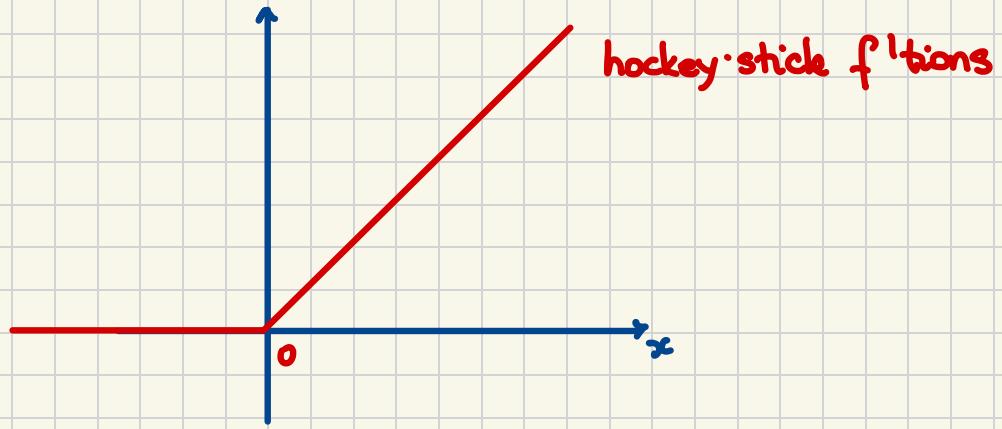


M339G: February 16th, 2026.

Linear splines.

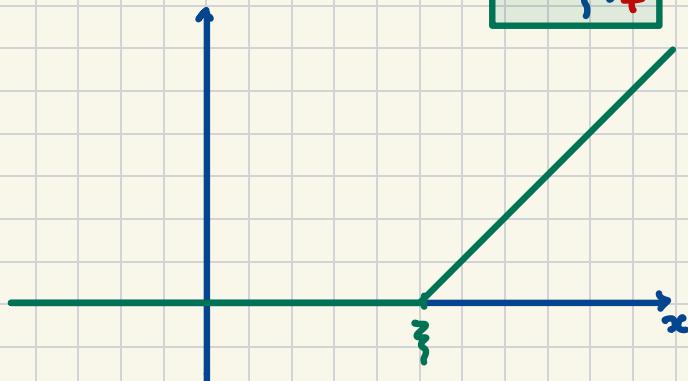
Positive Part Function.

$$x \mapsto (x)_+ := \max(x, 0)$$



Example. For any $\xi \in \mathbb{R}$, let's graph $\zeta(x_i)$

$$x \mapsto (x - \xi)_+$$



- Useful:
- Deductibles
- Payoff a call/put
- Hinge loss

Using the positive-part functions as basis functions.

