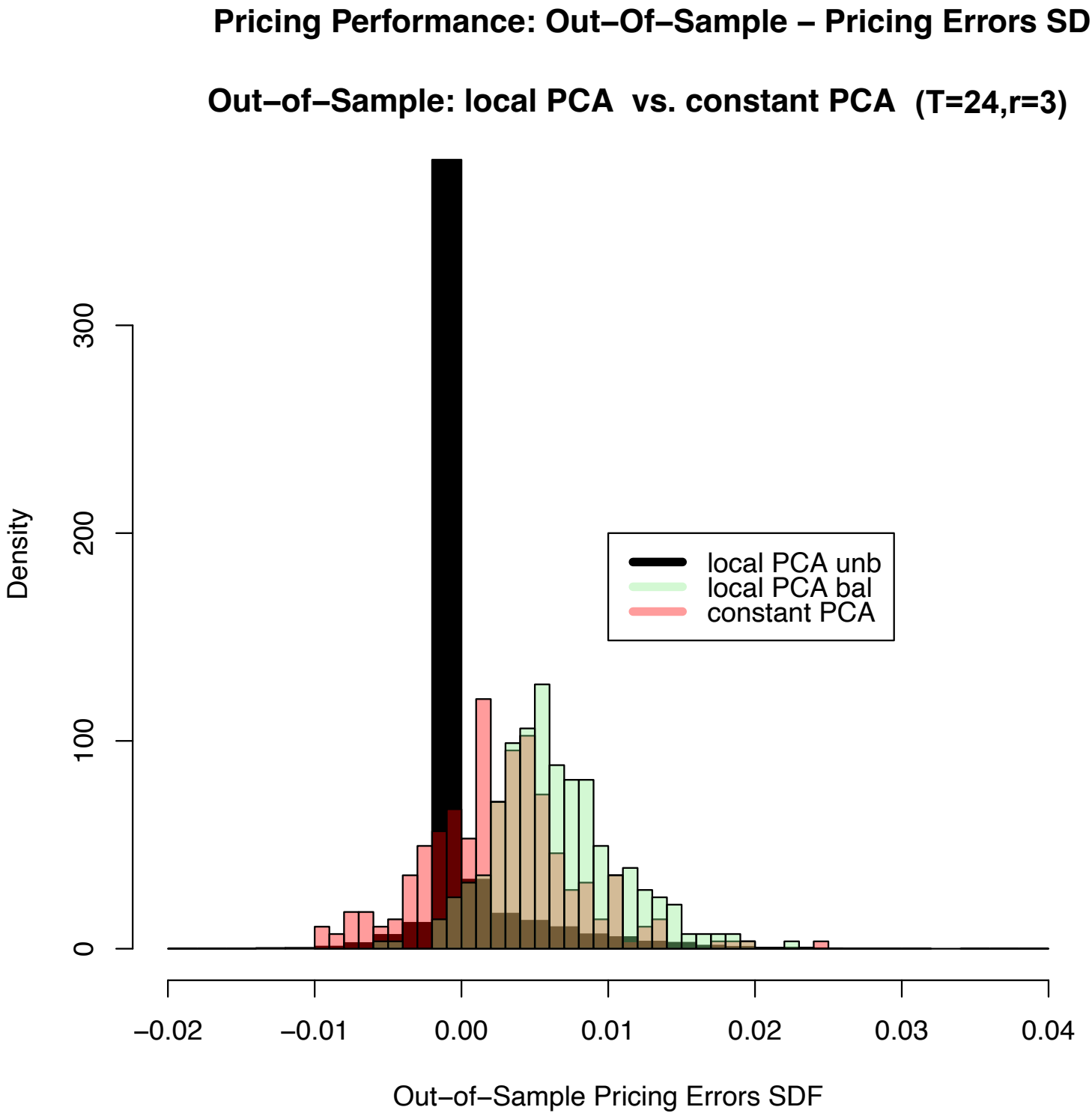
Pricing Performance: Out–Of–Sample – Pricing Errors SDF
Out–of–Sample: local PCA vs. constant PCA (T=24,r=3)
Density
0
100
200
300
local PCA unb
local PCA bal
constant PCA
–0.02
–0.01
0.00
0.01
0.02
0.03
0.04
Out–of–Sample Pricing Errors SDF