

Introduction to Global Securities Market – Final Exam

Spring 2020

Student Name: _____

Student ID: _____

Test Time: 10AM to 12:00PM, 6/14/2020 (Beijing Time)

Part One: 50 Points

Calculation-based Questions 简答计算题 (Please show your steps in order to receive partial credits/请显示解题步骤以取得部分分数)

- 1) A Company preferred stock pays a constant dividend of \$5.00 per year. Assume that investors require a 10% rate of return. How much will investors be willing to pay for this stock? (2 Points)

- 2) B Company common stock recently paid a dividend of \$1.50. The estimated growth rate of dividends is 6% per year, and the required rate of return is 11%. How much will investors be willing to pay for this stock? (3 Points)

- 3) C Company pays no dividend and reinvests all its earnings into rapid growth, but it is expected to begin paying dividends in five years. The first dividend will be \$8.00, dividends will grow at 5% per year, and the required rate of return throughout the period is 15%. How much will investors be willing to pay for this stock? (10 Points)

- 4) An analyst gathers the following information:

One-year interest rates:	Australian dollar	4%	U.S. dollar	5%
Spot exchange rate:	AUD/\$	1.40		
US dollar (Domestic)	Australian dollar (Foreign)			

Based on the information above, the forward exchange rate that will satisfy the interest rate parity condition is? (Rounded to three decimals; 精确到小数点后三位数) (5 Points)

5) A U.S. government bond is selling in the market at 97.08. How much is the dollar value of this bond? (5 Points)

6) XYZ Mutual Fund owns assets totaling \$11 million and liabilities equal to \$1 million with 1 million shares outstanding. How much is its NAV? (5 Points)

7) The U.S. dollar was recently quoted at CHF0.96249 (Swiss francs). If you have placed an order for CHF 50,000 worth of watches from a Swiss watch dealer, how many dollars will this order cost? (5 Points)

8) Use the following information to answer questions 1 through 3 (15 Points)

An investor purchased an 9% Lemon County Bond at 105. Annual interest is paid.

1. What is the bond's nominal yield? (5 Points)

2. What is the bond's current yield? (6 Points)

3. Is yield to maturity less or greater than the current yield (no calculation needed) (4 Points)

Part Two: 50 Points

Short Questions 简答题 (No Calculations)

- 9) Jeff is moving to Bermuda to start his exporting business. He has \$800,000 that he is going to use for paying the company's initial expenses over the next year. He wants to invest this money so that he can earn some interest on it, but he also needs to keep it liquid since he will be making frequent withdrawals.

As an investment analyst, you are asked by Jeff the following questions:

1) Can you list three advantages of mutual funds? (6 Points)

2) Based on my investment profile, what funds will you recommend to me and why? (4 Points)

- 10) You are planning to build a manufacturing factory in US. You know there are many factors that will cause changes in exchange rates. The U.S. dollar was quoted at CNY 6.999 yesterday and today you see that the dollar is trading at CNY 7.001, You have observed that USD has appreciated about 10% vs CNY over the past year. You have money in CNY. You are asking yourself following questions so you can make a sound decision:

1) What are the major factors that may cause changes in exchange rates? (10 Points)

2) From FX rate's perspective, should I build the manufacturing factory in US now or should I wait? What are some of other business factors that I should consider when making this decision? (10 Points)

11) You have attended an introductory course related to global securities market. You know stocks and bonds are two major investment vehicles in capital market. When applying for a summer internship in a global financial company in Hangzhou, you are asked by your interviewer the following questions:

1) What are major characteristics of each of stocks and bonds? (10 Points)

2) Please list 2 (Two) key differences between stocks and bonds (10 Points)