**Final Exam – What to Expect**

FINE 7110 – Investments

Fall 2019

Thursday Dec. 12; 1:00 – 5:00 pm

1. You will be given the data for a portfolio of bonds. I will ask you to calculate the duration of the portfolio, the modified duration of the portfolio, and the convexity of one of the bonds in the portfolio. I will ask you some additional questions about how the portfolio will respond to changes in interest rates and how you might hedge your position.
2. I will give you the current 90-day LIBOR rate and the current prices for several quarters’ worth of Eurodollar Futures Contracts. You will be asked to put together an interest-rate swap of 3-month LIBOR for a fixed rate. You will need to calculate the swap rate, the expected variable rate payments, and the fixed rate payments. We will jump forward in time several quarters and I will give you all the pertinent data as of that point in time. You will be asked to value the swap as of that date for one of the swap participants.
3. I will give you the maturity, YTM, and price of several actively-traded bonds. You will be asked to bootstrap a few zero-coupon rates (Zs), find some implied forward rates from those Zs, and use those values to price a new bond and find its YTM.
4. There will be several multiple choice questions dealing with the required readings, assignments and topics that were discussed in class. Some will be quantitative. None of these questions will be based on material which was included on the midterm exam but not discussed since the midterm exam.

There will be some multiple choice questions based on some or each of the following:

* Behavioral Finance at J.P. Morgan case
* De Bondt Paper
* Malkiel Paper

You will be expected to come to the exam with a laptop that has Excel and its add-ins installed. You will need to be able to access the internet. You must start the exam with a clean Excel spreadsheet and may **not** copy and paste from any other spreadsheets. If you do, it will be considered to be a violation of the honor code. You may bring a copy of the J.P. Morgan case with you if you wish. You may also bring two pieces of paper (8.5 x 11) with notes written on both sides. You may look at anything on our class website and may work with any of the spreadsheets on our class website, but you may not copy and paste from any of them. You may not visit any other website. You will turn in the hard copy of the exam with all your answers on it as well as your page of notes. You will also send me an email with your excel work (on a single spreadsheet with multiple tabs) as an attachement.