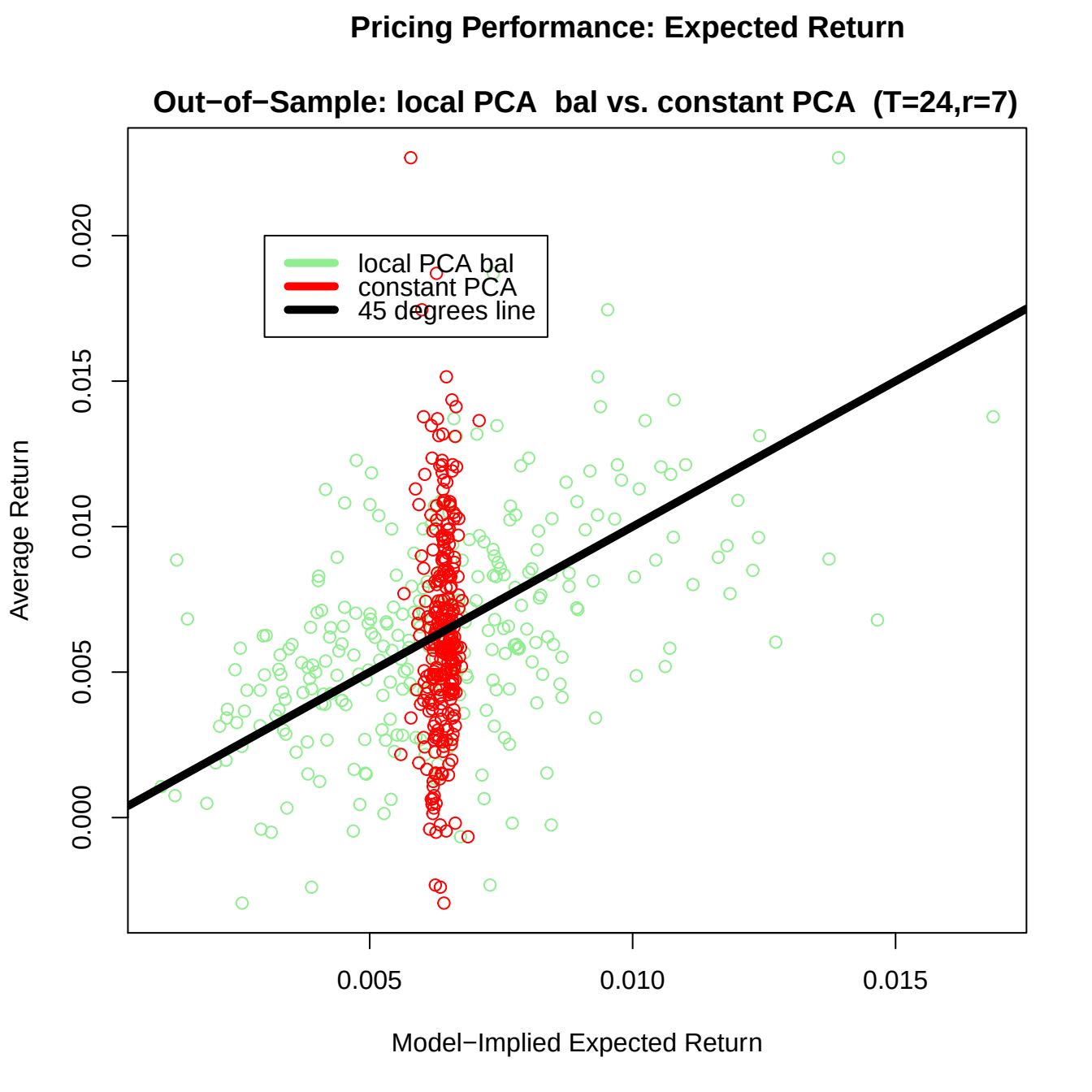
Pricing Performance: Expected Return
Out−of−Sample: local PCA bal vs. constant PCA (T=24,r=7)
local PCA bal
constant PCA
45 degrees line
Average Return
0.000
0.005
0.010
0.015
0.020
0.005
0.010
0.015
Model−Implied Expected Return