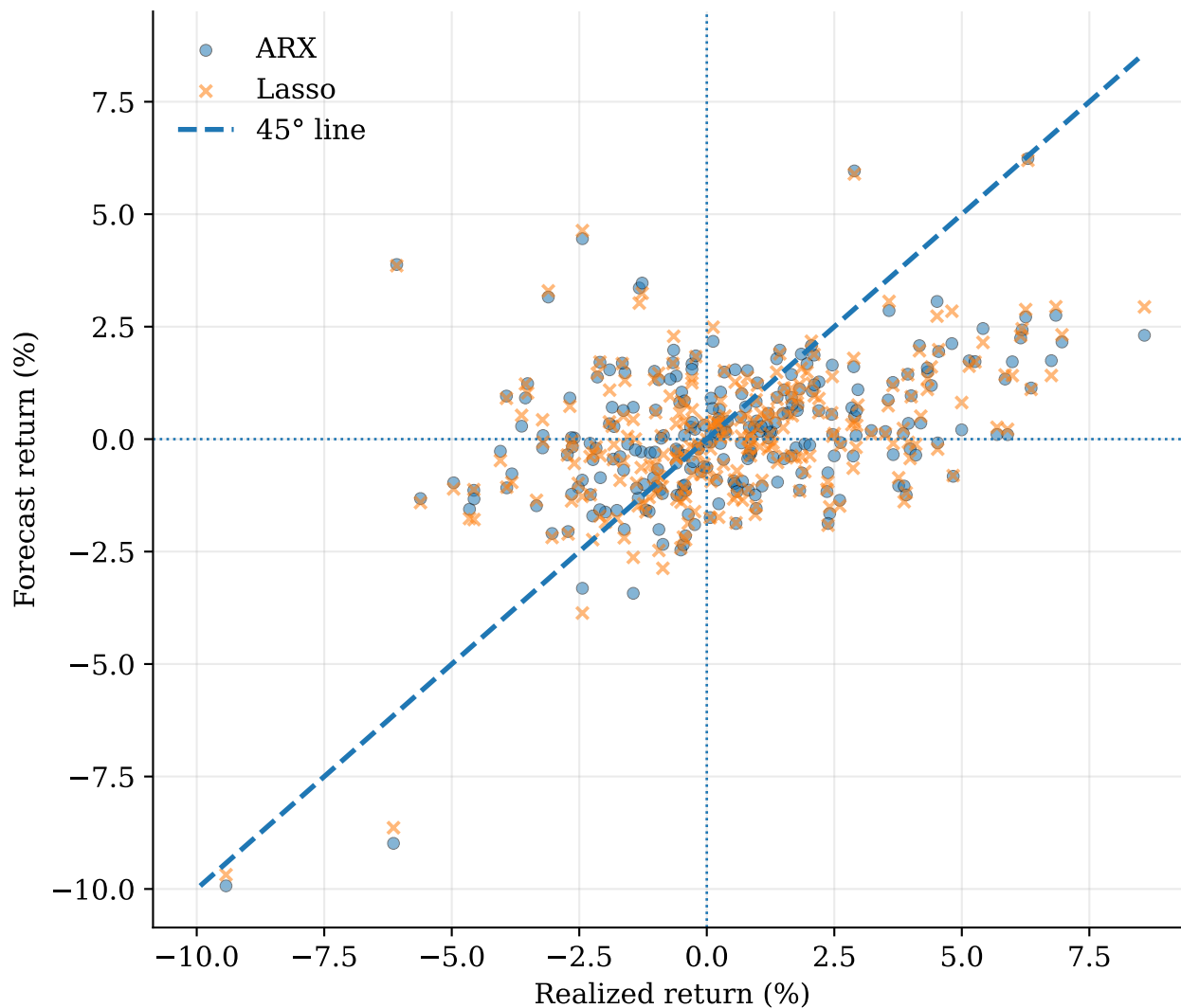Figure D3. OOS Scatter: Realized vs Forecast

Notes: Both ARX and Lasso forecasts are strongly compressed toward zero, indicating systematic under-reaction to large return realizations — a well-known limitation of linear and regularized linear models in equity returns.