
Contents

<i>Preface</i>	ix
1 Introduction	1
2 Some Background on Ordinary Differential Equations	4
2.1 What Is an Ordinary Differential Equation?	4
2.2 Solutions of Linear Time-Invariant Differential Equations	6
2.3 Solutions of General Linear Differential Equations	10
2.4 Fourier Transforms	11
2.5 Laplace Transforms	13
2.6 Numerical Solutions of Differential Equations	16
2.7 Picard–Lindelöf Theorem	19
2.8 Exercises	20
3 Pragmatic Introduction to Stochastic Differential Equations	23
3.1 Stochastic Processes in Physics, Engineering, and Other Fields	23
3.2 Differential Equations with Driving White Noise	33
3.3 Heuristic Solutions of Linear SDEs	36
3.4 Heuristic Solutions of Nonlinear SDEs	39
3.5 The Problem of Solution Existence and Uniqueness	40
3.6 Exercises	40
4 Itô Calculus and Stochastic Differential Equations	42
4.1 The Stochastic Integral of Itô	42
4.2 Itô Formula	46
4.3 Explicit Solutions to Linear SDEs	49
4.4 Finding Solutions to Nonlinear SDEs	52
4.5 Existence and Uniqueness of Solutions	54
4.6 Stratonovich Calculus	55
4.7 Exercises	56

5	Probability Distributions and Statistics of SDEs	59
5.1	Martingale Properties and Generators of SDEs	59
5.2	Fokker–Planck–Kolmogorov Equation	61
5.3	Operator Formulation of the FPK Equation	65
5.4	Markov Properties and Transition Densities of SDEs	67
5.5	Means and Covariances of SDEs	69
5.6	Higher-Order Moments of SDEs	72
5.7	Exercises	73
6	Statistics of Linear Stochastic Differential Equations	77
6.1	Means, Covariances, and Transition Densities of Linear SDEs	77
6.2	Linear Time-Invariant SDEs	80
6.3	Matrix Fraction Decomposition	83
6.4	Covariance Functions of Linear SDEs	87
6.5	Steady-State Solutions of Linear SDEs	90
6.6	Fourier Analysis of LTI SDEs	92
6.7	Exercises	96
7	Useful Theorems and Formulas for SDEs	98
7.1	Lamperti Transform	98
7.2	Constructions of Brownian Motion and the Wiener Measure	100
7.3	Girsanov Theorem	104
7.4	Some Intuition on the Girsanov Theorem	111
7.5	Doob’s h -Transform	113
7.6	Path Integrals	116
7.7	Feynman–Kac Formula	118
7.8	Exercises	124
8	Numerical Simulation of SDEs	126
8.1	Taylor Series of ODEs	126
8.2	Itô–Taylor Series–Based Strong Approximations of SDEs	129
8.3	Weak Approximations of Itô–Taylor Series	137
8.4	Ordinary Runge–Kutta Methods	140
8.5	Strong Stochastic Runge–Kutta Methods	144
8.6	Weak Stochastic Runge–Kutta Methods	151
8.7	Stochastic Verlet Algorithm	155
8.8	Exact Algorithm	157
8.9	Exercises	161
9	Approximation of Nonlinear SDEs	165
9.1	Gaussian Assumed Density Approximations	165
9.2	Linearized Discretizations	174
9.3	Local Linearization Methods of Ozaki and Shoji	175

<i>Contents</i>		vii
9.4	Taylor Series Expansions of Moment Equations	179
9.5	Hermite Expansions of Transition Densities	183
9.6	Discretization of FPK	185
9.7	Simulated Likelihood Methods	192
9.8	Pathwise Series Expansions and the Wong–Zakai Theorem	193
9.9	Exercises	196
10	Filtering and Smoothing Theory	197
10.1	Statistical Inference on SDEs	198
10.2	Batch Trajectory Estimates	203
10.3	Kushner–Stratonovich and Zakai Equations	206
10.4	Linear and Extended Kalman–Bucy Filtering	208
10.5	Continuous-Discrete Bayesian Filtering Equations	211
10.6	Kalman Filtering	216
10.7	Approximate Continuous-Discrete Filtering	219
10.8	Smoothing in Continuous-Discrete and Continuous Time	223
10.9	Approximate Smoothing Algorithms	228
10.10	Exercises	231
11	Parameter Estimation in SDE Models	234
11.1	Overview of Parameter Estimation Methods	234
11.2	Computational Methods for Parameter Estimation	236
11.3	Parameter Estimation in Linear SDE Models	239
11.4	Approximated-Likelihood Methods	243
11.5	Likelihood Methods for Indirectly Observed SDEs	246
11.6	Expectation–Maximization, Variational Bayes, and Other Methods	248
11.7	Exercises	249
12	Stochastic Differential Equations in Machine Learning	251
12.1	Gaussian Processes	252
12.2	Gaussian Process Regression	254
12.3	Converting between Covariance Functions and SDEs	257
12.4	GP Regression via Kalman Filtering and Smoothing	265
12.5	Spatiotemporal Gaussian Process Models	266
12.6	Gaussian Process Approximation of Drift Functions	268
12.7	SDEs with Gaussian Process Inputs	270
12.8	Gaussian Process Approximation of SDE Solutions	272
12.9	Exercises	274
13	Epilogue	277
13.1	Overview of the Covered Topics	277
13.2	Choice of SDE Solution Method	278

viii	<i>Contents</i>	
13.3	Beyond the Topics	279
	<i>References</i>	281
	<i>Symbols and Abbreviations</i>	293
	<i>List of Examples</i>	305
	<i>List of Algorithms</i>	309
	<i>Index</i>	311