# Quiz 10 for Sept 28

Started: Sep 25 at 11:21pm

# Quiz Instructions

Complete this quiz by 11:00 a.m. on Wednesday September 28. Use care in submitting your answers according to the question instructions because no credit is given for incorrect submissions.

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## Question 1 — 1 pts

The amount of a quarterly floating rate coupon based on SOFR compounded in arrears

- ○ can be hedged with a 3-month overnight index swap initiated 3 months before the coupon is paid.
- ○ is known 3 months prior to the date when the coupon is paid.
- ○ can be hedged with a 3-month overnight index swap initiated at the date that the coupon is paid.
- ● equals SOFR on the day prior to when the coupon is paid.

## Question 2 — 1 pts

Suppose the continuously-compounded spot yields for maturities of 6 months and 9 months is 3.8% and 4.0%, respectively. The no-arbitrage value of the forward rate for a 6 by 9 forward rate agreement is

(State the rate as a percent to the tenth of 1 percent, e.g., 3.74, using the standard money market rate convention used in FRA quotes.)

44.24

## Question 3

1 pts

An overnight index swap rate

- (selected) equals the risk-neutral expected compounded interest from overnight investing during the life of the swap.
- equals the expected compounded interest from overnight investing during the life of the swap.
- equals the compounded interest from overnight investing during the life of the swap.
- is a default-risky rate similar to LIBOR.

## Question 4

1 pts

A short position in a forward rate agreement

- will profit when there is an unexpected decline in market interest rates.
- pays the forward rate in return for receiving a random future short-term rate.
- will be appropriate to hedge a future floating rate bond coupon payment.
- (selected) can be hedged by borrowing at a short maturity and investing at a longer maturity.

## Question 5

1 pts

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

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Quiz saved at 1:11am

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