The ridge regresion is the go to because it can take in multiple things you want to take into account. (like I want the PC as a function of inflation, gdp,….) and the point is some of those things are correlated ok so the coefficients are not really unbiased coming out of an OLS. But with ridge apparently you will get the best biased coefficients which is good. Lasso is a more cutthrouat ridge since it makes more coefficients 0 if the things don’t have a whatever impact. Like ridge is more relaxed on that.

So ridge is boss. Lasso is the cutthrouat version of ridge and OLS is the basic model that the other 2 are built on (like even from a math stand point) but OLS doesn’t work well for more things u wanna factor into the equation to model smth.

long term bonds are sensitive to mean reversion and the risk premium

the slope of the yield curve (the di\_erence between the 3-month and 30-year rates)

Following Bolder et al. [2004], the curvature is defined as C = 16y – 0.5(2y + 30y)

That is, the curvature is equal to the difference between the yield on a 16-year bond and a linear interpolation between the 2-year and 30-year yields.