

7.03 Fixed-Income Issuance and Trading

Question 1

A large corporate issuer issued \$50 million to the general public in a new bond offering two years ago. Using the same offering circular, the company just issued an additional \$30 million in new bonds, *most likely* due to a:

- A. shelf registration.
- B. private placement.
- C. best effort offering.

Question 2

An analyst is classifying bonds within the global fixed income market. Which of the following is *least likely* a valid distinction for the analyst to use?

- A. Bilateral versus syndicated
- B. Fixed rate versus floating rate
- C. Corporate versus nonsovereign

Question 3

Typically, corporate bonds are *most likely* issued through a(n):

- A. auction.
- B. best effort offering.
- C. underwritten offering.

Question 4

The secondary market for a particular bond is *most likely* deemed liquid if the bond can be sold quickly:

- A. to numerous bidders.
- B. for same-day settlement.
- C. at close to fair market value.

Question 5

Floating rate notes (FRNs) are *most likely* issued by banks to:

- A. limit their interest rate risk.
- B. lower their interest expense.
- C. secure long-term funding needs.

Question 6

A dealer places a noncompetitive bid in a single-price auction of government bonds for \$1 million face value of bonds. Which of the following statements *most* accurately describes the amount of bonds the dealer will receive when the auction is concluded?

- A. None, since the bid is noncompetitive
- B. \$1 million face value of bonds at the issuer-accepted yield
- C. \$1 million face value of bonds at the yield that the dealer bid

Question 7

With respect to the supply of fixed-rate and floating-rate debt, which of the following statements is *most* accurate?

- A. Consumer banks prefer to make fixed-rate loans.
- B. Consumer finance companies prefer to issue floating-rate debt.
- C. Corporate borrowers expecting higher rates prefer to issue floating-rate bonds.

Question 8

A bond that trades in the secondary market is *most likely* transacted:

- A. through an auction.
- B. on an organized exchange.
- C. in the over-the-counter markets.

Question 9

A Japanese corporation makes a public offering of EUR-denominated bonds in the French domestic bond market. From a French investor's perspective, these securities are *most likely* considered:

- A. Eurobonds.
- B. foreign bonds.
- C. domestic bonds.

Question 10

Which of the following abilities is *most likely* an advantage for an institutional investor participating in a bond private placement?

- A. Influencing the terms of the transaction
- B. Immediately reselling the bonds for a quick profit
- C. Conducting extensive due diligence to confidently take a large portfolio position

Question 11

For floating-rate debt, the reference rate *most likely*:

- A. defines the periodic reset of the spread.
- B. depends mainly on the issuer's creditworthiness.
- C. determines borrowing cost variation after issuance.

Question 12

Compared with broad equity indexes (eg, STOXX Europe 600, S&P 500), broad fixed-income indexes covering the same geographic region *most likely*:

- A. have fewer constituents.
- B. exhibit greater constituent turnover.
- C. are equally weighted rather than market-value-weighted.