

Team 3A

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Jasmine

The current price per share of X stock is \$100. The fair forward price per share of X stock in two years' time is \$110. Which of the following statements best reflects the expected price of one share of X stock in two years' time?

- (A) It will be less than \$100.
- (B) It lies between 100 and \$110.
- (C) It will be equal to \$110.
- (D) It will be greater than \$110.

Low Dong Ying

Suppose the strike prices are such that $K_3 > S_t > K_2 > K_1$ and that $K_2 = (K_1 + K_3)/2$. If V represents value of the options, what can be determined about the value of the call $c(K)$ and put $p(K)$ options?

- (A) $V[c(K_1)] > V[p(K_3)]$
- (B) $V[c(K_1)] < V[p(K_3)]$
- (C) $V[c(K_2)] > V[p(K_3)]$
- (D) $V[c(K_2)] < V[p(K_3)]$

Choi Jeongin

Which of the statements is most accurate?

- (A) American call option has more value than European call option on a non-dividend stock.
- (B) The current version of VIX is model free, because the formula uses many in-the-money S&P 500 index options.
- (C) Bull call spread's profit decreases as the underlying security's price increases up to the strike price of the short call option.
- (D) LIBOR is used as a benchmark rate for all debt instruments.

Jon Ang

Which of the following statements is the most accurate?

- (A) According to the interest rate parity, the quote currency must be devalued if its interest rate is higher.
- (B) Regardless of the stock price, and even in the presence of market friction, you will always make a profit from buying a box spread.
- (C) An investor should long the VIX to hedge the exposure of a stock portfolio that closely tracks the S&P 500 index.
- (D) The convexity of a duration suggests that duration does not account for large deviations of interest rates.

Ivian

You enter the CNBC website to view the followings indicators.

Indicator	Last Close	Current
USD/JPY	114.21	113.33
CBOE VIX	11.79	11.21
S & P Index Futures	23120	23410
U.S. 10-year Treasury yield	2.352	2.402

Which indicator is the odd one out?

- (A) USD/JPY
- (B) CBOE VIX
- (C) S & P Index Futures
- (D) U.S. 10-year Treasury yield