

Question #1 of 8

Question ID: 1463635

Other things equal, the no-arbitrage forward price of an asset will be higher if the asset has:

- A) storage costs.
 - B) dividend payments.
 - C) convenience yield.
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Question #2 of 8

Question ID: 1463632

A negative net cost of carry will:

- A) increase the no-arbitrage forward price.
 - B) decrease the no-arbitrage forward price.
 - C) have no effect on the no-arbitrage forward price.
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Question #3 of 8

Question ID: 1463636

Which of the following is *most likely* to increase the no-arbitrage forward price of an asset?

- A) Higher dividends from a stock.
 - B) Lower convenience yield for a commodity.
 - C) Lower storage costs for a commodity.
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Question #4 of 8

Question ID: 1463631

It is possible to profit from arbitrage when there are no costs or benefits to holding the underlying asset and the forward contract price is:

- A) less than the future value of the spot price.

- B)** less than the present value of the spot price.
 - C)** greater than the present value of the spot price.
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Question #5 of 8

Question ID: 1463633

For an underlying asset that has no holding costs or benefits, the no-arbitrage forward price at initiation of a forward contract is:

- A)** zero.
 - B)** the future value of the spot price.
 - C)** equal to the spot price.
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Question ID: 1463630

The calculation of derivatives values is based on an assumption that:

- A)** investors are risk neutral.
 - B)** arbitrage opportunities are exploited rapidly.
 - C)** arbitrage opportunities do not arise in real markets.
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Question #7 of 8

Question ID: 1463634

A net benefit from holding the underlying asset of a forward contract will:

- A)** increase the value of the forward contract during its life.
 - B)** decrease the no-arbitrage forward price at initiation.
 - C)** decrease the value of the forward contract at expiration.
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Question #8 of 8

Question ID: 1463637

Other things equal, an increase in storage costs of the underlying asset will:

- A)** decrease the no-arbitrage forward price.
- B)** not affect the no-arbitrage forward price.
- C)** increase the no-arbitrage forward price.