

Multiplicative Weight Update

Online Decision-Making

At each time step $t = 1, 2, \dots, T$:

a decision-maker picks a probability distribution \mathbf{p}^t over her experts or actions $i = 1, \dots, N$

an adversary picks a **loss** vector $\ell^t : A \rightarrow [0, 1]$

an action i^t is chosen according to the distribution \mathbf{p}^t , and the decision-maker receives loss ℓ_i^t

the decision-maker learns ℓ^t , the entire **loss** vector

The input arrives “one piece at a time.”

What should we compare to?

- We can't compare to the best action sequence $\sum_{i=1}^T \min_{i=1}^N \ell_i^t$ or we may get no approximation.
- Instead, we compare to the best fixed action $\min_{i=1}^N \sum_{t=1}^T \ell_i^t$.
- Specifically, our goal is to minimize *regret*. For fixed loss vectors ℓ^1, \dots, ℓ^T . The regret of the action sequence a^1, \dots, a^T is

$$\underbrace{\sum_{t=1}^T \ell_{a^t}^t}_{\text{our algorithm}} - \underbrace{\min_{i=1}^N \sum_{t=1}^T \ell_i^t}_{\text{best fixed action}} . \quad (1)$$

Example 1 (Randomization Is Necessary for No Regret).

Example 2 ($\sqrt{(\ln n) \cdot T}$ Regret Lower Bound).

The Multiplicative Weights Algorithm

Formally, we want an algorithm that works in the following framework:

1. In rounds $1, \dots, T$, the algorithm chooses some expert i^t .
2. Each expert i experiences a loss $\ell_i^t \in [0, 1]$. The algorithm experiences the loss of the expert it chooses: $\ell_A^t = \ell_{i^t}^t$.
3. The total loss of expert i is $L_i^T = \sum_{t=1}^T \ell_i^t$, and the total loss of the algorithm is $\mathbb{E}_{\mathbf{P}} [L_{MWU}] = \mathbb{E}_{\mathbf{P}} \left[\sum_{t=1}^T \ell_{i^t}^t \right]$. The goal of the algorithm is to obtain loss not much worse than that of the best expert: $\min_i L_i^T$.

Multiplicative Weights (MW) Algorithm

initialize weights $w_i^1 = 1$ for every expert $i = 1 \dots, N$

for each time step $t = 1, 2, \dots, T$ **do**

 let $W^t = \sum_{i=1}^N w_i^t$ be the sum of the weights

 choose expert k with probability $p_k^t = w_k^t / W^t$

 for each expert k , update weights

$$w_k^{t+1} = w_k^t \cdot (1 - \varepsilon \ell_k^t)$$

Theorem 1. For any sequence of losses, over the randomness of our algorithmic choices \mathbf{p} ,

$$\mathbb{E}_{\mathbf{p}}[\text{REGRET}_{\text{MWU}}] \leq 2\sqrt{\ln(N)T} + \varepsilon T.$$

That is, for any expert k

$$\frac{1}{T} \mathbb{E}_{\mathbf{p}} \left[\sum_{t=1}^T \ell_{i^t}^t \right] \leq \frac{1}{T} \left[\sum_{t=1}^T \ell_k^t \right] + \varepsilon + \frac{\ln(N)}{\varepsilon \cdot T}$$

In particular, by setting $\varepsilon = \sqrt{\frac{\ln(N)}{T}}$ we get:

$$\frac{1}{T} \mathbb{E}_{\mathbf{p}} \left[\sum_{t=1}^T \ell_{i^t}^t \right] - \frac{1}{T} \left[\min_{i=1} \sum_{t=1}^T \ell_i^t \right] \leq \varepsilon + 2\sqrt{\frac{\ln(N)}{T}}.$$

In other words, the average loss of the algorithm quickly approaches the average loss of the best expert exactly, at a rate of $1/\sqrt{T}$. Note that this works against an arbitrary sequence of losses, which might be chosen adaptively by an adversary. This is pretty incredible. And it will be the source of the power of this framework in applications: we (the algorithm designer) can play the role of the adversary to get the results that we want.

Corollary 2. There is an online decision-making algorithm that, for every adversary and $\varepsilon > 0$, has expected time-averaged regret¹ at most ε after at most $(4 \ln n)/\varepsilon^2$ time steps.

Recap of notation:

- N : the number of experts (actions)
- i, k : index of a specific expert (action)
- w : weights assigned to experts, a vector for each expert, indexed for each time step t and expert i
- W^t : the sum over all experts of weights at time t — $W^t = \sum_{i=1}^N w_i^t$.
- p : a probability distribution over experts, indexed for each time step t and expert i , equal to weights w normalized by the sum W — $p_i^t = w_i^t / W^t$.
- ε : update parameter
- ℓ : adversary's loss assignments for each time step and expert, $\ell_i^t \in [0, 1]$.
- F : expected loss. $F^t = \sum_{i=1}^N p_i^t \ell_i^t$.

¹Time-averaged regret just means the regret, divided by T .

Practice Questions

Online Stock Trading Problem

You are a financial analyst managing a portfolio of stocks, and you have a team of N stock analysts who provide daily stock predictions. Each analyst uses different models, data sources, and techniques to predict the movement of various stocks in the market. There are three possible choices of actions, $A = \{0, 1, 2\}$, indicating whether the stock price goes down, stays the same, or goes up. Each analyst i acts according to the distribution p_i^t over A at time t , and comes up with an action a_i^t . Assume you chose action a^t (without the subscript) on day t . Let w be your weight vector with w_i^t being your weight (confidence) on the i th analyst on day t . Assume that you are equally confident on all of them on day $t = 0$. Your goal is to develop a strategy to choose the most accurate analyst each day, maximizing the overall profitability in your stock trading portfolio over a period of T trading days.

- a. How would you choose an analyst on day t based on the information that you would have?
- b. What could be a potential loss vector ℓ^t on day t if the stock actually goes up?
- c. What is the regret on day T when the stock market closes?
- d. How would you update the confidence array after market closes on day t ?

Numerical example

Below is the price trend for the stock.

100, 102, 101, 105, 105, 104, 106, 108, 105, 107, 110, 99

Assume nobody works on the last trading day. There are three analysts: A , who always predicts an upward trend; B , who always predicts no movement; and C , who always predicts a downward trend. Then, what is the cumulative loss value after the last day, given that each correct prediction is awarded a loss of 0 and a wrong prediction with +1? You choose the analysts in this order

$A, B, C, A, B, A, A, A, A, A, A$.

Calculate the regret by calculating the actual loss, predicted loss, and benchmark.

Derivation (if time allows)

Proof of Corollary 2. Let F^t denote the expected loss of the MWU algorithm at time t . By linearity of expectation, we have $\mathbb{E}[L_{MWU}^T] = \sum_{t=1}^T F^t$. We also know that:

$$F^t = \tag{2}$$

Thus we want to lower bound the sum of the F^t 's.

How does W^t change between rounds? We know that $W^1 = N$, and looking at the algorithm, we derive W^{t+1} as a function of W^t and the expected loss (2)

$$W^{t+1} =$$

So by induction, we can write:

$$W^{T+1} =$$

Taking the log, and using the fact that $\ln(1 - x) \leq -x$, we can write:

$$\ln(W^{T+1}) =$$

Similarly, we can unroll the update rule for our weights

$$w_k^{t+1} = \tag{3}$$

(using the fact that $\ln(1 - x) \geq -x - x^2$ for $0 < x < \frac{1}{2}$), we know that for every expert k :

$$\ln(W^{T+1})$$

Combining these two bounds, we get that for all k :

for all k . Dividing by ε and rearranging, we get:

□