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

$$10,000,000 \left[ 1 + .0875 \left( \frac{180}{360} \right) \right] = 10,437,500,$$

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.