Errata Lecture Notes

Last update: December 17, 2019

1. On pag. 21, in the right hand side of the equation for $V_{\mathcal{A}}(t)$ it should be $a_i(t)$ instead of $a(t)$.
2. On pag. 53, in the fourth line from the end of the page, the factor multiplying the sum should be $Ke^{-r(N-T)}$ instead of just K.
3. In theorem 4.1, pag. 72, it should be $t \in \{0, \dots, N\}$, instead of $t \in \mathcal{I}$.
4. In definition 4.2 on pag. 74 and in the subsequent paragraph, it should be $\widehat{\Pi}_Y(t)$ instead of $\Pi_Y(t)$.
5. In the lines 14 and 16 of the code at pag. 82 there is an extra ")" which must be removed
6. The correct answer to exercise 5.11 on pag. 96 is $\mathbb{E}[R_*] \approx -42\%$ and $\mathrm{Var}[R_*] \approx 49\%$.
7. On the second to last line on pag. 102, "symmetric random walk" should be replaced by "random walk".
8. The correct market parameters in Exercise 5.36 are $u = \log(5/4), d = \log(1/2), r = 0, S(0) = 64/25$. The parameters are correct in the solution.
9. The correct solution to Exercise 5.37 is $\mathbb{E}[R_*] = 1/8$.
10. The correct solution to Exercise 5.38 is $\mathbb{E}[R_*] = 11/16$.
11. In equation (6.9), pag. 130, there is a y missing which should multiply the factor $\sigma\sqrt{T}$ in the exponent.