

Additional errata for
Stochastic Calculus for Finance II
Continuous-Time Models
 July 2007

Page 30, line 6 from bottom. Change $\mathbb{E}X = \int_{\Omega} X(\omega) d\mathbb{P}(\omega)$ to $\mathbb{E}g(X) = \int_{\Omega} g(X(\omega)) d\mathbb{P}(\omega)$.

Page 43, line 4 from bottom. At the end of Exercise 1.7, add the question, “Why does this not violate the Dominated Convergence Theorem, Theorem 1.4.9?”

Page 56, line 9 from bottom. The second set should be $\{\omega \in \Omega_{\infty}; \omega_k = T\}$; the three dots should be omitted.

Page 60, line 4. The last integral in the equation should be

$$\int_{-\infty}^b f_Y(y) dy,$$

that is, the lower limit of integration should be $-\infty$.

Page 61, line 6 from bottom. The sentence should begin with “The joint distribution of $\mu_{X,Y}$ is”

Page 66, line 14. The citation should say “(see Definition 2.3.1 of Volume I)”.

Page 130, line 4 from bottom. The integral should be $\int_0^t \Delta(u) dW(u)$.

Page 170, line 10. The line should begin with the equation $[M_1, M_2](t) = 0$.

Page 178, line 8. Change (*Definition 4.7.5*) to (*Definition 4.7.4*).

Page 179, line 7. The first line of the equation should be

$$\mathbb{E}Z_j = \frac{1}{\tau_j} \mathbb{E}X^{a-b}(t_j) - \frac{1}{\tau_{j-1}} \mathbb{E}X^{a-b}(t_{j-1}).$$

Page 229, line 14. Delete the extra right parenthesis in the equation $\Delta_2(t) = -\frac{1}{S_2(t)\sigma_2}$.

Page 246, equation (5.6.10). The left-hand side of the equation should be

$$\frac{1}{D(t)} \tilde{\mathbb{E}}[D(T)X(T)|\mathcal{F}(t)].$$

Page 253, line 4 from bottom. The upper limit of the integral $\int_0^t \Gamma(u) dW(u)$ should be t rather than T .

Page 259, line 2. $\tilde{\mathbb{P}}$ should be \mathbb{P} .

Page 299, line 1. The second integral

$$\frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\frac{m-aT}{\sqrt{T}}} e^{-\frac{1}{2}y^2} dy$$

should end with a dy rather than a du .