Team 3B

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Yang Xiaotian

Which of the following has the least risk?

(A) Depositing the money at a trustworthy bank

(B) Investing in a 10-year, fixed rate treasury

(C) Investing in a 1-year, fixed rate treasury

(D) Investing in a 1-year, non-fixed rate bond

Surya Narayanan S/o Vijay

Consider a European call option for 100 shares of IBM Corporation, whose strike price is \$145 per share and which matures 24 months from now. What does this option entitle you to do?

(A) Between now and 24 months from now, you are entitled to make a phone call to IBM Corporation to inquire about the value of 100 shares of IBM.

(B) Between now and 24 months from now, you have the right, but not the obligation to purchase 100 shares of IBM Corporation for \$145 per share.

(C) At the maturity date, that is 24 months from now, you have the right, but not the obligation to sell 100 shares of IBM Corporation for \$145 per share.

(D) At the maturity date, that is 24 months from now, you have the right, but not the obligation to purchase 100 shares of IBM Corporation for \$145 per share.

Melisa Soh Xin Jie

There are some European call and put options for a stock that are available as follows

Strike Price	Call Price	Put Price
\$50	\$11	\$3
\$70	\$8	\$6
\$75	\$6	\$12

All six options have the same expiration date. Henry claims that there is no arbitrage opportunity that can arise from the prices. David disagrees with Henry. He claims that the following portfolio can have arbitrage opportunity—long 1 call option with strike price 50, short 3 call options with strike price 70, lend \$1, and long 2 calls with strike price \$75. Who is correct?

(A) Neither of them is correct.

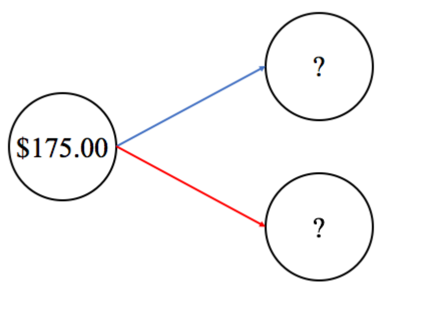
(B) Only Henry is correct.

(C) Only David is correct.

(D) Both of them are correct.

Vo Van Quoc Toan

Suppose the risk-neutral probability of upward movement is 66.945% and the risk-free rate is 1.2%, complete the nodes in the following one-period binomial tree:



(A) $181.04 and $169.16

(B) $261.41 and $117.15

(C) $264.55 and $118.56

(D) $366.65 and $83.53