

SYBFM sem IV Reg Exam April - 2023

SYBFM - Semester IV

Time 2 Hours 30 Minutes

75 Marks

Note :

08/4/23

All Questions are compulsory

Figures to the right indicate Marks.



Q.1 A) State whether the following Statements are TRUE OR FALSE (Any 8 out of 10)
(8Marks)

- The collapse of the U.S. subprime mortgage market triggered an international financial crisis that now stretches from Norway to China and the Middle East.
- The subprime lending market collapsed in 2007 as the housing market slowed.
- German banks were not hard-hit by America's housing crisis.
- Among the victims of America's subprime crisis are eight municipalities in Norway.
- Central banks in the United States, Europe and Japan have responded to the crisis through coordinated efforts to inject cash into the market.
- A backward induction refers to the process of valuing a bond using a binomial interest rate tree.
- Conversion value is also known as parity of the value convertible bond.
- Leading economic indicators can forecast the future movements of a country's economy.
- Lagging indicators usually change after a country's overall economy does.
- GDP can be taken as the sum of consumption, investment, government purchases and net exports.

Q.1.B) Fill in the Blanks: (Any 7 out of 10) 7 Marks

- The _____ approach is to re-value the bond or portfolio for a given interest-rate change.
- _____ is the total gain or loss expected on investment over a given period of time.
- Elements of fixed income analysis are _____ and _____ analysis.
- A specific bond's risk level is reflected in its _____
- Bond with _____ gives a bond issuer the right, but not the obligation.
- A callable bond is said to expose the investor to _____
- The Macaulay duration is the _____ term to maturity.
- Effective duration is a duration calculation for bonds that have _____
- Convexity calculates a _____ between price and yield of an changes in bonds
- Bond prices are said to have an _____ relationship with interest rates.

Q.2 A) What is Duration? Explain Modified Duration. (15)

or

Q.2 a) What are the benefits of investing in Fixed Income Securities? (8)

Q.2 b) Who are the participants in Fixed Income Market Securities? (7)

Q.3(A) What are hybrid instruments? Explain the risk associated with hybrid instruments. (15)

Or

Q.3 a) What are the risk associated with investing in bonds? (8)

Q.3 (b) Explain the different types of Fixed Income Securities briefly. (7)

Q.4 A) What is Index of Industrial Production (IIP)? Explain its significance. (15)

or

Q.4 a) If a bond price is 1,000 and pays 5% coupon annually with interest rate of 7% having a maturity of 6 years. Calculate Macaulay duration of bond. (8)

Q.4 (b) If a bond price is 1,000 and pays 5% coupon semi-annually with interest rate of 7% having a maturity of 6 years and market price of the bond is Rs. 980. Calculate Macaulay duration of bond. (7)

Q.5 a) What is GDP? How does it affect bond markets and Currency? (8)

b) Explain the impact of Sub Prime Crisis on India. (7)

Or

Q.5 Write Any 3 Short Notes (15)

(a) Junk Bonds.

(b) Fixed income market participants.

(c) Bond Immunization.

(d) Passive Management Strategy.

(e) GDP and Bond Market.

ALL THE BEST: