

Hereafter you must answer 40 multiple choice questions. Please check the correct answer in the boxes. **Only one answer is correct per question** and you should check only one box. For each question you have the number of points given for a correct answer first and then the points subtracted for an incorrect answer. If you do not answer a question it will count as zero point. If you change your mind, circle the answer you want to cancel. The circled answer will not count.

1. Financial Instruments

(3 points / –1 point)

Which of the following statements regarding benchmark interest rates on the money market is/are correct?

- I) The ask rate corresponds to the bid rate.
- II) The SARON is a bid rate.
- III) The federal funds rate (FFR) is an indicator based solely on the major transactions carried out on the federal funds market.

Select the correct answer:

- ☐ Only statement I) is correct.
- ☐ Only statement III) is correct.
- ☐ Only statements I) and II) are correct.
- ☐ All statements are correct.

2. Financial Instruments

(3 points / –1 point)

Your portfolio manager is responsible for a EUR bond portfolio with a modified duration of 6 years. He is mainly invested between 5 and 7 years. Willing to increase convexity, he decides to sell part of his bonds and buy 1-year bonds and 11-year bonds instead by maintaining the portfolio modified duration at 6 years.

What type of debt instrument strategy is this?

- ☐ Yield enhancement strategy.
- ☐ Yield spread strategy.
- ☐ Yield curve strategy.
- ☐ Leverage strategy.