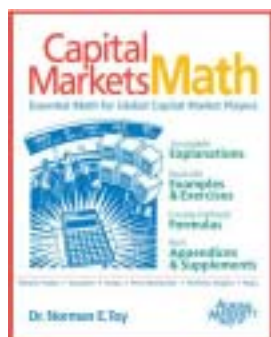


Corrections: Capital Markets Math



Although we edit our workbooks carefully at Adkins Matchett & Toy, sometimes errors slip through. We appreciate your understanding and we apologize for the inconvenience.

To view any updates to this corrections sheet, visit www.amtraining.com/pdfs/Corrections_CapMktsMath.pdf.

If you spot additional errors or want to share comments on this workbook, email Norman.Toy@amtraining.com. Thank you!

Page	Correction
9	Equation (3) should read: $PV = FV / (1+y)^N$
11	Line 4 should be = 101.64
17	Next to last paragraph, 2 nd and 3 rd lines should read: 6.00% coupon, C, will be shown as 3.00% and a yield with a semi-annual nominal rate of 6.20% will be shown as 3.10%.
19	The correct formula in Step 1 is $FV = (C/r)[(1 + r)^T - 1] + F$
22	Third paragraph, 4 th line should read: "250,000/500,000,000 * 100 = 0.05%."
26	Equation (2) should read: $Y_N = (FV / PV)^{(1/N)} - 1$
34	First paragraph calculation should read: $77.8 - 75.9 = 1.9$

Page	Correction																														
53	<p>Equation (5) should read:</p> $= [-1/(1+y)] \left\{ \left[\sum_{t=1}^{t=T-1} tC / (1+y)^t \right] + T(100+C) / (1+y)^T \right\} \quad (5)$ <p>Equation (6) should read:</p> $P'(y) / P(y) = \frac{[-1/(1+y)] \left\{ \left[\sum_{t=1}^{t=T-1} tC / (1+y)^t \right] + T(100+C) / (1+y)^T \right\}}{\left[\sum_{t=1}^{t=T-1} C / (1+y)^t + (100+C) / (1+y)^T \right]} \quad (6)$																														
57	<p>Exercise 13. The modified duration should be -5.679 on line 2 and line 5, not -5.691.</p>																														
94	<p>Should read:</p> $e^{rt} - 1 = e^r - 1 \text{ when } t = 1$																														
100	<p>Table 1 shows rounded values for the forward rate. In general, swaps should be valued in Excel where the Q3 and Q4 forward rates are 5.2664% and 5.1996%, respectively.</p> <p>In Table 2 the Floating Flows and PV Floating Flows should, therefore, read:</p> <table border="1" data-bbox="406 1281 1331 1575"> <thead> <tr> <th>Quarter</th> <th>Fixed Flows</th> <th>PV Fixed Flows</th> <th>Floating Flows</th> <th>PV Floating Flows</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> <td></td> <td>1,125,000</td> <td>1,112,485</td> </tr> <tr> <td>2</td> <td>3,000,000</td> <td>2,929,306</td> <td>1,274,001</td> <td>1,243,979</td> </tr> <tr> <td>3</td> <td></td> <td></td> <td>1,345,853</td> <td>1,296,687</td> </tr> <tr> <td>4</td> <td>3,000,000</td> <td>2,852,502</td> <td>1,328,784</td> <td>1,263,453</td> </tr> <tr> <td>Total</td> <td></td> <td>5,781,808</td> <td></td> <td>4,916,604</td> </tr> </tbody> </table> <p>Yielding a value for the swap of 865,204</p>	Quarter	Fixed Flows	PV Fixed Flows	Floating Flows	PV Floating Flows	1			1,125,000	1,112,485	2	3,000,000	2,929,306	1,274,001	1,243,979	3			1,345,853	1,296,687	4	3,000,000	2,852,502	1,328,784	1,263,453	Total		5,781,808		4,916,604
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151	<p>Equation 3 should read:</p> $E(R_P) = F_A E(R_A) + F_B E(R_B) + F_C E(R_C)$																														

Page	Correction																																																							
200	The payment should be shown with a negative sign as -1000 PMT																																																							
207	Chapter 5, Exercise 6 solution should technically have a minus sign, although the minus sign is customarily omitted.																																																							
218	Exercise 6. The value of the FRA is 9,354.85.																																																							
220	<p>Solution to Exercise 1, Chapter 12</p> <p>What is the value of the swap above if the swap rate is 5.00% instead of 6.00%?</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Days</th> <th>Spot Libor</th> <th>Discount Function</th> <th>Forward Rate</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>90</td> <td>4.50%</td> <td>0.988875155</td> <td>4.5000%</td> </tr> <tr> <td>2</td> <td>91</td> <td>4.80%</td> <td>0.97643536</td> <td>5.0400%</td> </tr> <tr> <td>3</td> <td>92</td> <td>5.00%</td> <td>0.963468487</td> <td>5.2664%</td> </tr> <tr> <td>4</td> <td>92</td> <td>5.10%</td> <td>0.950833961</td> <td>5.1996%</td> </tr> </tbody> </table> <p>With a swap rate of 5.00%</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Fixed Flows</th> <th>PV Fixed Flows</th> <th>Floating Flows</th> <th>PV Floating Flows</th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> <td>0</td> <td>1,125,000</td> <td>1,112,485</td> </tr> <tr> <td>2</td> <td>2,500,000</td> <td>2,441,088</td> <td>1,274,001</td> <td>1,243,979</td> </tr> <tr> <td>3</td> <td></td> <td>0</td> <td>1,345,853</td> <td>1,296,687</td> </tr> <tr> <td>4</td> <td>2,500,000</td> <td>2,377,085</td> <td>1,328,784</td> <td>1,263,453</td> </tr> <tr> <td>Total</td> <td></td> <td>4,818,173</td> <td></td> <td>4,916,604</td> </tr> </tbody> </table> <p>Value of Swap</p> <div style="border: 1px solid black; width: 150px; height: 40px; margin-left: auto; margin-right: auto; text-align: center; padding: 5px;">(98,431)</div>	Quarter	Days	Spot Libor	Discount Function	Forward Rate	1	90	4.50%	0.988875155	4.5000%	2	91	4.80%	0.97643536	5.0400%	3	92	5.00%	0.963468487	5.2664%	4	92	5.10%	0.950833961	5.1996%	Quarter	Fixed Flows	PV Fixed Flows	Floating Flows	PV Floating Flows	1		0	1,125,000	1,112,485	2	2,500,000	2,441,088	1,274,001	1,243,979	3		0	1,345,853	1,296,687	4	2,500,000	2,377,085	1,328,784	1,263,453	Total		4,818,173		4,916,604
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