

- 1** There are larger volumes of funds traded in...
(a) the indirect channel
- 2** Which of the following is a limitation to the use of duration in evaluating financial instruments?
(c) it tends to overestimate the effect of interest rate changes
- 3** If we add together money markets of all currencies worldwide we obtain...
(b) the Forex
- 4** Typically, the level of fixed interest rate mortgages, compared to floating ones, is:
(a) higher
- 5** The typical intermediate target of a central bank is represented by...
(d) interest rates
- 6** The European current benchmark rate for overnight interest rates is called...
(d) €STR
- 7** Which insurer typically holds larger exposures in stocks, real estate and alternatives?
(a) life insurers
- 8** When a trader "short sells" an asset, what does actually happen?
(b) the asset is borrowed and sold, and repurchased later
- 9** The "open interest", referred to the market for derivatives, indicates...
(c) the number of outstanding contracts that are not settled yet
- 10** I am short in a forward on stocks with a strike price of 100. At the maturity date:
(b) I will receive 100 and will have to deliver the underlying stocks

Open question (in a nutshell)

There are typically four areas in a commercial bank: asset mgmt, liability mgmt, liquidity mgmt, capital mgmt. These are highly interconnected: assets and liabilities influence liquidity by generating inflows and outflows, and generate risks that are covered with capital for their unexpected component. The expected portion of risks is managed through pricing, diversification, and strategies that plan ahead for all these areas, including the consideration of opportunities and threats arising from the environment

Exercise

Given bid/ask prices for these three exchange rates, no.

		bid	ask
One way could be to buy USD, then CHF, before going back to EUR:	EUR USD	0,95	0,97
$1000/0,97/1,15*1,02=914$	USD CHF	1,10	1,15
The alternative being buying CHF first, then USD, then back to EUR:	EUR CHF	1,02	1,06
$1000/1,06*1,1*0,95=986$			