

MRA Volume II: Changes for Reprinting November 2008

When counting lines matrices and formulae count as one line and spare lines and footnotes do not count.

'Line -n' means n lines up from the bottom, so 'Line -1' means the last line.

Page	Location	Comment
Back Flap	Line 8	Replace 'increase' by 'increasingly'
xxvi	Line - 14	Replace 'increase' by 'increasingly'
xxvii	18	Replace 'models' by 'model'
xxx	17	Replace 'lectures' by 'lecture'
2	Line - 15	Replace 'decreased' by 'increased'
3	Line - 9	Change 'stock' to 'asset'
5	(II.1.7)	Replace 7.128 by 7.129
5	Line - 12	Change 23.97% to 17.96%. Please download revised spreadsheet from website.
5	Line - 2	Change March 2006 to December 2007
7	Line 11	Change 'model' to 'models'
10	Line - 18	Remove subscript t from $\epsilon$
12	(II.1.20)	Move second transpose to X not y
13	Line 2	Remove comma between 0.8 and 1.2
13	Line 10	Squares missing: Should read $25\% = (20.78\%^2 + 13.89\%^2)^{1/2}$
16	(II.1.24)	Change $Y_i$ to $Y_{it}$
16	Line 10	Change reference to (II.1.29) to (II.1.18)
16	Line 15	After 'do not lose track!' Insert footnote as follows: 'We only provide an intuitive representation here. The correct approach uses stacked variables and derives the covariance matrix of the errors as a Kronecker product of $\Sigma$ with the $T \times T$ identity matrix. See, for example, Greene (2007) or Gross (2003) for further details.'
16	Line - 13	Subscript 1 missing from first element of weights vector
16	Line - 1	Change asset's to assets'. Also on p17 line after (II.1.28) and p3 line above (II.1.4)
18	Lines 8 and 10	Change 'stock' to 'asset'
18	Line - 17	Lower case p for 'portfolio'
18	Line - 15	The first beta in this line should not be bold, only the second one is bold
18	Line - 10	Insert 'returns on the' before foreign exchange rates
18	Line - 1	The comma after $R_k$ should not be subscript font
19	Last line before example	Change $\mathbf{w}'\text{diag}(\beta_1, \dots, \beta_k)$ to $\text{diag}(\beta_1, \dots, \beta_k) \mathbf{w}$
19	Ex II.1.6	Line 6 of example - replace 'and' with ','
20	Line 1	Change $\Omega_X$ to $\Omega_{EX}$ .
20	Line - 4	Change $\Omega_{E-X}$ to $\Omega_{EX}$ and align second column of the matrix. Also in Line - 3 change 0.003574 to 0.001787 and change final number from 0.06409 to 0.064096
21	Line 1	Before 'the quanto covariance' insert new sentence as follows: 'Taking the square root gives the total systematic risk as 25.32%, which is identical to the result obtained by direct calculation above.'
21	Line 7	Replace 'and this has been illustrated using' with 'using techniques that are similar to those used in'
23	Line 5	The vector should be (0.75 0.25)' not (0.25 0.75)'
23	Equation for beta	The first vector should be (0.75 0.25)' not (0.25 0.75)'. As a result, the final vector should be (0.0136 0.2372 0.262 0.8618)' and change 24.47 in line - 20 to 36.78 and 24.7 line - 19 to 30.3. See website for new case study_II.1 spreadsheet.
23	Line - 15	Change $R^2$ to 'correlation'
24	Table II.1.6	Change $R^2$ to R (twice) - Also twice in Table II.1.9 on p 27
25	Line - 2	Insert 'in' after 'trend'
26	Line - 14	Stat should not be in italics
32	Line 1 of II.1.6.2	Change 'a' to 'the'
33	Line - 11	Replace 'From (II.1.45)' with 'From (II.1.47)'
36	Line - 5	Insert 'a' before 'period'
38	Line 2 of solution	Change fund A to fund B at the beginning of the line only
41	(II.1.57)	Remove square from V(Y) and in line below $Y^*$ is the target <b>active</b> return.
41	Line 16	Insert 'index tracking' before 'funds have the same tracking error'
44	Line 4	Insert 'the' after 'underperform'
44	Line 8	Change 'th' to 'the'

47	Line 1 of para 3	Change 'forward' to 'floating'
48	Line 2	Insert 'the' before 'number'
49	Footnote 7	Right hand side should be $x_1y_1 + x_2y_2 + x_3y_3$ not $x_1y_1 + x_2y_3 + x_3y_3$
52	Line 8	Insert 'are' before 'fixed'
54	Line – 2	Change 5 to 25
56	Line 6	Insert 'a' before 'function'
58	Line 3 of II.2.3.4	Replace 'this as' with 'this is'
59	Line – 7	Change 'forward' to 'spot'. Also in lines – 14 and – 21
60	Line 2 of II.2.3.5	Change 'four' to 'six'
61	Line 1 after figure	Change 0.2870 to 0.1160 and change 0.6452 to 0.2870
62	Line – 10	Insert 'to' after 'respect'
62	(II.2.10)	Change '=' to '≈'
63	Table II.2.4	The PV01 figures change slightly due to a typo in spreadsheet. Note that this affects subsequent examples in this section. See website for new spreadsheets.
65	Lines 3 and 4 below figure	Change £284.22 to £273.39, then equation below should read $P\&L_t \approx \text{£}623.74 \times P_{1t} + \text{£}1,001.11 \times P_{2t} - \text{£}1,006.65 \times P_{3t}$ Also make same change in first equation of page 72 and on page 74.
66	Line 10	Change 'domestic interests' to 'domestic interest rates'. Also in Line – 1 and on page 68, Line – 9
68	Line 6 of Example	Insert '2007' after December and change 'sterling-dollar' to 'dollar-sterling'
68	Line – 6	Change III.1.5.2 to III.1.8.2
68	Last equation	$T_i - t$ appear twice, first as a factor then as an exponent. Change the exponent to $T_i - t + 1$ but leave the factor unchanged.
69	Eqn (II.2.16)	Change 42.6696 to 1788.45, 68.7857 to –412.71 and –0.4078 to +331.68. Also make same changes in penultimate equation on this page, and at top of page 70. See website for revised worksheet.
69	Line 5	Change 'component' to 'components'
69	Line 7 (i.e. second equation on page)	Change 1,209,727 to 1,890,482,830. Also change r.h.s. of equation below to $1.9909^{-2} \times 1,890,482,830$
69	Eqn (II.2.17)	Should read IR Risk = $\sqrt{250} \times 1.9909^{-1} \times 43.480 = \text{£}345,308$
69	Eqn (II.2.18)	Should read FX Risk = $\text{£}30,103,503 \times 7.83\% = \text{£}2,355,984$ Also change £27,067,101 to £30,103,503 two lines above this equation
69	Lines – 7 to – 9	Change \$54,259,312 to \$59,937,460, change £27,253,660 to £30,105,711 and change £54,507,320 to £60,211,422 (last change also on p 70 line 4 under square root sign).
69	Line – 5	Change 42.6696 to 1788.45, 68.7857 to 412.71 and 0.4078 to 331.68.
70	Line 2	Change 245.29 on r.h.s. to 5211.62. Also in equation below, and change r.h.s. of equation below from £115,630 to £560,178
70	Line 6	Should read = $(\text{£}345,308^2 + \text{£}2,355,984^2 + \text{£}560,178^2)^{1/2} = \text{£}2,446,160$ .
71	Line 6	Insert space between 'In' and 'Fact'
72	Line – 6	Replace 'corporate' by 'firm'
72	Line – 2	Change 'bound' to 'coupon'
72	Line 12	Change –£74,228,698 to –£4,225,242. See website for revised spreadsheet.
72	Line 14	Change 'bonds' to 'bond' and £2,716,474 to £2,716,824
72	Line 16	Change £1,234.8 to £1,190.88 and £582.88 to £558.54
72	Lines 22 – 24	Change £7,369,609 to £7,369,481 and £4,725,167 to £4,726,397 Change £5,938,242 to £5,936,527 and £2,451,774 to £2,452,412
72	Last equation	Change £391.15 to £374.04
74-75	Solution	Change £651.82 to 623.74 in (i) – (iii), also in (i) change 186,951 to 178,897. Change 1,045.49 to 1,001.11 in (ii) and (iii) and in (ii) change 216,949 to 207,639. See website for revised spreadsheet. Also close parenthesis on rhs of penultimate line of page 74, at the end of the expression under the large square root, i.e. after 923.75. Change 1,051.15 to 1,006.65 and 220,680 to 211,214. (iv) Change to 220,941 to 211,463.
75	Table II.2.7	Change last line to –£1,073,384 –£632,415 –£232,178
75	Line – 8	Change £2,024,595 to £1,937,977
78	Line – 8	Change 'account' to 'accounts'
80	Line 7 of II.2.5.1	Change 'allocations' to 'allocation'

80	Line – 1	Replace $R_{kt}$ with $R_{mt}$ and replace $\hat{\beta}_{ik}$ with $\hat{\beta}_{im}$
81	(II.2.23)	Replace $R_{ij}$ with $\mathbf{X}$
82	Line 8	Change ‘suitable degree’ to ‘a suitable degree of’
83	Line 6	Change ‘other’ to ‘others’
83	Line 6 after table	Delete ‘multiple’
85	Line after table	Do not indent, and change 16.72% to 16.62%, also in table itself.
86	Line 23	Change ‘dimensions’ to ‘dimension’
87	Line – 10	Change ‘alterative’ to ‘alternative’
90	Line 5	Insert ‘and’ between ‘volatility’ and ‘correlation’
92	Line – 3	Replace $i \neq j$ with $i < j$
93	Line 12	Insert ‘a’ before ‘lower’
93	Solution Line 2	Delete ‘so’
95	Line 9	Insert ‘the’ before ‘opposite’
95	Lines 15 and 22	Change ‘Person’s’ to ‘Pearson’s’
95	Line – 4	Insert ‘with infinite kurtosis’ after Student $t$ distribution.
95	Footnote	Reference should be to Section II.6.3.5, not II.6.2.
97	Line -2	Replace ‘covariance’ with ‘covariances’
100	(II.3.8)	Change subscript $t$ to subscript $it$
102	Line -2	After ‘Example II.3.5.’ add footnote for further clarification: ‘The example is based on high frequency data, so we use formula (II.3.11) assuming the mean return is zero.’
103	Line 12	Insert full stop at end of sentence
104	Line 11 of text	Insert ‘estimators’ after ‘volatility’
106	Line 14	Change [0.07147, 0.02554] to [0.02554, 0.07147]
106	Line 1 of II.3.5.2	For further clarification, as this is a definition, put ‘point estimate’ in italics
106	(II.3.17)	Change $i$ to $k$ (twice)
107	Line 2	For further clarification, after ‘normally distributed,’ add ‘the kurtosis is 3, so’
108	Line 4	Replace ‘From (II.3.22) we have...and so’ with ‘Setting $f(\mathbf{X}) = \mathbf{X}^{1/2}$ and $\mathbf{X} = \hat{\sigma}^2$ in (II.3.22) we have’
108	(II.3.26)	First 2 (i.e. in denominator) should be 4
112	Line 8	Replace ‘slopes’ with ‘slope’
112	Line – 8 to – 10	Delete ‘each with 5 years of data’ Change December 2001 to December 1999 and change January 2001 to January 2000
113	Table II.3.5	Change 2000 to 1999 and 2001 to 2000
114	Line 12	Change reference to Figure II.3.3. to Figure II.3.2
122	Line 6	Delete second ‘often’
124	Line 2	Insert ‘the’ before ‘EWMA’
125	Line 6	Replace reference to Section II.3.4.3 to Section II.3.5.3
125	Figure II.3.8	In spreadsheet, there was a typo (missing bracket) in the formula (II.3.42). The s.e. volatility estimator is always about one half the size of the s.e. variance estimator. A new spreadsheet for the figure is available for download from website.
126	Footnote 36	Change ‘and’ to ‘an’ and insert ‘error of’ after ‘standard’
129	Line - 11	Insert ‘the’ before ‘pitfalls’
133	Line 12	‘parameter’ not ‘parameters’
137	Line 3	Replace ‘simulations for forecasting’ by ‘simulations or forecasting’
137	Line 14	Replace ‘terms structure’ with ‘term structure’
137	Line 18	$\omega/(1 - \alpha - \beta)$ , not $\omega/(1 - \alpha + \beta)$
138	Line 22	‘covariance’ not ‘covariances’
138	Line -5	‘parameter’ not ‘parameters’
139	Figure II.4.1	Relevant cells are in column J, not K (However, no need for printer changes – I have changed the spreadsheet now to suit Figure II.4.1.)
140	Table II.4.2	Excel $\omega$ is 1.527E-06, not 1.532E-06, whilst Log Likelihood is 5178.22 not 5178.21
142	Line 25	Two lines below (II.4.9): ‘Forecast’ used twice, delete second ‘forecast’
145	Line 7	Reference should be to Figure II.4.4, not II.4.7
146	Line 3	Replace ‘values of the likelihood occur’ with ‘value of the likelihood occurs’
147	End of last bullet	For clarification after ‘formulae’ add ‘such as those derived in Section II.4.2.4’
148	Line 22	‘GARCH’ not ‘ARCH’, ‘parameters’ not ‘parameter’
149	Table II.4.3	Replace 13447.57 with 13448.78
149	Line -2	Replace reference to (II.4.17) with (II.4.14)

150	(II.4.22)	Replace $1_{\{\varepsilon_T^2 < 0\}}$ by $1_{\{\varepsilon_T < 0\}}$
151	Line 13	Insert 'standard' before 'normal'
151	Footnote 31	Delete (as this is already explained in text)
153	At the end of point 2	Add the footnote: 'We also need to choose $z_0$ (the obvious choice being zero, since this is the mean) and $\sigma_0^2$ (the obvious choice is to set $\ln(\sigma_0^2) = \hat{\omega}/(1-\hat{\beta})$ .'
155	Lines 6 and 7	Add carets over $\theta$ and over $\gamma$ in lines 6 and 7
155	Line -8	Replace 'terms structure' with 'term structure'
158	(II.4.35)	Replace $\ln(\sigma_t)$ on the right hand side by $\ln(\sigma_t^2)$
158	Ex II.4.5	Insert 'to' after 'equal' in second line
160	Tables II.4.7 and II.4.8	Second panel – $\theta$ appears twice: in both tables, second panel, third line should be $\beta$ , not $\theta$ . Also in Table II.4.8 replace 'volatility' by 'vol' for consistency.
161	Footnote 38	Replace $\beta$ by $\theta$ , -0.288 by -0.239 and -0.201 by -0.211.
161	Line -5	To be more explicit, replace 'physical conditional skewness and kurtosis' by 'conditional skewness and kurtosis in the physical (i.e. real-world) measure'
162	Line -9	Replace 'standard errors' by or 't-ratios'
163		Remove '(t statistic)' as first column header, insert subscripts 1 on parameters in upper part, and subscripts 2 in lower part. Also add bar over $\sigma_1$
164	(II.4.38) and on page 166 line 8	Matrix should be $\begin{pmatrix} \sigma_{1t}^2 & \sigma_{12t} \\ \sigma_{12t} & \sigma_{2t}^2 \end{pmatrix}$ not $\begin{pmatrix} \sigma_{1t}^2 & \sigma_{12t} \\ \sigma_{12t} & \sigma_{1t}^2 \end{pmatrix}$
164	(II.4.39) and (II.4.40)	Subscript on $\varepsilon$ should be $t-1$ , not $t$ , both times. Also $\varepsilon$ should be in bold in (II.4.40).
164	Footnote 42	Add 'without repeating the off-diagonal elements' at the end.
165	Line 6	After 'triangular' add 'where $m$ is the number of assets.'
166	Line 3	Delete 'is'
166	Line -3	Delete 'sample'
169	Line 3	First $\varepsilon$ and $\eta$ should be transposed
169	Line -1	Obvious, but add this before 'and': ' $\sigma_{ji}$ is the conditional covariance between stock $i$ and stock $j$ .'
170	Line 15	'stocks', not 'stock's'
172	Line 7	Replace 'O-GARCH' with 'Orthogonal GARCH (O-GARCH)'
172	Lines 16 – 19	Replace $m$ by $n$ throughout.
172	Line 21	Delete superfluous 'of'
174	Line -6	Replace 'correlations' by 'correlation'
175	Line -3	Insert 'a' before 'result'
176	Line -3	Replace 79% by 79.1%
176	Line -1	Replace 4% by 3.9%
177	Line 8	Replace '55 volatilities and correlations' by '11 volatilities and 55 correlations'
178	Line -3	Delete superfluous 'only'
180	Line -5	Insert 'use' before 'the'
183	Table heading	Change 'symmetric and symmetric' to 'symmetric and asymmetric'
183	Line 8	Delete superfluous 'the' after 'standard'
183	Line 10	After 'The algorithm is specified as follows:' add the following footnote: 'Notice in the spreadsheet for Markov switching GARCH simulations that both $\sigma_1$ and $\sigma_2$ will be updated at each iteration.'
183	Line -4	Insert 'is' before 0.75
185	Line -3	Delete superfluous '?' After 'multivariate'
189	Line 16	'on' rather than 'in' at the beginning of the line
189	Line 19	Replace 'models' by 'model'
190	Footnote 56	Replace 'The' by 'This'
191	Line 4	Replace 24% by 25%
193	Line 13	Replace 'their' by 'its'
195	Line 14	Delete 'long-only'
196	Line 2	'squared' not square; insert 'a' before 'long'
198	Line 15	Replace 'and' with 'than'
204	Line 6	Replace $E(X_t, X_{t-1})$ by $E(X_t X_{t-1})$
205	(II.5.9)	First sum in expression for $V(X_t)$ should be from 1 to $q$ not from 1 to $p$

205	(II.5.10)	Change $E_t$ and $V_t$ to $E_{t-1}$ and $V_{t-1}$ to (same comment applies to (II.5.30)
206	Line -6	Gap between $\alpha$ and 'and' needs reducing
207	Solution, first line	Change $0.5L^2$ to $0.25L^2$
210	Line -1	Change 0.04 to 0.06 (twice)
214	Footnote 11	Change reference from (II.5.10) to (II.5.32)
219	Figure title	Change $\$/\pounds$ to $\pounds/\$$
219	Figure II.5.9	In legend, change $\$/\pounds$ to $\pounds/\$$ (also in column R of spreadsheet)
220	Line -3	Delete ', because the'
221	Equation	Change $-0.4129$ to $+0.4129$
222	Line 3	Change $-3.513$ to $-3.514$
222	Line -1	Replace 'apply to' with 'apply the'
224	(II.5.41)	For clarity, use $\tilde{\alpha}$ instead of $\alpha$ (twice) since $\alpha$ is has a different meaning on the previous page. Also add $\sigma_t = \sigma X_t^\alpha$ .
225	Line -4	Insert 'a' before 'diversified' and delete first part of sentence i.e. delete 'For a practical example ...are not cointegrated,' Then run on from previous paragraph.
227	Line 1 of II.5.4.2	Replace 'asset' by 'assets'. On next line replace 'Thus' by 'Since' and on next line delete 'and,'
231	Line -2	Delete 'tests' after Engle and Yoo (1987)
232	(II.5.46)	Change second $\beta_1$ to $\beta_n$
232	Example II.5.9	Change cell E2 in spreadsheet to $\pounds/\$$ , not $\$/\pounds$
236	Footnote 38	'Echelon' not 'Echlon'
236	Line -8	In equation for $Z_3$ , replace second $X_3$ by $X_4$
236	Footnote 40	Insert 'a' before 'cointegration procedure' and in final sentence change 'trace tests' to 'trace test'
238	Line 10	Delete Superfluous E after 1.270 in equation for $m_1$
239	Footnote 46	Delete 'the usual practitioner's definition,' Insert comma after 'here'
244	Line - 14	Delete first $\hat{\alpha}$ in displayed equations
245	Line - 6	Replace 0.0498 by 0.0499 and -1.753 by -1.752 (also at top of p 247)
246	(II.5.60)	Replace superscript $r$ by superscript $m$ (twice)
249	Line -9	Insert 'the' before 'short'
253	Line -9	Insert 'the' before 'advantages'
254	Line 21	'Kendall's' not 'Kendal's'
255	Line 11	Replace 'copular' with 'copula' and 'matlab' with MatLab™
255	Line - 16	Replace 'concordant.' With 'concordant if'
255	Line 25	No need for subscripts $i$ on $x$ and $y$ in the first bullet, and insert 'where $x \neq y$ at the end of second bullet.
256	Footnote 8	Insert 'a' before 'check'
257	Table II.6.1	Sum of column 4 is 53 not 52 (spreadsheet is correct)
258	Plates 1 and 2	Change 'coupla' to 'copula' – also on p270, legends to Figs II.6.6 and II.6.7
259	Line - 7	Insert comma after distribution
261	Line - 1	Insert full stop at end
267	(II.6.35)	Interchange $\Phi^{-1}(u_1)$ and $\Phi^{-1}(u_2)$ .
267	Line - 9	Change reference to Section II.6.4.1 to Section II.6.6
267	-6	For clarity, replace 'which each' by 'each of which ranges' (also on 269 line 4)
268	(II.6.39)	Replace $C$ by $C_v$ and interchange $t^{-1}(u_1)$ and $t^{-1}(u_n)$
268	Line - 4	Replace $C$ by $C_v$ , change $\Phi^{-1}(u_1)$ to $t^{-1}(u_2)$ and change $\Phi^{-1}(u_2)$ to $t^{-1}(u_1)$ . Also the second $x_1^2$ on r.h.s. should be $x_2^2$ . In (II.6.42) replace $c$ by $c_v$
269	Line 6	Insert 'the' before 'normal'
269	II.6.4.3	Capitalise 'Student' in line 5
271	(II.6.48)	Replace second $u_1^{-\alpha}$ by $u_n^{-\alpha}$
274	Line -2	For clarity, after 'That is,' insert 'for $n = 2$ '
275	II.6.5.3	In first equation make brackets on r.h.s. larger, as they are in equation below
275	Line - 1	Change $v$ to $u_2$
276	Line -12	Replace 'marginal' with 'the marginals'
278	Line -10	Insert 'the' before 'Gumbel'
279	Table II.6.3	Replace 'Gumbell' with 'Gumbel' twice

283	Line 9	At the end of the second bullet add a footnote for clarity: ‘You need to apply the solver again as shown in the spreadsheet’
285	Line – 2	Change $F^{-1}(x_i)$ to $F(x_i)$ (do not change second F <sup>-1</sup> )
286	Point 3	Change ‘marginals’ to ‘inverse marginal distributions’.
286	II.6.7.2	In equation displayed at lines – 9 and – 8, insert ‘standard’ before ‘normal’. Also in line – 5 change t after ‘Student’ to italic font
287	II.6.7.3	In line 6 change ‘normal variables’ to ‘normal marginals’; In (c) change ‘Student’ to normal and ‘standard normal’ to ‘Student t’; in (d), change ‘student’ to ‘Student t’
291	Table II.6.6	In heading replace ‘Daily VaR of 1%’ by ‘1% 10-day VaR’
293	(II.6.94)	Under integral signs, interchange $x_1$ and $x_2$ . Also in (II.6.95) interchange $x_1$ and $x_3$ under integral signs.
296	Line 14	Change reference to Section II.6.7.2 to Section II.6.8.2
297	Line 7	For clarity, change ‘allocation of the volatility’ to ‘allocation to the Vftse’
297	Line 10	10.52% appears twice – the second time it should be 10.68%
297	Line 10	Delete ‘average’ before ‘volatility’ (also in line 11 delete ‘an average’)
297	Line -3	Replace 0.05 by –0.05
298	Line – 18	Move ‘in the next chapter’ to the end of the sentence.
302	Line 23	Delete first ‘conditional’ – it is superfluous
303	Line 16	‘Neural’ not ‘neutral’
304	(II.7.4)	Insert square root sign over $V(Y)/V(X)$
304	Line -7	‘coefficients’ not ‘coefficient’
305	(II.7.7), (II.7.10)	Replace $F_e^{-1}(q)$ with $F_e^{-1}(q X)$
307	II.7.2.4	Change ‘on’ to ‘in’ and make ‘regressions’ singular (for consistency) in section heading
307	Line -5	‘regression’ (singular)
309	Footnote 10	Add ‘For simplicity, in our discussion we assume the log return is equal to the return.’
310	Line -10	Insert ‘log returns’ after Vftse
312	Figure II.7.4	Clayton, not Caylton in Legend
313	Footnote 16	Insert ‘the’ before Vftse
314	Line -17	‘hedged’ not ‘hedge’ (i.e. ....simply to make hedged portfolio returns...
314	Line -1	‘an equal value’ rather than ‘an equal number of shares’ (also on p 315 under Figure II.7.7)
316	Line -12	Insert ‘the’ before ‘variance’
316	Line -5	0.479 rather than 0.482
317	Footnote 18	In line 3 change ‘degree’ to ‘degrees’
319	Line – 14	Delete ‘highly’ and add ‘in $x_t$ with linearity in the coefficient’ after ‘linear’
320	Line 5	Add ‘where the function $h$ is linear in $\beta$ ’ after ‘regression’ and delete the sentence beginning ‘But even then’
322	(II.7.30)	Printer, please left align second line, keeping words aligned
322	Line 8	Insert ‘a’ before ‘continuous’
322		After II.7.31, Change ‘A set’ to ‘The’; insert ‘are’ after ‘variables’
322	Example II.7.2	Title should be ‘Simple Discrete Choice Models for ....’
324	Line 8	‘models’ rather than ‘model’s’
325	Line -1	In formula replace $k^{-1}$ by $(k-1)^{-1}$ and $F_{k,T-k}$ by $F_{k-1,T-k}$
325	Line -5	‘restricted’ not ‘unrestricted’
326	Line - 5	Delete ‘/2’ and replace $F_{2,762}$ by $F_{1,262}$ . In line – 3 replace 3.01 by 3.85 and replace 0.077 by 0.153. Please download revised spreadsheet from website.
330	Footnote 34	No comma after Bollerslev
330	Footnote 36	No comma after Giot
331	Line 9	Insert ‘the’ before ‘bid-ask’
332	Line -12	Delete ‘the distribution of’
332	Line -3	‘different’ not ‘difference’
335	Line - 15	Delete ‘model’
336	Line 13	Insert comma after ‘clustering’
336	Line 17	‘estimators’ (plural)
337	Line 24	Replace ‘VIX’ by ‘Vix’ (and not in italics)
337	Line – 7	Replace ‘A thorough’ with ‘A more complete’
338	Line – 16	Remove italics from ‘Markov switching’

338	Line -5	'strands' not 'stands'
339	Line 5	'microstructure' not 'microstructures'
341	Line -11, -10	'goodness-of-fit test', not 'goodness-of-test'
342	Line 12	Insert 'usually' before 'no' and delete 'ever'
344	Line - 13	Change 'model 22' to 'model 2'
344	Line - 10	There are 3 'different' in the line – delete the middle one
345	Line 17	Change 'return distributions are normal' to 'the returns have a normal distribution'
345	Footnote 5	At the end, add ', but it can be extended to a test by simulating critical values for KS, as explained in Section II.8.2.3'
346	Point 6	Delete '(possibly fitting a kernel)'
346	Line – 7	For clarity, change 'unconditional distribution test' to 'methodology'
346	2 <sup>nd</sup> Point 1	..starting value $Y_0$ (not $Y_1$ )
346	Line -12	Insert 'a' before 'distribution' at beginning of line
347	Second bullet	'period' (singular)
348	Third bullet	For clarity, change ' $r$ ' on lhs to ' $\text{Corr}(r, \hat{r})$ '
348	II.8.2.3	Insert 'or' after 'in-sample fit' in line 2 of this section and in Line – 4, for clarity, insert 'a standard parametric form for' before 'its distribution'
349	Q	Note to printers – use same font for Q throughout the book (without long tail). See also p 308
349	Line 1	Indent required
350	Line -2	'tests' (plural)
351	Line – 4	Change 'constant volatility' to 'volatility 1'
352	Line 13	Hyphenate 'goodness of fit'
353	Line – 4	For clarity, replace 'tend to give poor results' with 'have very low power'
353	Table II.8.3	Header should have 'returns' (plural)
354	Footnote 16	Insert 'just as well' after 'thus we could' and delete 'well as on the likelihood based'
355	Points 6, 8	Delete 'ex ante'
356	II.8.4	For clarity, change 'percentile' to 'quantile' three times
357	Bullets	Change 2.38% to 2.69% and change 1.39% to 1.40%
357	(b)	Insert full stop at end
357	Line 6	spreadsheet (singular)
358	Ex II.8.5	For clarity, change 'percentile' to 'quantile' twice
358	11	Replace 'for' with 'in'
358	Line - 16	After 'We observed 15 exceedance.' add the following footnote 'We assume the first and last observations are not exceedances.'
360	Line 7	Insert 'distributed' after 'chi-squared'
360	(II.8.21)	VaR should be in normal font, not italic. Also on p368, displayed equation.
361	Line -5	Add transpose sign to $\mathbf{w}$ in its definition
361	Line - 2	Symbol for GARCH variance should be $\hat{V}_t$ not $\hat{v}_t$ , also on p362 line 1
362	Point 3	Insert 'the' after 'obtain'
362	Point 8	Insert comma after 'days'
362	Line - 1	Replace 'criterion' with 'criteria'
363	Line 1	Delete 'of the model'
364	Footnote 33	Replace '2 weeks' with '10 trading days'
365	Footnote 38	Reduce space before 'ranking'
365	Line – 1	Replace 'future' with 'futures'
367	-7	Replace 'are' with 'is'
370	Line 10	Insert 'market' before second 'implied volatility'. Also at line 12.
371	Point 1	Insert: ', otherwise make no trade' at the end
372	Line 5	Delete 'trading at the mean spread,'
372	Line 8	Insert 'mean and the lower' before 'one standard error bounds'; Change 'bounds' to 'bound'.
372	Line 12	Insert spare line above and do not indent.
374	Line 4	Delete 'of the return'
374	-1	'models' not 'model's'
375	6	Hyphenate goodness-of-fit (also 2 lines below)
375	12	'on estimating and forecasting' not 'to estimate and forecast'
382	After Greene	Add Gross, J. (2003). <i>Linear Regression</i> . Lecture Notes in Statistics, Springer, 2003

