Summary of *Missing values handling for machine learning portfolios*

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2024.10.16 Citattoo

1. **What are the research questions?**
   - How do missing values in stock return predictors affect machine learning portfolio performance?
   - Which imputation techniques perform best for handling missing data in cross-sectional predictors?
   - Can simple imputation methods rival more complex algorithms in capturing expected returns?
2. **Why are the research questions interesting?**
   - This research helps determine whether sophisticated imputation methods add value or simply introduce noise, affecting portfolio performance.
   - The findings can shape how large datasets with missing predictors are treated in asset pricing and other finance-related machine learning models.
3. **What is the paper's contribution?**
   - The paper systematically compares different imputation methods for 159 stock return predictors, demonstrating that simple mean imputation is competitive with more complex methods like expectation-maximization (EM).
   - It highlights that complex imputations may introduce estimation noise, particularly when data structures (like large blocks of missing data) limit the utility of advanced techniques.
   - The findings challenge the common belief that sophisticated imputations are superior, suggesting practical applications for simple techniques in machine learning portfolios.
4. **What hypotheses are tested in the paper?**
   - H1: Simple cross-sectional mean imputation performs similarly to more complex methods like EM for stock return predictors.
   - H2: Sophisticated imputation methods may introduce more noise than value in cases with high data missingness.

   a) Do these hypotheses follow from and answer the research questions?

   - Yes.

   b) Do these hypotheses follow from theory? Explain logic of the hypotheses.

   - The logic behind both hypotheses aligns with theories in machine learning and finance, emphasizing that over-complicating models with sophisticated techniques does not always yield better results, especially when the underlying data lacks the structure needed to support these methods
5. **Sample: comment on the appropriateness of the sample selection procedures.**
   - The sample includes 159 cross-sectional stock return predictors, covering a wide array of financial data. This ensures a comprehensive analysis of imputation techniques across different types of missingness patterns.
   - Limitations include focusing mainly on predictors from the CRSP and Compustat datasets, potentially missing other relevant data sources.

6. **Comment on the appropriateness of variable definition and measurement.**

   - The paper carefully defines missing values across predictors, focusing on both time-series and cross-sectional missingness. It employs a variety of imputation techniques and validates their impact on portfolio returns.
   - Measurement techniques like principal component regressions and machine learning models are well-suited for the study's purpose.

7. **Comment on the appropriateness of the regress/predict model specification.**

   - The model specifications (e.g., principal component regression, neural networks) are appropriate for evaluating the impact of different imputation methods on portfolio performance.
   - However, the assumption of linear relationships may oversimplify the interactions between predictors and returns.

8. **What difficulties arise in drawing inferences from the empirical work?**

   - The lack of observable relationships between predictors (most cross-sectional correlations are near zero) makes it hard to improve performance with advanced imputation methods.
   - Imputation errors can be particularly large for small-cap stocks, which complicates portfolio performance analysis.

9. **Describe at least one publishable and feasible extension of this research.**

   - Extend the analysis to different markets, such as emerging markets, where data quality issues are more prevalent.
   - Explore alternative imputation techniques that blend time-series and cross-sectional information, providing a more nuanced approach to handling missing values.