Investment Strategies on Different Financial Markets.d

1. Markets in which funds are transferred from those who have excess funds available to those who have a shortage of available funds are called
2. The price paid for the rental of borrowed funds (usually expressed as a percentage of the rental of $100 per year) is commonly referred to as the
3. The bond markets are important because
4. Interest rates are important to financial institutions since an interest rate increase ________ the cost of acquiring funds and ________ the income from assets.
5. Typically, increasing interest rates
6. Compared to interest rates on long-term U.S. government bonds, interest rates on ________ fluctuate more and are lower on average.
7. Compared to interest rates on long-term U.S. government bonds, interest rates on three-month Treasury bills fluctuate ________ and are ________ on average.
8. Stock prices since the 1980s have been
9. The largest one-day drop in the history of the American stock markets occurred in
10. The price of one country's currency in terms of another's is called
11. A stronger dollar benefits ________ and hurts ________.
12. A weaker dollar benefits ________ and hurts ________.
13. Every financial market performs the following function:
14. Securities are ________ for the person who buys them, but ________ for the individual/firm that sells them.
15. Which of the following can be described as involving direct finance?

16 A country whose financial markets function poorly is likely to

17 Wealth, either financial or physical, that is employed to produce more wealth is referred to as

18 The money market is the market in which ________ are traded.

19 A debt instrument is called ________ if its maturity is less than a year.

20 A debt instrument is called ________ if its maturity is greater than 10 years.

21 Security ________ link buyers and sellers by buying and selling securities at stated prices, while ________ are agents of investors who match buyers with sellers of securities.

22 Which of the following statements about financial markets and securities are true?

23 At the end of 2012, the value of debt instruments in the U.S. was around ________ trillion, and the value of equities was around ________ trillion.

24 Bonds that are sold in a foreign country and are denominated in a currency other than that of the country in which they are sold are known as

25 A loan that requires the borrower to make the same payment every period until the maturity date is called a

26 A bond's future payments are called its

27 A credit market instrument that pays the owner the face value of the security at the maturity date and nothing prior to then is called a

28 If a $5,000 coupon bond has a coupon rate of 13 percent, then the coupon payment every year is

29 An $8,000 coupon bond with a $400 annual coupon payment has a coupon rate of

30 The concept of ________ is based on the notion that a dollar paid to you in the future is less valuable to you than a dollar today.

31 Dollars received in the future are worth ________ than dollars received today. The process of calculating what dollars received in the future are worth today is called ________.

32 The process of calculating what dollars received in the future are worth today is called

33 With an interest rate of 5 percent, the present value of $100 received one year from now is approximately

34 With an interest rate of 10 percent, the present value of a security that pays $1,100 next year and $1,460 four years from now is approximately

35 With an interest rate of 8 percent, the present value of $100 received one year from now is approximately

36 As the price of a bond ________ and the expected return ________, bonds become more attractive to investors and the quantity demanded rises.

37 ________ is the total resources owned by an individual, including all assets.

38 A ________ prefers stock in a less risky asset than in a riskier asset.

39 The demand for an asset rises if ________ falls.

40 The higher the standard deviation of returns on an asset, the ________ the asset's ________.

41 In a recession when income and wealth are falling, the demand for bonds ________ and the demand curve shifts to the ________.

42 During business cycle expansions when income and wealth are rising, the demand for bonds ________ and the demand curve shifts to the ________.

43 Higher expected interest rates in the future ________ the demand for long-term bonds and shift the demand curve to the ________.

44 Lower expected interest rates in the future ________ the demand for long-term bonds and shift the demand curve to the ________.

45 The supply curve for bonds has the usual upward slope, indicating that as the price ________, ceteris paribus, the ________ increases.

46 When the price of a bond is above the equilibrium price, there is excess ________ in the bond market and the price will ________.

47 When the price of a bond is below the equilibrium price, there is excess ________ in the bond market and the price will ________.

48 The risk structure of interest rates is

49 Which of the following long-term bonds should have the lowest interest rate?

50 Which of the following long-term bonds should have the highest interest rate?

51 Bonds with relatively low risk of default are called

52 Bonds with relatively high risk of default are called

53 Between 1919 and 2016, when did long-term bond yields peak?

54 Between 1919 and 1990, when did long-term bond yields reach a low point?

55 A corporation suffering big losses might be more likely to suspend interest payments on its bonds, thereby

56 Holding everything else constant, if a corporation begins to suffer large losses, then the default risk on its bonds will ________ and the expected return on those bonds will ________.

57 Holding everything else the same, if a corporation's earnings rise, then the default risk on its bonds will ________ and the expected return on those bonds will ________.

58 If a corporation begins to suffer large losses, then the default risk on its bonds will ________ and the equilibrium interest rate on these bonds will ________

59 If a corporation's earnings rise, then the default risk on its bonds will ________ and the equilibrium interest rate on these bonds will ________

60 According to the efficient market hypothesis, the current price of a financial security

61 Current prices in a financial market will be set so that the optimal forecast of a security's return using all available information ________ the security's equilibrium return.

62 New information reveals that a stock's price will be $150 in one year. If the stock pays no dividends, and the required return is 10%, what does the efficient market hypothesis indicate the price will be today?

63 Another way to state the efficient market condition is that in an efficient market,

64 Another way to state the efficient market hypothesis is that in an efficient market,

65 The elimination of a riskless profit opportunity in a market is called

66 A situation in which the price of an asset differs from its fundamental market value is called

67 A situation in which the price of an asset differs from its fundamental market value

68 Studies of mutual fund performance indicate that mutual funds that outperformed the market in one time period

69 The efficient market hypothesis suggests that allocating your funds in the financial markets on the advice of a financial analyst

70 Raj Rajaratnam, a successful investor in the 2000s who consistently beat the market, was able to outperform the market on a consistent basis, indicating that

71 Which of the following does not weaken the efficient markets hypothesis?

72 Of the following sources of external finance for American nonfinancial businesses, the least important is

73 Of the following sources of external finance for American nonfinancial businesses, the most important is

74 Of the sources of external funds for nonfinancial businesses in the United States, bonds account for approximately ________ of the total.

75 Of the sources of external funds for nonfinancial businesses in the United States, stocks account for approximately ________ of the total.

76 Which of the following is not one of the eight basic facts about financial structure?

77 Which of the following is not one of the eight basic facts about financial structure?

78 The majority of household debt in the United States consists of

79 Commercial and farm mortgages, in which property is pledged as collateral, account for

80 Which of the following best explains the recent decline in the role of financial intermediaries?

81 Liquidity services are services that

82 A financial institution can achieve cost savings by engaging in multiple activities. These are called economies of

83 A financial institution can achieve cost savings in its credit card operations if it increases the number of cardholders. This is an example of economies of

84 What is a credit boom?

85 During the 1800s, many U.S. financial crises were precipitated by an increase in ________, often originating in London.

86 Stage Two of a financial crisis in an advanced economy usually involves a ________ crisis.

87 Stage Three of a financial crisis in an advanced economy features

88 Debt deflation refers to

89 In 1928 and the first half of 1929, prices ________ in the U.S. stock market.

90 From its peak in 1929 to the trough in December 1932, the Dow Jones Industrial Average fell how much?

91 The Baa-U.S. Treasury spread was about 2% at the beginning of 1929. By December 1932, the Dow Jones Industrial Average reached a low, and the spread had increased to how much?

92 In addition to having a direct effect on increasing adverse selection problems, increases in interest rates also promote financial crises by ________ firms' and households' interest payments, thereby ________ their cash flow.

93 What is a collateralized debt obligation?

94 Approximately how large was the U.S. subprime mortgage market in 2007?

95 Leading up to the 2007-2009 Financial Crisis, the ________ process, along with computer technology, enabled the bundling of smaller loans (like mortgages) into standard debt securities.