

ERRATA & CORRIGENDA

Advanced Equity Derivatives: Volatility and Correlation, John Wiley & Sons, 2014

Author: Sebastien Bossu. This version: November 16, 2017.

3-2 p. 36: Replace “Long zero-coupon bonds in quantity $f(0)e^{-rT}$ ” with “Long zero-coupon bonds in quantity $f(0)$ ”

3-2 p.38: Replace “and zero-coupon bonds in quantity $e^{-rT}f(S_-)$ ” with “and zero-coupon bonds in quantity $f(S_-)$ ”

Problem 4.3 p. 56: Replace “Assume the implied volatility function is” with: “Assume the local volatility function is”. Replace question (a) with “Produce the graph of the local volatility surface for spots 0 to 200 and maturities zero to five years.”

5-4 p. 67: Replace the VIX formula by:

$$\left(\frac{\text{VIX}}{100}\right)^2 = \frac{2e^{rT}}{T} \sum_i \frac{\Delta K_i}{K_i^2} Q(K_i) - \frac{1}{T} \left(\frac{F}{K_0} - 1\right)^2$$

6-2 p. 76: Replace the formula for λ_i^{adj} by $\lambda_i^{\text{adj}} = \lambda_i^+ \times \frac{n}{\sum_{j=1}^n \lambda_j^+}$

6-3 p. 77: Add “(Here we assume $w_i > 0$ and $\sum_{i=1}^n w_i = 1$)” after “This is particularly relevant when the n stocks are the constituents of an equity index such as the S&P 500”

7-1.1 p. 88: Add “where $\bar{\sigma}^* = \sum_{i=1}^n w_i \sigma_i^*$ and $\bar{\sigma}_t^* = \sum_{i=1}^n w_i \sigma_{t,i}^*$ ” after the last equation.

Solution 4.3 p. 135: Replace Figure S.4 by:

