

Team 4A

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November 13, 2017

JAEHONG KIM

Which is the odd one out?

- (A) The value of a European call option increases as the underlying asset's price increases and the difference between the time to maturity and the time the option is exercised increases.
- (B) With no arbitrage, the value of call option must be equal to the value of future payoff of the option.
- (C) The price of an option is affected by the underlying stock price going up or down by a certain amount.
- (D) As the volatility (represented by standard deviation) increases and the strike price decreases, the value of the call option increases.

KENNETH CHUA JUN YU

Which of the following statements is most accurate about swaps and futures contracts?

- (A) Swaps are typically short term, whereas futures contracts tend to extend over several years.
- (B) Swaps are derivative securities, but futures contracts are not.
- (C) A futures contract involves only one future transaction, whereas a swap typically involves several future transactions.
- (D) Swaps are usually marked to market, whereas futures contracts are not.

LIM ZHENG AN

Which of the following statements is most accurate?

- (A) In an interest rate swap, the party which exchanges a fixed interest rate for a floating rate is the swap buyer.
- (B) A rational buyer of an American call option with an expiration date that falls after the underlying stock's dividend ex date should never exercise the option early.
- (C) In binomial option pricing, the up and down factors are independent of the volatility of the underlying asset.
- (D) In a forward FX deal, the difference between the forward rate and the spot rate is known as the swap point.

LIM EN WEI

When the yield curve is downward-sloping, which inference is least accurate?

- (A) Opportunity cost risk is high.
- (B) Short-term risk is high.
- (C) Term structure of interest rate is inverted.
- (D) Reinvestment risk is high.

CHAN ZI HAO, DYLAN

In static replication, the pay-off function $f(S)$ contingent on the outcome S at maturity T can be replicated by

- (A) $f(\lambda)$: Number of risk free discount bonds, each paying \$1 at T
- (B) $f'(\lambda)$: Number of forward contracts with forward price λ
- (C) $(K - S)^+$ and $(S - K)^+$: European call and put options' payoffs at T of strike K .
- (D) All of the above.