Correction for Table 10.2, p. 330

Scenario: On September 16, a London bank needs to issue $10 million of 180-day Eurodollar time deposits. The current rate on such time deposits is 8.75. The bank is considering the alternative of issuing a 90-day time deposit at its current rate of 8.25 and selling a Eurodollar futures contract. If the 180-day time deposit is issued, the bank will have to pay back

$$\$10,000,000[1+.0875(180/360)]=\$10,437,500,$$

which is an effective rate of

$$\left(\frac{\$10,437,500}{\$10,000,000}\right)^{365/180}-1=.0907.$$

The rates available in the spot and futures market are such that the bank can obtain a better rate by doing the following.