

Corrections in
Mathematics for Finance
An Introduction to Financial Engineering
 by M. Capiński and T. Zastawniak
 2nd edition, 2011

Version: 8 Feb 2011

page 23, line 9

Replace interest rate risk by exchange rate risk

page 213

The formula for $u(t, x)$ should be replaced by

$$u(t, x) = e^{-r(T-t)} \int_{-\infty}^{+\infty} \frac{1}{\sqrt{2\pi(T-t)}} e^{-\frac{y^2}{2(T-t)}} g\left(xe^{(r-\frac{1}{2}\sigma^2)(T-t)+\sigma y}\right) dy$$

page 215

The third line in the sequence of equalities for $C_E(0)$ should be replaced by

$$= \int_{-d_-}^{\infty} \left(S(0)e^{\sigma x\sqrt{T}-\frac{1}{2}\sigma^2 T} - Xe^{-rT}\right) \frac{1}{\sqrt{2\pi}} e^{-\frac{x^2}{2}} dx$$

page 251, Exercise 9.18

Replace

LIBOR, the London Interbank Offered Rate, is the rate at which money can be deposited

by

LIBOR, the London Interbank Offered Rate, is the rate at which money can be borrowed

Replace

LIBID, the London Interbank Bid Rate, is the rate at which money can be borrowed

by

LIBID, the London Interbank Bid Rate, is the rate at which money can be deposited

Swap the table headings as follows:

Rate	LIBID	LIBOR
1 month	3.46%	3.62%
2 months	4.06%	4.24%
3 months	4.19%	4.33%
6 months	4.35%	4.54%

page 318, Solution 8.2

Replace

$$\mathbb{E}\left(S(0)e^{\mu t + \sigma W(t)}\right) = S(0)e^{\mu t}\mathbb{E}\left(e^{\sigma W(t)}\right)$$

by

$$\mathbb{E}\left(S(0)e^{\mu t + \sigma W(t)}\right) = S(0)e^{\mu t}\mathbb{E}\left(e^{\sigma W(t)}\right)$$

page 321, Solution 8.16

Replace \$49.74 by \$49.94

page 323, Solution 9.18

Replace 5.45% by 4.7423%

Replace 6.81% by 4.7479%