

## Index of 10-L

Page	Title
1	Practical information
2	Scatterplots and data example
3	Linear regression: Data + problem
4	Linear relation
5	Exercises 2.31 and 2.32
6	Linear regression model
7	Least squares estimation
8	Parameter estimates
9	Confidence intervals and tests
10	Prediction
11	Tools for model checking: residuals
12	Model checking in regression/ANOVA
13	Correlation
14	Statistical inference for correlation
15	Correlation vs. regression
16	Correlation II
17	Last comments about correlation and regression
18	Summary notes
19	Appendix: Schematic residual plots (versus fitted)

## PRACTICAL INFORMATION

### Schedule etc.:

- **note:** another Friday lab (no classes at UPEI on Monday),
- third **home assignment** and optional **project description** due today,
- **last home assignment** to be posted at the website sometime next week (before Thursday),
- **note:** methods tables and flowchart at the media page.

### Today's lecture — regression and correlation:

- simple linear **regression**, including prediction and residuals,<sup>1</sup>
  - \* detailed discussion (beyond textbook coverage) of model checking using residuals based on Minitab demonstrations,
  - \* “warnings” and extensions (IPE 6e supplementary notes: Moodle), but **entirely** skip extra topics (IPS: scatterplot smoothers, nonlinear regression),
- correlation coefficient and statistical inference for correlation,<sup>2</sup>
- links between models/procedures for correlation and regression.

---

<sup>1</sup> PSLS 4e: Chapters 4, 23; S: Sections 10.1-2; IPS 7e: Sections 2.1, 2.3, 10.1-2.

<sup>2</sup> PSLS 4e: Chapters 3, 23; S: Section 10.1; IPS 7e: Sections 2.2, 2.4, 10.2.

## SCATTERPLOTS AND DATA EXAMPLE

**Recap** — **scatterplot**: a plot of two variables (on the same units) against each other:

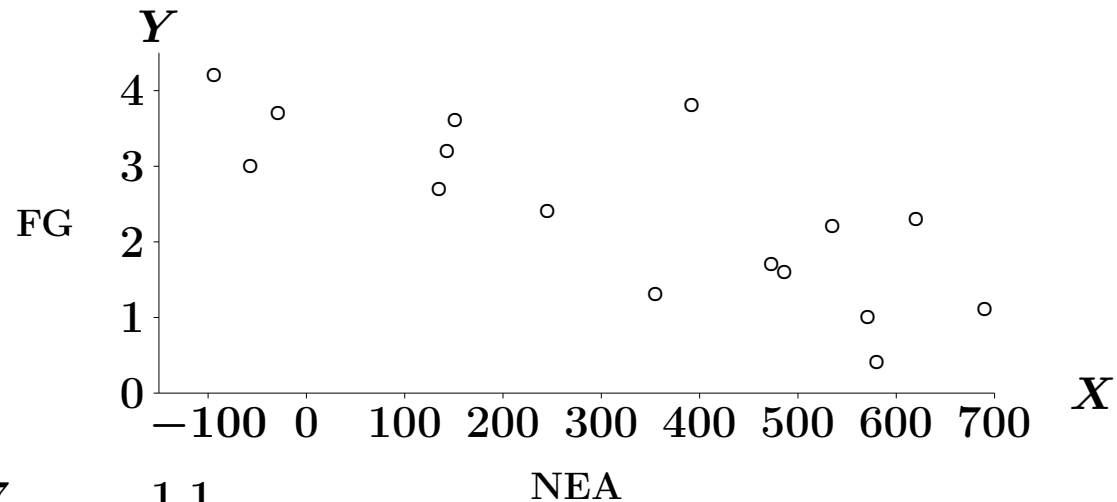
- explanatory variable (if any) goes on the horizontal axis,
- one point per observation pair  $(Y, X)$ .

**Data example**: non-exercise activity (NEA) and fat gain (FG) in humans,<sup>3</sup>

- for 16 young adults that were overfed for 8 weeks, measures of

- \* increase in NEA<sup>4</sup>,  
measured in calories,
- \* fat gain (FG),  
measured in kilograms,

- interest is in **predicting fat gain** from NEA,



- |          |     |  |     |     |     |     |     |     |
|----------|-----|--|-----|-----|-----|-----|-----|-----|
| fat gain | $Y$ |  | 4.2 | 3.0 | 3.7 | 2.7 | ... | 1.1 |
| NEA      | $X$ |  | -94 | -57 | -29 | 135 | ... | 690 |

<sup>3</sup> IPS 7e Example 2.18, data from Levine et al. (1999), *Science* 283, 212-214.  
<sup>4</sup> NEA = any activity other than deliberate exercise, such as fidgeting, daily living, etc.; fidget( $v$ ): to make continuous small movements that annoy other people.

## LINEAR REGRESSION: DATA + PROBLEM

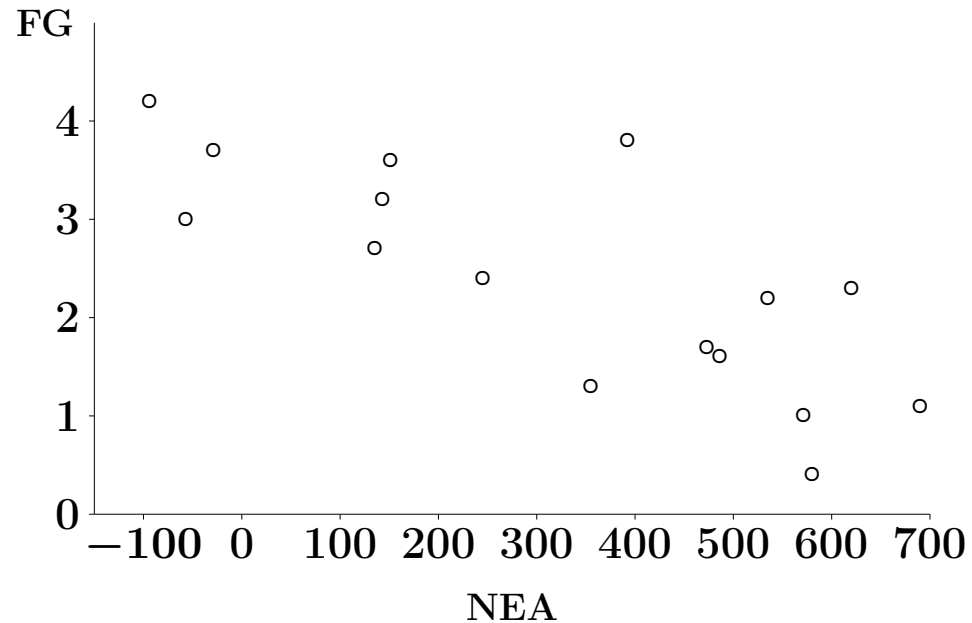
Data:

$$\left. \begin{array}{l} Y_i = \text{fat gain} \\ X_i = \text{NEA} \end{array} \right\} \text{ for subject } i, i = 1, \dots, 16 = n.$$

**Problem:** seek description of relationship between  $Y$  and  $X$ , in particular as:  $y = f(x)$ .

Why  $y$  as a function of  $x$ ?<sup>5</sup>

- causal relation?  
(if  $x$  is controllable,  
we hope to impact  $y$ ),
- interest in predicting  
 $y$  from  $x$ ?  
(for prediction,  $x$ 's  
would be taken as fixed),
- $X$  is not a random/  
response variable  
( $\Rightarrow$  explanatory).



<sup>5</sup> Commonly used (but somewhat imprecise) terminology to reflect this:  $y$  = dependent variable, and  $x$  = independent variable.

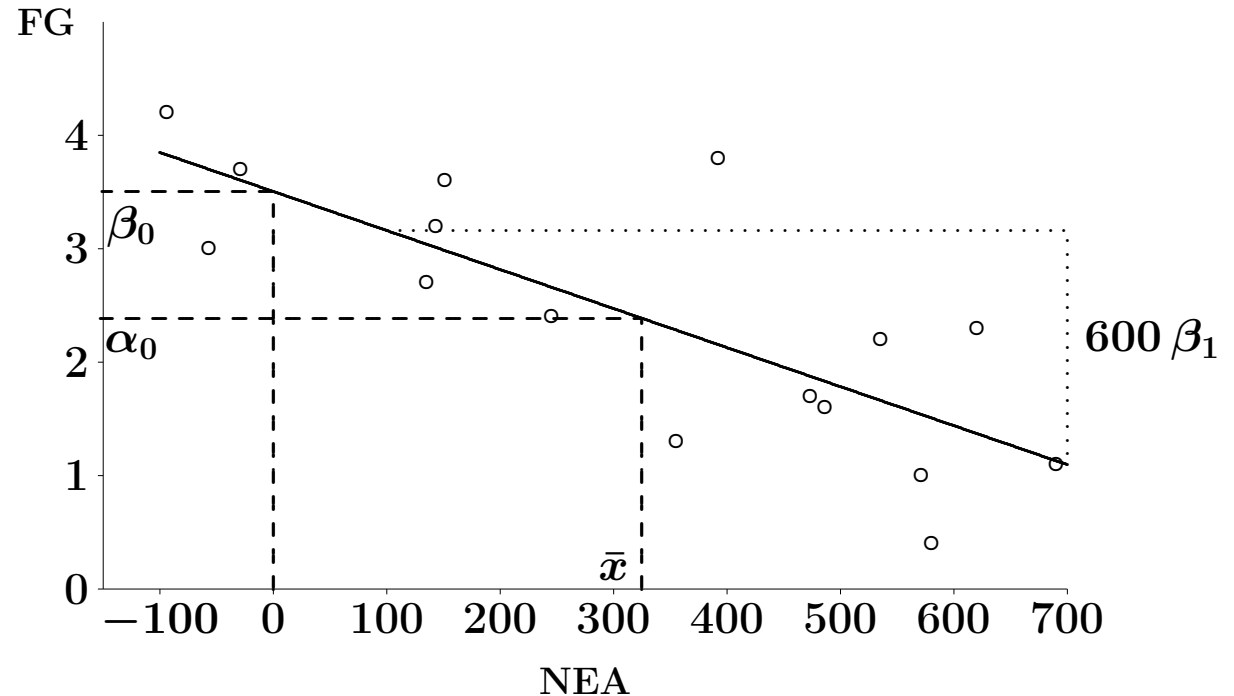
## LINEAR RELATION

Linear relation:

$$y = \beta_0 + \beta_1 \cdot x,$$

(or  $y = a + bx$ , as in Chapter 5 of PSLS, Chapter 2 of IPS):

- $\beta_1$  (or  $b$ ) = **slope** of the line,
- $\beta_0$  (or  $a$ ) = **intercept** of line with the vertical axis ( $x = 0$ ),
- **interpretation of slope**: one unit increase in  $x$  implies a  $\beta_1$  units change (increase or decrease) in  $y$ .



Alternative writing of the **same** line:

$$y = \alpha_0 + \beta_1(x - \bar{x}), \quad \text{where}$$

- $\alpha_0 = y$ -value corresponding to  $x = \bar{x}$ ,
- $x$  values are “**centered**” (by subtracting  $\bar{x}$ ) to avoid parameter ( $\beta_0$ ) out of  $x$ 's range,
- **relationships**:  $\beta_0 = \alpha_0 - \beta_1 \bar{x}$ , or  $\alpha_0 = \beta_0 + \beta_1 \bar{x}$ .

EXERCISES 2.31 AND 2.32

Exercise 2.31:

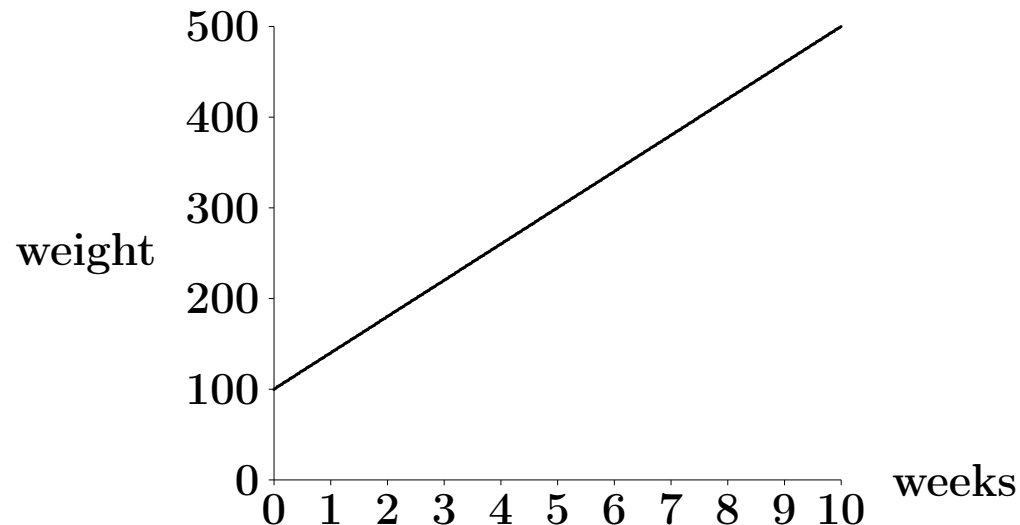
If  $x$  = number of seconds since splash and  $y$  = distance in meters, the equation is

$$y = 1500 (m/s) \cdot x (s).$$

Exercise 2.32:

(a) equation:  $\text{weight} = 100 + 40 \cdot \text{weeks}$ , and the slope of the line is 40 ( $g/\text{week}$ ).

(b)



(c) to use the linear equation for 2 years (104 weeks) would be an extreme case of **extrapolation** and clearly invalid, because rats do not continue to grow at a linear rate; predicted value =  $100 + 40 \cdot 104 = 4260 g$ .

## LINEAR REGRESSION MODEL

### Statistical model:

$$\begin{aligned} Y_i &= \beta_0 + \beta_1 x_i + \varepsilon_i \\ &= \alpha_0 + \beta_1(x_i - \bar{x}) + \varepsilon_i, \end{aligned}$$

where the (**vertical**) errors  $\varepsilon_1, \dots, \varepsilon_{16}$  are i.i.d. and  $\sim N(0, \sigma)$ ,

- **parameters:**

$\beta_1, \beta_0$  (or  $\alpha_0$ ) and  $\sigma$ ,

- **$x$ 's considered fixed**

— thus no capitals,

- **assumptions:**

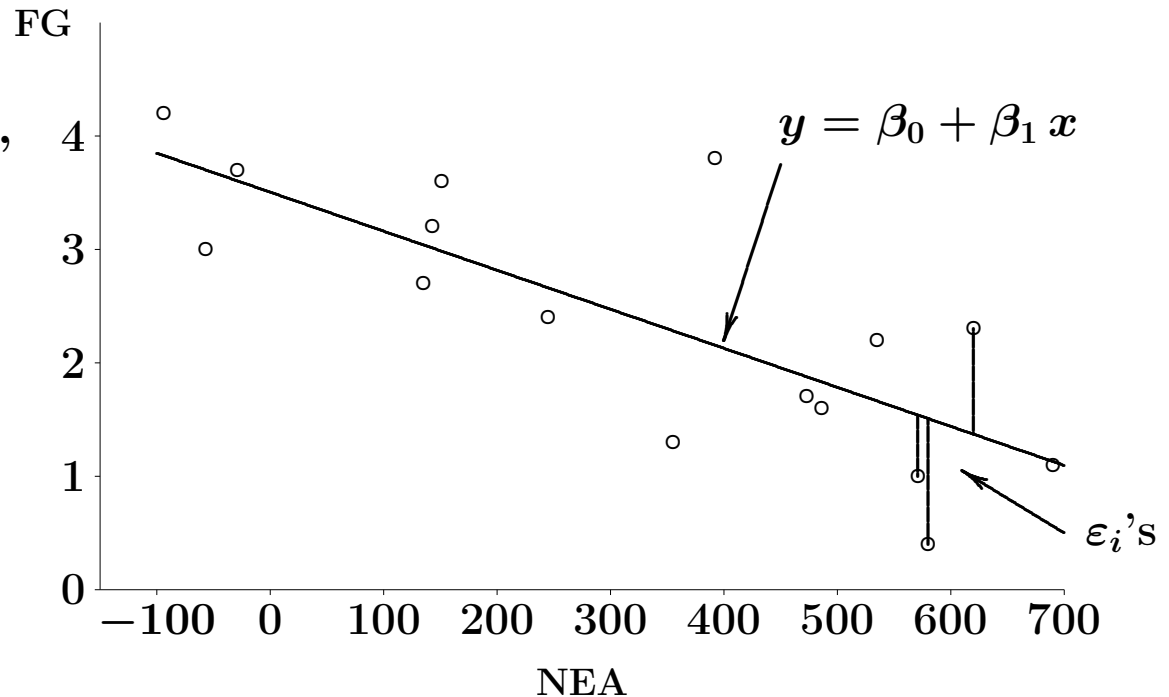
- \* the linear relation:  $EY_i = \beta_0 + \beta_1 x_i$ ,

- \* normal distribution of errors  $\varepsilon_i$ ,

- \* same standard deviation (or variance) of all observations (homogeneity),

- \* independence of errors (and of observations),

— as for ANOVA, all assumptions can be expressed in terms of the errors ( $\varepsilon_i$ ).

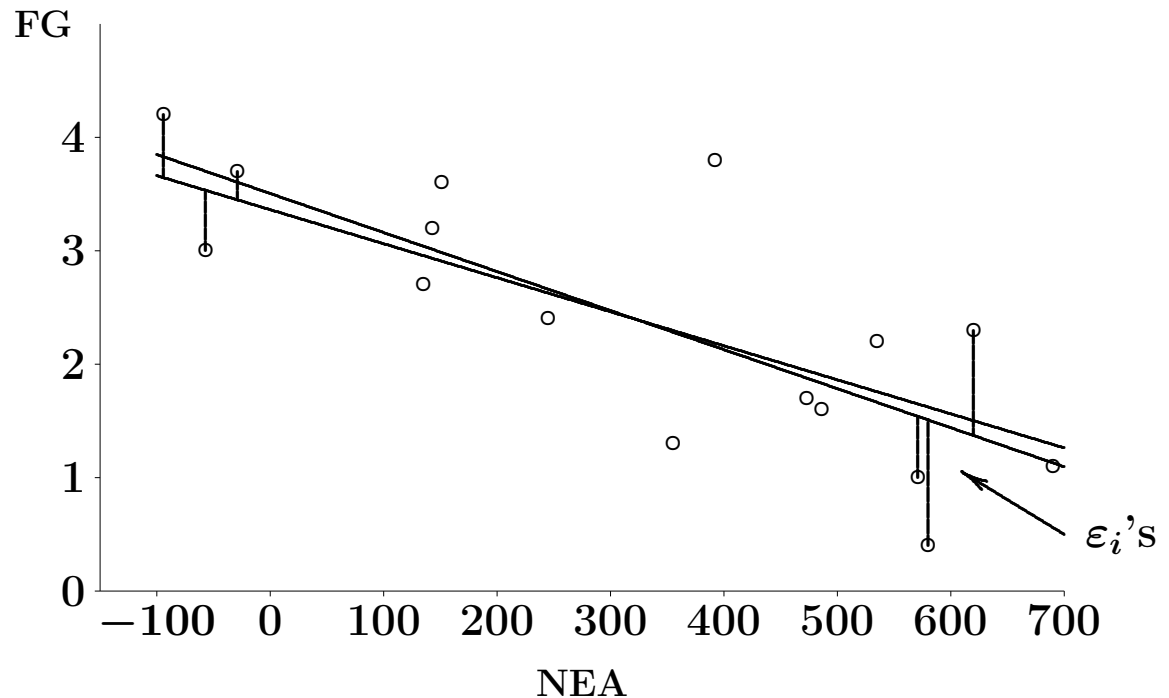


## LEAST SQUARES ESTIMATION

How to determine  
the regression line  
(i.e., estimate  $\beta_0, \beta_1$ )?

Idea: “best” line minimizes  
the sum of squared errors

$$\sum_i \varepsilon_i^2 = \sum_i (Y_i - \beta_0 - \beta_1 x_i)^2.$$



Motivations:

- intuitive (minimizes squared vertical deviations),
- easy to calculate (solutions have closed formulae),
- resulting estimates have good theoretical properties (unbiased and optimal for this model, plus many others).

## PARAMETER ESTIMATES

### Parameter estimates:

- slope:<sup>6</sup>

$$\hat{\beta}_1 = \frac{\sum_i (Y_i - \bar{Y})(x_i - \bar{x})}{\sum_i (x_i - \bar{x})^2},$$

- intercept:

$$\hat{\beta}_0 = \bar{Y} - \hat{\beta}_1 \bar{x},$$

- estimated line:

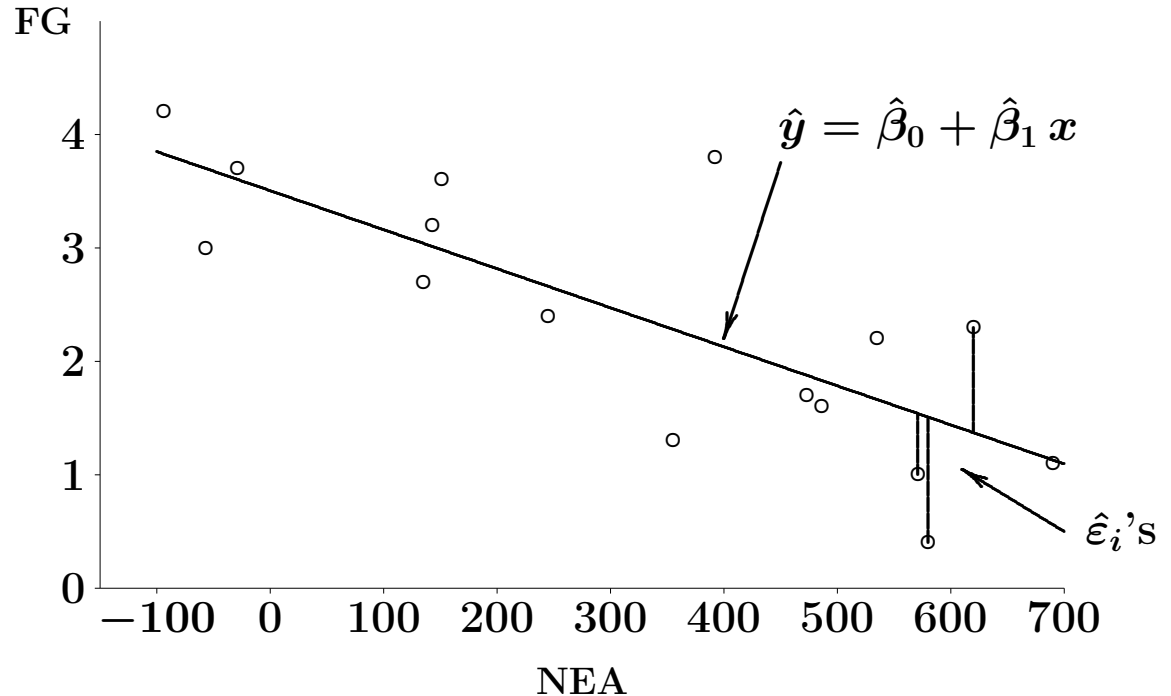
$$\hat{y} = \hat{\beta}_0 + \hat{\beta}_1 x,$$

- $\hat{\alpha}_0 = \bar{Y}$  ( $\Rightarrow$  estimated line passes through  $(\bar{x}, \bar{Y})$ ),

- residual:  $\hat{\varepsilon}_i = Y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i$ , (“observed – predicted”)

- error variance:

$$\hat{\sigma}^2 = s^2 = \frac{1}{n-2} \sum_i (Y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i)^2 = \frac{1}{n-2} \sum_i \hat{\varepsilon}_i^2.$$



Minitab/Stata/R give estimates and associated standard errors<sup>7</sup> for mean parameters.

<sup>6</sup> The formula can also be written:  $\hat{\beta}_1 = r s_y / s_x$ , where  $r$  is the correlation coefficient (slide 10L–13).

<sup>7</sup> Standard error formulas (not to be used for hand calculation...):

$$\text{slope : } SE(\hat{\beta}_1) = s / \sqrt{\sum_i (x_i - \bar{x})^2}; \quad \text{intercept : } SE(\hat{\beta}_0) = s \sqrt{1/n + \bar{x}^2 / \sum_i (x_i - \bar{x})^2}.$$

## CONFIDENCE INTERVALS AND TESTS

**Statistical inference** about the parameters of the regression line follows the “usual way”, using estimates and their standard errors:

- **degrees of freedom** for  $s^2$ :  $df = n - 2$  (also denoted DFE in ANOVA table),
- **confidence intervals** by the familiar formula and using a suitable  $t^*$ -value, i.e.  
 95% CI: estimate  $\pm t^* \cdot \text{SE}(\text{estimate})$ ,  $t^* = t_{.975}(\text{DFE})$ ,
- example: **test** of slope equal to known and fixed value ( $b$ ):
  - \*  $H_0: \beta_1 = b$ , against  $H_a: \beta_1 \neq b$  (two-sided alternative), or a one-sided  $H_a$ ,
  - \* **test**:  $t = (\hat{\beta}_1 - b) / \text{SE}(\hat{\beta}_1) \sim t(\text{DFE})$ -distribution under  $H_0$ ,
- alternative test of  $b = 0$  (horizontal line  $\sim$  **no linear relation between  $x$  and  $y$** ) by ANOVA table:

Source of variation	Degrees of freedom	Sum of squares	Mean square	$F$
Regression Model	DFM = 1	SSM	MSM = SSM/DFM	MSM/MSE
Error	DFE = $n - 2$	SSE = $\sum_i \hat{\epsilon}_i^2$	MSE = SSE/DFE	
Total	DFT = $n - 1$	SST	$s^2 = \text{MSE}$ , as usual	

- $F$ -test **equivalent** to  $t$ -test (**same  $P$** ), because  $F = t^2$ ,
- ANOVA table **not really needed** for simple linear regression (but for models with more  $x$ -variables).

## PREDICTION

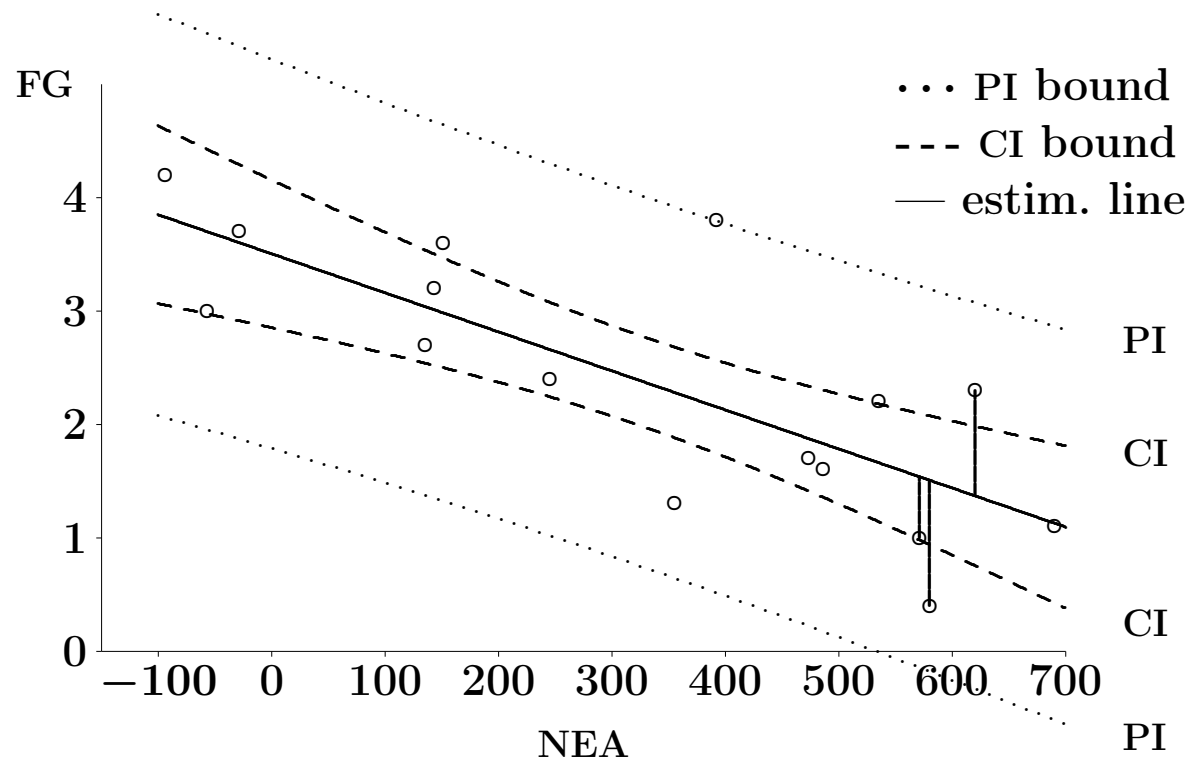
### Prediction / Estimation:<sup>8</sup>

- 2 situations / purposes:

(CI) **estimation** of the regression line for given  $x$ , and **CI** to indicate the precision of the estimation,

(PI) **prediction** of a new observation for given  $x$ , and **PI** (**prediction interval**) to indicate *both* precision of the line (mean) and the dispersion around it,

- **same** estimated/predicted value:  $\hat{y} = \hat{\beta}_0 + \hat{\beta}_1 x$ ,
- CI for line more narrow than PI for new observation.<sup>9</sup>



<sup>8</sup> Stata unfortunately uses the terminology: prediction  $\sim$  estimation, forecasting  $\sim$  prediction.

<sup>9</sup> Formulas for standard/prediction errors when used for confidence interval (CI) and prediction interval (PI):

$$\text{CI}(x^*) : \text{SE}(\hat{\mu}) = s \sqrt{1/n + (x^* - \bar{x})^2 / \sum_i (x_i - \bar{x})^2} ; \quad \text{PI}(x^*) : \text{SE}(\hat{y}) = s \sqrt{1 + 1/n + (x^* - \bar{x})^2 / \sum_i (x_i - \bar{x})^2}.$$

## TOOLS FOR MODEL CHECKING: RESIDUALS

**Residuals** — our “estimates” of the random variables  $\varepsilon_i$  in the model,

- calculated as “observed – expected” (or “observed – fitted”), e.g.,
  - \* linear regression:  $\hat{\varepsilon}_i = Y_i - (\hat{\beta}_0 + \hat{\beta}_1 x_i)$ ; 1-way ANOVA:  $\hat{\varepsilon}_{ij} = X_{ij} - \bar{X}_i$ ,
- always: SSE = sum of squared residuals,
- **properties of residuals** if the model is correct:
  - \* normally distributed with mean 0 and a computable standard error<sup>10</sup>,
  - \* residuals are **not independent**.

Other **versions of residuals**, and other variables (“regression diagnostics”):

- **standardized residuals** (i.e., divided by their standard error):  $r_i = \hat{\varepsilon}_i / \text{SE}(\hat{\varepsilon}_i)$ , approximately distributed as  $N(0, 1)$ , thus the term “standardized”,
- (**advanced**) **deletion residuals**: predicted value from model *without* current observation, also standardized and can be used for formal outlier tests (VHM 802/812),
- (**advanced**) **influence statistics**: special statistics to assess the impact of a single observation on the fitted regression line<sup>11</sup>, because it may be “problematic” if estimates or conclusion depends strongly on a single or a few observation(s).<sup>12</sup>

<sup>10</sup> In some (balanced) designs, the standard error is the same for all residuals, but usually it is not.

<sup>11</sup> Several different statistics (leverage, Cook’s distance, DF(F)ITS) exist, each with their specific interpretations, but it is beyond this course to go into details with them (→ VHM 802/812).

<sup>12</sup> Also, to assess if a particular observation is influential: **analyze the data with and without**, and compare the results.

## MODEL CHECKING IN REGRESSION/ANOVA

Proposed **use of residuals** for model checking (see Appendix for examples of graphs):

- **variance homogeneity**: plot residuals ( $\hat{\varepsilon}_i$  or  $r_i$ ) against model's fitted values ( $\hat{y}_i$ ):  
— should get a noisy pattern with no “fan” shapes,
- **linear relation**: plot residuals ( $\hat{\varepsilon}_i$  or  $r_i$ ) against explanatory variable  $x_i$ :<sup>13</sup>  
— should get a noisy pattern with no “parabolic” shapes,
- **outliers**: check very large or small values of standardized residuals ( $r_i$ ):  
— extreme  $r_i$ -values can be assessed (approximately) in  $N(0, 1)$ :
  - \* values outside  $(-2, 2)$  “suspect” in a small dataset,
  - \* values outside  $(-3.5, 3.5)$  “suspect” in moderate-sized dataset,
- **normal distribution**: normal probability plot of standardized residuals ( $r_i$ ),<sup>14</sup>
- **data errors**: plot residuals ( $\hat{\varepsilon}_i$  or  $r_i$ ) against data order (if applicable).

“Unusual observations” (in Minitab listing):

- standardized residuals beyond  $(-2, 2)$  (indicated with R),
- high **leverage** values (indicated with X): extreme among the  $(x_i)$  values, so the observation is **potentially influential**.

<sup>13</sup> In simple linear regression, plots of the residuals against  $x_i$  and  $\hat{y}_i$  are practically the same (so one of them will do).

<sup>14</sup> Note that  $P$ -values for normality tests only apply approximately to residuals, of any type, because of their lack of independence (preceding slide).

## CORRELATION

**Correlation**  $\rho$  = a parameter/property of a two-dimensional, continuous distribution (simultaneous distribution of two quantitative variables), expressing the strength and direction of linear association between them in their population.

**Sample (Pearson) correlation coefficient:**  $r = \frac{1}{n-1} \sum_i \left( \frac{X_i - \bar{X}}{s_x} \right) \left( \frac{Y_i - \bar{Y}}{s_y} \right)$   
= a descriptive statistic for a sample of pairs of variables (quantitative, response variables), and an estimate of the population correlation  $\rho$ :  $\hat{\rho} = r$ .

**Properties of correlations** (both types of correlations, but displayed in terms of  $r$ ):

- $-1 \leq r \leq 1$ , with:  $\left. \begin{array}{l} r > 0 \\ r = 0 \\ r < 0 \end{array} \right\} \sim \left\{ \begin{array}{l} \text{positive} \\ \text{no} \\ \text{negative} \end{array} \right\}$  linear association,
- $r = -1$  and  $r = 1$  correspond to perfect linear association (all points on a straight non-horizontal and non-vertical line),
- correlation between  $X$  and  $Y$  is same as between  $Y$  and  $X$ ,
- $r$  defined from standardized variables  $\Rightarrow$  unaffected by changes in mean or std. dev.,
- $X$  and  $Y$  independent variables  $\Rightarrow \rho = 0$  (and  $r \approx 0$ ),
- extended variance addition formulae (IPS Section 4.4):

$$\text{Var}(X \pm Y) = \text{Var}(X) + \text{Var}(Y) \pm 2\rho \text{sd}(X)\text{sd}(Y).$$

## STATISTICAL INFERENCE FOR CORRELATION

**Definition:** A pair of variables  $(X, Y)$  has a **joint normal distribution**  $N(\mu_x, \mu_y, \sigma_x, \sigma_y, \rho)$ , if

$X \sim N(\mu_x, \sigma_x)$ , and  $Y \sim N(\mu_y, \sigma_y)$ , and the correlation between  $X$  and  $Y$  is  $\rho$ .

**Statistical inference for correlation:**

- feasible only based on an i.i.d. sample (or SRS)  $(X_1, Y_1), \dots, (X_n, Y_n)$  from the joint normal distribution  $N(\mu_x, \mu_y, \sigma_x, \sigma_y, \rho)$ ,
- **in this model** (only!):  $\rho = 0 \Rightarrow X$  and  $Y$  independent, and regressions of  $Y$  on  $X$  (or reversely  $X$  on  $Y$ ) have slope 0,
- **hypothesis  $H_0$** :  $\rho = 0$  can be tested against a one- or two-sided alternative  $H_a$  by the  $t$ -statistic,

$$t = r \sqrt{\frac{n-2}{1-r^2}}, \quad \text{where } t \sim t(n-2) \text{ under } H_0,$$

which is **exactly the same!!** as the  $t$ -test for slope = 0 in any of the two regressions,

- additional **inference for  $r$** , such as CIs and tests for  $\rho = \text{known value}$ : less easy to calculate, and not accessible in all statistical software,<sup>15</sup>
- **nonparametric** correlation: **Spearman's** rank correlation coefficient (i.e.,  $r$  computed for ranks)  $\rightarrow$  lab problem.

<sup>15</sup> Minitab 19+ provides an (approximate) confidence interval, apparently computed by the Fisher  $\zeta$  (zeta) transformation method.

## CORRELATION VS. REGRESSION

Correlation and least-squares regression are very closely related:

- $r$  = slope of least-squares regression line when both variables measured in standardized units ( $\hat{\beta}_1 = r s_y / s_x$ ),
- test for  $\rho = 0$  in jointly normal model is same as test for slope = 0 in the two conditional regressions,
- in the ANOVA table for linear regression:  $r^2 = \text{SSM}/\text{SST} \Rightarrow r^2$  interpretable as the **the proportion of variation explained by the regression**, out of the total variation:
  - \*  $r^2$  large means good **predictive power** of the model,
  - \*  $r^2$  large does **not necessarily mean a good model**,<sup>16</sup>
  - \*  $r^2$  (usually denoted  $R^2$ ) is widely misused to indicate the model's “quality”.

How to choose between correlation and regression?

- which **model assumption** is more reasonable: normal distribution for pairs  $(X, Y)$  (correlation)?, or normal distribution for errors in linear regression?
  - for example, with **only one response variable**: always regression,
- for **two response variables**: is the interest in predicting one from the other (regression)?, or primarily to measure/test their degree of linear association (correlation)?

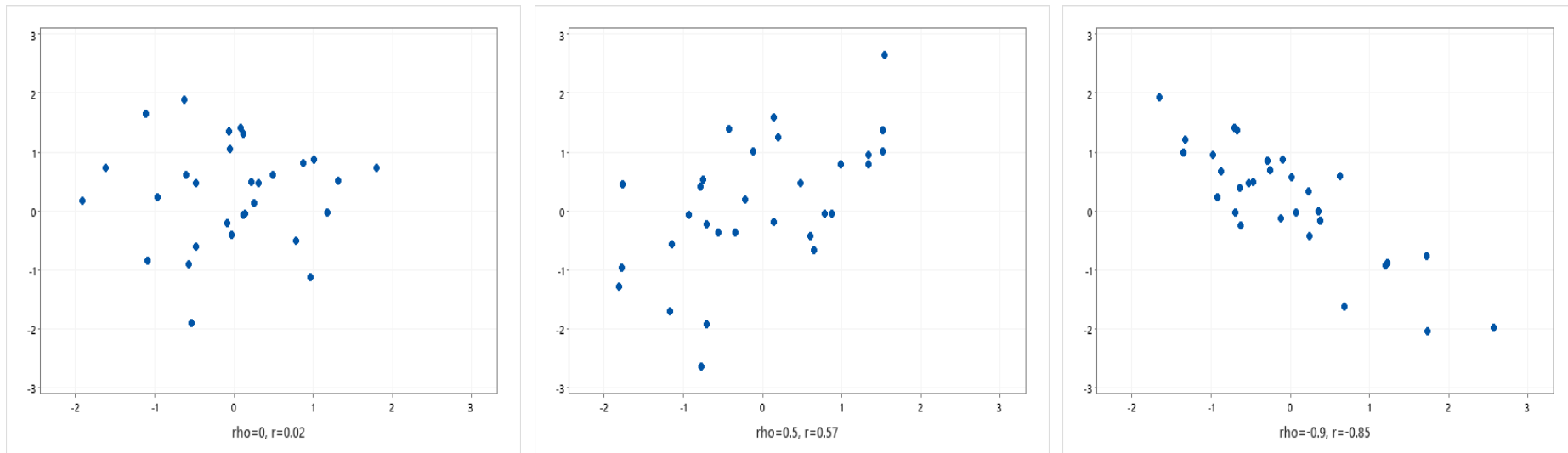
<sup>16</sup> For an illustration, see Extra exercise 21 ([x:21](#)).

## CORRELATION II

Some cautions about correlation:

- strictly speaking, only meaningful for **quantitative, response variables**,<sup>17</sup>
- only meaningful for roughly **linear associations**,
- the Pearson correlation coefficient  $r$  is **not resistant**.

Simulated patterns ( $n = 30$ ):<sup>18</sup>



<sup>17</sup> Some practical (but pretty **advanced**) recommendations for use and interpretation:

- can use with fixed (non-response) variable ( $x$ ): interpret through regression on  $x$ ,
- can use with ordinal ( $\sim$  quantitative) variable, but strong scale assumption,
- can use with one (!) binary variable: interpret by  $R^2$  in two-sample analysis,
- do not use with nominal variables, or with two binary variables.

<sup>18</sup> See also PLS 4e: Figure 3.5; S: p. 173; IPS 7e: Figure 2.16.

## LAST COMMENTS ABOUT CORRELATION AND REGRESSION

Some cautionary points from textbooks<sup>19</sup>:

- Linear regression and correlation are based on **linear relationships** — always check if that is reasonable; **note**: some non-linear relations can be transformed to linear ones and analyzed by a linear regression for the transformed variables<sup>20</sup>,
- Watch out for **outliers and influential observations**,
- Regression or correlation  $\nrightarrow$  **causation**,
- **Lurking variables** can distort any relationship between variables (not new, but particularly important here),
- Beware of **extrapolation** (too far outside the data range).

Variants (extensions) of linear regression:

- **multiple linear regression**: more than one  $x$ -variable in model  $\rightarrow$  next week!,
- **measurement error models**: if  $x$  is a **response var.** and measured with **error/noise**, and interest is in linear regression on **true** value of  $x$  (without error), not prediction.

<sup>19</sup> PSLS 4e: Chapter 4; IPS 7e: Section 2.4.

<sup>20</sup> Transformation to achieve a linear relation is discussed in supplemental material for IPS 6e (from IPS6e website (discontinued), available at Moodle site); some typical and not too uncommon examples:

$$\begin{aligned}y &= a \times x^b &\longrightarrow & \log(y) = \log(a) + b \times \log(x), \\y &= a \times b^x &\longrightarrow & \log(y) = \log(a) + \log(b) \times x, \\y &= a/(1 + b \times x) &\longrightarrow & 1/y = 1/a + (b/a) \times x.\end{aligned}$$

## SUMMARY NOTES

**Key words and concepts** for 2 quantitative (continuous) variables:

- scatterplot, response and explanatory variable, dependent ( $y$ ) and independent ( $x$ ) variable,
- **linear relation**: intercept, slope, prediction, extrapolation, transformation of  $y$  and/or  $x$ ,
- **linear regression model**: normally distributed, vertical errors about line, least squares estimation, standard deviation about line,  $t$ -based inference, ANOVA table, confidence and prediction intervals,
- **model checking**: residuals, standardized residuals, residual plots, outliers, variance homogeneity,
- **correlation**: population parameter/estimate (Pearson's correlation coefficient), strength of linear association, range  $(-1,1)$ , independence, addition formula for variances,
- **correlation model**: normal distributions,  $t$ -test for no association, links with linear regression, squared correlation ( $r^2$  or  $R^2$ ).

## APPENDIX: SCHEMATIC RESIDUAL PLOTS (VERSUS FITTED)

(A) “Perfect”; (B) Fan/Cone shape; (C) Curvilinearity; (D) Missed variable

