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QUESTION 1

James manages a loans portfolio. He has to evaluate a large number of loans to choose which of them he will keep in the bank\\'s books. Which one of the following four loans would he be most likely to sell to another bank?

A. Loan to a major customer who is also a director and a large owner.

B. Loan made to a highly risky borrower that is fully collateralized by the customer\\'s deposits.

C. Loan to a commercial customer with a good payment history and collateral.

D. Loan to a borrower who has been delinquent previously, but now is performing as agreed.

Correct Answer: C

QUESTION 2

A multinational bank just bought two bonds each worth $10,000. One of the bonds pays a fixed interest of 5% semi-annually and the other pays LIBOR semi-annually. The six month LIBOR is at 5% currently. The risk manager of the bank is concerned about the sensitivity to interest rates. Which of the following statements are true?

A. The price of the bond paying floating interest is more sensitive to interest rates than the bond paying fixed interest.

B. The price of the bond paying fixed interest is more sensitive to interest rates than the bond paying floating interest.

C. Both bond prices are equally sensitive to interest rates.

D. The given information is not enough to determine the sensitivity of the bond prices.

Correct Answer: B

QUESTION 3

To estimate the price of gold forwards, an investment analyst focuses on the cost of holding physical gold (bullion) and the cost of shorting the same. Given that physical gold spot price is $1,000, the annual risk-free rate is 5%, and the gold lease rate equals 2% annually, the analyst\\'s best estimate of the gold forward price to equal

A. $950

B. $1030

C. $1070

D. $1100

Correct Answer: B

QUESTION 4

To estimate the responsiveness of a particular equity portfolio to the overall market, a trader should use the portfolio\\'s

A. Alpha

B. Beta

C. CVaR

D. VaR

Correct Answer: B

QUESTION 5

If the yield on the 3-month risk free bonds issued by the U.S government is 0.5%, and the 3-month LIBOR rate is 2.5%, what is the TED spread?

A. 0.5%

B. -2.0%

C. 2.0%

D. 3.0%

Correct Answer: C