

Errata – chapter 5

Variance swaps

A.1 Vega/gamma relationship in the Black-Scholes model

The following statement in the middle of page 181:

$e^{-r(T-t)} \frac{d^n P_{\hat{\sigma}}}{d \ln S^n}$ is thus a martingale.

should read:

$e^{-rt} \frac{d^n P_{\hat{\sigma}}}{d \ln S^n}(t, S_t)$ is thus a martingale.

Further below, the statement:

More generally $e^{-r(T-t)} S^n \frac{d^n P_{\hat{\sigma}}}{d S^n}$ is a martingale for all n

should read:

More generally $e^{-rt} S^n \frac{d^n P_{\hat{\sigma}}}{d S^n}$ is a martingale for all n