

## Corrections and Revisions to the Fifth Edition of 2012

p.61: in  $\tilde{p}$  a  $\sigma^2/2$  is missing. Correct is  $\tilde{p} = \frac{1}{2}(1 + \frac{r-\sigma^2/2}{\sigma}\sqrt{\Delta t})$

p.209: line 8, argument in  $f_{\text{GBM}}$ : replace  $T$  by  $\tau$

p.252: line 17: divergence  $\frac{\partial U_1}{\partial x} + \frac{\partial U_2}{\partial y}$

p.270: Exercise 5.4:  
Use log-coordinates  $Y = \log(S)$ .

p.298: line 9, a  $w$  is missing. The last term is  $\xi w_{xxx}$

p.312/313: Exercise 6.7:

in c) disregard the hint  $C \exp(\dots) = B$  ;

replace the numbers at the end by:  $\delta_1 = 0.05$ ,  $\delta_2 = 0.3$ . For  $M = 2000$  an approximation of the American-style option is 0.1303, and for the European-style 0.1200.

**Comment** on Sections 5.4.2, 5.4.4: The signs of the partial derivatives with respect to  $t$  in equations (5.31) through (5.33) may give rise to questions: Here  $t$  is the time to maturity.

last change: 8 Feb 2014