - iw\cdot A(t) - ih_0\tau_{\rho-1} - ih\delta_\rho}\mathbf{1}_{\left\{\tau_{\rho-1}\leq t<\tau_\rho\right\}}\right] dt \\
&= F^*_{\nu_1<\nu_2} + F^*_{\nu_1=\nu_2} + F^*_{\nu_1>\nu_2}
\end{aligned}$$

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- Each further reduce to series of results that can be derived via Theorem 2:

$$F^*_{\nu_1<\nu_2} = \sum_{j\geq 0}\sum_{k>j} F^*_{j=\nu_1<\nu_2=k}$$
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- These sum as geometric series (using independent increments, iid inter-observation times δ_j, and boundedness in the unit ball via Schwarz Lemma)

Theorem 3

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The joint functional $\Phi^{(2)}$ of the process $A(t)$ on the interval $[\tau_{\rho-1},\tau_\rho)$ satisfies

$$\begin{aligned}
&\Phi^{(2)}(\theta,v_1,v_2,w,h_0,h)\\
&=\int_{t\geq 0} e^{-\theta t} E\left[e^{-v_1\cdot A_{\rho-1}-v_2\cdot A_\rho-w\cdot A(t)-h_0\tau_{\rho-1}-h\delta_\rho}\mathbf{1}_{\{\tau_{\rho-1}\leq t<\tau_{\rho-1}\}}\right]dt\\
&=D_y^{-1}\left(\frac{\gamma_0(v_1+v_2+y+w,\theta+h_0)}{1-\gamma(v_1+v_2+y+w,\theta+h_0)}\left[\frac{\gamma(v_2,h)-\gamma(v_2+w,h+\theta)}{\theta+\lambda(g(v_2+w)-g(v_2))}\right.\right.\\
&\qquad\left.\left.-\frac{\gamma(v_2+y,h)-\gamma(v_2+y+w,h+\theta)}{\theta+\lambda(g(v_2+y+w)-g(v_2+y))}\right]\right)(M_1,M_2)
\end{aligned}$$

where D_y^{-1} indicates the double inverse Fourier-Carson transform and γ represents the joint transform of the marks and inter-observation times.

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