

- 1** Which of the following are financial instruments typically traded in the indirect channel?
(c) loans and deposits
- 2** One of the limitations of the duration is assuming that the yield curve...
(b) is flat
- 3** In the interbank market for deposits, the leading segment is represented by...
(a) secured operations
- 4** Which of the following is a typical market reference for floating interest debt instruments?
(d) interbank offered rates
- 5** Which of the following central bank operations corresponds to a reduction in market liquidity?
(b) quantitative tightening
- 6** A typical asset of a commercial bank is represented by...
(b) reserves with the central bank
- 7** The main liability of an insurance company is called...
(a) technical provisions
- 8** A stock gives 1 in dividends, growing at a 5% rate. If its price is 100, what would be the cost of capital?
(c) 6%
- 9** The higher the yield-to-maturity...
(b) the higher the risk
- 10** An increase in trade barriers and tariffs usually produces the following effect on a currency:
(a) it appreciates

Open question (in a nutshell)

A PAYG system does immediately transfer contributions to pensioners in annuities, whereas a funded scheme accumulates each participant's contributions in a mutual fund until (s)he retires, and only then it converts the total amount, plus returns, in a stream of annuities.

Both schemes are prone to demographic risks. However, on one side a funded scheme is also exposed to financial risks arising from markets, whereas PAYG systems are exposed to labour market and public budget risks.

Exercise

1. Measure the YTM

$$YTM = (100/95)^2 - 1 = 2,6\%$$

2. Calculate the price today

$$P_1 = 95 \times (1+2,6\%) = 97,47$$

3. Calculate the price today with higher interests

$$P_1 = 100 / (1+4\%) = 96,15$$