Examples for **TRUE/ FALSE** questions

1. In general, trend following strategies tend to work better in high volatility environments and mean reversion strategies tend to work better in low volatility environments

2. The most common strategy in M&A arbitrage is selling the target company and buying the acquirer

Examples for **Multiple Choice** questions

1. Hedge Funds are usually designed to be:
   a) High risk / high return investment vehicles
   b) More discretionary in their investments than traditional funds
   c) Highly correlated with the stock market
   d) Absolute return funds with specific benchmark

2. The well known sentence by Warren Buffet that "in the short term the market is a voting machine but in the long term it is a weighting machine", implies that:
   a) Markets are made of demand and supply
   b) Fundamentals is what matter, at the end
   c) Mr Market moods can be dangerous
   d) All of the above

3. Over the last 10 years, which of the following factors / systems generated a higher info sharpe when used for trading the Eurostoxx future (VG1):
   a) Price Earnings Ratio
   b) Volatility (V2X) index
   c) EurUsd rate
   d) Short term mean reversion

4. If you discover a strategy that yields a sharpe of 10.3 using daily data, you have most likely:
   a) Incurred in forward looking bias
   b) Incurred in over-fitting
   c) Incurred in misspecification
   d) Discovered a road to richness

5. If you are considering trading a security whose price returns exhibit a daily autocorrelation (AC1) of +0.12, which type of strategy would you first try:
   a) Short term trend following
   b) Short term mean reversion
   c) Long term trend following
   d) Long term mean reversion

Examples for **Open Questions** questions

1. The European treasury yield curve currently presents the following rates:

1 month	1.00%		
1 year	1.46%	6 years	2.64%
2 years	1.79%	7 years	2.79%
3 years	1.94%	8 years	2.91%
4 years	2.22%	9 years	3.00%
5 years	2.43%	10 years	3.08%

Assume that you want to build a duration neutral flattener between the 2 and the 10 years in this curve.

a) Which bond you need to buy and which you need to sell? (explain)

b) In approximately which proportions? (explain)

c) Do you expect the overall position to have a positive or negative carry? (explain)

d) Do you expect the overall position to have a positive or negative rolldown? (explain)

2. When you use intraday trading data to back-test a strategy, the “bid-ask” bounce can highly overstate the performance of the strategy. Comment. Which type of strategies is most affected by this effect?