

This is the errata for the second printing of second edition of Concepts.
CUP unfortunately reintroduced a lot of errors that had previously been fixed.

Last updated May 2010

Page 3, line 7, "it is pointless to for us to", delete "to" in the middle
Page 10, line 14, "be worth at least at much" -> at least as much
P18: line 13. Change "much costly" to "much more costly".
Page 20, line 4, "the opportunity so disappear." -> to disappear
Page 32, after equation (2.6), rates are non-negative so $Z_0 \leq 1$
page 38, line 1, " $S < KP$ " -> " $S < K Z_0$ "
page 39, "rational bounds" should be in the index
page 40, ex 2.7 replace non-negative by non-positive
page 44 line -10, "if the option was going to be worth" = "if the stock was
Page 47, start of the 4th last line, " is not case" -> "is not the case"
page 48, line -3 " α " in state B not β
page 48, Subsec 3.1.3, line 4, "worth as much at" = "worth as much as"
page 49 line 1, delete pound sign after borrow
page 55, last displayed equation, should be $\frac{1}{2^N}$ not $\frac{1}{2^j}$
page 59, line after eqn (3.12), delete final "the"
page 76, line 9 change "C" in " dC/dS " to "C"
Page 97, line 10, "we refer the author to [53]" -> "we refer the reader to [53]"
Page 98, 3rd paragraph, "that going into making" -> "that go into making"
page 105 line 10 Since $f(0) = 0$ should be since $f(t) = 0$.
Page 108, line 8, the last term should be
 $h^2(Z^2-1)^2$ (i.e. add square at the end)
page 110 eqn (5.27) change first dx_t to dt , change dx to dx_t
page 110, eqn (5.32), the left hand side should be
 $d(f(t, X^{(1)}_t, X^{(2)}_t, \dots, X^{(n)}_t))$
eqn (5.32) second sum should be $\frac{\partial^2 f}{\partial x_j \partial x_k}$ i.e. put ∂ before x_k

page 121, Fig 5.3: change x axis label from "strike" to "spot"
page 124, line -4, "can replicated" -> "can be replicated"
p126, prob 5.10, the superscripts in the initial condition should be 1 and 2, not 0 and 1.
page 131 First paragraph, replace "decreasing" with "increasing" in
the first place it occurs. Replace second last sentence with "The
value is a non-negative number which will therefore decrease monotonically as ϵ
decreases to
zero. "
Page 133, second paragraph, Sentence starting "the variance of R_n "
. Replace with
"The expectation of the square of R_n will be equal to minus the expectation of R_n since
the pay-off is zero or minus one."
page 134 The first sentence of second paragraph should read
"We
can use no-arbitrage to deduce the price of any option with a
(measurable) compactly supported pay-off, f -- i.e. a payoff which is zero outside a
compact set and not too unreasonably behaved."
page 136 change g to h in equation (6.20)

Page 138, second line after (6.26), "This simple formula" delete "is"
equation (6.29) should $Z(0)^{-1}$ not $Z(0)$

p139 "However, if we think back to chapter 4", should read chapter 3.

Page 141, 2nd last line of 1st paragraph, "all values at once it as a
lot less" -> "is a lot less"
page 146, line 5, insert "conditional" before "expectation"
page 154, replace 80 everywhere it appears by 90, replace 120 everywhere it appears by 110

page 158, eqn (6.67) insert σ before dW

Page 165, (6.102) should be $\sigma(t)dW_t$

Page 173, equation (6.121), move final $)$ in the numerator to be
directly after the log (ie so first fraction is the argument of the log)

eqn (6.117) argument of last exponential is
$$\{-\frac{1}{2} \sigma^2 T + \sigma \sqrt{T} X\}$$

Page 174, line 2, "forward price is $FT(t)$ at time T " -> "at time t "

p182, 3rd line after Eq 7.7: change "just the derivative" to "just the negative of the derivative".

page 184 half way down, replace $N(N-1)/2$ by $(N+1)(N+2)/2$
page 187, Fig 7.4, as in Figure 7.2 not Fig 7.4
page 188 eqn between (7.15) and (7.16) change " $<$ " to " \leq "
page 192, sentence before Eq 7.30: Change $I(y)$ to $I(r)$.

page 200, ex 7.9 insert "continuously" before twice differentiable

page 204, second line of main text: change "option" to "stock".

p213, Eq 8.38: change LHS from Z_t to dZ_t .

p217 in definition of d_j and h_j change t to T

page 221, ex 8.8. change put to call
ex 8.9 put to call

page 224 2nd last pare " n " to " N " and at end of sentence "where N is the number of sample paths."

page 226, before (9.8), Change last sentence to
"

This means that the value of the unknocked-out option as a function of $\$(S,t)\$$ has the following boundary conditions
"

page 227 equation 9.13, replcace Z_j by Z_{j+1}
page 229, eqn 9.29, subscript of λ in sums should be j

page 232, eqn 9.32, it should $\frac{1}{n^2}$ not $\frac{1}{n}$
page 236, eqn 9.39, change r in exponent to $(r - 0.5 \sigma^2)$

page 247, (10.2) replace matrix by its transpose
end of 3rd last para, "above" = "below"

page 248, 3rd last para first line, T_{n-1} should T_{n-2} , last line P_n should be P_N ,
on lines 17 and 18, the subscripts in the x 's should be k not n .

page 243, line -3, $(s-t) I = (t-s) I$
page 266 delete first 3 lines as they appear elsewhere

page 251, (11.28)
next line insert " t " after " ν_k "

(11.64) and (11.65) Z_t^{1} , Z_t^{2}

(11.66) subscript " j " on both occurences of σ

page 255, entirety of section 10.6.3 change H to B
page 271, line before 11.32, delete second "have"
page 274, eqn (11.46) switch d_2 and d_1
page 275 line -16 "call" = "put"
page 278, eqn 11.63 should be (W_t^{1}, W_t^{2})
page 302, LIBOR = London Interbank Offer Rate, line 5

page 303 line 9, replace $f_1(t_1)$ by $f_1(t_1)(t_1 - t_0)$
line 10 replace $f_1(t_1)$ by $f_1(t_1)(t_1 - t_0)$
line 12 replace $f_1(t_1)$ by $f_1(t_1)(t_1 - t_0)$
displayed equation after line 12, replace $f_1(t_1)$ by $f_1(t_1)(t_1 - t_0)$ in denominator only
line 14, replace $f_2(t_2)$ by $f_2(t_2)(t_2 - t_1)$, and put $()^{-1}$ around the expression

line 16 replace $f_{\{1\}}(t_1)$ by $f_{\{1\}}(t_1)(t_1 - t_0)$ and replace $f_{\{2\}}(t_2)$ by $f_{\{2\}}(t_2)(t_2 - t_1)$
 3rd displayed equation in denominator replace $f_{\{1\}}(t_1)$ by $f_{\{1\}}(t_1)(t_1 - t_0)$
 and replace $f_{\{2\}}(t_2)$ by $f_{\{2\}}(t_2)(t_2 - t_1)$
 page 310, 2nd displayed equation, add " τ " at the end

 page 322, line -8 discretization is misspelt
 page 323 final equation. change from " $\frac{1}{1 + f_{\{k\}}}$ etc)" to " $1+f_{\{k\}}$ etc"

 page 329 line -3, $f_3 = f_2$

 page 331 after (14.12) P_1/P_0 should be B_1/B_0

 page 333 change σ_{total} in the two places it occurs to " V "
 page 338 eqn (14.31) $\mu_j t = \mu_j T$
 page 340 (14.43) change upper index of sum from " l " to " r "
 page 344 (14.58) change each Z to $Z(0)$
 page 348, line 4, exercised = "unexercised"

 page 364 $[0, T]$ before (15.5) should be $[0, t]$
 page 395 first equation, insert S before $\rho^0 / \rho S \rho V$, same on second equation
 page 425 last equation, delete P , and delete "where P is the discount factor"
 page 466 C.24, change $E(XY)^2 \leq E(X^2) E(Y^2)$
 page 467 line 2 before C27 change "eigenvector" to "eigenvalue"
 page 468 line -3, should $\$A$ to $\$C$ after pseudo-square root

 page 472, ex 2.2 stocks = bonds

 page 475 chapter 2 q 9 change first zero to one.
 ex 2.8, change "+" in first displayed equation to "="

 p507, answer to 7.2: change upper limit on sum from n to $n-1$.

 page 522 chapter 13, q4, change t_0 to T_1 and t_1 to T_2 throughout
 page 522, chapter 13, q5 change $\$P(t_0) = 0\$$ to $\$P(t_0) = 1\$$
 page 523 chapter 15, question 1, change "second" to "first"
 page 523, chapter 15, question 3, change 1.25 to $1+x^2$
 page 524 question 11, the expectation should be of " f " of the thing inside the brackets