

ACTEX MFE Study Manual

November 2017 Edition

Errata

November 13, 2017

M1-85 Solution to Example 1.4.3:

Line 4: ... = \$100(1.6 - $x_{1/3}$)₊

Lines 6 and 7:

$$\text{Call price} - \text{put price} = 100(F_{0,1/3}^P(x) - 1.6e^{-0.08/3})$$

$$4.3 - \text{put price} = 100 \times 1.6e^{-0.11/3} - 160e^{-0.08/3},$$

M1-90 #9 line 3 last sentence: The put premium is NZD 0.026 million

M1-93 Solution to #9 last two lines:

$$\text{call price} - 0.026 = 1.37e^{-0.009 \times 0.5} - 1.4e^{-0.019 \times 0.5},$$

giving call price = 0.00309 million New Zealand dollars.

M2-79 Solution to #8 line 4: $\Delta_X X(1) + \Delta_Y Y(1) + 1.1W$

M3-3 line 9 (1) A lognormal distribution is See part (c) of Example 3.1.1.

Formula box: The expression for $E[Y I(Y < K)]$ should be denoted as (3.1.6)

Line -2: (3.16) should read (3.1.6).

M3-23 Solution to #7: change 244.44540 to 24.44540

M3-31 The line preceding Equation (3.2.1): $d_1 = \frac{\ln[S(0)/K] + (r - \delta + \sigma^2/2)T}{\sigma\sqrt{T}}$

M3-37 “The Black-Scholes Formula”: $d_1 = \frac{\ln[S(0)/K] + (r - \delta + \sigma^2/2)T}{\sigma\sqrt{T}}$

M3-41 #14 line -3: change 36.5 to 36

M3-43 Solution to #5: Change 58.0111 to 5.80111. The last sentence should read ... not involved in the Black-Scholes call pricing formula.

M3-45 Solution to #12, line 6: $F_{0,T}^P(x) = 1.2e^{-0.02 \times 0.5}$

M3-46 Solution to #14, line 2: $d_1 = \frac{\ln \frac{40}{36} + \frac{0.4^2}{2}}{0.4}$, line 5: $d_1 = \frac{\ln \frac{40}{46} + \frac{0.4^2}{2}}{0.4}$

Solution to #15: line 3: $d_1 = \frac{\ln \frac{75}{70} + \frac{0.35^2}{2} \times \frac{8}{12}}{0.35\sqrt{8/12}}$

$$\text{M3-47 line 1: } d_1 = \frac{\ln \frac{75}{80} + \frac{0.35^2}{2} \times \frac{8}{12}}{0.35 \sqrt{8/12}}$$

M3-84 line 1: For a ~~nondividend-paying~~ stock that follows

M3-95 #5, line -7: Delete 700.2203

M3-96 #10: in the table, gamma should be theta.

M3-102: Example 3.5.1: 1st line should write “For a stock currently priced at 25, you...”

Line 2 of the Solution to the example: $d_2 = d_1 - \sigma \sqrt{T} = -d_1$

M4-48: Solution to Question 4: “ $N(d_1) = 0.57889$, $N(d_1) = 0.44430$ ” should read “ $N(d_1) = 0.57889$, $N(d_2) = 0.44430$ ” instead.