

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 $100 = 4.35 * D_1 + 4.35 * D_2 + 104.35 * D_3$

- 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. 3.10⁸", but in the following relationship, such as:

From equ.3.10,
 $-\Delta B = MD \times B \times \Delta^8 = 8.855 \times 99.257 \times 0.0025 = 2.197$

- 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, 6th line before Fig. 6.23: add "p.a." in "a spread of 0.716 p.a. on the EURIBORs"

- P.125, relationship "basis= etc" must be replaced by:

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

- 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 " β' "

- 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, 2nd 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”
 - o P.132, end of 1st • : replace “borrowing” by “deposit”, same, twice, in 2nd •.

- P.134, mid page, 1st 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_ϵ ” instead of “ r_e ”

- P.139, 2nd 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: 2nd • : 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 ϵ_t .”

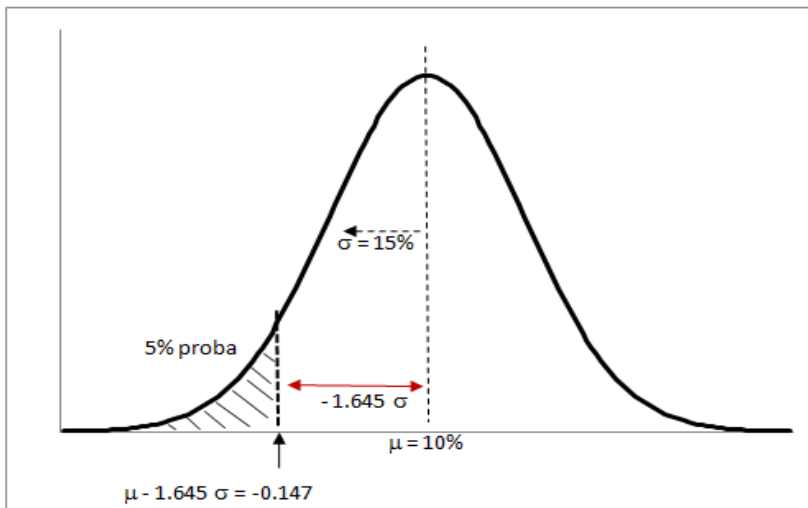
- P.172, top: in 1st equation, complete “ $\epsilon_t|_{t-1}$ ” by “ $\epsilon_t | \epsilon_{t-1}$ ”

- P.184, mid page, in “Meaning of $N(d_1)$ and $N(d_2)$ ”: the 2nd 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:

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

- P.283: in 5th 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: ∂P instead of ∂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.239, bottom: last sentence & formula: instead of “Adapted to the volatility, the corrective etc”, read: “Adapted to the volatility, instead of annualizing it by $\times \sqrt{h}$, annualization factor becomes $\times n / \sqrt{n + 2 \sum_{k=1}^{n-1} (n-k) \rho_k}$
- 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”