nearest neighbours in X Data Cloud nearest neighbours Variables of Interest Variables used to estimate Variobles of interest 1. Using the reference data set identify the k nearest neighbors in y variable space for each observation. 2. Derive (permalized) centroid in X variable space based on the k nearest neighbours in y variable space, for each observation. 3. For each target observation calculate the distance to each nearest neighbour centraid after normalizing the target X variable set with respect to each of the observations in the reference

dataset.