

SYBFM sem IV A.T.K.T. Exam sept-2022

DEBT MARKETS 2: SYBFM SEM 4

21/9/22

Time: 2 ½ hours

(+ sept-2019)

Marks: 75

Note: (1) All questions are compulsory subject to internal choice
(2) Figures to the brackets to the right indicate marks



Q 1 (A) State True or False (Any 8)

(8)

1. Fixed income tends to provide better shorter term outcome.
2. The primary source of return for fixed securities is coupon income.
3. Hybrid instruments have only the features of debt.
4. All investments offer a balance between risk and potential risk.
5. Negative convexity means duration and price yield both increases.
6. Reinvestment risk exists in case of puttable bonds.
7. Lagging indicators usually change after a country's overall economy does.
8. The subprime lending market collapsed in 2007 as the housing market slowed.
9. Tracking error is called passive risk.
10. Portfolio strategies can be classified as either active strategies or passive strategies.

Q 1 (B) Match the following (Any 7)

(7)

COLUMN A	COLUMN B
1. Commercial Papers	a. Mortgage backed securities
2. G- Sec	b. Combination of active and passive
3. MBS	c. Market forces
4. CDO	d. Collateralized debt obligations
5. CCI	e. Government bonds
6. Hybrid strategies	f. Speculative bond rated BB
7. Market risk	g. Due to changes in legal policy
8. Legislative risk	h. Debt instruments
9. Credit risk	i. Unable to pay principal and interest amount
10. Junk Bonds	j. Consumer Confidence Index

Q 2 (a) What do you mean by Fixed Income Securities? State its Features.

(8)

Q 2 (b) Explain the risks associated with fixed income securities in bonds?

(7)

OR

Q 2 (c) Explain the different types of Fixed Income Securities briefly.

(8)

Q 2 (d) What are Hybrid Instruments? Explain the risk associated with Hybrid Instruments.

(7)

Q 3 (a) A bond is priced at Rs 1,000 that pays 6% coupon and matures in 3 years. Interest rate is 7%. The bond pays coupon twice in a year and pays the principal on final payment. Calculate the Macaulay duration and modified duration when YTM is 7% (15)

OR

Q 3 (b) Explain the merits & demerits of embedded option with call feature. (8)

Q 3 (c) Explain the merits & demerits of embedded option with put feature. (7)

Q 4 (a) What is GDP? How does it affect bond markets and currency? (8)

Q 4 (b) Discuss the background of Sub Prime Crises. Explain its causes. (7)

OR

Q 4 (c) What are Economic Indicators? Explain its types. (7)

Q 4 (d) Explain the impact of Sub Prime Crisis in India. (8)

Q 5 (a) What do you mean by Active Bond Strategy? Explain its Strategies. (8)

Q 5 (b) What do you mean by Passive Bond Strategy? Explain its Strategies. (7)

OR

Q 5 Write Short Notes on (Any 3 out of 5)

1. Bond Immunization
2. Junk Bonds
3. Duration
4. Binomial tree framework
5. Forward rate & Spot rate