Question #1 of 6

Question ID: 1469224

Long futures contracts may be preferred to equivalent forward contracts without central clearing when interest rates are:

A) positively correlated with the price of the underlying.

B) negatively correlated with the price of the underlying.

C) uncorrelated with the price of the underlying.

Question #2 of 6

Question ID: 1469223

Long forward contracts without central clearing may be preferred to equivalent futures contracts when interest rates are:

A) negatively correlated with the price of the underlying.

B) uncorrelated with the price of the underlying.

C) positively correlated with the price of the underlying.

Question #3 of 6

Question ID: 1469222

Compared to an interest rate futures contract, an otherwise equivalent forward rate agreement will:

A) exhibit greater convexity.

B) have greater payments for a given decrease in interest rates.

C) have greater volatility.

Question #4 of 6

Question ID: 1463642

If the price of a forward contract is greater than the price of an identical futures contract, the most likely explanation is that:

A) the futures contract requires daily settlement and the forward contract does not.

B) the futures contract is more difficult to exit than the forward contract.

C) the forward contract is more liquid than the futures contract.

Question #5 of 6

Question ID: 1463643

Bea Moran wants to establish a long derivatives position in a commodity she will need to acquire in six months. Moran observes that the six-month forward price is 45.20 and the six-month futures price is 45.10. This difference *most likely* suggests that for this commodity:

A) long investors should prefer futures contracts to forward contracts.

B) futures prices are negatively correlated with interest rates.

C) there is an arbitrage opportunity among forward, futures, and spot prices.

Question #6 of 6

Question ID: 1469221

For a futures contract, the adjustment for the change in settlement price from one day to the next will result in:

A) no change in contract price but a change in contract value.

B) a change in contract price but no change in contract value.

C) changes in both the contract price and contract value.