

Chapter 12 errata

Legend 5⁶: page 5 line 6 from top of page,
5₆: page 5 line 6 from bottom of page.

Location	Original text	Corrected text
270 ⁷ ,	$\sum_{t=0}^{T-1} R_f^{T-t} \theta_t S_t (R_{t+1} - R_f)$	$\sum_{t=0}^{T-1} R_f^{T-t-1} \theta_t S_t (R_{t+1} - R_f)$
270 ₉ ,	zero expected hedging risk	zero expected hedging error
283 ₃ ,	sell a call option at a premium $\pi > 0$	ADD: or buy at a discount $\pi < 0$
300 ₈ ,	$J_{t+1} = k_{t+1}^D (V_{t+1}^D - H_{t+1}) + (\varepsilon_{T-2}^D)^2$	$J_{t+1} = k_{t+1}^D (V_{t+1}^D - H_{t+1}) + (\varepsilon_{t+1}^D)^2$
304 ₆ ,	$(\alpha - \alpha^L)^2 \frac{(\sum_{i=1}^n p_i X_i)^2}{\sum_{i=1}^n p_i X_i^2}$	$(\alpha - \alpha^L)^2 \frac{(\sum_{i=1}^n p_i X_i)^2}{(\sum_{i=1}^n p_i X_i^2)^2}$
309 ¹⁰ ,	$8 \left(\frac{E_t[Z]}{\text{Vol}_t(Z)} \right)^2$	$4 \left(\frac{E_t[Z]}{\text{Vol}_t(Z)} \right)^2$
309 ₁₀ ,	$8 \left(\frac{\bar{\mu}}{\bar{\sigma}} \right)^2$	$4 \left(\frac{\bar{\mu}}{\bar{\sigma}} \right)^2$
310 ₆ ,	$8 \left(\frac{\mu}{\sigma} \right)^2$	$4 \left(\frac{\mu}{\sigma} \right)^2$
310 ₃ ,	BS hedging strategy	locally optimal hedging strategy
311 ^{9,10,16} ,	$E_0[\gamma_t S_t^2]$	$E_0[(\gamma_t S_t^2)^2]$