Reading 51: Fixed-Income Markets: Issuance, Trading, and Funding

Question #1 of 28

Question ID: 434404

Fixed income classifications by issuer *most likely* include:

A) Floating-rate bonds.
B) Money market securities.
C) Financial sector bonds.

Question #2 of 28

Question ID: 415480

Bonds issued by the International Monetary Fund (IMF) are *most accurately* described as:

A) supranational bonds.
B) quasi-government bonds.
C) non-sovereign government bonds.

Question #3 of 28

Question ID: 415477

A bond is quoted at 96.25 bid and 96.75 ask. Based only on this information, this bond is *most likely*:

A) relatively illiquid.
B) a corporate bond.
C) non-investment grade.

Question #4 of 28

Question ID: 415470

Fixed income classifications by geography *most likely* include:

A) supranational bonds.
B) municipal bonds.
C) emerging market bonds.

Question #5 of 28

Question ID: 415486

Compared to a term repurchase agreement, an overnight repurchase agreement is *most likely* to have a:

A) higher repo rate and repo margin.

B) lower repo rate and higher repo margin.

C) lower repo rate and repo margin.

Question #6 of 28

Question ID: 496427

A quoted Libor interest rate is *least likely* to refer to a specific:

A) maturity.

B) currency.

C) bank.

Question #7 of 28

Question ID: 765501

Which of the following coupon payment structures represents a leveraged inverse floater?

A) 10% - 0.75 times 180-day Libor.

B) 6% - 30-day Libor.

C) 8% - 1.5 times 90-day Libor.

Question #8 of 28

Question ID: 472420

Which of the following statements regarding repurchase agreements is *most accurate*?

A) Lower credit rating of the underlying collateral results in a lower repo margin.

B) Higher credit rating of the underlying collateral results in a higher repo rate.

C) Greater demand for the underlying security results in a lower repo margin.

Question #9 of 28

Question ID: 415485

The interbank funds market is *most accurately* described as:

A) trading of negotiable certificates of deposit.

B) unsecured short-term loans from one bank to another.

C) banks' borrowing of reserves from the central bank.

Question #10 of 28

Question ID: 765503

TBTF Bank issues credit-linked notes (CLNs) that have 5-year debentures of Ossien Company as their reference asset. If Ossien defaults on its debentures, the CLNs will be redeemed:

A) immediately for their par value.

B) for less than their par value.

C) for their par value plus a premium.

Question #11 of 28

Question ID: 653094

Settlement for a government bond trade *most likely* occurs on the:

A) next trading day after the trade.

B) third trading day after the trade.

C) second trading day after the trade.

Question #12 of 28

Question ID: 415474

Which of the following *least likely* represents a primary market offering? When bonds are sold:

A) in a private placement.

B) on a best-efforts basis.

C) from a dealer's inventory.

Question #13 of 28

Question ID: 415483

A structured security is a combination of:

A) a medium-term note and a derivative.

B) a corporate bond and a syndicated loan.

C) commercial paper and a backup line of credit.

Question #14 of 28

Question ID: 550543

Settlement for corporate bond trades generally happen on what basis?

A) Cash settlement.

B) Trade date + 3 days.

C) Trade date + 1 day.

Question #15 of 28

Question ID: 415473

The reference rate for a floating-rate note should *least likely* match the note's:

A) maturity.

B) reset frequency.

C) currency.

Question #16 of 28

Question ID: 415482

If two banks fund a loan to a corporation, the loan is *most accurately* described as a:

A) syndicated loan.

B) bilateral loan.

C) backup line of credit.

Question #17 of 28

Question ID: 496428

The interest rate on excess reserves borrowed by one bank from another bank is *most accurately* described as a(n):

A) interbank lending rate.

B) reserve swap rate.

C) central bank funds rate.

Question #18 of 28

Question ID: 415487

A repurchase agreement is described as a "reverse repo" if:

A) a bond dealer is the lender.

B) the repurchase price is lower than the sale price.

C) collateral is delivered to the lender and returned to the borrower.

Question #19 of 28

Question ID: 598999

Settlement for corporate bond trades is *most likely* to happen on what basis?

A) Trade date + 3 days.

B) Trade date + 1 day.

C) Cash settlement.

Question #20 of 28

Question ID: 415472

The *most appropriate* reference rate for a one-year, U.S. dollar denominated, floating-rate note that resets monthly is:

A) 30-day LIBOR.

B) 1-year LIBOR.

C) overnight LIBOR.

Question #21 of 28

Question ID: 415481

On November 15, 20X1, Grinell Construction Company decided to issue bonds to help finance the acquisition of new construction equipment. They issued bonds totaling $10,000,000 with a 6% coupon rate due June 15, 20X9. Grinell has agreed to pay the entire amount borrowed in one lump sum payment at the maturity date. Grinell is not required to make any principal payments prior to maturity. What type of bond structure has Grinell issued?

A) Amortizing maturity structure.

B) Serial maturity structure.

C) Term maturity structure.

Question #22 of 28

Question ID: 415471

Fixed income classifications by credit quality *most likely* include:

A) investment grade bonds.

B) developed market bonds.

C) money market securities.

Question #23 of 28

Question ID: 415479

The principal value of a sovereign bond is $1,000 at issuance and $1,055 two years after issuance. This bond *most likely*:

A) trades at a premium.

B) has been upgraded.

C) is indexed for inflation.

Question #24 of 28

Question ID: 415484

Which of the following sources of short-term funding is available to banks but typically unavailable to other corporations?

A) Syndicated loans.
B) Central bank funds.
C) Commercial paper.

Question #25 of 28

Question ID: 460682

An indenture is *most likely* to specify a bond's:

A) covenants.
B) underwriter.
C) credit rating.

Question #26 of 28

Question ID: 487761

Which type of issuer is *most likely* to issue bonds by auction?

A) Corporate.
B) Municipal.
C) Sovereign.

Question #27 of 28

Question ID: 415475

A purchase of a new bond issue by a single investor is *most accurately* described as a(n):

A) underwritten offering.
B) private placement.
C) grey market transaction.

Question #28 of 28

Question ID: 765502

An investor pays $100,000 for a security that consists of a zero-coupon bond that will pay $90,000 in three months and $11,000 worth of call options on an equity index that expire in three months. This security is *most accurately* described as a:

A) capital protected instrument.
B) guarantee certificate.

C) participation instrument.