Quiz 21 for Nov 9

Started: Nov 5 at 3:28am

Quiz Instructions

Complete this quiz by 11:00 a.m. on Wednesday November 9.

Question 1

1 pts

Consider a forward contract and a futures contract written on the same asset and having the same time until maturity. The futures price will be less than the forward price

- ◯ if the asset's return is positively correlated with interest rates.
- ◯ if the asset has a postive risk premium.
- ◯ if the asset has a negative risk premium.
- ◉ if the asset's return is negatively correlated with interest rates.

Question 2

1 pts

An important reason why futures contracts are marked to market is

- ◉ to reduce default risk.

○ to standardize a contract's amount.

○ make futures prices equal forward prices for the same underlying asset and maturity.

○ to standardize a contract's maturity.

Question 3

1 pts

A futures contract has a 1 year maturity and is written on a stock index whose current value is 1500. The stocks in the index pay a dividend yield of 3.00%. If the one-year to maturity, continuously-compounded riskfree rate equals 2.00%, what is this contract's futures price?

State your answer to the nearest integer, e.g., 1572 .

1,485

Question 4

1 pts

A futures contract has a maturity of 9 months and is written on a coupon bond that pays semi-annual coupons at an annual coupon rate of 4.00%. The coupon bond has a maturity of exactly five years and a principal value of 100. If the term structure of spot yields is flat at a semi-annual compounded interest rate of 4.00%, what is the futures price for this contract?

State your answer to the third decimal place, e.g. 98.021

100.995

Question 5

1 pts

Ask one or more questions or make one or more comments regarding the material covered in this class.

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Quiz saved at 4:50am

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