

Contents

1	Why Study Nonlinear Time Series Analysis?	1
1.1	Introduction	1
1.2	Nonlinear Dynamics and a Strategy for Applying NLTS	4
1.3	The Contribution of NLTS Diagnostics to Theoretical Modelling	8
1.4	Caveats in Application	8
1.5	Summary	9
2	Linear and Nonlinear Dynamic Behaviour	10
2.1	Introduction	10
2.2	Discrete Linear Dynamics	10
2.3	The Nonlinear Logistic Map	14
2.4	Stability of Fixed Points	17
2.5	Dynamics of the Logistic Map	19
2.6	Analyzing Period Doubling with Bifurcation Diagrams	25
2.7	Chaotic Behaviour	32
2.8	Statistical Description of Chaotic Dynamics	43
2.9	Summary	49
3	Phase Space Reconstruction	51
3.1	Introduction	51
3.2	Ideal Simple Pendulum	52
3.3	Embedding Procedure	57
3.4	Phase Space Reconstruction with R packages	61
3.5	Summary	81
4	The Features of Chaos	83
4.1	Introduction	83
4.2	Lyapunov Exponent	84
4.3	Recurrence Plots	90
4.4	Correlation Dimension	102
4.5	Poincaré Map	111
4.6	Summary	121
5	Entropy and Surrogate Testing	123
5.1	Introduction	123
5.2	Shannon Entropy of the Logistic Map	127
5.3	Entropy Test	128
5.4	Surrogate Test	130
5.5	Tests for Nonlinear Serial Dependence with R Packages	132
5.6	Summary	137

6	Data Preprocessing	140
6.1	Introduction	140
6.2	Regular Behaviour of Linear ODE Models	142
6.3	Noisy Linear Dynamics	151
6.4	Singular Spectrum Analysis	154
6.5	Nonstationary Dynamics	174
6.6	Testing for Nonstationarity in Time Series Data	175
6.7	Endogenous Complexity with Nonlinear Dynamics	188
6.8	Summary	190
7	Surrogate Data Testing	192
7.1	Introduction	192
7.2	Surrogate Data Testing in a Nutshell	194
7.3	Surrogate Types	195
7.4	Discriminating Statistics	198
7.5	Rank Order Statistics	210
7.6	R Code for Surrogate Data Testing	211
7.7	Summary	219
8	Empirically Detecting Causality	221
8.1	Introduction	221
8.2	Convergent Cross Mapping with R	222
8.3	Extended (Delayed) Cross Convergent Mapping	230
8.4	Network Plots	239
8.5	Real-World Application	244
8.6	Detecting Change Points	249
8.7	Detecting Tipping Points	258
8.8	Summary	262
9	Phenomenological Modelling	264
9.1	Introduction	264
9.2	Components of a Phenomenological Model	264
9.3	Approximation of Derivatives with Finite Differences	265
9.4	Multivariate Polynomial Expansions	266
9.5	Estimating System Coefficients: Ordinary Least Squares	270
9.6	Estimating System Coefficients: Regularized Regression Methods	273
9.7	Goodness of Fit	276
9.8	Solution of Phenomenological Model	283
9.9	Phenomenological Model Extracted from Three Observed Variables	287
9.10	Phenomenological Model Extracted from a Single Observed Variable	291
9.11	Summary	295
10	Capstone: Application of NLTS to Real-World Data	298
10.1	Data Preprocessing	299
10.2	Phase Space Reconstruction	301

10.3	Surrogate Data Testing	303
10.4	Convergent Cross Mapping	306
10.5	Phenomenological Model	308
10.6	Summary	311
11	Extreme Value Statistics	313
11.1	Introduction	313
11.2	The Generalized Pareto Distribution	313
11.3	Extreme Value Statistics with R	314
Appendix A		319
A.1	Probability Density for the Logistic Map	319
A.2	Elements of Ergodic Theory	320
A.3	Dirac Delta Function	324
Appendix B		327
B.1	Introduction to the Bootstrap	327
B.2	Bootstrap Standard Error	329
B.3	Bootstrapping in R	332
B.4	Comments	334
Appendix C		336
C.1	Properties of Square Matrices	336
C.2	Analytical Construction of a Phase Diagram	339
List of Symbols		342
List of R Codes		344
References		347
Index		357