

Python Quick Start Guide

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Python/Environment Setup

Note: this tutorial is for individual users working with Python on their own computers. For mass Python deployment, please contact your local IT administration. Python is installed on all the Finance Lab workstations.

Text Editor

A text editor like Notepad, <u>Notepad++</u>, <u>Notepad2</u>, <u>Atom</u>, etc. is required to write and save the Python code presented in the tutorial into .py files. Notepad is already available on all versions of Windows. The recommended Anaconda/Miniconda installers (next section) include the option to install VSCode, another text editor from Microsoft.

Python Distribution

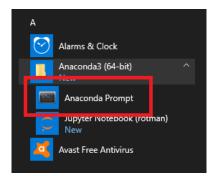
The recommended way to set up your Python environment/workspace is to use either the <u>Anaconda</u> <u>distribution</u> or the <u>Miniconda distribution</u> of Python 3.6+

Anaconda already includes many of the most commonly used data science packages (essentially additional tools) like NumPy (support for multidimensional arrays) and Pandas (easy to use data structures and tools for data analysis), as well as a package and virtual environment manager. Miniconda only contains the package and virtual environment manager, and users can manually decide on which packages to download and install for use.

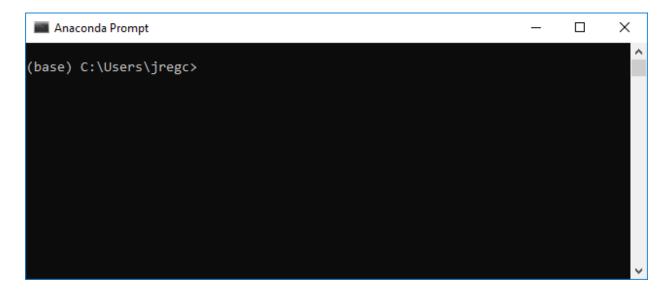
Note: when installing Anaconda or Miniconda, choose to leave the option 'Add Anaconda to my PATH variable' **unchecked***, and the option 'Register Anaconda as my default Python 3.x'* **checked**

Verifying Your Installation

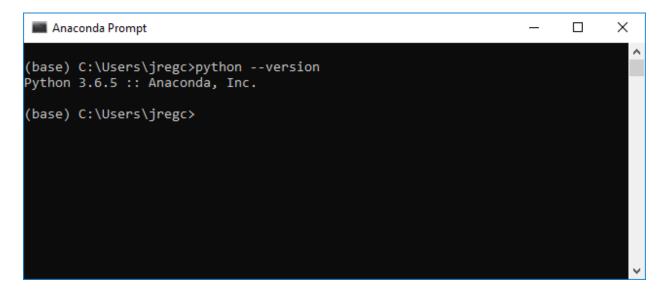
After installing Anaconda or Miniconda, please open the 'Anaconda Prompt' from the Start Menu, or the Command Prompt/PowerShell if you are using a different Python distribution.



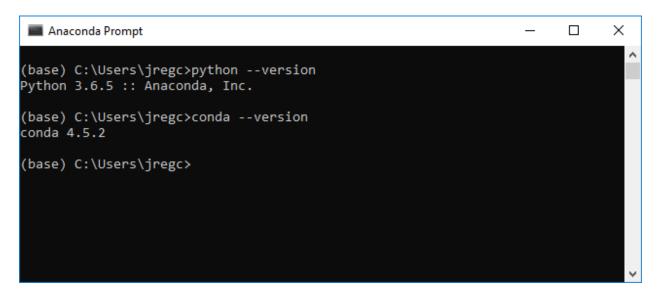
This should open a window looking similar to the following, with 'jregc' being replaced by your user ID. This tutorial will refer to this window as 'the prompt' from here onwards.



Type **python** --version into the prompt and press enter. This command asks Python for its current version number. The output should look similar to the following if everything has been installed correctly, where the version number is 3.6 or greater.



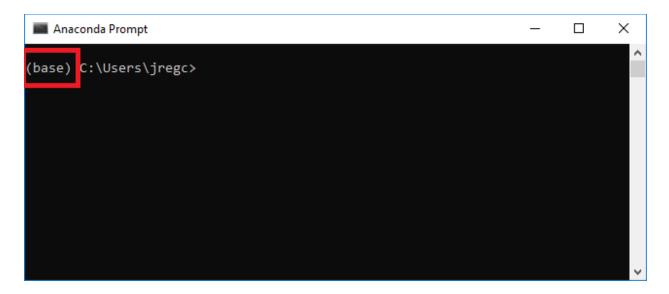
Then type **conda --version** into the prompt and press **enter**. This command asks Anaconda/Miniconda for its current version number. The output should look similar to the following if everything has been installed correctly, where the version number is 4.5 or greater. In the case where the version number is lower than 4.5, type **conda** update -n base conda to get the latest version.



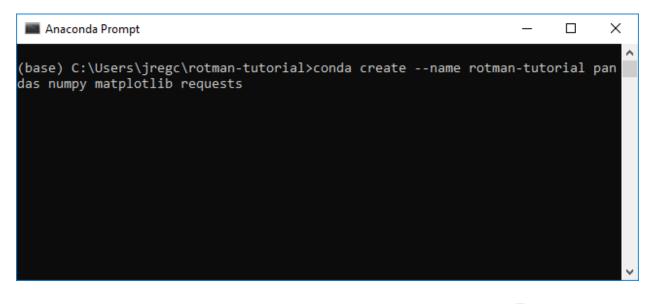
Python Virtual Environments

Anaconda and Miniconda come with the conda package and virtual environment manager. Different Python applications that users write may require different files and packages, and virtual environments help solve this problem. A virtual environment is a self-contained environment/directory that contains its own files, installed packages, and their dependencies that will not interact with other environments' files, packages, and dependencies.

When a user initially starts the prompt, it starts in the 'base' environment, as indicated on the left side of the prompt.



However, it is not recommended to install additional packages in the 'base' environment. To create a new environment, enter conda create --name <ENV NAME> pandas numpy matplotlib requests. This will create a new virtual environment, with the name supplied in <ENV NAME>, and with the 'pandas', 'numpy', 'matplotlib', and 'requests' packages needed in this tutorial, plus any dependencies for those packages.



In this case, the virtual environment is named 'rotman-tutorial'. Enter y into the prompt after conda lists the packages that must be downloaded and installed to proceed and create the environment. After the environment is created, enter conda activate <ENV NAME> or simply activate <ENV NAME> into the prompt to switch the context of the prompt to that environment.

Anaconda Prompt	_	×
(base) C:\Users\jregc≻conda activate rotman-tutorial		^
(rotman-tutorial) C:\Users\jregc>		
		.

As shown in the above screenshot, after entering conda activate rotman-tutorial into the prompt, the prompt indicates that the current environment is 'rotman-tutorial'. If a user wants to deactivate the current environment and go back to the 'base' environment, enter conda deactivate.

Introduction to Python

Create a Work Directory

In the local user directory, create a work directory to store the tutorial files. Users can do this from the prompt by entering mkdir <WORK DIR NAME> to create a directory in the current location. Then, enter cd <PATH TO WORK DIR> to change locations to that directory.

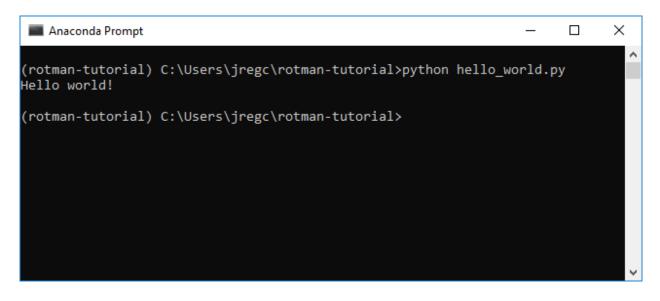
In the above screenshot, a directory called 'rotman-tutorial' was created in the directory C:\Users\jregc

Hello World

Open your preferred text editor, type the following into a new file, and save the file in the work directory as hello_world.py.

```
def main():
    print('Hello world!')
# this if-block tells Python to call the main() method when it runs the file
from the prompt
if __name__ == '__main__':
    main()
```

Then in the prompt, enter python hello_world.py.



This command tells Python to run the file in the local directory called hello_world.py. Inside that file, there is a method called **main** that calls the **print** method. The **print** method takes in the text 'Hello world' as a parameter and prints it out to the prompt as Hello world!.

In case the prompt window size needs to be changed, right-click on the top module bar from the prompt window, choose "Properties", click on "Layout", and change "Width" under "Window Size" to display any contents properly.

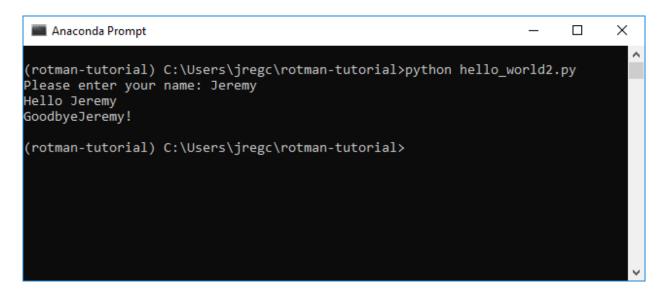
📰 Anaconda Prompt 🔤		100	Anaconda Pr	ompt" Propertie	s	\times
(base) C:\Users\	Move	Ma	ions Font	Layout Color	2	
-	Size Minimize Maximize		Screen Buffer: Width: Height:	92 ÷	Window Preview	
ж	Close Edit > Defaults		✓ Wrap text or Window Size Width:	utput on resize		
	Properties		Height: Window Positio	30 🔻		
			Left: Top:	30 * 272 *		
		F	✓ Let system p	osition window		

Hello Input

Python can also take in user input. For example, try saving the following into a file called hello_world2.py and running it:

```
def main():
    name = input('Please enter your name: ')
    print('Hello', name)
    print('Goodbye' + name + '!')
if __name__ == '__main__':
    main()
```

This time, a prompt should be displayed, asking for your name. In effect, the first line of code tells Python to print to the prompt the text Please enter your name:, wait for an input to be typed in, and then save that input into the variable called **name**. The second line then tells Python to print Hello and the value saved in the variable **name**. The third line shows another way of combining text together to be printed out.



But if you look at what's displayed on the third line of the output, it looks a little messy. Let's fix that:



Note the space in the quoted text 'Goodbye'.

Anaconda Prompt		_		×
(rotman-tutorial) Please enter your Hello Jeremy GoodbyeJeremy!	C:\Users\jregc\rotman-tutorial>python hello name: Jeremy	_world2	.ру	^
(rotman-tutorial) Please enter your Hello Bill Goodbye Bill!	C:\Users\jregc\rotman-tutorial>python hello name: Bill	_world2	.ру	
(rotman-tutorial)	C:\Users\jregc\rotman-tutorial>			
				~

There, that's better!

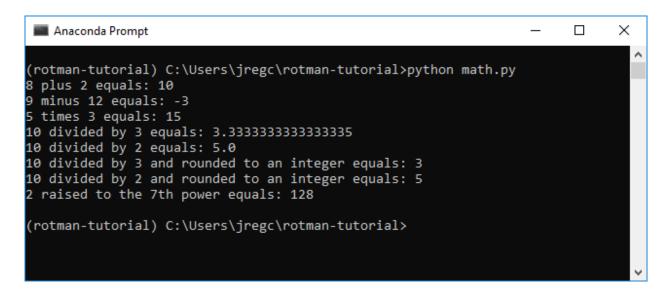
Mathematical Expressions

Like many programming languages, Python can also perform mathematical calculations. Try saving and running the following as math.py:

```
def main():
    print('8 plus 2 equals:', 8 + 2)
    print('9 minus 12 equals:', 9 - 12)
    print('5 times 3 equals:', 5 * 3)
    print('10 divided by 3 equals:', 10 / 3)
    print('10 divided by 2 equals:', 10 / 2)
    print('10 divided by 3 and rounded to an integer equals:', 10 // 3)
    print('10 divided by 2 and rounded to an integer equals:', 10 // 2)
    print('2 raised to the 7th power equals:', 2 ** 7)

if __name__ == '__main__':
```

```
main()
```



Note that there is a difference between integer and floating-point math, where floating-point numbers are representations of real numbers including decimals.

Tuples, Lists, and Dictionaries

There are also three common data structures that are used in Python: tuples, lists, and dictionaries. Tuples are comma-separated lists of values that cannot be changed once created, while lists are comma-separated lists of values that can be changed. Dictionaries are lists of key/value pairs that are associated with one another. In effect, the major difference is how to access values in the different data structures: usually one will index by number to access values in tuples and lists, while one will index by key to access a value in a dictionary. The following example illustrates how this works.

```
def main():
    t = (3, 5, 10, 9)
    l = [8, 9, 5]
    d = {'key': 'value', 'name': 'Bob'}
    print('The first element in the tuple is', t[0])
    print('The second element in the tuple is', t[1])
    print('The third element in the list is', 1[2])
    print('The "name" element in the dictionary is', d['name'])
if __name__ == '__main__':
    main()
```

Anaconda Prompt - C × (rotman) C:\Users\jregc\rotman-tutorial>python data.py The first element in the tuple is 3 The second element in the tuple is 5 The thid element in the list is 5 The "name" element in the dictionary is Bob (rotman) C:\Users\jregc\rotman-tutorial>

Note that python uses 0-based indexing, such that the first element is at position 0, the second is at position 1, etc.

Summary

This concludes a basic introduction to Python, necessary for the following sections on using Pandas/NumPy for simple stock return calculations. You should now be able to write a simple set of instructions (a method) in Python, using a pre-defined method (print) and execute it from the prompt.

For a more detailed introduction to Python, please see <u>The Python Tutorial</u>.

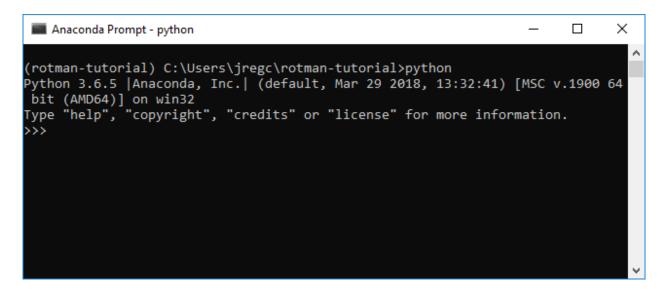
Using Pandas/NumPy Package – Stock Returns Example

Pandas is a commonly used open-source data analysis package for Python. It provides a comprehensive set of easy-to-use data structures and analysis tools. We'll take a quick look at how to use Pandas to read in CSV data from Yahoo Finance and perform some common calculations like returns and summary statistics.

Instead of writing the code into a file and then running it via python <FILE NAME>.py, we'll use the interactive Python interpreter available via the prompt. Note however that the code can also be saved into a .py file and run, as demonstrated in the <u>Introduction to Python</u> section.

Running the Python Interpreter

To run the Python interpreter, simply enter python into the prompt, first ensuring that the 'rotmantutorial' (or other) virtual environment is active and the prompt is in your working directory.



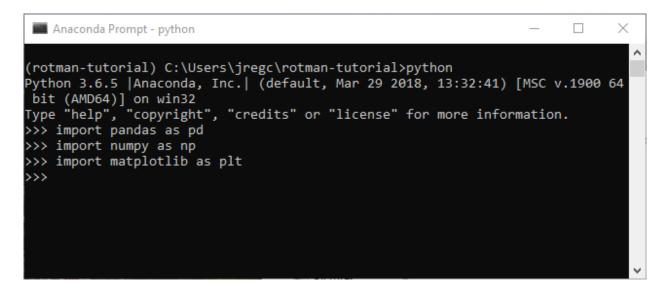
As the screenshot shows, the Python interpreter is active, running Python version 3.6.5. The >>> shows that we are in interactive mode, and can enter commands to be interpreted by Python.

To exit the Python interpreter, enter the command exit().

Importing Packages

To import packages, either into a Python file or into the interpreter, type the following lines:

```
import pandas as pd
import numpy as np
import matplotlib.pyplot as plt
```



These three lines import the 'pandas', 'numpy', and 'matplotlib.pyplot' packages that we installed in the 'rotman-tutorial' virtual environment which was set up in the <u>Python Virtual</u> <u>Environments</u> section of the tutorial. Additionally, we create nicknames to reference them by ('pd', 'np', and 'plt' respectively). The next section will show how to call methods from these packages.

Reading In Data From CSV

Let's get some data in the form of a CSV file to read. Go to <u>Yahoo Finance</u>, query an equity ticker, and download a 1Y span of historical daily data. Save this CSV in your work directory, as set up in the <u>Create A Work Directory</u> section.

In this tutorial, we're using Netflix (NFLX) historical data.

```
df = pd.read_csv('NFLX.csv')
```

🔤 Anaconda Prompt - python	—	×
<pre>(rotman-tutorial) C:\Users\jregc\rotman-tutorial>python Python 3.6.5 Anaconda, Inc. (default, Mar 29 2018, 13:32:41) bit (AMD64)] on win32 Type "help", "copyright", "credits" or "license" for more infor >>> import pandas as pd >>> import numpy as np >>> import matplotlib as plt >>> df = pd.read_csv('NFLX.csv') >>></pre>	-	64
		~

This command calls the read_csv() method available in the 'pandas' package, passing in the filename 'NFLX.csv' as the parameter specifying the file to open and read in the same directory. Relative paths

are also possible, for example pd.read_csv('data/NFLX.csv') would read a 'NFLX.csv' file located in a subdirectory named 'data'.

After reading the data in from the CSV file, the read_csv() method returns it as a DataFrame object, and the variable named **df** (for DataFrame) refers to that DataFrame object.

DataFrames

DataFrames are the primary data structure in Pandas, and can be thought of as two dimensional tables with labeled axes, similar to how data is laid out in a .csv or .xls/.xslx file in rows and columns.

Viewing Data From DataFrames

df.dtypes

📰 Anaconda	Prompt - python			_	Х
0					~
>>> df.dtyp	es				
Date	object				
Open	float64				
High	float64				
Low	float64				
Close	float64				
Adj Close	float64				
Volume	int64				
dtype: obje	ct				
>>>					

The dtypes attribute provides a list of the data types of each column.

df.head()

	Anaconda Prom	npt - python				- 0	×
>>	> df.head()						~
	Date	Open	High	Low	Close	Adj Close	\
0	2017-05-10	157.820007	161.100006	156.559998	160.279999	160.279999	
1	2017-05-11	160.330002	160.520004	157.550003	158.539993	158.539993	
2	2017-05-12	159.110001	160.839996	158.509995	160.809998	160.809998	
3	2017-05-15	160.250000	161.779999	159.759995	160.020004	160.020004	
4	2017-05-16	160.500000	161.179993	159.330002	159.410004	159.410004	
0 1 2	Volume 6869900 5677400						
2	5092900						
3 4	4972000 3464900						
4 >>							~

The head() method display the first 5 rows in the DataFrame. A different number of rows to display can be passed in as a parameter (for example df.head(10) would display the first 10 rows).

df.tail()

	Anaconda Prompt	- python				- 0	×
>>> \	df.tail() Date	Open	High	Low	Close	Adj Close	^
247	2018-05-03	312.589996	312.589996	305.730011	311.690002	311.690002	
248	2018-05-04	308.709991	320.980011	307.670013	320.089996	320.089996	
249	2018-05-07	321.989990	329.019989	319.339996	326.260010	326.260010	
250	2018-05-08	325.899994	327.350006	323.049988	326.890015	326.890015	
251	2018-05-09	328.790009	331.950012	327.510010	330.299988	330.299988	
	Volume						÷

The tail() method displays the last 5 rows in the DataFrame. A different number of rows to display can be passed in as a parameter (for example df.tail(20) would display the last 20 rows).

df.describe()

📰 Ana	iconda Prompt - p	ython			-	-	×
>>> df	.describe()						~
	Open	High	Low	Close	Adj Close	1	
count	252.000000	252.000000	252.000000	252.000000	252.000000		
mean	215.243056	218.141786	211.941428	215.297381	215.297381		
std	57.191360	58.446454	55.522891	57.124852	57.124852		
min	146.130005	147.270004	144.250000	146.169998	146.169998		
25%	173.872498	175.940007	171.832500	174.705006	174.705006		
50%	192.059998	194.490005	190.154999	192.294998	192.294998		
75%	266.704987	272.337494	263.617501	267.997498	267.997498		
max	336.299988	338.820007	331.100006	336.059998	336.059998		

The describe() method calculates and displays some common sample statistics for the DataFrame's columns, including the count, mean, standard deviation, min/max values, and quartiles. It skips NA values.

df['Adj Close']

	Anaconda Prompt - python	—	×
>>>	> df['Adj Close']		~
0	160.279999		
1	158.539993		
2	160.809998		
3	160.020004		
4	159.410004		
5	153.199997		
6	155.699997		
7	157.020004		
8	157.160004		
9	157.949997		
10	157.750000		
11	163.050003		
12	162.429993		
13	163.220001		\sim

Display a column from the DataFrame, selected by label.

Manipulating Data In DataFrames

It's also possible to add new columns to a DataFrame and perform other calculations:

```
df['Daily Return'] = df['Adj Close'].pct_change()
df['10DMA'] = df['Adj Close'].rolling(window=10, center=False).mean()
df['30DMA'] = df['Adj Close'].rolling(window=30, center=False).mean()
summary = df.describe()
```

From the commands above, three additional columns ('Daily Return', '10DMA', and '30DMA') are added to the DataFrame. The 'Daily Return' column is calculated by calling the pct_change() method, which calculates the percentage change between each row in the 'Adj Close' column. The '10DMA' and '30DMA' columns are calculated by creating rolling 10-day or 30-day windows on the rows in the 'Adj Close' column, and then calculating the mean on those windows.

Then the 'summary' variable is defined as 'df.describe()'. As demonstrated in the previous section, this method will display some common sample statistics whenever a user types 'summary' and hits enter in the prompt.

Using the daily return values, a user can also calculate an annualized volatility. From the command below, a standard deviation of the daily returns is first calculated and multiplied by the square root of the number of trading days in a year.

```
annual_vol = df['Daily Return'].std() * np.sqrt(df['Adj Close'].count())
```

A user can simply type in 'annual_vol' and hit enter in the prompt to query the calculated annualized volatility.

The to_csv() method allows a user to export the DataFrame to a csv file. Using the following sample commands, a user can export the entire DataFrame as a csv file with a file name 'NFLX_calculated.csv' or just the summary part with a file name 'NFLX_summary.csv'. The exported files will be made available in the same directory.

```
df.to_csv('NFLX_calculated.csv')
df.describe().to_csv('NFLX_summary.csv')
```

📰 Anaconda Prompt - python

```
>>> df['Daily Return'] = df['Adj Close'].pct_change()
>>> df['10DMA'] = df['Adj Close'].rolling(window=10, center=False).mean()
>>> df['30DMA'] = df['Adj Close'].rolling(window=30, center=False).mean()
>>> summary = df.describe()
>>> summary
                           High
                                                              Adj Close
              0pen
                                          Low
                                                     Close
       252.000000 252.000000
count
                                  252.000000
                                                252.000000
                                                             252.000000
       221.316428
                    224.245437
                                                221.367262
mean
                                  217.969603
                                                             221.367262
std
                     60.913089
        59.792114
                                   58.302900
                                                59.698108
                                                              59.698108
       146.130005
                    147.270004 144.250000 146.169998
nin
                                                             146.169998
25%
       179.400005 181.165001 177.362499 179.219997
                                                             179.219997
50%
       194.500000 196.135002 192.075005 195.000000
                                                             195.000000
75%
       281.235001 286.160004 275.209992
                                                280.477509
                                                             280.477509
       336.299988 338.820007 331.149994 336.059998
max
                                                             336.059998
              Volume Daily Return
                                            10DMA
                                                          30DMA
                         251.000000
count 2.520000e+02
                                       243.000000
                                                    223.000000
                                                    218.735544
       8.209865e+06
                           0.003221 220.502037
nean
std
       4.991033e+06
                           0.023119
                                       57.915289
                                                     53.659616
                          -0.061370 150.115000 155.069000
min
       2.160500e+06
25%
       5.021075e+06
                          -0.008125 179.601001 176.223833
50%
                                                    193.716000
                           0.000924 194.604001
       6.643700e+06
                           0.014887 273.648499 271.125332
0.135436 328.204999 320.890333
75%
       9.669375e+06
       4.158740e+07
max
>>> annual_vol = df['Daily Return'].std() * np.sqrt(df['Adj Close'].count())
>>> annual vol
0.367007635319521
 >>> df.to csv('NFLX calculated.csv')
 >> df.describe().to_csv('NFLX_summary.csv')
 22
```

NFLX_calculated.csv

A1		• : ×	√ j	e xe							
	Α	В	с	D	E	F	G	н	I.	J	к
1		Date	Open	High	Low	Close	Adj Close	Volume	Daily Retu	10DMA	30DMA
2	0	5/23/2017	157.75	158.31	156.8	157.95	157.95	3370900			
3	1	5/24/2017	158.35	158.48	157.17	157.75	157.75	2970800	-0.00127		
4	2	5/25/2017	161	164.1	160.55	163.05	163.05	8561000	0.033597		
5	3	5/26/2017	162.84	163.05	161.12	162.43	162.43	4834300	-0.0038		
6	4	5/30/2017	163.6	164.75	162.71	163.22	163.22	4828600	0.004864		
7	5	5/31/2017	163.61	164	160.74	163.07	163.07	5328900	-0.00092		
8	6	6/1/2017	163.52	163.93	161.7	162.99	162.99	3896300	-0.00049		
9	7	6/2/2017	163.42	165.36	162.8	165.18	165.18	4259100	0.013436		
10	8	6/5/2017	165.49	165.5	163.43	165.06	165.06	3875200	-0.00073		
11	9	6/6/2017	164.95	166.82	164.51	165.17	165.17	4382100	0.000666	162.587	
12	10	6/7/2017	165.6	166.4	164.41	165.61	165.61	3353100	0.002664	163.353	
13	11	6/8/2017	166.12	166.87	164.84	165.88	165.88	3695200	0.00163	164.166	
14	12	6/9/2017	166.27	166.27	154.5	158.03	158.03	10292000	-0.04732	163.664	
15	13	6/12/2017	155.3	155.53	148.31	151.44	151.44	14114500	-0.0417	162.565	
16	14	6/13/2017	154.38	155.68	150.13	152.72	152.72	8484700	0.008452	161.515	
17	15	6/14/2017	154.34	155.62	150.28	152.2	152.2	6461800	-0.0034	160.428	
18	16	6/15/2017	149.44	152.56	147.3	151.76	151.76	7319700	-0.00289	159.305	
19	17	6/16/2017	151.45	153.53	150.39	152.38	152.38	6909700	0.004085	158.025	
20	18	6/19/2017	154.29	155.58	152.41	153.4	153.4	6544300	0.006694	156.859	
21	19	6/20/2017	153.68	154.5	151.4	152.05	152.05	4878700	-0.0088	155.547	
22	20	6/21/2017	152.5	155.38	152.26	155.03	155.03	5803400	0.019599	154.489	
23	21	6/22/2017	155.13	155.2	153.7	154.89	154.89	3769200	-0.0009	153.39	
24	22	6/23/2017	155.01	158.19	153.76	158.02	158.02	6250800	0.020208	153.389	
25	23	6/26/2017	158.78	159.97	156.56	157.5	157.5	6016000	-0.00329	153.995	
26	24	6/27/2017	156.62	156.98	150.72	151.03	151.03	7424300	-0.04108	153.826	
27	25	6/28/2017	151.64	154.2	150.12	153.41	153.41	5589900	0.015758	153.947	
28	26	6/29/2017	152.82	152.82	148	150.09	150.09	7142500	-0.02164	153.78	
29	27	6/30/2017	149.76	150.71	148.42	149.41	149.41	5213300	-0.00453	153.483	
30	28	7/3/2017	149.8	150.45	145.8	146.17	146.17	3908200	-0.02169	152.76	
31	29	7/5/2017	146.58	148.26	145.58	147.61	147.61	4627800	0.009852	152.316	156.816
32	30	7/6/2017	146.13	147.27	144.25	146.25	146.25	5486500	-0.00921	151.438	156.426
33	31	7/7/2017	146.65	150.75	146.65	150.18		5561300		150.967	156.174

NFLX_summary.csv

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	А	в	с	D	E	F	G	н	I.	J
1		Open	High	Low	Close	Adj Close	Volume	Daily Retu	10DMA	30DMA
2	count	252	252	252	252	252	252	251	243	223
3	mean	221.3164	224.2454	217.9696	221.3673	221.3673	8209865	0.003221	220.502	218.7355
4	std	59.79211	60.91309	58.3029	59.69811	59.69811	4991033	0.023119	57.91529	53.65962
5	min	146.13	147.27	144.25	146.17	146.17	2160500	-0.06137	150.115	155.069
6	25%	179.4	181.165	177.3625	179.22	179.22	5021075	-0.00813	179.601	176.2238
7	50%	194.5	196.135	192.075	195	195	6643700	0.000924	194.604	193.716
8	75%	281.235	286.16	275.21	280.4775	280.4775	9669375	0.014887	273.6485	271.1253
9	max	336.3	338.82	331.15	336.06	336.06	41587400	0.135436	328.205	320.8903
10										

Summary

This concludes a basic introduction to the use of the Pandas package for data analysis, similar to the basic data analysis and manipulations one would perform in Microsoft Office Excel. For more information about other methods to view and manipulate data in Pandas, please refer to the <u>current</u> <u>documentation</u>.