Erratum, Chapter 9, Problem 10, p. 64 of *Instructor's Manual*.

The value of the forward contract can be found by subtracting the present value of the forward price from the current spot price. Thus, the value of the contract is

$$\$52 - \$45(1.10)^{-0.5} = \$9.09.$$

This is the correct value of the contract at this point, six months into the life of the contract, because it is the value of a portfolio that could be constructed at this time to produce the same result six months later. That is, you could buy the asset costing \$52 and take out a loan, promising to pay \$45 in six months. This combination would guarantee that you would receive at time T, six months later, the value of the asset S_T minus the \$45 loan repayment, which is the value of the forward contract when it expires.