

Errata and Updates for ASM Exam MFE Flashcards Sorted by Date

[5/22/2011] On card 250B, the formula for $A(t, T)$ is the one that appears in McDonald, but is incorrect. The correct formula should have a minus before $0.5\sigma\phi(T-t)^2$.

$$A(t, T) = e^{-0.5\sigma\phi(T-t)^2 + \sigma^2(T-t)^3/6}$$

So far, McDonald has not listed this in the errata, so you are probably not responsible for knowing that his formula is wrong.

[5/18/2011] On card 234F, on the second to last line, replace $\alpha r(r, t, T)$ with $\alpha(r, t, T)$.

[5/9/2011] On card 79B, $0.5\sigma^2$ is missing from the two exponents. The first line should be

$$(S_0 e^{(\alpha - \delta - 0.5\sigma^2)t - z_{(p+1)/2}\sigma\sqrt{t}}, S_0 e^{(\alpha - \delta - 0.5\sigma^2)t + z_{(p+1)/2}\sigma\sqrt{t}})$$

[5/5/2011] On card 238B, the fractions should be flipped, with T_1 on top and T_2 on the bottom:

$$N = -\frac{P_r(r, t, T_1)}{P_r(r, t, T_2)} = -\frac{P(r, t, T_2)q(r, t, T_2)}{P(r, t, T_1)q(r, t, T_1)}$$

[4/24/2011] On card 259B, the formula should be

$$P(r + \epsilon, h, T) - P(r, 0, T) = \Delta\epsilon + 0.5\Gamma\epsilon^2 + \theta h$$

[3/4/2011] On card 174B, on the first line, change $S_0 e^{\delta t}$ to $S_0 e^{-\delta T}$.

[11/21/2010] On page iv, change “C/4” in the heading to “MFE/3F”.

[11/21/2010] On card 86B, the left side should be $E[S_t | S_t > K]$.

[11/21/2010] On card 167B, the first slope should have a negative sign before it: $-e^{-rT}N(d_2)$.

[11/21/2010] On card 188B, the equation should be $X(t) = X(0)e^{\alpha t + \sigma Z(t)}$.

[11/21/2010] On card 189B, the left side should be $\Pr(X(t)/X(0))$.

[11/21/2010] On card 203B, on the first line, change $-\sigma_1 S_1 / S_2$ to $-\sigma_1 S_1 / \sigma_2 S_2$.

[11/21/2010] On card 206B, add dt to the right of the equation: $dZ(t) + \frac{\alpha - r(t)}{\sigma} dt$.

[9/13/2010] On card 138B, in the second statement, change the first “increases” to “decreases”.

[9/13/2010] On card 141F, change “stock” to “option”.

[7/15/2010] On card 12B, delete the word “sell”, or replace it with the word “buy”.