

25/01 560 FINANCIAL MARKETS

Course Overview ▾

M1: Credit Risk and Financing ▾

M2: Return and Volatility ▾

M3: Correlation ▴

FM Forum M3

LESSON 1: PORTFOLIO RETURNS AND  
STANDARD DEVIATIONS

☐ Required Readings

☐ Lesson Notes

LESSON 2: CORRELATION

☐ Required Readings

☐ Lesson Notes

LESSON 3: EXCHANGE-TRADED FUNDS

☐ Required Readings

☐ Lesson Notes

LESSON 4: VOLATILITY AND  
CORRELATIONS

☐ Required Readings

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MODULE 3 SUMMARY

☐ Correlation Screencast

ASSESSMENTS

☐ FM Practice Quiz M3

☒ FM Graded Quiz M3

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## 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

QUESTIONS



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

