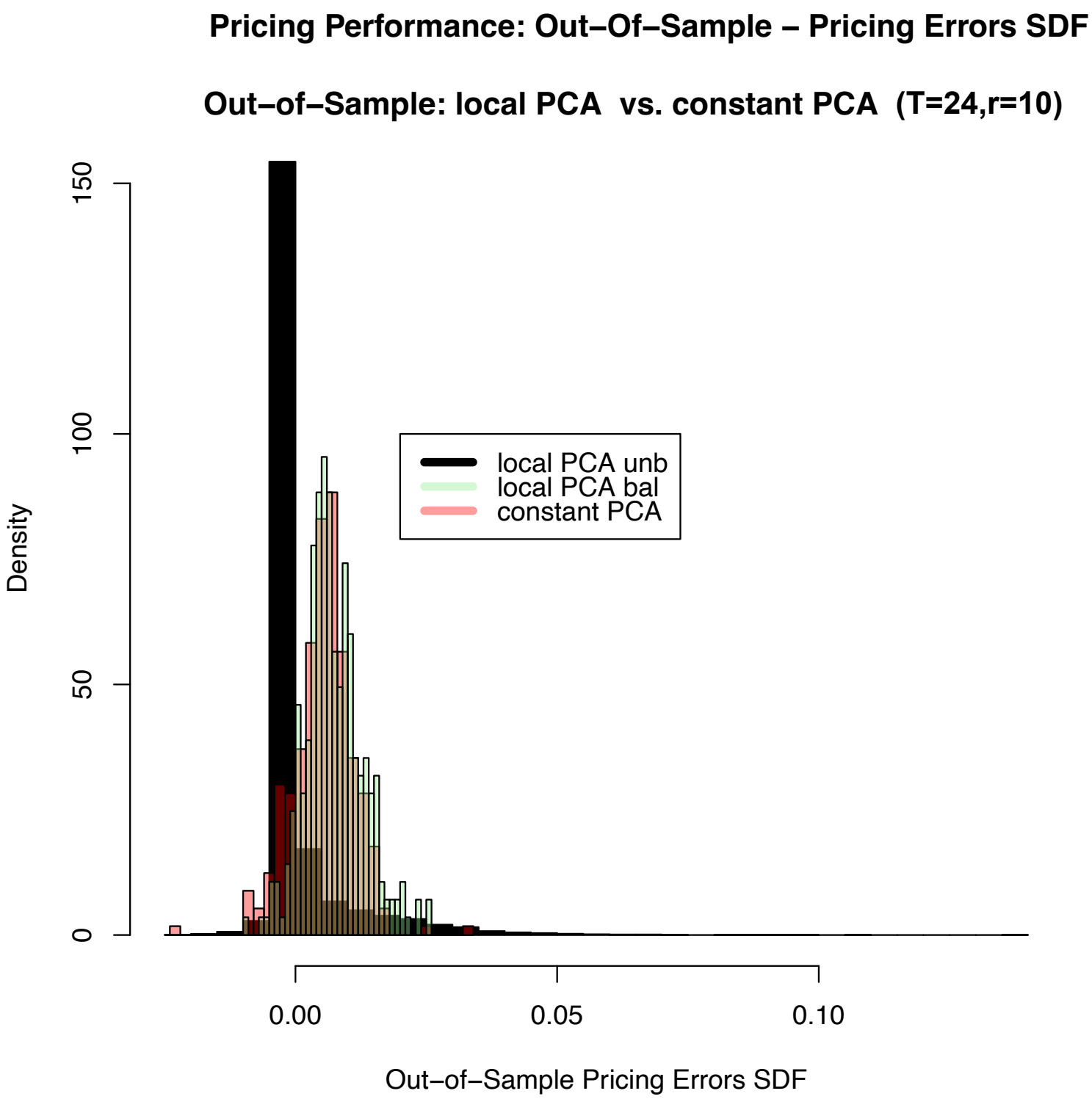
Pricing Performance: Out−Of−Sample − Pricing Errors SDF
Out−of−Sample: local PCA vs. constant PCA (T=24,r=10)
Density
0
50
100
150
local PCA unb
local PCA bal
constant PCA
0.00
0.05
0.10
Out−of−Sample Pricing Errors SDF