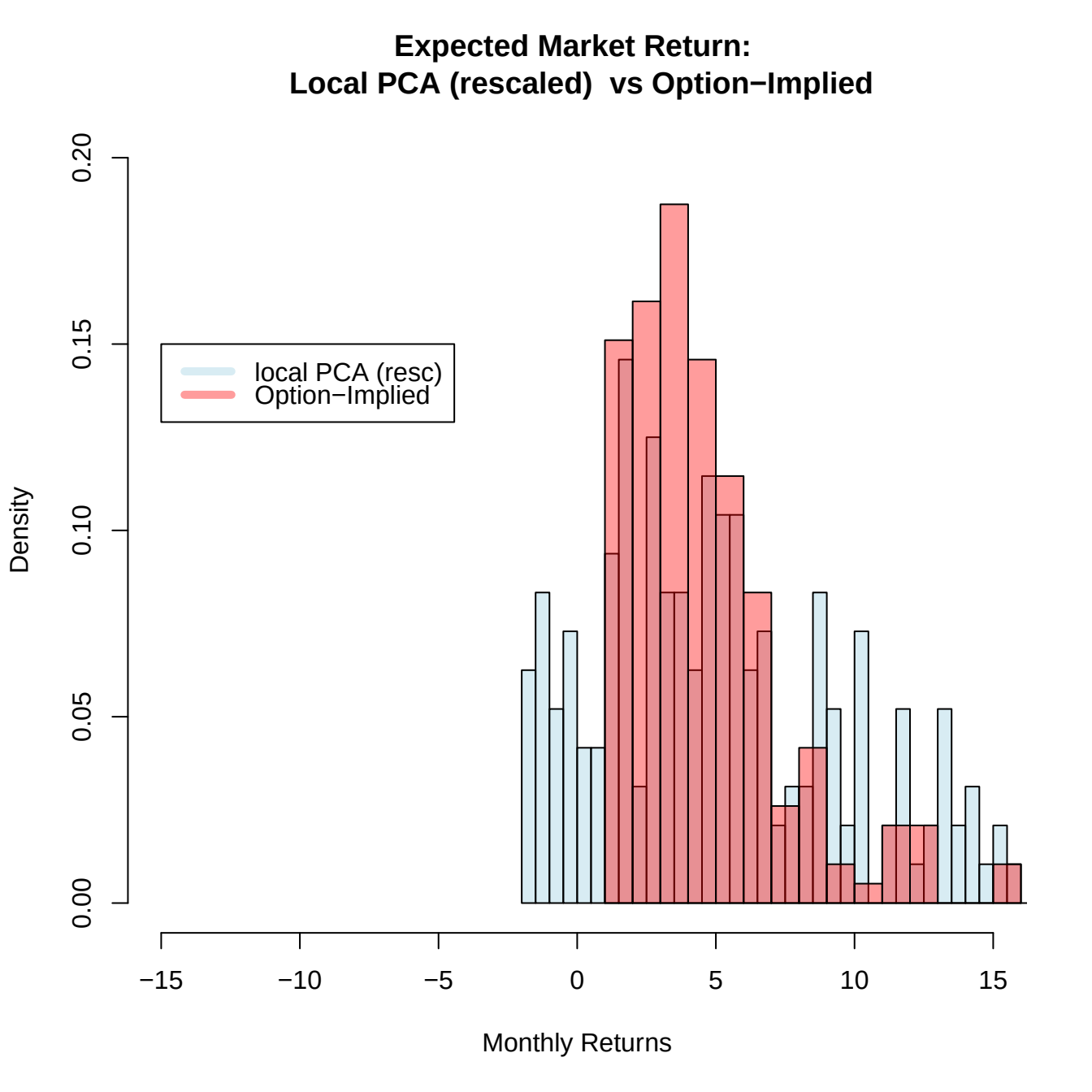
Expected Market Return:
Local PCA (rescaled) vs Option−Implied
local PCA (resc)
Option−Implied
Density
0.00
0.05
0.10
0.15
0.20
−15
−10
−5
0
5
10
15
Monthly Returns