

Corrections in
Mathematics for Finance
An Introduction to Financial Engineering
by M. Capiński and T. Zastawniak
3rd printing, 2005

Version: 20 May 2007

page 57, line 10

Replace three by tree

page 93, line 29

Replace 13.87% by 13.89%

page 133, lines 12 and 13

Replace $e^{t(T-t)}$ by $e^{r(T-t)}$ (2 occurrences)

page 150, line 3

Replace constructed by and writing by constructed by writing

page 166, line 18

Replace $P^E(X')$ by $P^A(X')$

page 184, line 8

Replace $f(S(2))$ by $f(S(1))$ in the formula for $D^A(1)$

page 258, line 16

Replace at time 3 by at time 2

page 284, Solution 5.8

Replace the solution with the following:

First, we compute $\mu_1 = 4\%$ and $\mu_2 = 16\%$ from the data in Example 5.6. Next, (5.7) and (5.1) give the system of equations

$$4w_1 + 16w_2 = 46,$$

$$w_1 + w_2 = 1,$$

for the weights w_1 and w_2 . The solution is $w_1 = -2.5$ and $w_2 = 3.5$. Finally, we use (5.8) with the values $\sigma_1^2 \cong 0.0184$, $\sigma_2^2 \cong 0.0024$ and $\rho_{12} \cong -0.96309$ computed in Example 5.6 to find the risk of the portfolio:

$$\begin{aligned}\sigma_V^2 &\cong (-2.5)^2 \times 0.0184 + (3.5)^2 \times 0.0024 \\ &\quad + 2 \times (-2.5) \times 3.5 \times (-0.96309) \times \sqrt{0.0184} \times \sqrt{0.0024} \\ &\cong 0.2564.\end{aligned}$$

page 284, Solution 5.12

Replace $w \cong [0.314 \ 0.148 \ 0.538]$ by $w \cong [0.228 \ 0.235 \ 0.537]$

Replace $\mu_V \cong 0.173$ by $\mu_V \cong 0.167$

Replace $\sigma_V \cong 0.151$ by $\sigma_V \cong 0.264$

page 304

Replace

Jarrow, R. A. and Turnbull, S. M., *Derivative Securities*, South-Western College, Cincinnati, Ohio.

by

Jarrow, R. A. and Turnbull, S. M. (1996), *Derivative Securities*, South-Western College, Cincinnati, Ohio.