1. The price of a forward contract most likely:

A. decreases as the price of the underlying goes up.

B. is constant and set as part of the contract specifications.

C. increases as market risk increases.

2. Which of the following statements best describes changes in the value of a long forward position during its life?

A. As the time to maturity goes down, the value of the position goes up.

B. As the price of the underlying goes up, the value of the position goes up.

C. As interest rates go down, the value of the position goes up.

3. Conceptually, a forward rate agreement most likely allows a company that wants to invest money in the future to lock in a rate by making a:

A. variable payment and receiving a fixed payment.

B. fixed payment and receiving a different fixed payment.

C. fixed payment and receiving a variable payment.

4. In efficient financial markets, risk-free arbitrage opportunities:

A. will not exist.

B. may persist in the long run.

C. may exist temporarily.

5. A high convenience yield is most likely associated with holding:

A. bonds.

B. equities.

C. commodities.