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

Version: 6 Feb 2011

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` $\mathrm{e}^{t(T-t)}$ `by` $\mathrm{e}^{r(T-t)}$ `(2 occurrences)`

page 150, line 3
`Replace` constructed by and writing `by` constructed by writing

page 166, line 18
`Replace` $P^{\mathrm{E}}(X')$ `by` $P^{\mathrm{A}}(X')$

page 184, line 8
`Replace` $f(S(2))$ `by` $f(S(1))$ `in the formula for` $D^{\mathrm{A}}(1)$

page 232, Exercise 10.18
`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	8.41%	8.59%
2 months	8.44%	8.64%
3 months	9.01%	9.23%
6 months	9.35%	9.54%

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

$$\begin{aligned} 4w_1 + 16w_2 &= 46, \\ w_1 + w_2 &= 1, \end{aligned}$$

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 $\boldsymbol{w} \cong \begin{bmatrix} 0.314 & 0.148 & 0.538 \end{bmatrix}$ by $\boldsymbol{w} \cong \begin{bmatrix} 0.228 & 0.235 & 0.537 \end{bmatrix}$
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 285, Solution 5.13
Replace $\boldsymbol{w} \cong \begin{bmatrix} 0.672 & -0.246 & 0.574 \end{bmatrix}$ by $\boldsymbol{w} \cong \begin{bmatrix} 0.722 & -0.208 & 0.486 \end{bmatrix}$
Replace $\sigma_V \cong 0.192$ by $\sigma_V \cong 0.211$

page 285, Solution 5.14
Replace

$$\boldsymbol{w} \cong \begin{bmatrix} -2.027 + 13.492\mu_V & 2.728 - 14.870\mu_V & 0.298 + 1.376\mu_V \end{bmatrix}$$

by

$$\boldsymbol{w} \cong \begin{bmatrix} -2.314 + 15.180\mu_V & 2.515 - 13.615\mu_V & 0.799 - 1.566\mu_V \end{bmatrix}$$

Replace

$$\sigma_V \cong \sqrt{0.625 - 6.946\mu_V + 20.018\mu_V^2}$$

by

$$\sigma_V \cong \sqrt{0.584 - 6.696\mu_V + 19.996\mu_V^2}$$

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.