

NAG Library Routine Document

G05XBF

Note: before using this routine, please read the Users' Note for your implementation to check the interpretation of *bold italicised* terms and other implementation-dependent details.

1 Purpose

G05XBF uses a Brownian bridge algorithm to construct sample paths for a free or non-free Wiener process. The initialization routine G05XAF must be called prior to the first call to G05XBF.

2 Specification

```
SUBROUTINE G05XBF (NPATHS, RCORD, D, START, A, TERM, Z, LDZ, C, LDC, B,      &
                  LDB, RCOMM, IFAIL)

INTEGER          NPATHS, RCORD, D, A, LDZ, LDC, LDB, IFAIL
REAL (KIND=nag_wp) START(D), TERM(D), Z(LDZ,*), C(LDC,*), B(LDB,*),      &
                RCOMM(*)
```

3 Description

For details on the Brownian bridge algorithm and the bridge construction order see Section 2.6 in the G05 Chapter Introduction and Section 3 in G05XAF. Recall that the terms Wiener process (or free Wiener process) and Brownian motion are often used interchangeably, while a non-free Wiener process (also known as a Brownian bridge process) refers to a process which is forced to terminate at a given point.

4 References

Glasserman P (2004) *Monte Carlo Methods in Financial Engineering* Springer

5 Arguments

Note: the following variable is used in the parameter descriptions: $N = \text{NTIMES}$, the length of the array TIMES passed to the initialization routine G05XAF.

- 1: NPATHS – INTEGER *Input*
On entry: the number of Wiener sample paths to create.
Constraint: $\text{NPATHS} \geq 1$.
- 2: RCORD – INTEGER *Input*
On entry: the order in which Normal random numbers are stored in Z and in which the generated values are returned in B.
Constraint: $\text{RCORD} = 1$ or 2 .
- 3: D – INTEGER *Input*
On entry: the dimension of each Wiener sample path.
Constraint: $D \geq 1$.
- 4: START(D) – REAL (KIND=nag_wp) array *Input*
On entry: the starting value of the Wiener process.

- 5: A – INTEGER *Input*
On entry: if A = 0, a free Wiener process is created beginning at START and TERM is ignored.
 If A = 1, a non-free Wiener process is created beginning at START and ending at TERM.
Constraint: A = 0 or 1.
- 6: TERM(D) – REAL (KIND=nag_wp) array *Input*
On entry: the terminal value at which the non-free Wiener process should end. If A = 0, TERM is ignored.
- 7: Z(LDZ,*) – REAL (KIND=nag_wp) array *Input/Output*
Note: the second dimension of the array Z must be at least NPATHS if RCORD = 1 and at least $D \times (N + 1 - A)$ if RCORD = 2.
On entry: the Normal random numbers used to construct the sample paths.
 If RCORD = 1 and quasi-random numbers are used, the $D \times (N + 1 - A)$, where $N = \text{nint RCOMM}(2)$ -dimensional quasi-random points should be stored in successive columns of Z.
 If RCORD = 2 and quasi-random numbers are used, the $D \times (N + 1 - A)$, where $N = \text{nint RCOMM}(2)$ -dimensional quasi-random points should be stored in successive rows of Z.
On exit: the Normal random numbers premultiplied by C.
- 8: LDZ – INTEGER *Input*
On entry: the first dimension of the array Z as declared in the (sub)program from which G05XBF is called.
Constraints:
 if RCORD = 1, $\text{LDZ} \geq D \times (N + 1 - A)$;
 if RCORD = 2, $\text{LDZ} \geq \text{NPATHS}$.
- 9: C(LDC,*) – REAL (KIND=nag_wp) array *Input*
Note: the second dimension of the array C must be at least D.
On entry: the lower triangular Cholesky factorization C such that CC^T gives the covariance matrix of the Wiener process. Elements of C above the diagonal are not referenced.
- 10: LDC – INTEGER *Input*
On entry: the first dimension of the array C as declared in the (sub)program from which G05XBF is called.
Constraint: $\text{LDC} \geq D$.
- 11: B(LDB,*) – REAL (KIND=nag_wp) array *Output*
Note: the second dimension of the array B must be at least NPATHS if RCORD = 1 and at least $D \times (N + 1)$ if RCORD = 2.
On exit: the values of the Wiener sample paths.
 Let $X_{p,i}^k$ denote the k th dimension of the i th point of the p th sample path where $1 \leq k \leq D$, $1 \leq i \leq N + 1$ and $1 \leq p \leq \text{NPATHS}$.
 If RCORD = 1, the point $X_{p,i}^k$ will be stored at $B(k + (i - 1) \times D, p)$.
 If RCORD = 2, the point $X_{p,i}^k$ will be stored at $B(p, k + (i - 1) \times D)$.
 The starting value START is never stored, whereas the terminal value is always stored.

12: LDB – INTEGER

Input

On entry: the first dimension of the array B as declared in the (sub)program from which G05XBF is called.

Constraints:

if $RCORD = 1$, $LDB \geq D \times (N + 1)$;
 if $RCORD = 2$, $LDB \geq NPATHS$.

13: RCOMM(*) – REAL (KIND=nag_wp) array

Communication Array

Note: the dimension of this array is dictated by the requirements of associated functions that must have been previously called. This array **must** be the same array passed as argument RCOMM in the previous call to G05XAF or G05XBF.

On entry: communication array as returned by the last call to G05XAF or G05XBF. This array **must not** be directly modified.

14: IFAIL – INTEGER

Input/Output

On entry: IFAIL must be set to 0, -1 or 1. If you are unfamiliar with this argument you should refer to Section 3.4 in How to Use the NAG Library and its Documentation for details.

For environments where it might be inappropriate to halt program execution when an error is detected, the value -1 or 1 is recommended. If the output of error messages is undesirable, then the value 1 is recommended. Otherwise, if you are not familiar with this argument, the recommended value is 0. **When the value -1 or 1 is used it is essential to test the value of IFAIL on exit.**

On exit: IFAIL = 0 unless the routine detects an error or a warning has been flagged (see Section 6).

6 Error Indicators and Warnings

If on entry IFAIL = 0 or -1, explanatory error messages are output on the current error message unit (as defined by X04AAF).

Errors or warnings detected by the routine:

IFAIL = 1

On entry, RCOMM was not initialized or has been corrupted.

IFAIL = 2

On entry, NPATHS = $\langle value \rangle$.
 Constraint: $NPATHS \geq 1$.

IFAIL = 3

On entry, RCORD = $\langle value \rangle$ was an illegal value.

IFAIL = 4

On entry, D = $\langle value \rangle$.
 Constraint: $D \geq 1$.

IFAIL = 5

On entry, A = $\langle value \rangle$.
 Constraint: A = 0 or 1.

IFAIL = 6

On entry, LDZ = $\langle value \rangle$ and $D \times (NTIMES + 1 - A) = \langle value \rangle$.
 Constraint: $LDZ \geq D \times (NTIMES + 1 - A)$.

On entry, LDZ = $\langle value \rangle$ and NPATHS = $\langle value \rangle$.
 Constraint: $LDZ \geq NPATHS$.

IFAIL = 7

On entry, LDC = $\langle value \rangle$.
 Constraint: $LDC \geq \langle value \rangle$.

IFAIL = 8

On entry, LDB = $\langle value \rangle$ and $D \times (NTIMES + 1) = \langle value \rangle$.
 Constraint: $LDB \geq D \times (NTIMES + 1)$.

On entry, LDB = $\langle value \rangle$ and NPATHS = $\langle value \rangle$.
 Constraint: $LDB \geq NPATHS$.

IFAIL = -99

An unexpected error has been triggered by this routine. Please contact NAG.

See Section 3.9 in How to Use the NAG Library and its Documentation for further information.

IFAIL = -399

Your licence key may have expired or may not have been installed correctly.

See Section 3.8 in How to Use the NAG Library and its Documentation for further information.

IFAIL = -999

Dynamic memory allocation failed.

See Section 3.7 in How to Use the NAG Library and its Documentation for further information.

7 Accuracy

Not applicable.

8 Parallelism and Performance

G05XBF is threaded by NAG for parallel execution in multithreaded implementations of the NAG Library.

G05XBF makes calls to BLAS and/or LAPACK routines, which may be threaded within the vendor library used by this implementation. Consult the documentation for the vendor library for further information.

Please consult the X06 Chapter Introduction for information on how to control and interrogate the OpenMP environment used within this routine. Please also consult the Users' Note for your implementation for any additional implementation-specific information.

9 Further Comments

None.

10 Example

This example calls G05XBF, G05XAF and G05XEF to generate two sample paths of a three-dimensional non-free Wiener process. The process starts at zero and each sample path terminates at the point (1.0,0.5,0.0). Quasi-random numbers are used to construct the sample paths.

See Section 10 in G05XAF and G05XEF for additional examples.

10.1 Program Text

```

Program g05xbfe

!      G05XBF Example Program Text

!      Mark 26 Release. NAG Copyright 2016.

!      .. Use Statements ..
      Use nag_library, Only: g05xaf, g05xbf, g05xef, nag_wp
!      .. Implicit None Statement ..
      Implicit None
!      .. Parameters ..
      Integer, Parameter          :: nout = 6
!      .. Local Scalars ..
      Real (Kind=nag_wp)          :: t0, tend
      Integer                      :: a, bgord, d, ifail, ldb, ldc, ldz, &
                                   nmove, npaths, ntimes, rcord
!      .. Local Arrays ..
      Real (Kind=nag_wp), Allocatable :: b(:,:), c(:,:), intime(:), rcomm(:), &
                                   start(:), term(:), times(:), z(:,:)
      Integer, Allocatable          :: move(:)
!      .. Intrinsic Procedures ..
      Intrinsic                     :: size
!      .. Executable Statements ..
!      Get information required to set up the bridge
      Call get_bridge_init_data(bgord,t0,tend,ntimes,intime,nmove,move)

!      Make the bridge construction bgord
      Allocate (times(ntimes))
      ifail = 0
      Call g05xef(bgord,t0,tend,ntimes,intime,nmove,move,times,ifail)

!      Initialize the Brownian bridge generator
      Allocate (rcomm(12*(ntimes+1)))
      ifail = 0
      Call g05xaf(t0,tend,times,ntimes,rcomm,ifail)

!      Get additional information required by the bridge generator
      Call get_bridge_gen_data(npaths,rcord,d,start,a,term,c)

!      Generate the Z values and allocate B
      Call get_z(rcord,npaths,d,a,ntimes,z,b)

!      Leading dimensions for the various input arrays
      ldz = size(z,1)
      ldc = size(c,1)
      ldb = size(b,1)

!      Call the Brownian bridge generator routine
      ifail = 0
      Call g05xbf(npaths,rcord,d,start,a,term,z,ldz,c,ldc,b,ldb,rcomm,ifail)

!      Display the results
      Call display_results(rcord,ntimes,d,b)

Contains
      Subroutine get_bridge_init_data(bgord,t0,tend,ntimes,intime,nmove,move)

!      .. Scalar Arguments ..
      Real (Kind=nag_wp), Intent (Out) :: t0, tend

```

```

Integer, Intent (Out)          :: bgord, nmove, ntimes
! .. Array Arguments ..
Real (Kind=nag_wp), Allocatable, Intent (Out) :: intime(:)
Integer, Allocatable, Intent (Out) :: move(:)
! .. Local Scalars ..
Integer          :: i
! .. Intrinsic Procedures ..
Intrinsic        :: real
! .. Executable Statements ..
! Set the basic parameters for a Wiener process
ntimes = 10
t0 = 0.0_nag_wp
Allocate (intime(ntimes))

! We want to generate the Wiener process at these time points
Do i = 1, ntimes
    intime(i) = t0 + real(i,kind=nag_wp)
End Do
tend = t0 + real(ntimes+1,kind=nag_wp)

nmove = 0
Allocate (move(nmove))
bgord = 3
End Subroutine get_bridge_init_data

Subroutine get_bridge_gen_data(npaths,rcord,d,start,a,term,c)

! .. Use Statements ..
Use nag_library, Only: dpotrf
! .. Scalar Arguments ..
Integer, Intent (Out)          :: a, d, npaths, rcord
! .. Array Arguments ..
Real (Kind=nag_wp), Allocatable, Intent (Out) :: c(:,,:), start(:),      &
                                                term(:)
! .. Local Scalars ..
Integer          :: info
! .. Executable Statements ..
! Set the basic parameters for a non-free Wiener process
npaths = 2
rcord = 2
d = 3
a = 1

Allocate (start(d),term(d),c(d,d))

start(1:d) = 0.0_nag_wp
term(1:d) = (/1.0_nag_wp,0.5_nag_wp,0.0_nag_wp/)

! We want the following covariance matrix
c(:,1) = (/6.0_nag_wp,1.0_nag_wp,-0.2_nag_wp/)
c(:,2) = (/1.0_nag_wp,5.0_nag_wp,0.3_nag_wp/)
c(:,3) = (/ -0.2_nag_wp,0.3_nag_wp,4.0_nag_wp/)

! G05XBF works with the Cholesky factorization of the covariance matrix
! C so perform the decomposition
Call dpotrf('Lower',d,c,d,info)
If (info/=0) Then
    Write (nout,*)
    'Specified covariance matrix is not positive definite: info=',      &
    info
    Stop
End If
End Subroutine get_bridge_gen_data

Subroutine get_z(rcord,npaths,d,a,ntimes,z,b)

! .. Use Statements ..
Use nag_library, Only: g05yjf
! .. Scalar Arguments ..
Integer, Intent (In)          :: a, d, npaths, ntimes, rcord
! .. Array Arguments ..

```

```

      Real (Kind=nag_wp), Allocatable, Intent (Out) :: b(:, :), z(:, :)
!      .. Local Scalars ..
      Integer                                :: idim, ifail
!      .. Local Arrays ..
      Real (Kind=nag_wp), Allocatable :: std(:), tz(:, :), xmean(:)
      Integer, Allocatable             :: iref(:), state(:)
      Integer                           :: seed(1)
!      .. Intrinsic Procedures ..
      Intrinsic                         :: transpose
!      .. Executable Statements ..
      idim = d*(ntimes+1-a)

!      Allocate Z
      If (rcord==1) Then
        Allocate (z(idim,npaths))
        Allocate (b(d*(ntimes+1),npaths))
      Else
        Allocate (z(npaths,idim))
        Allocate (b(npaths,d*(ntimes+1)))
      End If

!      We now need to generate the input quasi-random points
!      First initialize the base pseudorandom number generator
      seed(1) = 1023401
      Call initialize_prng(6,0,seed,size(seed),state)

!      Scrambled quasi-random sequences preserve the good discrepancy
!      properties of quasi-random sequences while counteracting the bias
!      some applications experience when using quasi-random sequences.
!      Initialize the scrambled quasi-random generator.
      Call initialize_scrambled_qrng(1,2,idim,state,iref)

!      Generate the quasi-random points from N(0,1)
      Allocate (xmean(idim),std(idim))
      xmean(1:idim) = 0.0_nag_wp
      std(1:idim) = 1.0_nag_wp
      If (rcord==1) Then
        Allocate (tz(npaths,idim))
        ifail = 0
        Call g05yjf(xmean,std,npaths,tz,iref,ifail)
        z(:, :) = transpose(tz)
      Else
        ifail = 0
        Call g05yjf(xmean,std,npaths,z,iref,ifail)
      End If
End Subroutine get_z

Subroutine initialize_prng(genid,subid,seed,lseed,state)

!      .. Use Statements ..
      Use nag_library, Only: g05kff
!      .. Scalar Arguments ..
      Integer, Intent (In)          :: genid, lseed, subid
!      .. Array Arguments ..
      Integer, Intent (In)          :: seed(lseed)
      Integer, Allocatable, Intent (Out) :: state(:)
!      .. Local Scalars ..
      Integer                        :: ifail, lstate
!      .. Executable Statements ..

!      Initial call to initializer to get size of STATE array
      lstate = 0
      Allocate (state(lstate))
      ifail = 0
      Call g05kff(genid,subid,seed,lseed,state,lstate,ifail)

!      Reallocate STATE
      Deallocate (state)
      Allocate (state(lstate))

!      Initialize the generator to a repeatable sequence

```

```

        ifail = 0
        Call g05kff(genid,subid,seed,lseed,state,lstate,ifail)
End Subroutine initialize_prng

Subroutine initialize_scrambled_qrng(genid,stype,idim,state,iref)

!      .. Use Statements ..
      Use nag_library, Only: g05ynf
!      .. Scalar Arguments ..
      Integer, Intent (In)          :: genid, idim, stype
!      .. Array Arguments ..
      Integer, Allocatable, Intent (Out) :: iref(:)
      Integer, Intent (Inout)       :: state(*)
!      .. Local Scalars ..
      Integer                       :: ifail, iskip, liref, nsdigits
!      .. Executable Statements ..
      liref = 32*idim + 7
      iskip = 0
      nsdigits = 32
      Allocate (iref(liref))
      ifail = 0
      Call g05ynf(genid,stype,idim,iref,liref,iskip,nsdigits,state,ifail)
End Subroutine initialize_scrambled_qrng

Subroutine display_results(rcord,ntimes,d,b)

!      .. Scalar Arguments ..
      Integer, Intent (In)          :: d, ntimes, rcord
!      .. Array Arguments ..
      Real (Kind=nag_wp), Intent (In) :: b(:, :)
!      .. Local Scalars ..
      Integer                       :: i, j, k
!      .. Executable Statements ..
      Write (nout,*) 'G05XBF Example Program Results'
      Write (nout,*)

      Do i = 1, npaths
        Write (nout,99999) 'Weiner Path ', i, ', ', ntimes + 1,      &
          ' time steps, ', d, ' dimensions'
        Write (nout,99997)(j,j=1,d)
        k = 1
        Do j = 1, ntimes + 1
          If (rcord==1) Then
            Write (nout,99998) j, b(k:k+d-1,i)
          Else
            Write (nout,99998) j, b(i,k:k+d-1)
          End If
          k = k + d
        End Do
        Write (nout,*)
      End Do
99999  Format (1X,A,I0,A,I0,A,I0,A)
99998  Format (1X,I2,1X,20(1X,F10.4))
99997  Format (1X,3X,20(9X,I2))
      End Subroutine display_results
End Program g05xbfe

```

10.2 Program Data

None.

10.3 Program Results

G05XBF Example Program Results

```

Weiner Path 1, 11 time steps, 3 dimensions
      1          2          3
1      -1.0602    -2.8701    -0.9415
2      -3.0575    -1.9502     0.2596
3      -6.8274    -2.4434     0.4597

```


4	-5.2855	-3.4475	0.0795
5	-8.1784	-5.2296	-0.0921
6	-4.6874	-5.0220	1.4862
7	-3.0959	-4.8623	-4.4076
8	-2.9605	-1.8936	-3.9539
9	-5.4685	-2.3856	-3.2031
10	0.1205	-5.0520	-1.0385
11	1.0000	0.5000	0.0000

Weiner Path 2, 11 time steps, 3 dimensions

	1	2	3
1	0.6564	3.5142	1.5911
2	-2.3773	3.1618	3.0316
3	0.3020	6.8815	2.0875
4	-0.2169	4.6026	1.1982
5	-2.0684	4.1503	2.4758
6	-5.1075	3.7303	2.7563
7	-3.8497	3.6682	2.4827
8	-1.8292	4.4153	0.1916
9	-2.0649	0.6952	-2.1201
10	0.1962	1.7769	-5.7685
11	1.0000	0.5000	0.0000
