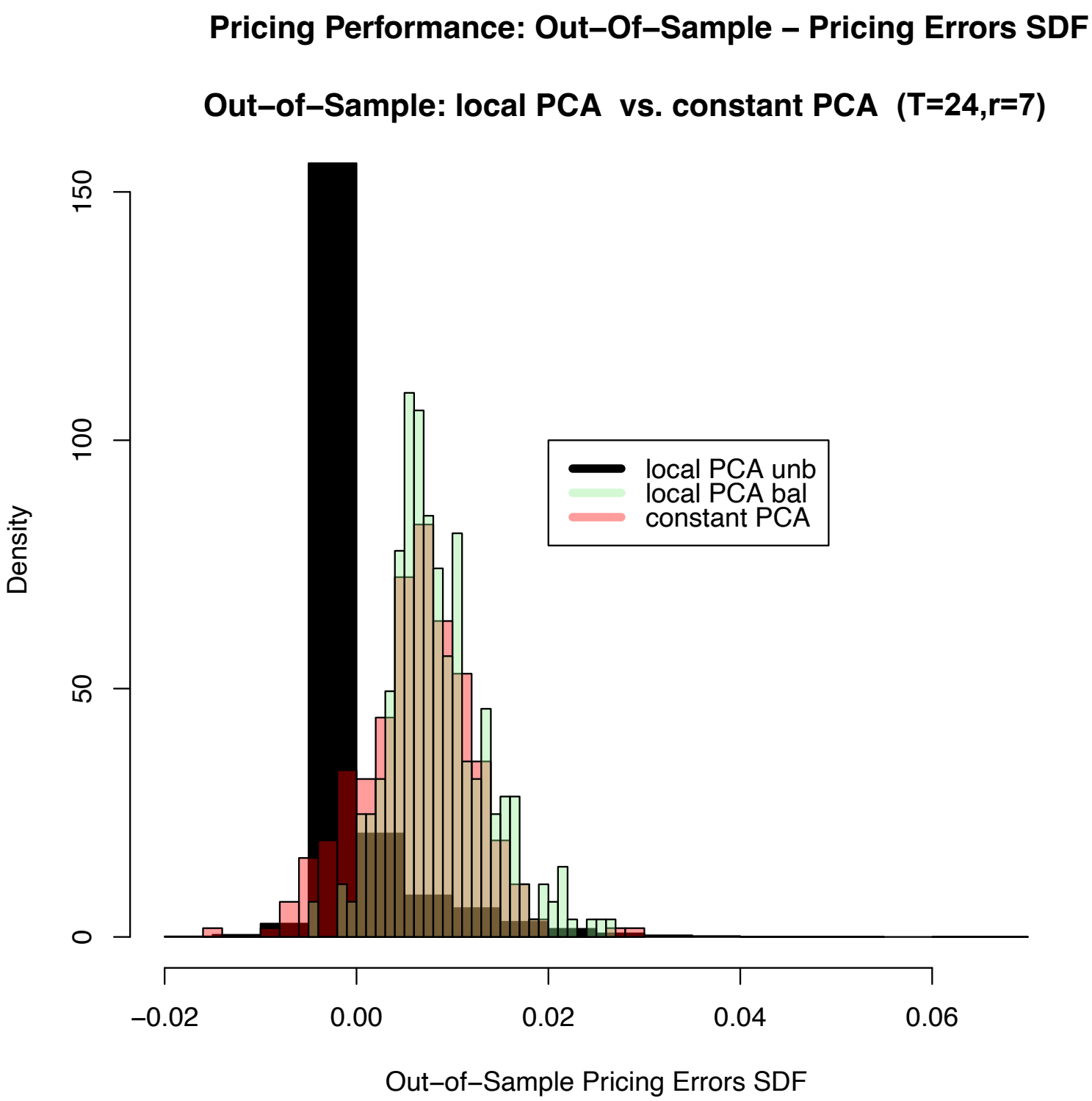
Pricing Performance: Out–Of–Sample – Pricing Errors SDF
Out–of–Sample: local PCA vs. constant PCA (T=24,r=7)
Density
0
50
100
150
local PCA unb
local PCA bal
constant PCA
–0.02
0.00
0.02
0.04
0.06
Out–of–Sample Pricing Errors SDF