8.06 Pricing and Valuation of Futures Contracts

Question 1
If interest rates are negatively correlated with futures prices, an increase in interest rate volatility *most likely* increases the prices of:
A. futures relative to forwards.
B. forwards relative to futures.
C. futures and forwards equally.

Question 2
All else equal, which of the following is *most likely* to cause futures and forward contract prices to differ? Differences in:
A. contract liquidity.
B. counterparty credit risk.
C. timing of gain/loss realization.

Question 3
With regard to comparable futures and forward contracts, during times when futures prices are positively correlated with interest rates, futures are *mostly likely* priced:
A. lower than forwards.
B. the same as forwards.
C. higher than forwards.