

Errata List for *Risk Management, Speculation and Derivative Securities*

There are a number of typos in the first edition of:

Geoffrey Poitras, *Risk Management, Speculation and Derivative Securities*, New York: Academic Press (2002)

This page has the most up to date listing of the errors which have been found to date (July 1, 2004).

Where applicable, omitted words or spelling corrections are indicated in Bold Font

(Thanks to Jacqui and Jedd for their help)

Chapter 1:

p.7, last paragraph needs to read, "... two types of options can **be** identified:"

p. 17, Table 1.2, The marking to market profit for B and D are incorrectly signed. B is **+200** and D is **-200**

p. 21, Table 1.3, Note a, line 3 " ... are **typically** equal ..."

p.23, second line of note 20, "... and the Derivatives ..."

p.56, 17 lines from the bottom (4th line of second full paragraph), the statement of the 'up-tick' rule, "... except when the short sale takes place either **above** the last sale ...", replace "below" with "above"

p.98, 14 lines from bottom "... FAS 8 versus FAS 52." Delete the **b** after FAS.

Chapter 2:

p.126, third line after first equation, "... this equation can **be** inverted"

p.131, second last line, "**This** is unfortunate ..."

p.140, third last line, " **The** essence of ... "

p.146, seven lines from bottom, delete the extra 'to', the line is to read "motivation for using derivative securities is only to ..."

Chapter 3:

p.202, sixth line from bottom, "Hedge funds combine long positions **in** certain ..."

p.204, inside box, "*Event-driven funds*: ... bankruptcy as well **as** risk trading ...", there is an 'as' missing.

p.210, last sentence of question #2, ".. comment also **applies** to ..."

Chapter 4:

- p.216, Note for Table 4.1, the profit function is: " $\pi(0) = \{F(0,T)\dots$ " There is an equals not a weak inequality.
- p.228, Box 4, "LiM" is actually "Lim"
- p.256, last sentence, "Based **on** the prevalence ..."
- p.258, third line above Table 4.8, "To better appreciate the cash- and-carry ... ", delete **how** from the sentence.
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Chapter 5:

- p.279, line above the last equation, " $TB[t,N]$ " uses square brackets where " **$TB(t,N)$** " round brackets are indicated as a time date is being referenced.
- p.280, eighth line from bottom, there is a round bracket missing after $RL(t,91+N)$
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Chapter 6:

- p.320, seventh line, "specification of both the ...", delete the extra 'the'
- p.341, second sentence in the Solution: "... when the return **is** denominated in ..."
- p.344, Title for Graph 6.1, "International diversification pushes out the **efficient** frontier"
- p.355, second paragraph, line 8, "... The **hedged** case ... ", change unhedged to hedged.
- p.357, second line after CAPM equation, "and **r** is the risk-free rate of interest."
- p.364, Table 6.23, last line "With nonfinancial customers", not costumers.
- p.368, Figure 6.2, In part A the arrow from the Euroyen Fixed Rate bond issue is going in the wrong direction ... the arrow goes from the fixed rate bond issue to the corporate borrower, indicating that the funds flow in that direction. **The correct version of Figure 6.2 is included in the Exhibit6.doc file contained in the errata.zip file.**
- p.368, Figure 6.2, In part C, the last US\$ cash flow is **US\$44** million (not US\$40).
- p.372, First line after the first equation, "... where ... is the spot" delete the 'are'
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Chapter 7:

Graphs 7.3-7.7 and Graphs 7.9-7.14 all have the vertical axis incorrectly identified as (T) when Profit(T) or $\pi(T)$ is required. These are expiration date profit diagrams with the stock price at expiration on the horizontal axis and profit at time T on the vertical axis.

- p.384, Graph 7.3, the graph for "Long the Call at X" the point at which the function intercepts the horizontal axis is incorrectly labeled. The correct value is **$X + C(0)$**
- p.388, Graph 7.8, part A extends the line from $-C(0)$ too far, there is no horizontal extension beyond the point below X. In part B, the intercept on the vertical axis is $P(0)$ and not $-P(0)$. Also in part B,

the line extending from $P(0)$ to X is solid when a dash line is indicated. Similarly in part C, where there is a solid line parallel to the horizontal axis, which is neither needed and, if present, is supposed to be a dash line. Also, the horizontal intercept is to be indicated as $X + (C(0) - P(0))$.

p.395, Table 7.4, the "long strategy" payoff is the "**short** strategy" and the "short strategy" is the "**long** strategy".

p.395, Table 7.4, the last payoff for the Zero bond is "-X" instead of ">-X"

p.395, eleventh line of text, "... right hand side is referred **to** as ...".

p.397, line four, "in a number **of** ways"

p.420, Title line: "Mean-Variance-Skewness", the dash is missing.

Chapter 8:

p.434, last line before section D. "... **is** given in Cox ..."

p.434, second line of Ito's lemma: the R with subscript 1 is supposed to be R with superscript 1, this is in reference to the real line.

p.435, footnote 13, "... terms that are higher **order than two** ".

p.444, bottom line, line 5 from the bottom and line 17 from the bottom, there are dashes missing from "in-the-money" and "out-of-the-money".

p.449, First sentence last paragraph, "... similar to that used in ...", delete the extra 'in'

p.452, last line, "not common **in** finance applications"

p.454, last line, the italics are missing from " $g[x,0] = f[x]$ "

p.459, Title line, "**IV**. Extending the Black-Scholes Model" The numbering of the section is incorrect, change V. to IV.

p.466, line 15, "... the cost of purchasing ...", delete the extra 'the'

p.466, line 19, this sentence would read better as "... thereby receiving the dividend **or** avoiding the ..."

p.477, Equation for put-call parity with futures contracts, replace " $P[S,...]$ " and " $C[S,...]$ " with " $P[F,..]$ " and " $C[F,..]$ "

p.477, last line " $When S(T) \leq X ...$ " change the \geq to \leq .

Chapter 9:

p.484, line 6, "... after the symbols used **to** identify ..."

p.503, the subscripts on the put and the calls in the gamma neutrality equation six lines from the bottom of the page have been switched. The put gamma coefficient is n_2 and the call gamma coefficient is n_1 . This does not affect the solution.

p.508, equation for Γ_v , the last term is " $2\Gamma_{C2}$ ", the equation reads: $\Gamma_v = \Gamma_{C1} + \Gamma_{C2} - 2\Gamma_{C2}$.

p.510, 3rd line, "... $2(0.04168) = 0.08336$...", there is a zero missing in 0.04168.

p.520, second line, change Clark to "Clarke"

p.520, line 6 after the Table, "... the put will result **in** a lower mean ..."

p.524, second line below the equations, "... and $X \exp\{-rt^*\}$..." there is no * on the r

Appendix III:

p.545, last line of first paragraph, "... evaluated at **x** ... ", change upper case X to lower case.

References

p.557, First line "Figlewsk" should read "Figlewski"

Page 560 "Duffey" has initial "D"

Page 569 "Sultan" has initial "S"

Page 570, "Layard, P. and A. Walters"

Page 571 "Mandron" at the end of the line "Parts I" should read "Part I"

Page 571 "The History of Commodity Futures Trading and Its Regulation," Should read "...Trading..."

Page 576, "Roll, R. (1979) ... in M. Sarnat and ..."

If you find any typos that are not listed here, please send me an email at poitras@sfu.ca
Any help provided is much appreciated.