FM Graded Quiz M3

Question 1

According to "Special Feature: Evaluating Changes in Correlations during Periods of High Market Volatility.", what is the primary reason for increased correlations between asset returns during periods of high market volatility?

- A natural consequence of probability theory even if the underlying relationships remain unchanged
- Contagion effects between markets
- New market structures or practices
- Changes in the underlying relationships that determine returns

✕ Incorrect

Question 8

If an ETF tracking the S&P 500 has a correlation of 0.98 with the index, what is its tracking error?

- 0.02%
- 0.98%
- 1%
- 2%

✕ Incorrect

Question 12

If a portfolio consists of two assets with standard deviations of 6% and 2% respectively and a correlation of 0.5 what is the portfolio standard deviation for equal weights?

- 4.27%
- 4.00%
- 5.20%
- 3.60%

✕ Incorrect