# Economics

**共享题干题**

【题干】Hans Schmidt, CFA, is a portfolio manager with a boutique investment firm that specializes in sovereign credit analysis. Schmidt's supervisor asks him to develop estimates for GDP growth for three countries. Information on the three countries is provided in Exhibit 1.

**Exhibit 1. Select Economic Data for Countries A, B, and C**

| Country | Economy | Capital per Worker |
|---|---|---|
| A | Developed | High |
| B | Developed | High |
| C | Developing | Low |

After gathering additional data on the three countries, Schmidt shares his findings with colleague, Sean O'Leary. After reviewing the data, O'Leary notes the following observations:Observation 1:The stock market of Country A has appreciated considerably over the past several years. Also, the ratio of corporate profits to GDP for Country A has been trending upward over the past several years and is now well above its historical average.Observation 2:The government of Country C is working hard to bridge the gap between its standard of living and that of developed countries. Currently, the rate of potential GDP growth in Country C is high.Schmidt knows that a large part of the analysis of sovereign credit is to develop a thorough understanding of what the potential GDP growth rate is for a particular country and the region in which the country is located. Schmidt is also doing research on Country D for a client of the firm. Selected economic facts on Country D are provided in Exhibit 2.

**Exhibit 2. Select Economic Facts for Country D**

- Slow GDP Growth
- Abundant Natural Resources
- Developed Economic Institutions

Prior to wrapping up his research, Schmidt schedules a final meeting with O'Leary to see if he can provide any other pertinent information. O'Leary makes the following statements to Schmidt:Statement 1:Many countries that have the same population growth rate, savings rate, and production function will have growth rates that converge over time.Statement 2:Convergence between countries can occur more quickly if economies are open and there is free trade and international borrowing and lending; however, there is no permanent increase in the rate of growth in an economy from a more open trade policy.

1.【单项选择题】Based upon Exhibit 1, the factor that would most likely have the greatest positive impact on the per capita GDP growth of Country A is:

A. free trade.

B. technology.

C. saving and investment.

参考答案：B

【莽学解析】Country A is a developed country with a high level of capital per worker. Technological progress and/or more intensive use of existing technology can help developed countries increase productivity and thereby increase per capita GDP. Most developed countries have reasonably low trade barriers; thus, somewhat freer trade is likely to have only an incremental, and probably transitory, impact on per capita GDP growth. Also, since the country already has a high capital-to-labor ratio, increased saving/investment is unlikely to increase the growth rate substantially unless it embodies improved technology.

2.【单项选择题】Based upon Observation 1, in the long run the ratio of profits to GDP in Country A is most likely to:

A. remain near its current level.

B. increase from its current level.

C. decrease from its current level.

参考答案：C

【莽学解析】The ratio of profits to GDP for Country A has been trending upward over the past several years, and is now well above its historical average. The ratio of profits to GDP cannot rise forever. At some point stagnant labor income would make workers unwilling to work without an increase in wages and would also undermine demand, making further expansion of profit margins unsustainable. Thus, it is likely that the ratio of profits to GDP will decline in the long run toward its historical average.



3.【单项选择题】Based upon Observation 2, Country C is most likely to have:

A. relatively low real asset returns.

B. a relatively low real interest rate.

C. a relatively high real interest rate.

参考答案：C

【莽学解析】A high growth rate of potential GDP would cause real incomes to rise more rapidly and also translate into higher real interest rates and higher expected/required real asset returns. The real interest rate is essentially the real return that consumers/savers demand in exchange for postponing consumption. Faster growth in potential GDP means that consumers expect their real income to rise more rapidly. This implies that an extra unit of future income/consumption is less valuable than it would be if income were expected to grow more slowly. All else the same, the real interest rate will have to be relatively high in order to induce the savings required to fund required/desired capital accumulation.

4.【单项选择题】Based upon Exhibit 2, the least likely reason for the current pace of GDP growth in Country D is:

A. a persistently strong currency.

B. strong manufacturing exports.

C. strong natural resource exports.

参考答案：B

【莽学解析】Country D is a country with abundant resources and has developed the economic institutions necessary for growth, yet the country is experiencing slow economic growth. It is likely that Country D is experiencing the Dutch Disease, where currency appreciation driven by strong export demand for natural resources makes other segments of the economy, in particular manufacturing, globally uncompetitive. Strong manufacturing exports would indicate that Country D is globally competitive and likely to have adopted leading edge technology. Thus, it is unlikely that the slow growth reflects inability to maintain productivity growth. Similarly, strong exports would suggest adequate demand for its products. Thus, strong exports are unlikely to be the cause of slow growth.

5. 【单项选择题】The type of convergence described by O'Leary in Statement 1 is best described as:

A. club convergence.

B. absolute convergence.

C. conditional convergence.

参考答案：C

【莽学解析】Conditional convergence means that convergence is conditional on the countries having the same savings rate, population growth rate, and production function. If these conditions hold, the neoclassical model implies convergence to the same level of per capita output as well as the same steady state growth rate.

6. 【单项选择题】Which of the following growth models is most consistent with O'Leary's Statement 2?

A. Classical

B. Endogenous

C. Neoclassical

参考答案：C

【莽学解析】According to the neoclassical model, convergence should occur more quickly if economies are open and there is free trade and international borrowing and lending. Opening up the economy should increase the rate at which the capital-to-labor ratio converges among countries. However, in the neoclassical Solow model, after the reallocation of world savings, there is no permanent increase in the rate of growth in an economy. Both the developed and developing countries eventually grow at the same steady-state rate.

【题干】Cate Stephenson is an analyst in the economics research division of an international securities firm. She is conducting research on the regulatory environment in certain European countries. Stephenson begins with an analysis of Genovia. Genovia has recently introduced a new accounting statute. In Genovia, there is an independent regulator - "Le regulateur." Le regulateur is not a self-regulating organization (SRO). There is also an SRO - "L'organisation." L'organisation is not an independent regulator. In her research report, Stephenson makes the following statements:Statement 1:Le regulateur has been given legal authority by the government to enforce the new statute. Statement 2:L'organisation issues administrative regulations related to the new statute using government funding. Statement 3:L'organisation has member companies that accept the authorization of L'organisation to set and enforce rules and standards. Stephenson and her supervisor discuss the intended and unintended effects of implementing the new statute, and Stephenson makes two comments.Comment 1:It is likely that some unintended consequences will be identified in regulatory filings prior to implementation of the new legislation.Comment 2:Indirect costs arise because of unintended consequences and may result in high unanticipated costs.Stephenson reads a report titled "International Trade;' which has three sections about Genovia's policies and regulations.The first section of the report discusses policies that legislators may implement to accomplish Genovia's objective of promoting free trade on industrial goods.The second section of the report covers corporate domicile. Stephenson learns that regulators in Genovia recently amended regulations to encourage foreign businesses to move their corporate domicile to Genovia.The third section of the report reviews the regulation of commerce. Genovia's goal is to establish an environment that encourages foreign businesses to increase trade with domestic businesses. Stephenson considers two features of Genovia's regulation of commerce.Feature 1:Recent court decisions have upheld financial liability and bankruptcy laws.Feature 2:A legal structure is in place governing contracts and each party's rights.Stephenson then reviews two initiatives by Genovia to improve domestic policies and regulations.The first initiative by Genovia is its passage of conflict of interest regulations. Regulators implement regulatory restrictions and regulatory mandates that apply to employees of securities firms. One of Stephenson's research colleagues writes reports on a company in which he owns shares.The second initiative by Genovia is to reduce pollution and promote renewable electricity generation. Two years ago, the government implemented taxes on fossil fuels and subsidies on hydropower and other renewables. Stephenson reviews the changes in sources of electricity production since the policies were introduced, shown in Exhibit 1.

**Exhibit 1. Genovia's Domestic Electricity Generation Production**

| Sector | Year 0 | Year 1 | Year 2 |
|---|---|---|---|
| Fossil fuels | 462 | 446 | 426 |
| Hydropower | 186 | 231 | 273 |
| Other renewables | 97 | 120 | 154 |
| Total | 745 | 797 | 853 |

*Note*: Amounts are in terawatt hours (TWh).

7.【单项选择题】Which of Stephenson's statements regarding Le regulateur and L'organisation is correct?

A.Only Statement 1 is correct.

B.Only Statement 2 is correct.

C.Both Statement 1 and Statement 2 are correct.

参考答案：A

【莽学解析】Le regulateur, as an independent regulator but not an SRO, has legal authority from the Genovia government to regulate. Therefore, Le regulateur both enacts and enforces regulations related to the new accounting statue in Genovia.

8.【单项选择题】Is Stephenson's Statement 3 correct?

A. Yes

B. No, because L'organisation is given the authority to enforce regulations by a government agency

C. No, because pressure from its member companies prevents L'organisation from enforcing its rules and standards

参考答案：A

【莽学解析】L'organisation is an SRO but not an independent regulator, so it is a private entity that is not affiliated with Genovia's government. SRO's that are not independent regulators receive authority from their members who agree to comply with the organization's rules and standards and its enforcement of these.

9.【单项选择题】Which of Stephenson's comment to her supervisor is most likely correct?

A. Only Comment 1 is correct.

B. Only Comment 2 is correct.

C. Both Comment 1 and Comment 2 are correct.

参考答案：C

【莽学解析】Comment 1 is correct because regulatory filings, in response to proposed regulations, often identify at least some of the unintended consequences prior to the implementation of the regulation. Comment 2 is correct because the cost of unintended consequences, including both indirect costs and unanticipated implementation costs, can be high.

10.【单项选择题】Which of the following policies would best address Genovia's objective of promoting free trade on industrial goods?

A. Imposing tariffs on foreign-produced goods

B. Allowing a floating currency

C. Providing subsidies to domestic companies

参考答案：B

【莽学解析】A floating currency allows international trade in Genovia to be market-based. International disputes about whether a country is manipulating or fixing its currency price often center on issues related to conpetitiveness.

11.【单项选择题】By amending regulations to encourage foreign businesses to change their corporate domicile, regulators are encouraging regulatory:

A. capture.

B. arbitrage.

C. competition.

参考答案：C

【莽学解析】Regulatory competition describes actions by regulators to encourage behaviors. Regulators may compete to provide a regulatory environment designed to attract certain entities (regulatory competition). By amending regulations, Genovia's regulators seek to encourage foreign companies to change their corporate domicile.

12.【单项选择题】Which feature discussed in the third section of "International Trade" will

most likely help Genovia achieve its goal of encouraging foreign businesses to increase trade with domestic businesses?
A. Only Feature 1
B. Only Feature 2
C. Both Feature 1 and Feature 2
参考答案：C
【莽学解析】Genovia needs unambiguous laws concerning financial liability and bankruptcy to encourage foreign businesses to enter into contracts, particularly those that are long term and may involve sunk costs. The court decisions help Genovia achieve its goal. Also, clearly defined rules governing contracts, their interpretation, and each party's legal rights under a contract are necessary. Thus, both features help Genovia achieve its goal.

13.【单项选择题】Based on Exhibit 1, which government policy has been most effective in helping Genovia achieve its second initiative?
A. Tax on fossil fuels
B. Subsidy on hydropower
C. Subsidy on other renewables
参考答案：C
【莽学解析】At the end of Year 2, the compound annual growth rate (CAGR) for each sector is calculated as follows: (Year 2/Year 0) $^{0.5}$ – 1Fossil fuels = (426/462)$^{0.5}$ – 1 = -4%Hydropower = (273/186)$^{0.5}$ – 1 = 21%Other renewables = (154/97)$^{0.5}$ – 1 = 26%. The CAGR indicates that the 26% increase in production from the subsidy on other renewables has been more effective than the 4% decrease in production from the tax on fossil fuels or the 21% increase in production from the subsidy on hydropower. Thus, the subsidy on other renewables of 26% is the highest, indicating that this policy has been the most effective in helping Genovia achieve its second initiative.

【题干】Ed Smith is a new trainee in the foreign exchange (FX) services department of a major global bank. Smith's focus is to assist senior FX trader Feliz Mehmet, CFA. Mehmet mentions that an Indian corporate client exporting to the United Kingdom wants to estimate the potential hedging cost for a sale closing in one year. Smith is to determine the premium/discount for an annual (360-day) forward contract using the exchange rate data presented in Exhibit 1.

**Exhibit 1. Select Currency Data for GBP and INR**

| | |
|---|---|
| Spot (INR/GBP) | 79.5093 |
| Annual (360-day) Libor (GBP) | 5.43% |
| Annual (360-day) Libor (INR) | 7.52% |

Mehmet is also looking at two possible trades to determine their profit potential. The first trade involves a possible triangular arbitrage trade using the Swiss, US, and Brazilian currencies, to be executed based on a dealer's bid/offer rate quote of 0.2355/0.2358 in CHF/BRL and the interbank spot rate quotes presented in Exhibit 2.
Mehmet is also considering a carry trade involving the USD and the euro. He anticipates it will generate a higher return than buying a one-year domestic note at the current market quote due to low US interest rates and his predictions of exchange rates in one year. To help Mehmet

| Exhibit 2. Interbank Market Quotes | |
|---|---|
| **Currency Pair** | **Bid / Offer** |
| CHF/USD | 0.9799 / 0.9801 |
| BRL/USD | 4.1699 / 4.1701 |

assess the carry trade, Smith provides Mehmet with selected current market data and his one-year forecasts in Exhibit 3.

**Exhibit 3. Spot Rates and Interest Rates for Proposed Carry Trade**

| Today's one-year Libor | | Currency pair (Price/Base) | Spot rate today | Projected spot rate in one year |
|---|---|---|---|---|
| USD | 0.80% | CAD/USD | 1.3200 | 1.3151 |
| CAD | 1.71% | EUR/CAD | 0.6506 | 0.6567 |
| EUR | 2.20% | | | |

Finally, Mehmet asks Smith to assist with a trade involving a US multinational customer operating in Europe and Japan. The customer is a very cost-conscious industrial company with an AA credit rating and strives to execute its currency trades at the most favorable bid‐offer spread. Because its Japanese subsidiary is about to close on a major European acquisition in three business days, the client wants to lock in a trade involving the Japanese yen and the euro as early as possible the next morning, preferably by 8:05 a.m. New York time.
At lunch, Smith and other FX trainees discuss how best to analyze currency market volatility from ongoing financial crises. The group agrees that a theoretical explanation of exchange rate movements, such as the framework of the international parity conditions, should be applicable across all trading environments. They note such analysis should enable traders to anticipate future spot exchange rates. But they disagree on which parity condition best predicts exchange rates, voicing several different assessments. Smith concludes the discussion on parity conditions by stating to the trainees,
I believe that in the current environment both covered and uncovered interest rate parity conditions are in effect.

14.【单项选择题】Based upon Exhibit 1, the forward premium (discount) for a 360-day INR/GBP forward contract is closest to:
A.-1.546
B.1.546
C.1.576
参考答案：C
【莽学解析】The equation to calculate the forward premium (discount) is:
S<sub>f/d</sub> is the spot rate with GBP the base currency or d, and INR the foreign currency or f. S<sub>f/d</sub> per Exhibit 1 is 79.5093, i<sub>f</sub> is equal to 7.52% and

$$F_{f/d}-S_{f/d}=S_{f/d}\left(\frac{\left[\frac{Actual}{360}\right]}{1+i_d\left[\frac{Actual}{360}\right]}\right)(i_f-i_d)$$

i<sub>d</sub> is equal to 5.43%. With GBP as the base currency (i.e. the “domestic” currency) in the INR/GBP quote, substituting in the relevant base currency values from Exhibit 1 yields the following:

$$F_{f/d}-S_{f/d}=79.5093\left(\frac{\left[\frac{360}{360}\right]}{1+0.0543\left[\frac{360}{360}\right]}\right)(0.0752-0.0543)$$

$$F_{f/d}-S_{f/d}=79.5093\left(\frac{1}{1.0543}\right)(0.0752-0.0543)$$

$$F_{f/d}-S_{f/d}=1.576$$

15.【单项选择题】Based on Exhibit 2, the most appropriate recommendation regarding the triangular arbitrage trade is to:

A.decline the trade, no arbitrage profits are possible.

B.execute the trade, buy BRL in the interbank market and sell it to the dealer.

C.execute the trade, buy BRL from the dealer and sell it in the interbank market.

参考答案：B

【莽学解析】The dealer is posting a bid rate to buy BRL at a price that is too high. This overpricing is determined by calculating the interbank implied cross rate for the CHF/BRL using the intuitive equation-based approach:CHF/BRL = CHF/USD × $(BRL/USD)^{-1}$, orCHF/BRL = CHF/USD × USD/BRLInverting the BRL/USD given the quotes in Exhibit 2 determines the USD/BRL bid－offer rates of 0.23980/0.23982. (The bid of 0.23980 is the inverse of the BRL/USD offer, calculated as 1/4.1702; the offer of 0.23982 is the inverse of the BRL/USD bid, calculated as 1/4.1698.) Multiplying the CHF/USD and USD/BRL bid－offer rates then leads to the interbank implied CHF/BRL cross rate:

Bid: 0.9799 × 0.23980 = 0.2349

Offer: 0.9801 × 0.23982 = 0.23505

Since the dealer is willing to buy BRL at 0.2355 but BRL can be purchased from the interbank market at 0.23505, there is an arbitrage opportunity to buy BRL in the interbank market and sell BRL to the dealer for a profit of 0.0045 CHF (0.2355 – 0.23505) per BRL transacted.

16.【单项选择题】Based on Exhibit 3, the potential all-in USD return on the carry trade is

closest to:
A. 0.83%.
B. 1.23%.
C. 1.63%.
参考答案：A
【莽学解析】The carry trade involves borrowing in a lower-yielding currency to invest in a higher-yielding
one and netting any profit after allowing for borrowing costs and exchange rate movements. The relevant trade is to borrow USD and lend in euros. To calculate the all-in USD return from a one-year EUR Libor deposit, first determine the current and one-year-later USD/EUR exchange rates. Because one USD buys CAD 1.3200 today and one CAD buys EUR 0.6506 today, today’s EUR/USD rate is the product of these two numbers: 1.3200 × 0.6506 = 0.8588. The projected rate one year later is 1.3151 × 0.6567 = 0.8636. Accordingly, measured in dollars, the investment return for the unhedged EUR Libor deposit is equal to
(1.3200 × 0.6506) × (1+0.022) × [1/(1.3151 × 0.6567)] - 1
= 0.8588 × (1.022) × (1/0.8636) - 1 = 1.01632 - 1 = 1.632%
However, the borrowing costs must be charged against this gross return to fund the carry trade investment (one-year USD Libor was 0.80%). The net return on the carry trade is therefore 1.632% - 0.80% = 0.832%.

17.【单项选择题】The factor least likely to lead to a narrow bid/offer spread for the industrial company's needed currency trade is the:
A. timing of its trade.
B. company's credit rating.
C. pair of currencies involved.
参考答案：B
【莽学解析】While credit ratings can affect spreads, the trade involves spot settlement (i.e., two business days after the trade date), so the spread quoted to this highly rated (AA) firm is not likely to be much tighter than the spread that would be quoted to a somewhat lower-rated (but still high-quality) firm. The relationship between the bank and the client, the size of the trade, the time of day the trade is initiated, the currencies involved, and the level of market volatility are likely to be more significant factors in determining the spread for this trade.

18.【单项选择题】If Smith's statement on parity conditions is correct, future spot exchange rates are most likely to be forecast by:
A. current spot rates.
B. forward exchange rates.
C. inflation rate differentials.
参考答案：B
【莽学解析】By rearranging the terms of the equation defining covered interest rate parity, and assuming that uncovered interest rate parity is in effect, the forward exchange rate is equal to the expected future spot exchange rate,

$$F_{f/d} = S^{e}_{f/d}$$

, with the expected percentage change in the spot rate equal to the interest rate differential.

Thus, the forward exchange rate is an unbiased forecast of the future spot exchange rate.

【题干】Connor Wagener, a student at the University of Canterbury in New Zealand, has been asked to prepare a presentation on foreign exchange rates for his International Business course. Wagener has a basic understanding of exchange rates, but would like a practitioner's perspective, and he has arranged an interview with currency trader Hannah McFadden. During the interview, Wagener asks McFadden: "Could you explain what drives exchange rates? I'm curious as to why our New Zealand dollar was affected by the European debt crisis in 2011 and what other factors impact it." In response, McFadden begins with a general discussion of exchange rates. She notes that international parity conditions illustrate how exchange rates are linked to expected inflation, interest rate differences, and forward exchange rates as well as current and expected future spot rates. McFadden makes the following statement:Statement 1: "Fortunately, the international parity condition most relevant for FX carry trades does not always hold." McFadden continues her discussion: "FX carry traders go long (i.e. buy) high-yield currencies and fund their position by shorting, that is borrowing in, low-yield currencies. Unfortunately, crashes in currency values can occur which create financial crises as traders unwind their positions. For example, in 2008, the New Zealand dollar was negatively impacted when highly leveraged carry trades were unwound. In addition to investors, consumers and business owners can also affect currency exchange rates through their impact on their country's balance of payments. For example, if New Zealand consumers purchase more goods from China than New Zealand businesses sell to China, New Zealand will run a trade account deficit with China." McFadden further explains:Statement 2: "A trade surplus will tend to cause the currency of the country in surplus to appreciate while a deficit will cause currency depreciation. Exchange rate changes will result in immediate adjustments in the prices of traded goods as well as in the demand for imports and exports. These changes will immediately correct the trade imbalance." McFadden next addresses the influence of monetary and fiscal policy on exchange rates: "Countries also exert significant influence on exchange rates through both the initial mix of their fiscal and monetary policies, and also by subsequent adjustments to those policies. Various models have been developed to identify how these policies affect exchange rates. The Mundell-Fleming model addresses how changes in both fiscal and monetary policies affect interest rates and ultimately exchange rates in the short-term." McFadden describes monetary models by stating:Statement 3: "Monetary models of exchange rate determination focus on the effects of inflation, price level changes, and risk premium adjustments." McFadden continues her discussion: "So far, we've touched on balance of payments and monetary policy. The portfolio-balance model addresses the impacts of sustained fiscal policy on exchange rates. I must take a client call, but will return shortly. In the meantime, here is some relevant literature on the models I mentioned along with a couple of questions for you to consider:Question 1:Assume an emerging market (EM) country has restrictive monetary and fiscal policies under low capital mobility conditions. Are these policies likely to lead to currency appreciation, currency depreciation, or to have no impact?Question 2:Assume a developed market (DM) country has an expansive fiscal policy under high capital mobility conditions. Why is its currency most likely to depreciate in the long-run under an integrated Mundell-Fleming and portfolio-balance approach?" Upon her return, Wagener and McFadden review the questions. McFadden notes that capital flows can have a significant impact on exchange rates and have contributed to currency crises in both EM and DM countries. She explains that central banks, like the Reserve Bank of New Zealand, use FX market intervention as a tool to manage exchange rates. McFadden states:Statement 4: “Some studies have found that EM central banks tend to be more effective in using exchange rate intervention than DM central banks, primarily because of one important factor.” McFadden continues her discussion:Statement 5: “I mentioned that capital inflows could cause a currency crisis, leaving fund managers with significant losses. In the period leading up to a currency crisis, I would predict that an affected country's:Prediction 1: foreign exchange reserves will increase.Prediction 2: broad money growth in nominal and real terms will increase.Prediction 3: real exchange rate will be substantially higher than its mean level during tranquil periods.After the interview, McFadden agrees to meet the following week to discuss more recent events on the New Zealand dollar.

19.【单项选择题】The international parity condition McFadden is referring to in Statement 1 is:
A.purchasing power parity.
B.covered interest rate parity.
C.uncovered interest rate parity.
参考答案：C
【莽学解析】The carry trade strategy is dependent upon the fact that uncovered interest rate parity does not hold in the short or medium term. If uncovered interest rate parity held, it would mean that investors would receive identical returns from either an unhedged foreign currency investment or a domestic currency investment because the appreciation/depreciation of the exchange rate would offset the yield differential. However, during periods of low volatility, evidence shows that high yield currencies do not depreciate enough and low yield currencies do not appreciate enough to offset the yield differential.

20.【单项选择题】In Statement 2, McFadden is most likely failing to consider the:
A.initial gap between the country's imports and exports.
B.price elasticity of export demand versus import demand.
C.lag in the response of import and export demand to price changes.
参考答案：C
【莽学解析】McFadden states that exchange rates will immediately correct the trade imbalance. She is describing the Flow Supply/Demand Channel, which assumes that trade imbalances will be corrected as the deficit country's currency depreciates, causing its exports to become more competitive and its imports to become more expensive. Studies indicate that there can be long lags between exchange rate changes, changes in the prices of traded goods and changes in the trade balance. In the short-run, exchange rates tend to be more responsive to investment and financing decisions.

21.【单项选择题】The least appropriate factor used to describe the type of models mentioned in Statement 3 is:
A.inflation.
B.price level changes.
C.risk premium adjustments.
参考答案：C
【莽学解析】Risk premiums are more closely associated with the portfolio-balance approach. The portfolio balance approach addresses the impact of a country's net foreign asset/liability position. Under the portfolio balance approach, investors are assumed to hold a diversified portfolio of assets including foreign and domestic bonds. Investors will hold a country's bonds

as long as they are compensated appropriately. Compensation may come in the form of higher interest rates and/or higher risk premium.

22.【单项选择题】The best response to Question 1 is that the policies will:
A.have no impact.
B.lead to currency appreciation.
C.lead to currency depreciation.
参考答案：B
【莽学解析】The currency is likely to appreciate. The emerging market country has both a restrictive monetary policy and restrictive fiscal policy under conditions of low capital mobility. Low capital mobility indicates that interest rate changes induced by monetary and fiscal policy will not cause large changes in capital flows. Implementation of restrictive policies should result in an improvement in the trade balance, which will result in currency appreciation.

23.【单项选择题】The most likely response to Question 2 is a(n):
A.increase in the price level.
B.decrease in risk premiums.
C.increase in government debt.
参考答案：C
【莽学解析】Expansionary fiscal policies result in currency depreciation in the long run. Under a portfolio-balance approach, the assumption is that investors hold a mix of domestic and foreign assets including bonds. Fiscal stimulus policies result in budget deficits which are often financed by debt. As the debt level rises, investors become concerned as to how the on-going deficit will be financed. The country's central bank may need to create more money in order to purchase the debt which would cause the currency to depreciate. Or, the government could adopt a more restrictive fiscal policy, which would also depreciate the currency.

24.【单项选择题】The factor that McFadden is most likely referring to in Statement 4 is:
A.FX reserve levels.
B.domestic demand.
C.the level of capital flows.
参考答案：A
【莽学解析】EM countries are better able to influence their exchange rates because their reserve levels as a ratio to average daily FX turnover are generally much greater than those of DM countries. This means that EM central banks are in a better position to affect currency supply and demand than DM countries where the ratio is negligible. EM policymakers use their foreign exchange reserves as a kind of insurance to defend their currencies, as needed.

25.【单项选择题】Which of McFadden's predictions in Statement 5 is least likely to be correct?
A.Prediction 1
B.Prediction 2
C.Prediction 3
参考答案：A
【莽学解析】Prediction 1 is least likely to be correct. Foreign exchange reserves tend to decline precipitously, not increase, as a currency crisis approaches. Broad money growth in

nominal and real terms tends to rise sharply in the two years leading up to a currency crisis, peaking around 18 months before a crisis hits. In the period leading up to a currency crisis, the real exchange rate is substantially higher than its mean level during tranquil periods.

【题干】Tiu Asset Management (TAM), a hypothetical financial services firm, recently hired Jonna Yun. Yun is a member of TAM’ s Global Equity portfolio team and is assigned the task of analyzing the effects of regulation on the financial services sector of a par-ticular country. In her first report to the team, Yun makes the following statements:Statement 1 The country’ s regulator, a government agency, concerned about systemic risk, is calling for an accelerated adoption of central-ized derivatives settlement (as opposed to bilateral settlement between two counterparties)—a more stringent rule—ahead of other major countries that are considering a similar move.Statement 2 Regulators use various tools to intervene in the financial services sector.Statement 3 Regulations may bring benefits to the economy, but they may also have unanticipated costs.Statement 4 The country’ s regulatory authorities are considering a regula-tion that is similar to Regulation Q in the United States, which imposed a ceiling on interest rates paid by banks for certain bank deposits.

26.【单项选择题】What is the most likely basis for the concerns noted in Statement 1?

A.Externalities

B.Regulatory arbitrage

C.Informational friction

参考答案：B

【莽学解析】Firms based in the country are likely to be concerned because of the earlier timing of the application of new (more stringent) regulations in the country than in other large countries. With more stringent regulations, some business may flow to less stringent regulatory environments or jurisdictions.

27.【单项选择题】The tools least likely to be used by regulators to intervene in financial markets owing to informational frictions are:

A.blackout periods.

B.capital requirements.

C.insider-trading restrictions.

参考答案：A

【莽学解析】Blackout periods are established by companies in response to concerns about insider trading. Thus, blackout periods are not a tool used by regulators to intervene in the financial services sector. Capital requirements are used by government regulators to reduce systemic risk and financial contagion. Insider-trading restrictions are used by regulators concerned about insiders using their greater knowledge to the disadvantage of others; insider-trading restrictions respond to informational frictions.

28.【单项选择题】Which of the following is most likely an unanticipated effect of regulation?

A.Hiring compliance lawyers

B.Setting legal standards for contracts

C.Establishing employers’ rights and responsibilities

参考答案：A

【莽学解析】The hiring of more lawyers to deal with compliance is an example of an 'unintended' implementation cost. Establishing legal standards for contracts and employers' rights and responsibilities are objectives (intended consequences) of some regulation.

29.【单项选择题】After Regulation Q was imposed, the demand for money market funds most likely:

A. increased.

B. decreased.

C. remained unchanged.

参考答案：A

【莽学解析】Regulation Q set a ceiling on the interest rates paid by banks for various types of deposits, which resulted in investors' shifting funds to money market funds.