Computing Returns

Package version 1.2-0

Enrico Schumann
mailto:es@enricoschumann.net

In the simplest case, the function `returns` takes a numeric vector of prices and evaluates to a numeric vector of returns.

```
> library("PMwR")
> returns(100:105)
```

```
[1] 0.01000 0.00990 0.00980 0.00971 0.00962
```

The function will recognise when the input argument has several columns, i.e. is a matrix or a data frame. In such a case, it computes returns for each column.

In fact, `returns` is a generic function, and also understands time-series such as zoo objects. To demonstrate this functionality, we use the datasets `DAX` and `REXP`, which are provided by PMwR. Both are data frames of one column; the rownames are the dates.

```
> library("zoo")
> DAX <- zoo(DAX[[1]], as.Date(row.names(DAX)))
> REXP <- zoo(REXP[[1]], as.Date(row.names(REXP)))
```

Calling returns on a zoo series will result in a zoo series.

```
> str(DAX)
```

```
'zoo' series from 2014-01-02 to 2015-12-30
  Data: num [1:505] 9400 9435 9428 9506 9498 ...
  Index:  Date[1:505], format: "2014-01-02" "2014-01-03" "2014-01-06" ...
```

```
> head(returns(DAX))
```

```
2014-01-03 2014-01-06 2014-01-07 2014-01-08 2014-01-09 2014-01-10
  0.003735  -0.000758   0.008294  -0.000879  -0.008026   0.005480
```

Matrices work as well: As an example, we combine both zoo series into a two-column matrix.

```
> returns(head(cbind(DAX, REXP), 5))
```

```
                 DAX      REXP
2014-01-03  0.003735  0.000611
2014-01-06 -0.000758  0.001704
2014-01-07  0.008294  0.000621
2014-01-08 -0.000879 -0.000131
```

When a calendar timestamp is available, `returns` can also aggregate prices over specific holding periods.

```
> returns(DAX, period = "year")
```

```
2014 2015
 4.3  9.6
```

```
> returns(DAX, period = "month")
```

```
      Jan Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct Nov  Dec YTD
2014 -1.0 4.1 -1.4  0.5  3.5 -1.1 -4.3  0.7  0.0 -1.6 7.0 -1.8 4.3
2015  9.1 6.6  5.0 -4.3 -0.4 -4.1  3.3 -9.3 -5.8 12.3 4.9 -5.6 9.6
```

```
> returns(DAX, period = "2015")
```

```
9.6%  [30 Dec 2014 -- 30 Dec 2015]
```

```
> returns(DAX, period = "annualised")
```

```
6.9%  [02 Jan 2014 -- 30 Dec 2015]
```

Again, this also works for matrices.

```
> returns(cbind(DAX, REXP), period = "year")
```

```
     DAX REXP
2014 4.3  7.1
2015 9.6  0.5
```

```
> returns(cbind(DAX, REXP), period = "month")
```

```
            DAX   REXP
2014-01-31  -1.0   1.8
2014-02-28   4.1   0.4
2014-03-31  -1.4   0.1
2014-04-30   0.5   0.3
2014-05-30   3.5   0.9
2014-06-30  -1.1   0.4
2014-07-31  -4.3   0.4
2014-08-29   0.7   1.0
2014-09-30   0.0  -0.1
2014-10-31  -1.6   0.1
2014-11-28   7.0   0.4
2014-12-30  -1.8   1.0
2015-01-30   9.1   0.3
2015-02-27   6.6   0.1
2015-03-31   5.0   0.3
2015-04-30  -4.3  -0.5
2015-05-29  -0.4  -0.2
2015-06-30  -4.1  -0.8
2015-07-31   3.3   0.7
2015-08-31  -9.3   0.0
2015-09-30  -5.8   0.4
2015-10-30  12.3   0.4
2015-11-30   4.9   0.3
2015-12-30  -5.6  -0.6
```

Despite the way these holding-period returns are printed: the result of the function call is a numeric vector (the return numbers), with additional information added through attributes. It is thus natural to compute with the returns, e.g. to calculate means, extremes or similar quantities.

```
> range(returns(DAX, period = "month"))
```

```
[1] -0.0928  0.1232
```

There are methods for `toLatex` and `toHTML` for monthly returns. For instance, the table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	-1.0	4.1	-1.4	0.5	3.5	-1.1	-4.3	0.7	0.0	-1.6	7.0	-1.8	4.3
2015	9.1	6.6	5.0	-4.3	-0.4	-4.1	3.3	-9.3	-5.8	12.3	4.9	-5.6	9.6

is essentially prepared by the call

```
> toLatex(returns(DAX, period = "month"))
```

See the vignette source for the tabular header. More examples are in the FinTEX vignette; say

```
> vignette("FinTeX", package = "PMwR")
```

to open it.