HEC Paris **Financial Markets** **Practice Quiz 5**

LAST NAME ________________________ FIRST NAME ____________________________

1. Company CashCow Inc. pays a quarterly dividend of €5 per share. The next dividend will paid in 3 months time. CashCow stock trades at €150. Interest rates are 5% per year at all maturities. What is the no-arbitrage price of a forward contract on stock CashCow with a maturity of 4 months?

- ☐ €145.00
- ☐ €146.20
- ☐ €147.44
- ☐ €151.22
- ☐ €152.46

2. Traders have no inventory of oil, which cannot be short-sold. The spot price of oil is $40/barrel. Interest rates are 5% per year at all maturities. There can be an arbitrage opportunity if the futures price of oil for delivery in 1 year is

- ☐ $37/barrel
- ☐ $39/barrel
- ☐ $41/barrel
- ☐ $43/barrel

3. An American call option can be exercised

- ☐ only if it is out-of-the-money
- ☐ any time before maturity
- ☐ only if strike (exercise) price is above the spot price
- ☐ at the maturity date only

4. Consider a European put option on stock X with strike (exercise) price €40 and expiry in one week. What is the payoff of a long position in the put at expiry if stock X trades at €39 today and will trade at €42 in one week?

- ☐ minus €3
- ☐ minus €2
- ☐ minus €1
- ☐ zero
- ☐ €1
- ☐ €2
- ☐ €3

5. Which of the following is the payoff diagram of a short position in a call option?

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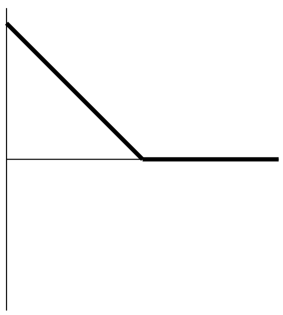

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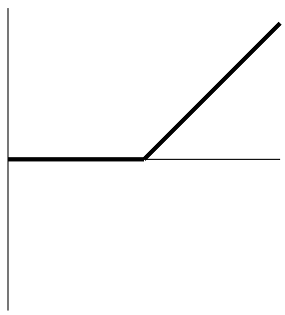

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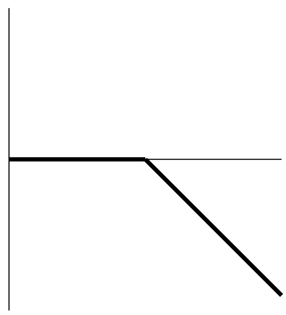

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