Corrigendum


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The authors regret for the following typos:

- Section 6. Incomplete Markets – a term is missing in the PDE.

Article Version

In this case, applying the Ito’s Lemma as in Section 4, we obtain

$$L_t \phi = \frac{\partial \phi}{\partial t} + (\beta - r)z \frac{\partial \phi}{\partial z} + \mu_1 \frac{\partial \phi}{\partial y} + \frac{1}{2} \Theta^2 z^2 \frac{\partial^2 \phi}{\partial z^2} + \frac{1}{2} \mu_2^2 \frac{\partial^2 \phi}{\partial y^2} - \rho \Theta \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y},$$

and thus (31) becomes

$$L_\phi = -\beta \phi + (\beta - r)z \frac{\partial \phi}{\partial z} + \mu_1 \frac{\partial \phi}{\partial y} + \frac{1}{2} \Theta^2 z^2 \frac{\partial^2 \phi}{\partial z^2} + \frac{1}{2} \mu_2^2 \frac{\partial^2 \phi}{\partial y^2} - \rho \Theta \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y}.$$

Correct Version

In this case, applying the Ito’s Lemma as in Section 4, we obtain

$$L_t \phi = \frac{\partial \phi}{\partial t} + (\beta - r)z \frac{\partial \phi}{\partial z} + \mu_1 \frac{\partial \phi}{\partial y} + \frac{1}{2} \Theta^2 z^2 \frac{\partial^2 \phi}{\partial z^2} + \frac{1}{2} \mu_2^2 \frac{\partial^2 \phi}{\partial y^2} - \rho \Theta \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y} + \frac{1}{2} \sqrt{1 - \rho^2} \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y} - (1 - \rho^2) \mu_2^2 \frac{\partial^2 \phi}{\partial y^2},$$

and thus (31) becomes

$$L_\phi = -\beta \phi + (\beta - r)z \frac{\partial \phi}{\partial z} + \mu_1 \frac{\partial \phi}{\partial y} + \frac{1}{2} \Theta^2 z^2 \frac{\partial^2 \phi}{\partial z^2} + \frac{1}{2} \mu_2^2 \frac{\partial^2 \phi}{\partial y^2} - \rho \Theta \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y} + \frac{1}{2} \sqrt{1 - \rho^2} \mu_2 z \frac{\partial^2 \phi}{\partial z \partial y} - (1 - \rho^2) \mu_2^2 \frac{\partial^2 \phi}{\partial y^2}.$$

The authors would like to apologise for any inconvenience caused.