Quiz 12 for Oct 5

Started: Oct 1 at 6:27pm

Quiz Instructions

Complete this quiz by 11:00 a.m. on Wednesday October 5.

Question 1	1 pts

A zero-coupon bond with a time until maturity of 10 years has on a Monday a continuously-compounded yield to maturity equal to 0.0200. On the next day, Tuesday, its continuously-compounded yield to maturity is 0.0192. What is the bond's rate of return over the period from Monday to Tuesday?

State your answer to 4th decimal point, e.g., -0.0063

0.008

Question 2	1 pts

As a zero-coupon bond's maturity increases,

○ its expected rate of return decreases.

○ the volatility of its rate of return increases but the volatility of its yield decreases.

○ its expected rate of return increases and its average yield decreases.

⦿ the volatilities of both its rate of return and yield increase.

Question 3
1 pts

An annuity that makes semi-annual payments has a time until maturity of 10 years. A coupon bond also makes semi-annual payments, has a time until maturity of 10 years, and a coupon rate of 10%.

⦿ Depending on the discount function, the duration of the annuity could be larger or smaller than that of the coupon bond.

○ The annuity has a shorter duration than that of the coupon bond only if its semi-annual payments are more than those of the coupon bond's semi-annual coupons.

○ The annuity has a longer duration than that of the coupon bond if its semi-annual payments are less than those of the coupon bond's semi-annual coupons.

○ The annuity has a shorter duration than the coupon bond.

Question 4
1 pts

A bank's assets consist of $50 billion in mortgages and $30 billion in commercial loans. The mortgages have a duration of 10 years and the commercial loans have a duration of 2 years. The duration of the bank's total assets are

State your answer in years to the second decimal point, e.g. 5.32

7

Question 5

1 pts

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

Edit   View   Insert   Format   Tools   Table

12pt   Paragraph   **B**   *I*   U   A   ✎   T² | 🔗   🖼   📄 | ⋮

Though the calculation is straight forward, the concept of duration is vague. Can you specify what can duration bring us? Thank you.

p   ⌨   ⓘ | 22 words   </>   ↗   ⋮

Submit Quiz