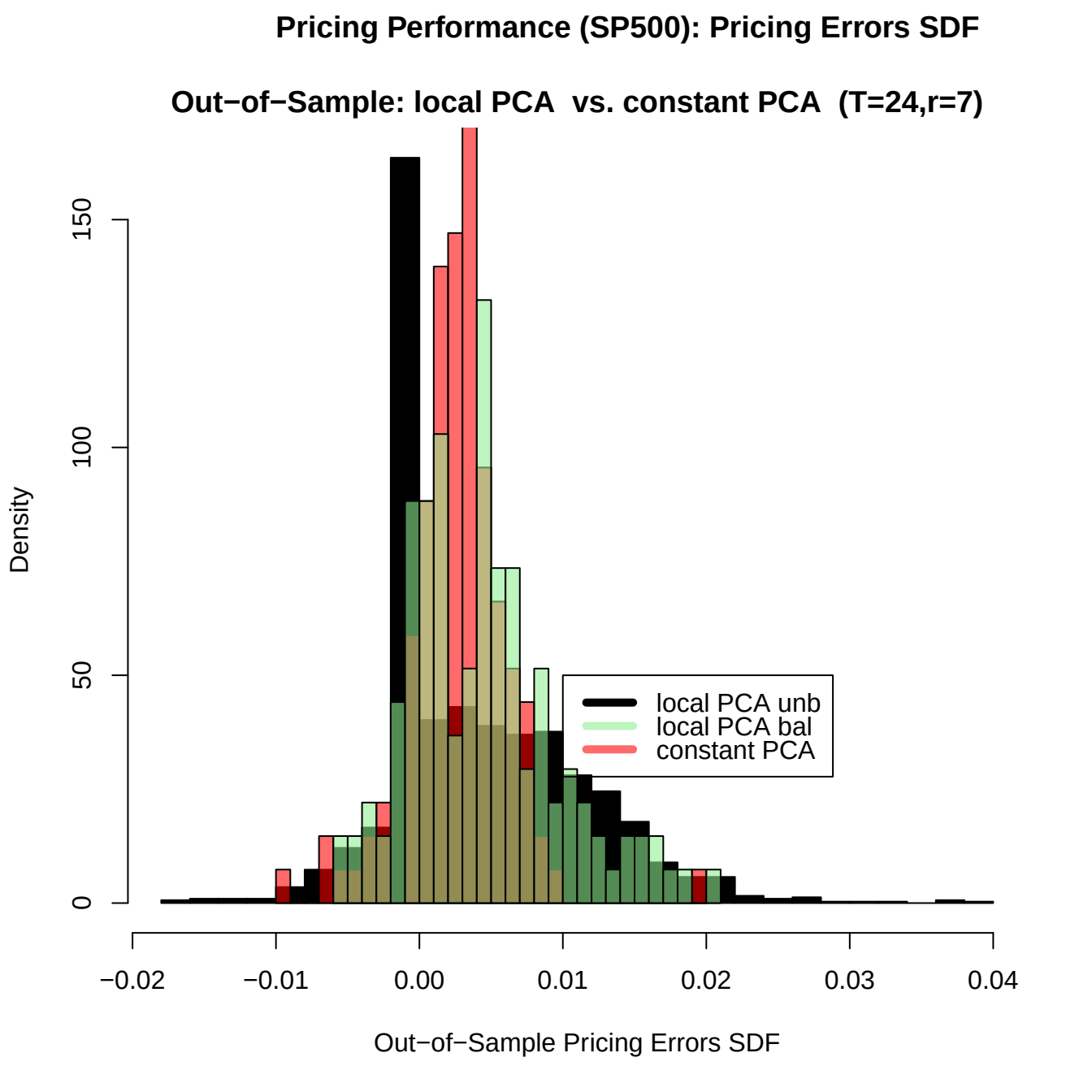
Pricing Performance (SP500): Pricing Errors SDF
Out−of−Sample: local PCA vs. constant PCA (T=24,r=7)
Density
0
50
100
150
local PCA unb
local PCA bal
constant PCA
−0.02
−0.01
0.00
0.01
0.02
0.03
0.04
Out−of−Sample Pricing Errors SDF