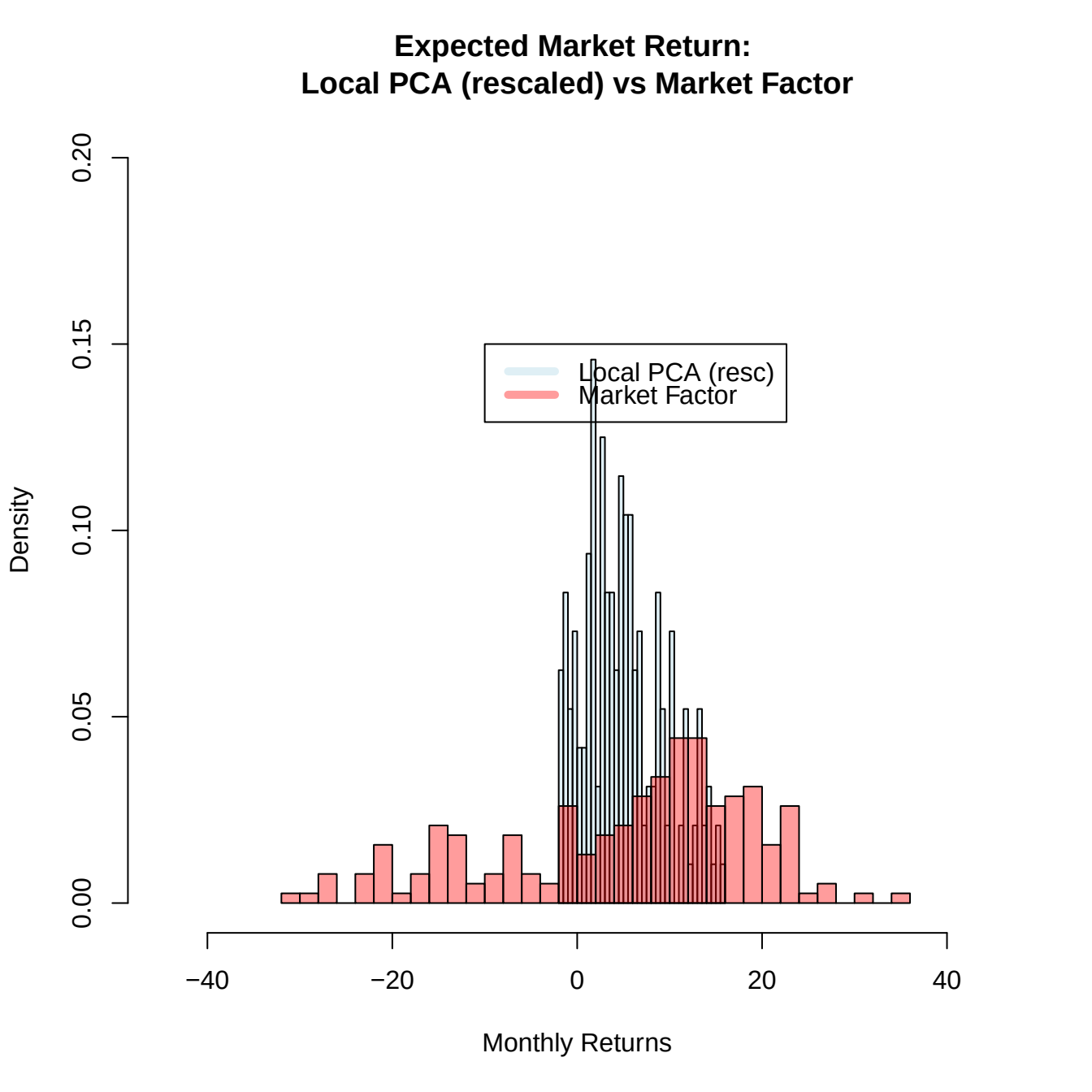
Expected Market Return:
Local PCA (rescaled) vs Market Factor
Local PCA (resc)
Market Factor
Density
0.00
0.05
0.10
0.15
0.20
−40
−20
0
20
40
Monthly Returns