

Team 5B

Christopher Ting

<http://www.mysmu.edu/faculty/christophert/>

Christopher Ting

✉: christopherting@smu.edu.sg

☎: 6828 0364

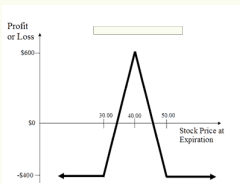
📞: LKCSB 5036

November 13, 2017

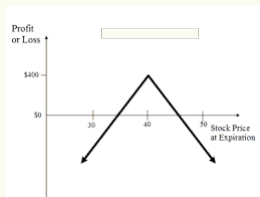
Morten BROENDUM

Which one of the following figures is a long position in the Condor option strategy? [Hint: The Condor construction: Sell 1 ITM Call, buy 1 ITM Call (Lower Strike), sell 1 OTM Call and buy 1 OTM Call (Higher Strike)]

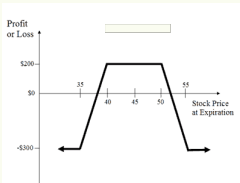
(A)



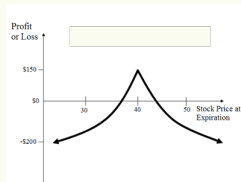
(C)



(B)



(D)



Tim Oliver PHILIPPI

Consider the bond equation

$$p(1 + y/2)^{2n} - 1 = \frac{c}{y}((1 + y/2)^{2n} - 1).$$

Which of the following statements is most accurate in describing the relation between the price of the bond and the coupon rate?

- (A) If the yield to maturity is higher than the coupon rate, the price of the Bond is always greater than 1 ($p > 1$).
- (B) If the yield to maturity is lower than the coupon rate, the price of the Bond is always lower than 1 ($p < 1$).
- (C) When the bond is not selling at par with $p \neq 1$ the coupon rate c and the yield to maturity y must be equal for this equation to hold.
- (D) When the bond is selling at par with $p = 1$, the coupon rate c and the yield to maturity y must be equal for this equation to hold.

Philipp KAUFMANN

You are an investor and you bought a risk-free zero-coupon bond that is due on May 14, 2019. It is likely that the interest rate will increase soon. The convexity is 3.15 and the risk-free rate is 5%. (Today is November 14, 2016.) How much would the price change (in %) if the interest rate increased by 1%? The bond price would most likely decrease by

- (A) 2.37%
- (B) 2.47%
- (C) 2.57%
- (D) 2.77%