

I've written all concepts to the best of my ability. Most information is from Galen Burghardt's book, *The Eurodollar Futures and Options Handbook*. I've interpreted many of his concepts to the best of my ability also.

I take direct quotes from the book. I will try to site direct quotes with " ". However, I'm sure I'll miss some. This is not an attempt to plagiarize. The fact is, I'm trying to get a massive amount of information processed and hand it off to you, the trader.

I can't say enough about *The Eurodollar Futures and Options Handbook*. I'll simply say this, buy it.

Do not start trading any of the ideas, within these notes, unless you know exactly what you are doing. Simply get the book and read the information that I've highlighted, that interests you. You may interpret Galen's ideas differently than I have.

The idea of passing these notes along is to give you some basic information concerning Eurodollars and the spread trades that can be created from Eurodollars. There's an enormous amount of information in the book, getting it into notes is hard. The hardest part being, 'how to turn the ideas in the book into workable tools you can use'.

For example, trying to correlate the terms used in the book and matching them up to Bloomberg's tools is extremely difficult because there are single terms that cover 3 or 4 concepts. For instance I had to ask questions like: *How do I match up the EDS function on Bloomberg to the book? Is column 5 the same convexity adjusted rate used in the book?*" This goes on and on.

Books like these abound. The trick is to turn them into workable trading tools. Problems arise when I interpret a concept from a book. *Did I get it right?* The Answer is, I believe I did, but it helps if you look at the data also. I'm not saying read the whole book, just look at what trade interests you, the tools that go into the trade, and look it up in the book. I've marked most entries with pages. If they're not marked and you want to look it up but don't know where, ask me. I'll help.

-Jim Goulding

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Key

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Concerning citing in column 'A', on most pages, the following shows abbreviation explanations:

Seminar CME = Seminar the CME did at GHCO in April, May 2006.

Seminar Calyon = Yearly Seminar given by Calyon Financial.

Page = page number in *The Eurodollar Futures and Options Handbook*.

ED s = Eurodollars. There's a space between the D and the 's' because Excel won't allow a user to enter Eds. See what I mean! It always makes the capital D a small d. The solution was to enter the small 's' after a space.

Please take note:

I'll be sending these notes a few chapters at a time. Furthermore, there are separate ways to look at all this information. That is, I've broken a lot of it down into categories like, convexity bias, trades, tools, Bloomberg, packs and bundles, hedging, swaps, TED, etc.

So look for those notes also. Remember that there are some of you who already know this stuff. There are many who don't. I'm trying to cover the entire gamut.

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Ch 1 The Emergence of the Eurodollar Market

The chapter's title is a bit different than the notes I chose to take, within the chapter. You can read about the emergence of the ED market yourself. I wanted to pull out the pertinent information that applies to the everyday trader.

5,6 Eurodollars are the financial building blocks for the SWAP market. They provide the rates from which swaps can be priced, and they provide the tools that dealers need to hedge them.

12 Eurodollars are contracts on private short-term obligations.

18 The Eurodollar market are exchange traded contracts, and swaps are Over-the-Counter traded contracts. These markets go hand in hand. The markets appeal to different types of traders though.

ED s are for the wholesale financial market.

For Dealers who price and hedge Interest Rate Swaps (IRS).

For banks who serve as conduits for cash and for managing their exposure to the yield curve.

The OTC Swap market is for retail corporate users.

They make transactions less frequently.

Work under different accounting, regulation, and tax rules.

19 Trading swaps requires knowledge of
credit risk
counter party risk
balance sheet issues

19 CME ED s provide options on ED s where the swap market provides CAPS, and SWAPTIONS.

CAPS = sequence of options on forward rates

SWAPTIONS = single options on term swap rates which in turn represent a combined sequence of forward rates.

21 "The Eurodollar time deposit market had become the linchpin of private credit market for dollar-denominated transactions. Maturities in this market extend out as far as 10 years."

Ch 2 What are Eurodollar time deposits ?

- 23
- a time deposit
 - dollar deposit
 - with a bank or bank branch outside the US .
 - Or a bank inside the US but is labeled an International Banking Facility (IBF) which is not guaranteed by the US Gov.

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23 Maturities and Settlements

Eurodollar time deposits

Exhibit 2.1 **6/17/2002**

24	Term	Bid	Ask
	O/N (Overnight)	1.760	1.880
	T/N (Tomorrow next)	1.750	1.870
	1 week	1.720	1.840
	2 week	1.780	1.800
	3 week	1.780	1.800
	1 month	1.780	1.810
	2 month	1.780	1.820
	3 month	1.800	1.830
	4 month	1.830	1.860
	5 month	1.850	1.880
	6 month	1.850	1.970
	7 month	1.950	1.890
	8 month	2.010	2.040
	9 month	2.090	2.120
	10 month	2.160	2.190
	11 month	2.250	2.280
	12 month	2.255	2.375
	2 year	3.295	3.355
	3 year	3.890	3.950
	4 year	4.285	4.345
	5 year	4.575	4.635
	6 year	4.805	4.865
	7 year	4.995	5.055
	8 year	5.140	5.200
	9 year	5.270	5.330
	10 year	5.370	5.430

23 "Rates begin with two 1-day term deposits; overnight (O/N) and tomorrow next (T/N). Each represent a 1-day term, but the overnight rate settles today and the tomorrow next rate settles tomorrow."

25 "Any of the maturities can be negotiated. The settlement period is 2 London business days for all deposit maturities, with the exception of the overnight and tomorrow next deposits. "

"Interest Rates for Eurodollar deposits are money market yields quoted in percentage points and fractions of percentage points. The Eurodollar deposit market uses ACT/360 day count convention to calculate interest."

25 LIBOR and LIBID

"...the rate at which a London bank is willing to lend dollars is known as LIBOR..."

LIBOR = London Interbank Offered Rate

LIBOR can be compared to the US Repo Rate.

"The rate at which a London bank is willing to borrow is referred to by the less well Known LIBID..."

Looking at Exhibit 2.1, the BID is the LIBID and the offer is LIBOR.

25 Interest Rate Calculations

"For deposits with maturities less than or equal to 1 year, interest is paid on at maturity. For deposits with maturities past 1 year, interest is paid on each anniversary and at maturity."

See Examples 2.1 and 2.2 on pps 26, 27 for exact calculations.

End Chapters 1 & 2

Next 2 pages lists all electronic contracts

40 Electronic Eurodollar contracts as of 05/05/2007

	ls	mid	high	low	Volume	net chng	Mat.Date		
@GE06M	94.765	94.768	94.800	94.735	248,707	0.020	6/19/2006	White	1st year
@GE06U	94.685	94.683	94.720	94.635	317,229	0.035	9/18/2006		
@GE06Z	94.655	94.658	94.700	94.610	367,805	0.030	12/18/2006		
@GE07H	94.690	94.688	94.735	94.645	295,122	0.030	3/19/2007		
@GE07M	94.715	94.718	94.760	94.670	232,229	0.030	6/18/2007	Red	1-2 yrs out
@GE07U	94.725	94.728	94.770	94.680	141,624	0.030	9/17/2007		
@GE07Z	94.720	94.718	94.760	94.670	91,023	0.035	12/17/2007		
@GE08H	94.705	94.705	94.745	94.660	50,293	0.035	3/17/2008		
@GE08M	94.680	94.683	94.705	94.635	15,508	0.035	6/16/2008	Green	2-3 yrs out
@GE08U	94.655	94.655	94.675	94.605	8,358	0.040	9/15/2008		
@GE08Z	94.610	94.610	94.635	94.565	6,833	0.040	12/15/2008		
@GE09H	94.585	94.588	94.620	94.540	3,474	0.040	3/16/2009		
@GE09M	94.540	94.553	94.570	94.510	1,002	0.030	6/15/2009	Blue	3-4 yrs out
@GE09U	94.530	94.518	94.530	94.470	598	0.055	9/14/2009		
@GE09Z	94.490	94.470	94.490	94.420	346	0.065	12/14/2009		
@GE10H	94.425	94.445	94.440	94.385	373	0.030	3/15/2010		
@GE10M	94.360	94.410	94.390	0.000	256	0.000	6/14/2010	Gold	4-5 yrs out
@GE10U	94.325	94.375	0.000	0.000	208	0.000	9/13/2010		
@GE10Z	94.280	94.325	0.000	0.000	208	0.000	12/13/2010		
@GE11H	94.260	94.305	0.000	0.000	206	0.000	3/14/2011		
@GE11M	94.225		0.000	0.000		0.000	6/13/2011	Purple	5-6 yrs out
@GE11U	94.190		0.000	0.000		0.000	9/19/2011		
@GE11Z	94.150		0.000	0.000		0.000	12/19/2011		
@GE12H	94.135		0.000	0.000		0.000	3/19/2012		
@GE12M	94.105		0.000	0.000		0.000	6/18/2012	Orange	6-7 yrs out
@GE12U	94.075		0.000	0.000		0.000	9/17/2012		
@GE12Z	94.040		0.000	0.000		0.000	12/17/2012		
@GE13H	94.030		0.000	0.000		0.000	3/18/2013		
@GE13M	94.005		0.000	0.000		0.000	6/17/2013	Pink	7-8 yrs out
@GE13U	93.980		0.000	0.000		0.000	9/16/2013		
@GE13Z	93.945		0.000	0.000		0.000	12/16/2013		
@GE14H	93.935		0.000	0.000		0.000	3/17/2014		
@GE14M	93.910		0.000	0.000		0.000	6/16/2014	Grey	8-9 yrs out
@GE14U	93.880		0.000	0.000		0.000	9/15/2014		
@GE14Z	93.845		0.000	0.000		0.000	12/15/2014		
@GE15H	93.840		0.000	0.000		0.000	3/16/2015		

@GE15M	93.815		0.000	0.000		0.000	6/15/2015	Copper	9-10 yrs out
@GE15U	93.790		0.000	0.000		0.000	9/14/2015		
@GE15Z	93.755		0.000	0.000		0.000	12/14/2015		
@GE16H	93.750		0.000	0.000		0.000	3/14/2016		

Intraday volume as of				
Electronic Spreads 10 am CDT 05/05/2006				
Spread Name	volume	net chng	Symbol	
Wht Jun	Wht Sep	20,683	(0.010)	@GE06M..06U
Wht Jun	Wht Dec	6,618	(0.015)	@GE06M..06Z
Wht Jun	Wht Mar	2,711	(0.010)	@GE06M..07H
Wht Jun	RedJun	3,249	(0.005)	@GE06M..07M
Wht Sep	Wht Dec	28,600	(0.010)	@GE06U..06Z
Wht Sep	Wht Mch	22,466	(0.005)	@GE06U..07H
Wht Sep	RedJun	2,759	(0.005)	@GE06U..07M
Wht Sep	Red Sep	12,562	0.000	@GE06U..07U
Wht Dec	Wht Mch	11,913	0.005	@GE06Z..07H
Wht Dec	RedJun	20,186	0.000	@GE06Z..07M
Wht Dec	Red Sep	6,508	0.000	@GE06Z..07U
Wht Dec	Red Dec	6,481	0.000	@GE06Z..07Z
Wht Mch	RedJun	13,942	0.000	@GE07H..07M
Wht Mch	Red Sep	11,705	(0.005)	@GE07H..07U
Wht Mch	Red Dec	4,301	0.000	@GE07H..07Z
Wht Mch	Red Mch	3,803	0.000	@GE07H..08H
Wht Mch	Green Jun	0	0.000	@GE07H..08M
RedJun	Red Sep	13,567	0.000	@GE07M..07U
RedJun	Red Dec	5,897	0.005	@GE07M..07Z
RedJun	Red Mch	1,714	0.000	@GE07M..08H
RedJun	Green Jun	2,272	0.000	@GE07M..08M
Red Sep	Red Dec	1,258	0.000	@GE07U..07Z
Red Sep	Red Mch	3,443	0.000	@GE07U..08H
Red Sep	Green Jun	783	(0.005)	@GE07U..08M
Red Sep	Green Sep	266	(0.005)	@GE07U..08U
Red Dec	Red Mch	923	0.005	@GE07Z..08H
Red Dec	Green Jun	2,586	(0.005)	@GE07Z..08M
Red Dec	Green Sep	608	(0.005)	@GE07Z..08U
Red Dec	Green Dec	308	(0.005)	@GE07Z..08Z
Red Mch	Green Jun	1,802	0.000	@GE08H..08M

Red Mch	Green Sep	808	(0.005)	@GE08H..08U
Red Mch	Green Dec	184	(0.005)	@GE08H..08Z
Red Mch	Green Mch	604	(0.005)	@GE08H..09H
Green Jun	Green Sep	270	(0.005)	@GE08M..08U
Green Jun	Green Dec	180	(0.005)	@GE08M..08Z
Green Jun	Green Mch	427	(0.005)	@GE08M..09H
Green Jun	Blue Jun	0	0.000	@GE08M..09M
Green Sep	Green Dec	987	0.000	@GE08U..08Z
Green Sep	Green Mch	108	(0.005)	@GE08U..09H
Green Dec	Blue Jun	1	0.000	@GE08Z..09M
Green Mch	Blue Jun	2	0	@GE09H..09M
Green Mch	Blue Sep	1	0	@GE09H..09U