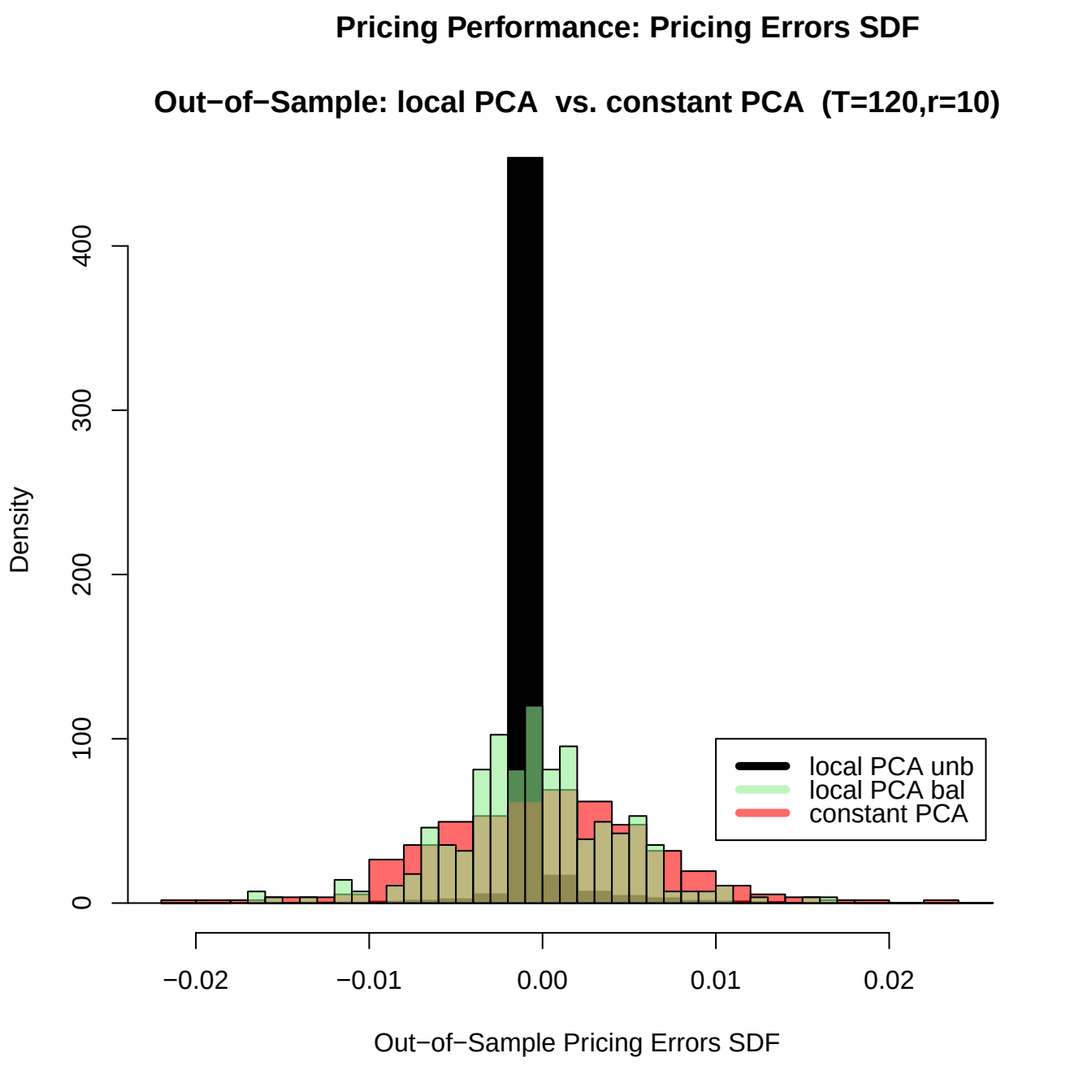
Pricing Performance: Pricing Errors SDF
Out−of−Sample: local PCA vs. constant PCA (T=120,r=10)
Density
0
100
200
300
400
−0.02
−0.01
0.00
0.01
0.02
Out−of−Sample Pricing Errors SDF
local PCA unb
local PCA bal
constant PCA