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FINANCIAL MARKET ANALYSIS
Second Edition

Addenda and Corrigenda (2)

Last updated: 7th August 2002

Important Notices

1. The final issue of amdt - 1 was dated 22nd December 2000 and listed changes that have been incorporated into the second impression of the book (published in July 2001). The second impression also includes other, minor corrections that are not of sufficient significance to have been listed in that document.
 2. This document lists additional amendments. Therefore:
 - (a) Those with the first impression of the book will need both this document (amdt - 2) and amdt - 1.
 - (b) Those with the second impression will need only this document.
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Page 30 In line 4, delete '*Cedel*' and insert '*Clearstream*'.

Page 38 At the end of the fourth complete paragraph, delete 'SEAQ-1' and insert 'SEQUENCE'.

Page 144 At the end of the last line, the final item of data in parentheses should read ' $d = 100 \cdot rp_T$ '.

Page 165 In the caption to Figure 5.17, delete 'duration' and insert 'convexity'.

Page 188 The line immediately following (6.3) should be amended so that the paragraph reads as follows:

This is the *net* dividend yield because the firm has already paid withholding tax on the dividend. But other securities such as government bonds have their yields quoted before income tax. To make comparisons with other securities, the dividend yield on shares is generally quoted gross. The net dividend yield is grossed up as follows:

Page 199 The denominator on the right-hand side of the line preceding (6.27) should be ' h ', so that the line reads:

$$\sum_{t=1}^{\infty} (1+h)^t = -\frac{(1+h)}{h}$$

Page 334 Equations (9.75) and (9.76), and line 5 of the text should be amended so that the first part of the page reads as follows:

In contrast, the payoff from an average strike price call is:

$$P^C = \max(0, P^S - P_{av}^S), \quad (9.75)$$

while the payoff from an average strike price put is:

$$P^P = \max(0, P_{av}^S - P^S). \quad (9.76)$$

The call ensures that if a security is purchased periodically over a given period, the average price paid is above the terminal price. The put ensures that if a security is sold periodically over a given period, the average price received is above the terminal price.

Page 345 Exercise 7 should read as follows:

- 7 What advantages do exchange-traded options have over over-the-counter options? What disadvantages do they have?

Page 360 In line 5 of the third complete paragraph, delete '8.75' and insert '7.5'.

Page 384 Exercise 16. At the end of line 5, delete 'DMs' and insert 'euros'.

Page 427 In the third line from the bottom of the page, delete '500' and insert '400' so that the beginning of the line reads: 'risen by 400 per cent;'.
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Page 458 In Exercise 23, amend the June futures price to '89.06' and, in part c), amend the September futures price to '89.90'.

Page 470 In the third line of text, delete 'returns' and insert 'return'.

Page 507 In Exercise 16, delete 'beta' and insert 'betas'.

Page 507 In Exercise 22, part b), delete '1.5%' and insert '1.5'.

Page 508 Towards the centre of the first line of Exercise 24, delete 'return' and insert 'returns'.

Page 562 The subscripts of the cash flows in the calculation of the *money-weighted* rate of return for fund B should be amended so that the first line of that calculation reads as follows:

$$\text{Money-weighted rate of return of fund B} = \frac{V_2 - (V_0 + CF_0 + CF_1)}{V_0 + CF_0 + \frac{1}{2}CF_1}$$

Page 683 On the line preceding equation (18.46), delete 'securities' and insert 'the security'.