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Lesson #5 Quiz

LATEST SUBMISSION GRADE

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1. While discussing what the future of financial markets will look like, the following arguments were mentioned (check all that apply):

1 / 1 point

- ☐ Financial markets will evolve following simple ideas and ideals, such as the ones historically mentioned by Karl Marx or Robert Owen.
- ☐ Financial markets are likely to stay the way they are now for the next three decades.
- ☒ It is hard to predict the nature of future financial markets, since human species is the product of a complex evolution.

✓ Correct

- ☒ It is hard to predict the nature of future financial markets, this evolution will depend on the involvement of young generations within the financial community.

✓ Correct

2. In his work, David Moss describes how investors' psychology favored limited liability after the early 19th century New York experiment. In fact, the comparison between investors' psychologies in the context of unlimited liability and lottery tickets is:

1 / 1 point

- ☐ Symmetrical depending on the amount of money involved. For large amounts, both unlimited liability and lottery tickets investors tend to overestimate the minimum probability of loss.
- ☐ Symmetrical. Unlimited liability and lottery tickets investors tend to overestimate the minimum probability of loss.
- ☐ There is no such comparison between lottery tickets and unlimited liability investors.
- ☒ Asymmetrical. Unlimited liability investors tend to overestimate the minimum probability of loss, whereas in lottery tickets, they overestimate the minimum probability of win.

✓ Correct

3. The introduction of inflation indexed debt was motivated by: (check all that apply)

1 / 1 point

- ☒ Historical examples of nominal debt being wiped out in real terms by high inflation.

✓ Correct

- ☐ The idea to generate profits when inflation is equal to 0.

- ☒ An incentive to hedge from inflation volatility.

✓ Correct

- ☒ An incentive to have a debt contract fixed in real terms.

✓ Correct

4. Why did Chile introduce the Unidad de Fomento ?

1 / 1 point

- ☒ To create a unit of account indexed to inflation, in order to counteract the impact of hyperinflation.
- ☐ To bolster international trade.
- ☐ To replace the peso as the official currency because of hyperinflation.
- ☐ To provide stimulus to the economy.

✓ Correct

5. The concept of equity-protected mortgages consists in:

1 / 1 point

- ☐ Mortgages that include accident insurance.
- ☒ Mortgages that include house price insurance.
- ☐ Mortgages that include fire insurance.
- ☐ Mortgages that include casualty insurance.

✓ Correct

As an example, if the house price falls below the amount you owe, the mortgage debt will be corrected down.