

## MATHEMATICS OF THE FINANCIAL MARKETS - CORRECTIONS

- P.17: equation (top of the page) is:  
 $100 = 4.35 \times D_1 + 4.35 \times D_2 + 104.35 \times D_3$  instead of  $100 = 4.35 \times D_1 + 4.35 \times D_2 + 104.35 \times D_3$
- P.24, bottom: the formula in continuous time:  
 read "x" instead of "\*" ( $B_{0-cpn} = 100 \times e^{-0.05 \times 5} = 77.88$  instead of  $B_{0-cpn} = 100 * e^{-0.05 \times 5} = 77.88$ )

- P.35, mid page: the reference to footnote 8 is not in "From Eq. 3.10<sup>8</sup>", but in the following relationship, such as:

$$\begin{aligned} &\text{From equ.3.10,} \\ &-\Delta B = MD \times B \times \Delta^8 = 8.855 \times 99.257 \times 0.0025 = 2.197 \end{aligned}$$

- P.89: in the last sentence "Hence, a net result...", read 53 634.80 instead of 53 634,80
- P.92, fig. 6.1: "6M EURIBOR" to be replaced by "6M LIBOR"
- P.93, fig. 6.2, 6.3 & 6.4: all the arrows must be oriented in the opposite direction!
- P.111, fig. 6.20, 1.5 year, discount factor is 0.9446 and not 0.4914
- P.113, 6<sup>th</sup> line before Fig. 6.23: add "p.a." in "a spread of 0.716 p.a. on the EURIBORs"
- P.125, relationship "basis=" must be replaced by:

$$\begin{array}{ccc} & \text{basis} = \text{carry basis} + \text{value basis} & \\ & \downarrow \qquad \qquad \downarrow & \\ & \text{on } F_{\text{mkt}} \qquad \text{on } F_{\text{th}} & \end{array}$$

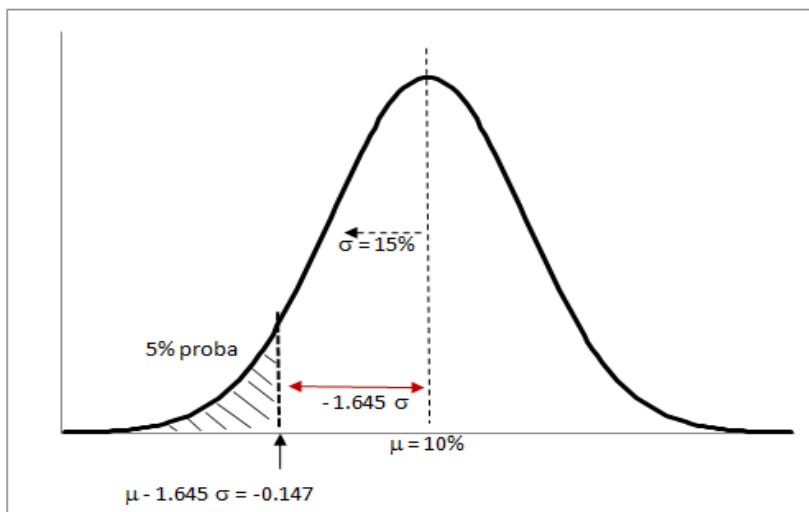
- P. 125, last line before section 7.2.3: read "given in Section 7.5.4" (instead of 7.5.3)
- P.130, mid page formula: read " $\beta = \dots$ ", instead of " $\beta'$ "
- PP. 131 & 132, section 7.4.3: the numerical example refers to the hedge of a borrowing, not a deposit!... so, following corrections:
  - o P.131, 2<sup>nd</sup> line of the section: "borrowing" instead of "deposit"
  - o P.131, bottom of page: "For sake of simplicity...": replace "borrowing" by "deposit", "lowering" by "higher", and "rising" by "lowering"

- P.132, end of 1<sup>st</sup> • : replace “borrowing” by “deposit”, same, twice in 2<sup>nd</sup> •.
- P.134, mid page, 1<sup>st</sup> bullet: read  
“the (cost of) carry [...] becomes notional future price × CF – spot bond price (physical ...” instead of “the (cost of) carry [...] becomes spot bond (physical [...] – notional future price × CF ”
- P.138 bottom, last relationship: read “  $r_{\epsilon}$  ” instead of “  $r_e$  ”
- P.139, 2<sup>nd</sup> line before section 7.7, instead of  
“...underlying nominal of \$ 4 290 000 (@...)”, read  
“...underlying nominal of \$ 4 920 000 (@...)”.
- P.159 bottom, equation above (8.16): read  
$$dZ^Q = dZ + \frac{\mu-r}{\sigma} dt \quad \text{instead of} \quad dZ^Q = dZ - \frac{\mu-r}{\sigma} dt$$
- P.167, top: 2<sup>nd</sup> • : replace  $V[r_t]=\sigma^2 \sum b_k^2$  by  $V[r_t]=\sigma^2 (1+\sum b_k^2)$
- P.167, last line before fig. 9.2: replace “depends on the previous one” by “depends on the whole series of the previous  $r_{t-i}$ , each of them being affected by  $\epsilon_t$ .”
- P.172, top: in 1<sup>st</sup> equation, complete “  $\epsilon_t|_{t-1}$  ” by “  $\epsilon_t|\epsilon_{t-1}$  ”
- P.184, mid page, in “Meaning of  $N(d_1)$  and  $N(d_2)$ ”: the 2<sup>nd</sup> sentence must be completed as follows:  
 $N(d_2)$  is the probability that the call option\* will be exercised etc  
, with a footnote: \*for a put option this probability is  $1 - N(d_2)$ .
- P.184, last equation, bottom of page: the 2 relationships “ $d_1=...$ ” and “ $d_2=...$ ” must be separated by “ $\Rightarrow$ ”, such as:

$$d_1 = \left[ \ln \frac{S}{S e^{(r-\frac{\sigma^2}{2})T}} + \left( r + \frac{\sigma^2}{2} \right) T \right] \frac{1}{\sigma \sqrt{T}} = \sigma \sqrt{T} \quad \Rightarrow \quad d_2 = d_1 - \sigma \sqrt{T} = 0$$

- P.283: in 5<sup>th</sup> line, read “mean  $\bar{X}$  ” instead of “mean  $X$ ”, and the formula below is  
 $Z = \frac{X-\bar{X}}{\sigma}$  instead of  $Z = \frac{X-X}{\sigma}$
- P.201, last formula:  $\partial P$  instead of  $\partial C$

- P.203, in table top of page, 2 last lines, “call price” column: read EO: **5.2** , AO: **5.8** , and not the contrary.
- P.233 mid, “Coming back to [...] in Chapter 7, Section 7.3” : read “Coming back to [...] in Chapter 10, Section 10.3”
- P.295 & 296, bottom of page 295, sub-section 2 and not 1, and page 296, sub-section 3 and not 2.
- P.296, fig. 14.15 to be replaced by:



- P.296, fig. 14.15: read  $\mu = -1.645 \sigma$  , instead of  $\mu = -1.645 \alpha$
- P.305, legend fig. 15.2: “four” instead of “our”