

## ECON 133 – Securities Markets – Fall 2010

SCORE

QUIZ #4

AK

NAME: \_\_\_\_\_

Student Number: \_\_\_\_\_

Directions: Choose the best answer to the 10 questions posed below and enter in the box. You have exactly 10 minutes to complete this exercise.

1. Despite the Federal Reserve's plan to purchase \$600 billion of U.S. government bonds, the \_\_\_\_\_ of a 10-year Treasury note is continuing to \_\_\_\_\_ .

- A. price, rise
- B. yield, rise**
- C. coupon, rise
- D. yield, fall

2. Which of the following represents the yield on 10-year Treasury Note (as of 5pm ET 11/18/10)?

- A. 0.132%
- B. 0.261%
- C. 2.871%**

3. On November 18, 2010, which of the following companies undertook second largest IPO in U.S. history?

- A. General Motors Co.**
- B. Ford Motor Co.
- C. Tesla Motors Inc.

4. According to Thomson Reuters, the first-day price gain of 3.6% over the IPO price for said company was far below the 9.7% average for the previous 10 largest U.S. IPOs. This is in part a result of which of the following?

- A. U.S. Treasury's push to boost the IPO price**
- B. U.S. Treasury's push to reduce the IPO price
- C. U.S. Treasury's push to reduce the IPO volume
- D. Investors' indifference to the said company's IPO

5. You invest in the stock of Valleyview Corp. and purchase a put option on Valleyview Corp. This strategy is called a \_\_\_\_\_.

- A. long straddle
- C. protective put**
- B. naked put
- D. short stroll

6. At contract maturity the value of a call option is \_\_\_\_\_ where X equals the option's strike price and  $S_T$  is the stock price at contract expiration.

- A. **Max(0,  $S_T - X$ )**
- B. Min(0,  $S_T - X$ )
- C. Max(0,  $X - S_T$ )
- D. Min(0,  $X - S_T$ )

7. You purchase a call option on a stock. The profit at contract maturity of the option position is \_\_\_\_\_ where X equals the option's strike price,  $S_T$  is the stock price at contract expiration and  $C_0$  is the original purchase price of the option.

- A. **Max(- $C_0$ ,  $S_T - X - C_0$ )**
- B. Min(- $C_0$ ,  $S_T - X - C_0$ )
- C. Max( $C_0$ ,  $S_T - X + C_0$ )
- D. Max(0,  $S_T - X - C_0$ )

8. An American option can be exercised at any time until the expiration date. All else the same, an \_\_\_\_\_ style option will be \_\_\_\_\_ valuable than a \_\_\_\_\_ style option.

- A. **American, more, European**
- B. American, less, European
- C. American, more, Canadian
- D. American, less, Canadian

9. U.S. and European stock market indices, such as DJIA, S&P 500, FTSE-100 and Xetra DAX, rallied Thursday 11/18/2010 on the news that

- A. Greece stands to ACCEPT the joint European and IMF bailout for its banking industry.
- B. Greece stands to REJECT the joint European and IMF bailout for its banking industry.
- C. **Ireland stands to ACCEPT the joint European and IMF bailout for its banking industry.**
- D. Ireland stands to REJECT the joint European and IMF bailout for its banking industry.

10. Why hasn't Goldman Sachs paid back a \$5 billion investment from Warren Buffett's Berkshire Hathaway Inc.?

- A. **the Federal Reserve has not approved it**
- B. the preferred stock does not mature for another 5 years
- C. Goldman Sachs doesn't have enough cash
- D. Goldman Sachs does not want to repay it because the rate on the preferred stock is only ½% per year
- E. all of the above