Abstract—We derive an optimal shrinkage sample covariance matrix (SCM) estimator which is suitable for high dimensional problems and when sampling from an unspecified elliptically symmetric distribution. Specifically, we derive the optimal (oracle) shrinkage parameters that obtain the minimum mean squared error (MMSE) between the shrinkage SCM and the true covariance matrix when sampling from an elliptical distribution. Subsequently, we show how the oracle shrinkage parameters can be consistently estimated under the random matrix theory regime. Simulations show the advantage of the proposed estimator over the conventional shrinkage SCM estimator due to Ledoit and Wolf (2004). The proposed shrinkage SCM estimator often provides significantly better performance than the Ledoit-Wolf estimator and has the advantage that consistency is guaranteed over the whole class of elliptical distributions with finite 4th order moments.

I. INTRODUCTION

We consider the problem of estimating the covariance matrix based on a sample $x_1, \ldots, x_n$ of independent and identically distributed (i.i.d.) random vectors from an unspecified $p$-variate distribution $x \sim F$ with mean vector $E[x] = 0$ and $p \times p$ positive definite covariance matrix $\Sigma = E[xx^\top]$. The sample covariance matrix (SCM) $S = \frac{1}{n} \sum_{i=1}^{n} x_i x_i^\top$ is the most commonly used estimator of the covariance matrix, and when random sampling from a multivariate Gaussian $N_p(0, \Sigma)$ distribution, it is also the optimal maximum likelihood estimator (MLE). Estimation of high-dimensional (HD) covariance matrix when the sample size $n$ is smaller, or not much larger than the dimension $p$, has attracted a significant research interest in recent years. Indeed since such data problems are becoming increasingly common in finance [1], genomics or classification, for example. Insufficient number of samples causes significant estimation errors in the SCM. Moreover, if $p > n$, the SCM $S$ is always singular, i.e., not invertible even if the true covariance matrix $\Sigma$ is known to be positive definite and hence non-singular. The commonly used approach is then to use shrinkage regularization as in [1, 2, 3, 4, 5, 6] for example.

One of the most commonly used estimator in "large $p$ compared to sample size $n$ problems" is the regularized SCM (RSCM),

$$S_{\alpha, \beta} = \beta S + \alpha I,$$  \hspace{1cm} (1)

where $\alpha, \beta > 0$ denotes the shrinkage (regularization) parameters. Optimal RSCM estimator is often defined as one that is based on oracle shrinkage parameters that minimize the mean squared error (MSE),

$$\{\alpha, \beta\} = \arg\min_{\alpha, \beta > 0} \{\text{MSE}(S_{\alpha, \beta}) = \mathbb{E}\left[\|\Sigma - S_{\alpha, \beta}\|_F^2\right]\},$$  \hspace{1cm} (2)

where $\|\cdot\|_F$ denotes the Frobenius matrix norm ($\|A\|_F^2 = \text{tr}(A^\top A)$ for any matrix $A$). The solution $\{\alpha, \beta\}$ are called "oracle" shrinkage parameters as they will obviously depend on the true unknown covariance matrix $\Sigma$ and hence can not be used in practise. The widely popular Ledoit-Wolf (LW-)RSCM [1] is based on consistent estimators $(\hat{\alpha}_{\text{LW}}, \hat{\beta}_{\text{LW}})$ of $(\alpha, \beta)$ under the random matrix theory (RMT) regime. However, more accurate finite sample estimation performance can be obtained by assuming that the observations are from a specific $p$-variate distribution, e.g., the multivariate normal distribution, as has been shown in [4]. In this paper, we derive consistent estimators of the oracle shrinkage parameters $(\alpha, \beta)$ under the RMT regime when sampling from an unspecified elliptically symmetric distribution. Elliptical distributions (see [7], [8], [9]) constitute a large class of distributions that include e.g., the multivariate normal distribution, as has been shown in [4].

The RMT regime refers to the case that

(R1) $n, p \to \infty$ and $p/n \to c$, where $0 < c < \infty$.

Furthermore, we assume that the set of eigenvalues of $\Sigma$ converge to a fixed spectrum, and that

(R2) $A \to \infty$, $\eta_i = \text{tr}(\Sigma^i)/p \to \eta_i^0$, $0 < \eta_i^0 < \infty$ for $i = 1, \ldots, 4$

Our numerical examples illustrate that the RSCM estimator that is based on the proposed consistent estimators $(\hat{\alpha}_{\text{Ell}}, \hat{\beta}_{\text{Ell}})$ outperform its competitors, e.g., the LW-RSCM estimator, when sampling from an elliptical population.

The paper is organized as follows. In Section II and Section III we derive the optimal shrinkage parameters $(\alpha, \beta)$ under the general assumption of sampling from any general $p$-variate distribution and an elliptical distribution with finite 4th order moments, respectively. In Section IV consistent estimators of $\{\alpha, \beta\}$ are proposed under assumptions (R1) and (R2) when sampling from an unspecified elliptical distribution. Simulation studies of Section V illustrate that the proposed shrinkage estimator always outperforms the LW estimator when the samples are drawn from an elliptical population.

Notation: Let $S_p$ be the open cone of positive definite $p \times p$ symmetric matrices, and let $I$ be the identity matrix of proper
dimension, vec(·) denotes an operator that transforms a matrix into a vector by stacking the columns of the matrix, tr(·) denotes the matrix trace operator, and ⊗ denote the Kronecker product: for any matrix A and B, A ⊗ B is a block matrix with (i, j)-block equal to $a_{ij}B$. A commutation matrix $K_p$ is a $p^2 \times p^2$ block matrix with (i, j)-block equal to a $p \times p$ matrix that has a 1 at entry $(j, i)$ and 0's elsewhere. It has the following important property [10]: $K_pvec(A) = vec(A^T)$ for any $p \times p$ matrix A.

II. OPTIMAL ORACLE SHRINKAGE PARAMETERS

Define scale measures of $\Sigma \in S_p$ as
$$\eta = \frac{\text{tr}(\Sigma)}{p} \quad \text{and} \quad \eta_2 = \frac{\text{tr}(\Sigma^2)}{p}. $$

An important measure in our future developments is the following measure of sphericity [11],
$$\gamma = \frac{\eta_2}{\eta^2} = \frac{p \text{tr}(\Sigma^2)}{\text{tr}(\Sigma^2)}. $$

Statistic $\gamma$ measures how close the covariance matrix is to a scaled identity matrix. It verifies $\gamma \geq 1$ and $\gamma = 1$ if and only if $\Sigma = cI$ for some $c > 0$.

The parameters $\eta$ and $\gamma$ are elemental in our developments. As is shown in Theorem 1, the optimal shrinkage parameter pair $(\alpha_o, \beta_o)$ for elliptical distributions depends on the true covariance matrix $\Sigma$ only through $\eta$ and $\gamma$. Simple "plug-in" estimates of $(\alpha_o, \beta_o)$ can then be obtained by simply replacing $(\eta, \gamma)$ with their estimates. Finding accurate and consistent estimators of the shrinkage parameters is then a considerably simpler task than in the general case of Theorem 1.

Next theorem provides the expression for the oracle shrinkage parameters in the case of sampling from an unspecified $p$-variate distribution with finite 4th order moments.

**Theorem 1.** Let $\{x_i\}_{i=1}^n$ denote a random sample from any $p$-variate distribution (not necessarily elliptical distribution) with finite 4th order moments. Then the oracle parameters in (2) are
$$\beta_o = \frac{p(\gamma - 1)\eta^2}{\text{E}[\text{tr}(S^2)] - p\eta^2} \quad \text{and} \quad \alpha_o = (1 - \beta_o)\eta,$$
where $\eta$ and $\gamma$ are defined in (3) and (4), respectively. The value of MSE at the optimum is
$$\text{MSE}(S_{\alpha_o, \beta_o}) = ||\Sigma - \eta I||_F^2(1 - \beta_o).$$

The optimal $\beta_o$ is always in the range $[0, 1]$.

**Proof.** It was shown in [11] Theorem 2.1 that
$$\beta_o = \frac{||\Sigma - \eta I||_F^2}{||\Sigma - \eta I||_F^2 + \text{E}[||S - \Sigma||_F^2]},$$
and $\alpha_o = (1 - \beta_o)\eta$. The form of $\beta_o$ in (7) implies that $\beta_o \in [0, 1]$. We now show that (7) can be expressed in the form (5).

First, we observe that
$$a_1 = \text{E}[||S - \Sigma||_F^2] = \text{E}[\text{tr}(S^2)] - 2\text{E}[\text{tr}(S\Sigma)] + \text{tr}(\Sigma^2) = \text{E}[\text{tr}(S^2)] - \text{tr}(\Sigma^2) \tag{8}$$
where we used that $\text{E}[\text{tr}(S\Sigma)] = \text{tr}(E[S]\Sigma) = \text{tr}(\Sigma^2)$. The numerator of $\beta_o$ in (7) is
$$a_2 = ||\Sigma - \eta I||_F^2 = \text{tr}(\Sigma^2) - (1/p)\{\text{tr}(\Sigma)^2\}^2 = p(\eta_2 - \eta^2) = p(\gamma - 1)\eta^2 \tag{9}$$
which shows that denominator of $\beta_o$ is $a_1 + a_2 = \text{E}[\text{tr}(S^2)] - (1/p)\{\text{tr}(\Sigma)^2\}^2 = \text{E}[\text{tr}(S^2)] - p\eta_2$. These expressions for numerator and denominator of $\beta_o$ yield the assertion (5) for $\beta_o$. Write $L(\alpha, \beta) = \text{E}[||S_{\alpha, \beta} - \Sigma||_F^2]$ for the MSE. Note that
$$L(\alpha, \beta) = \text{E}[||\alpha I + \beta(S - \Sigma) - (1 - \beta)\Sigma||_F^2] = \alpha^2p + \beta_a^2 + (1 - \beta)^2\eta_2p - 2\alpha(1 - \beta)p\eta.$$

The MSE at the optimum is
$$\text{MSE}(S_{\alpha_o, \beta_o}) = L(1 - \beta_o)\eta, \quad \beta_o = \frac{\alpha_o}{\eta} \quad \text{and} \quad \alpha_o = (1 - \beta_o)\eta.$$

Since $\eta = \text{tr}(S)/p$ is a consistent estimator of $\eta = \text{tr}(\Sigma)/p$ both in the conventional (fixed $p$) and RMT asymptotic regime, we need to simply focus on finding a consistent estimator $\hat{\beta}_o$ of $\beta_o$. Consistent estimator of $\alpha_o$ is determined simply as $\hat{\alpha}_o = (1 - \beta_o)\text{tr}(S)/p$.

Ledoit and Wolf [1] showed that the following estimate
$$\hat{\beta}_o = 1 - \frac{\sum_{i=1}^n ||x_i||_F^2 - \text{tr}(S^2)}{pn^2(\gamma - 1)}$$
where $\gamma = \eta_2 / \eta = p \text{tr}(S^2)/\text{tr}(S)$ and $\eta_2 = \text{tr}(S^2)/p$, converges to $\beta_o$ in $[0, 1]$ in probability under RMT regime (R1) and (R2) when sampling from a distribution $x \sim F$ with finite 4th-order moments. The authors of [11] then proposed to estimate the shrinkage parameters using
$$\hat{\beta}_o = \max(0, \hat{\beta}_o^*) \quad \text{and} \quad \hat{\alpha}_o = (1 - \hat{\beta}_o^*)\text{tr}(S)/p,$$
where the max constraint ensures that the final estimate remains on the interval $[0, 1]$. The RSCM based on the above penalty parameters is referred hereafter as LW-RSCM estimator.
III. OPTIMAL ORACLE SHRINKAGE PARAMETERS: THE ELLIPTICAL CASE

Assume now that $x_1, \ldots, x_n$ are independent and identically distributed (i.i.d.) random vectors from a centered elliptical distribution with mean vector $E[x] = 0$ and positive definite covariance matrix $Σ = E[xx^T]$, denoted $E_p(0, Σ, g)$. For a review of elliptical distributions, see [7], [8], [9]. The probability density function (p.d.f.) of $x \sim E_p(0, Σ, g)$ is

$$f(x) = C_{p,g} |Σ|^{-1/2} g(x^T Σ^{-1} x)$$

where $g : [0, ∞) \rightarrow [0, ∞)$ is a fixed function, called the density generator, that is independent of $x$ and $Σ$, and $C_{p,g}$ is a normalizing constant ensuring that $f(x)$ integrates to 1. Let $g$ be defined so that $Σ$ represents the covariance matrix of $x$. For example, the $p$-variate Gaussian distribution, denoted $x \sim N_p(0, Σ)$, is a member in this class with density generator $g(t) = \exp(-t/2)$. As earlier in Theorem 1, we assume that the elliptical population possesses finite 4th-order moments.

Recall that the kurtosis of a zero mean random variable $x$ is defined as

$$\text{kurt}(x) = \frac{E[x^4]}{(E[x^2])^2} - 3.$$  

The elliptical kurtosis parameter [7] $κ$ of a random vector $x = (x_1, \ldots, x_p)^T \sim E_p(0, Σ, g)$ is defined as

$$κ = \frac{E[|r|^4]}{p(p+2)} - 1 = \frac{1}{3} \cdot \text{kurt}(x_1),$$  

where $r$ denotes the (2nd order) modular variate of the elliptical distribution, defined as $r = \sqrt{x^T Σ^{-1} x}$. The elliptical kurtosis shares properties similar to kurtosis of a real random variable. Especially, if $x \sim N_p(0, Σ)$, then $κ = 0$. This is obvious since the marginal distributions are Gaussian and hence $κ = (1/3) \text{kurt}(x_1) = 0$. Another way to derive this is by noting that $r^2 = x^T Σ^{-1} x \sim χ^2_p$ and hence $E[|r|^4] = p(p+2)$. The importance of elliptical kurtosis parameter $κ$ is due to the fact that the $p^2 \times p^2$ covariance matrix of $\text{vec}(S)$ can be expressed as [7]:

$$\text{cov}(\text{vec}(S)) = \frac{(1 + κ)(I + K_p)(Σ \otimes Σ) + κ}{n} \text{vec}(Σ) \text{vec}(Σ)^T,$$  

where $K_p$ denotes the commutation matrix defined in the Introduction. Thus the elliptical kurtosis parameter $κ$ along with the true covariance matrix $Σ$ provide a complete description of the covariances between elements $S_{ij}$ and $S_{kl}$ of the SCM $S$.

In the next Lemma we derive the MSE of the SCM.

**Lemma 1.** Let $\{x_i\}_{i=1}^n \overset{i.i.d.}{\sim} E_p(0, Σ, g)$, where $Σ = \text{cov}(x_i)$ and 4th-order moment exists. Then the MSE of $S$ is

$$\text{MSE}(S) = \frac{p}{n} \eta^2 \left\{ κ(2γ + p) + γ + p \right\},$$

and the normalized mean squared error (NMSE) is

$$\text{NMSE}(S) = \frac{E[\|S - Σ\|^2_F]}{\|Σ\|^2_F} = \frac{1}{γ} \cdot \frac{1}{n} \left\{ κ(2γ + p) + γ + p \right\}.$$  

Furthermore,

$$E[\text{tr}(S^2) = \text{MSE}(S) + pn_2.$$  

*Above $γ, κ$ and $κ$ are defined in [3], [4] and [11], respectively.*

**Proof.** Since $S$ is unbiased, so $E[S] = Σ$, it holds that

$$\text{MSE}(S) = \text{tr}\{\text{cov}(\text{vec}(S))\},$$  

where $\text{cov}(\text{vec}(S))$ has the expression stated in (12). Then recall the following results: $\text{tr}(A \otimes B) = \text{tr}(A) \text{tr}(B)$, $\text{tr}\{\text{vec}(A) \text{vec}(B)^T\} = \text{tr}(AB)$ for any square matrices $A$ and $B$ of same order; see e.g., [10]. These imply that

$$\text{tr}(Σ \otimes Σ) = \text{tr}(Σ^2), \quad \text{tr}\{\text{vec}(Σ) \text{vec}(Σ)^T\} = \text{tr}(Σ^2).$$  

It is also easy to show that

$$\text{tr}\{K_p(Σ \otimes Σ)\} = \text{tr}(Σ^2)$$  

by recalling the definition of the commutation matrix and the property $\text{tr}(A \otimes B) = \text{tr}(A) \text{tr}(B)$. Using (13) - (15), then yield the stated expression for MSE($S$). The expression for NMSE is obtained by dividing MSE($S$) by $\text{tr}(Σ^2) = pn_2$. The last results follows as

$$\text{MSE}(S) = E[\|S - Σ\|^2] = E[\text{tr}\{(S - Σ)(S - Σ)^T\}] = E[\text{tr}(S^2) - 2 \text{tr}(SΣ) + \text{tr}(Σ^2)]$$

$$\text{NMSE}(S) = \text{tr}(E[SΣ]) = \text{tr}(Σ^2) = pn_2.$$  

Next theorem states that the oracle parameters derived in Theorem 1 can be written in a much simpler form when sampling from an elliptically symmetric distribution.

**Theorem 2.** Let $\{x_i\}_{i=1}^n \overset{i.i.d.}{\sim} E_p(0, Σ, g)$ and assume that the elliptical population possesses finite 4th-order moments. Then the oracle parameters ($α_o, β_o$) that minimize the MSE are

$$β_o^\text{Ell} = \frac{γ - 1}{(γ - 1) + γ \cdot \text{NMSE}(S)}$$

$$= \frac{γ - 1}{γ - 1 + (1/n)\{κ(2γ + p) + γ + p\}}$$

$$α_o^\text{Ell} = (1 - β_o^\text{Ell})η.$$  

**Proof.** Using Lemma 1 the denominator of $β_o$ is

$$E[\text{tr}(S^2)] = pn^2$$

$$= \text{MSE}(S) + pn_2 - pn^2$$

$$= pn^2\{\text{MSE}(S)/(pn^2) + γ - 1\}$$

$$= pn^2\{γ \cdot \text{NMSE}(S) + γ - 1\},$$

where the last identity follows as $\text{NMSE}(S) = \text{MSE}(S)/\|Σ\|^2_F = \text{MSE}(S)/(pn_2)$ and recalling that $γ = η_2/η^2$. Substituting this expression into (5) yields the first assertion for $β_o$. The second assertion follows by recalling the expression for $\text{NMSE}(S)$ from Lemma 1.

It is not surprising that $β_o$ and hence also $α_o$ depend on the functional form of the elliptical distribution (i.e., on
density generator $g$) only via elliptical kurtosis parameter $\kappa$. Specifying the elliptical distribution (e.g., Gaussian, $t$-distribution, etc.), also specifies the value of $\kappa$. For example, when sampling from the Gaussian distribution, the elliptical kurtosis parameter is $\kappa = 0$, but since we do not assume any particular elliptical distribution, we need to find a consistent estimator of the elliptical kurtosis parameter $\hat{\kappa}$ as well.

IV. Consistent estimation of the oracle parameters

Let $\{x_i\}_{i=1}^n \sim i.i.d. \mathcal{E}_p(0, \Sigma, g)$, where $\text{cov}(x) = \Sigma$ and assume that the 4th-order moments exist. In this section, we address the important topic of how to obtain consistent estimators of the unknown parameters $\eta, \gamma$ and $\kappa$.

First we recall that the sample sign covariance matrix, defined as

$$S_{sgn} = \frac{1}{n} \sum_{i=1}^n x_i x_i^T$$

is well-known to be highly robust although it is not a consistent estimator of the covariance matrix $\Sigma$. However, the following result from [3, Lemma 4.1] shows that it can be used to estimate the parameter $\gamma$.

**Lemma 2.** Let $\{x_i\}_{i=1}^n \sim i.i.d. \mathcal{E}_p(0, \Sigma, g)$. Then

$$\hat{\gamma} = p \operatorname{tr}(S_{sgn}^2) - (p/n)$$

is a consistent estimator of $\gamma = p \operatorname{tr}(\Sigma^2)/\operatorname{tr}(\Sigma)$ under assumption (R1) and (R2).

Note that $\hat{\gamma}$ is a robust and distribution-free estimator of $\gamma$. The optimum parameter $\beta_o^{Ell} = \beta_o^{Ell}(\gamma, \kappa)$ depends on $\gamma$ and $\kappa$. Hence a plug-in estimator,

$$\hat{\beta}_o^{Ell} = \hat{\beta}_o^{Ell}(\hat{\gamma}, \hat{\kappa})$$

where $\hat{\gamma}$ and $\hat{\kappa}$ are consistent estimators of $\gamma$ and $\kappa$, is a consistent estimator of $\beta_o$ as well. A natural estimate of $\kappa$ is the conventional sample average,

$$\hat{\kappa} = \max \left( -\frac{2}{p+2} , \frac{1}{3p} \sum_{j=1}^p \hat{k}_j \right)$$

where $\hat{k}_j = m_{ij}^4/(m_{ij}^2)^2 - 3$ is the sample kurtosis of the $j$th variable and $m_{ij}^g = \frac{1}{n} \sum_{i=1}^n (x_{ij})^g$ denotes the $g$th order sample moment, $j = 1, \ldots, p$. Above the max constraint ensures that the final estimate $\hat{\kappa}$ does not exceed the theoretical lower bound $[13]$. $-2/(p+2)$ of elliptical kurtosis parameter $\kappa$. The estimate $\hat{\kappa}$ is a consistent estimator of the elliptical kurtosis $\kappa$ both in the conventional and RMT regime.

We can now define the $\text{Ell-RSCM estimator}$ as the regularized SCM based on the following estimated optimal shrinkage parameters

$$\hat{\beta}_o^{Ell} = \max \left( 0, \frac{T}{T + (1/n)\{\hat{\kappa}(2\hat{\gamma} + p) + \hat{\gamma} + p \}} \right)$$

$$\hat{\alpha}_o^{Ell} = (1 - \hat{\beta}_o^{Ell}) \operatorname{tr}(S)/p$$

where $T = \hat{\gamma} - 1$ and $\hat{\gamma}$ and $\hat{\kappa}$ are defined in (16) and (17), respectively.

V. Simulation study

We conduct a small simulation study to investigate the performance of RSCM estimators in terms of their finite sample NMSE. Each simulation is repeated 10000 times and the NMSE is computed (averaged of Monte-Carlo runs) for each RSCM estimator. Theoretical oracle MSE value derived in [6] and normalized by $\|\Sigma\|^2_2$ is used as a benchmark lower bound for empirical NMSE values. This is shown in the figures as solid black line.

A. AR(1) covariance matrix

In the first experiment, an autoregressive covariance structure is used. We let $\Sigma$ be the covariance matrix of a Gaussian AR(1) process,

$$\Sigma_{ij} = \varrho^{|i-j|}, \quad r \in (0, 1).$$

Note that $\Sigma$ verifies $\eta = \operatorname{tr}(\Sigma)/p = 1$. When $\varrho$ is close to 0, then $\Sigma$ is close to an identity matrix and when $\varrho$ tends to 1, $\Sigma$ tends to a singular matrix of rank 1. Thus the theoretical value $\beta_o$ is close to 0 for small values of $\varrho$, i.e., when the true covariance matrix is close to the target $I$, and $\beta_o = 1$ for $\varrho$ close to 1. Dimension is fixed at $p = 100$ and $n$ is allowed to vary from 0.2 · $p$ to 1.2 · $p$.

Figure 4 depicts the NMSE performance when the samples are drawn from a Gaussian distribution (upper panel) and a multivariate $t_\nu$-distribution with $\nu = 8$ degrees of freedom (lower panel). Several conclusions can be drawn from these figures. First, when $\varrho = 0.1$ and thus $\Sigma$ is close to the shrinkage target matrix $I$, Ell-RSCM estimators outperform the LW-RSCM estimator. Especially, when the ratio $n/p$ is small (i.e., $p$ larger than $n$), we observe the largest performance differences in favor of Ell-RSCM. Second, when the true $\Sigma$ starts to deviate significantly from the identity target matrix $I$ (i.e., $\varrho = 0.4$), LW-RSCM and Ell-RSCM estimator have similar performance especially for large values of $n/p$. Third, when the samples are drawn from a $t_\nu$-distribution, the performance of LW-RSCM estimator is seen to deteriorate in comparison to the proposed Ell-RSCM estimator. Indeed, very large differences are witnessed in NMSE between the estimators especially when $n/p < 0.5$.

B. Largely varying spectrum

Our next study follows the set-up in [3] in which $\Sigma$ has one (or a few) large eigenvalues. In the first set-up, $\Sigma$ is a diagonal matrix of size $50 \times 50$, where $m$ eigenvalues are equal to 1 and the remaining $50 - m$ eigenvalues are 0.01. For the case $n = p = 50$, Figure 2 depicts the NMSE as a function of $m$ when sampling from a $t_\nu$-distribution with $\nu = 8$ degrees of freedom. Ell-RSCM has excellent performance as its NMSE curve is essentially overlapping with the theoretical NMSE curve. LW-RSCM estimator is performing poorly for all values of $m$ except at the extremes, i.e., when $m$ is either small or large, in which case the covariance matrix $\Sigma$ is close to an (scaled) identity matrix.

Next simulation set-up considers a very challenging scenario in which the spectrum of $\Sigma$ consists of several different
Average NMSE

Fig. 2. The covariance matrix $\Sigma$ has $m$ eigenvalues equal to 1 and $50 - m$ eigenvalues equal to 0.01. The samples are from $t_\nu$-distribution with $\nu = 8$ degrees of freedom and $n = p = 50$.

VI. CONCLUSION

We proposed an optimal regularized sample covariance matrix estimator, called Ell-RSCM estimator, which is suitable for high-dimensional problems and when sampling from an unspecified elliptically symmetric distribution. The estimator is based on consistent estimators (under RMT regime) of the optimal shrinkage parameters that minimize the MSE. It smartly exploits elliptical theory such as the knowledge of the form of MSE of the SCM when sampling from an elliptical population. Our simulation studies illustrated the advantage of the proposed Ell-RSCM over the Ledoit-Wolf (LW-)RSCM estimator. The performance differences were often significant.

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