Dynamic Trading with Predictable Returns and Transaction Costs: Corrigendum

Equation (A15) in the appendix should be replaced

\[ A_{xx} = \bar{\Lambda}^{\frac{1}{2}} \left( \bar{\rho} \bar{\Lambda}^{-\frac{1}{2}} \Sigma \bar{\Lambda}^{-\frac{1}{2}} + \frac{1}{4} (\rho I + \gamma \bar{\Lambda}^{-\frac{1}{2}} \Sigma \bar{\Lambda}^{-\frac{1}{2}})^2 \right)^{\frac{1}{2}} \bar{\Lambda}^{\frac{1}{2}} - \frac{1}{2} (\rho \bar{\Lambda} + \gamma \Sigma) \] (A15∗)

which follows from (A14). This expression equals (A15) when \( \Sigma \) and \( \Lambda \) commute (e.g., in the main case in the paper, Assumption 1), but otherwise not.