

## ECON 133 – Securities Markets – Fall 2010

SCORE

QUIZ #2

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. Which of the following represents the yield on 6-month Treasury Bill (as of 5pm ET 10/07/10)?

A. 0.000%  
**B. 0.167%**  
C. 1.670%  
D. 16.107%

2. Which of the following represents the yield on 10-year Treasury Note (as of 5pm ET 10/07/10)?

A. 0.000%  
B. 0.167%  
**C. 2.382%**  
D. 16.701%

3. If the Federal Reserve \_\_\_\_\_ government bonds, then the value of the dollar will \_\_\_\_\_ and inflation will \_\_\_\_\_.

A. buys; rise; rise  
B. sells; rise; rise  
**C. buys; fall; rise**  
D. sells; fall; rise  
E. buys; fall; fall

4. A portfolio with a 25% standard deviation generated a return of 15% last year when T-bills were paying 4.5%. This portfolio had a Sharpe measure of \_\_\_\_.

A. 0.22  
B. 0.60  
**C. 0.42**  
D. 0.25

$$\frac{15 - 4.5}{25} = 0.42$$

5. You invest \$10,000 in a complete portfolio. The complete portfolio is composed of a risky asset with an expected rate of return of 15% and a standard deviation of 21% and a treasury bill with a rate of return of 5%. How much money should be invested in the risky asset to form a portfolio with an expected return of 11%?

**A. \$6,000**                      C. \$7,000  
B. \$4,000                      D. \$3,000     $15x + 5(1 - x) = 11$ ;  $x = 60\%$ ;  $0.60(10,000) = \$6,000$

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6. On Monday, the Troubled Asset Relief Program (TARP), initiated by the U.S. Treasury Department in the midst of the 2008 financial storm, officially ended. But criticism has been thrown at the TARP program, for all of the following valid reasons except

A. Due to public outcry, a similar program cannot be used by the government to respond to future financial crises

**B. TARP lost the government, and taxpayers, almost \$700 billion.**

C. The government bailout of the financial system can lead to moral hazard on the part of the largest financial companies.

D. The Fed has lost some of its independence, due to its willingness to work alongside the U.S. Treasury Department during the 2008 crisis rather than being a separate policymaking body.

E. All of the above are valid criticisms of the bailout

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7. The current United States Secretary of the Treasury is

A. Ben Bernanke

**B. Timothy Geithner**

C. Elizabeth Warren

D. Warren Buffett

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8. Adding additional risky assets to the investment opportunity set will generally move the efficient frontier \_\_\_\_\_ and to the \_\_\_\_\_.

A. up, right

**B. up, left**

C. down, right

D. down, left

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9. Beta is a measure of security responsiveness to \_\_\_\_\_.

A. firm specific risk

B. diversifiable risk

**C. market risk**

D. unique risk

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10. An investor's degree of risk aversion will determine his or her \_\_\_\_\_.

A. optimal risky portfolio

B. risk-free rate

**C. optimal mix of the risk-free asset and risky asset**

D. capital allocation line