Question #1 of 29

Question ID: 1574367

A callable bond trading at $1,000 has an effective duration of 5 and modified duration of 6. If the market yield increases by 1% the bond's price will decrease by approximately:

A) $60.

B) $50.

C) $55.

Question #2 of 29

Question ID: 1574385

Key rate duration is *best* described as a measure of price sensitivity to a:

A) change in a bond's cash flows.

B) change in yield at a single maturity.

C) parallel shift in the benchmark yield curve.

Question #3 of 29

Question ID: 1574376

A bond has a convexity of 51.44. What is the approximate percentage price change of the bond due to convexity if rates rise by 150 basis points?

A) 0.26%.

B) 0.58%.

C) 0.71%.

Question #4 of 29

Question ID: 1574374

Assume that a straight bond has a duration of 1.89 and a convexity of 32. If interest rates decline by 1% what is the total estimated percentage price change of the bond?

A) 1.56%.

B) 1.89%.

C) 2.05%.

Question #5 of 29

Question ID: 1574380

An analyst gathered the following information about a 15-year bond:

- 10% semiannual coupon.
- Modified duration of 7.6 years.

If the market yield rises 75 basis points, the bond's approximate price change is a:

A) 5.4% decrease.

B) 5.4% increase.

C) 5.7% decrease.

Question #6 of 29

Question ID: 1574382

A UK 12-year corporate bond with a 4.25% coupon is priced at £107.30. This bond's duration and convexity are 9.5 and 107.2. If the bond's yield decreases by 125 basis points, the estimated price of the bond is *closest to*:

A) £121.84.

B) £112.72.

C) £120.95.

Question #7 of 29

Question ID: 1574368

A bond has the following characteristics:

- Maturity of 30 years
- Modified duration of 16.9 years
- Yield to maturity of 6.5%

If the yield to maturity *decreases* by 0.75%, what will be the percentage change in the bond's price?

A) +12.675%.

B) 0.750%.

C) -12.675%.

Question #8 of 29

Question ID: 1574373

An investor gathered the following information about an option-free U.S. corporate bond:

- Par Value of $10 million
- Convexity of 90
- Duration of 7

If interest rates increase 2% (200 basis points), the bond's percentage price change is *closest* to:

A) -12.2%.

B) -14.0%.

C) -15.8%.

Question #9 of 29

Question ID: 1574372

If a Treasury bond has an annual modified duration of 10.27 and an annual convexity of 143, which of the following is *closest* to the estimated percentage price change in the bond for a 125 basis point increase in interest rates?

A) -11.72%.

B) -13.96%.

C) -9.33%.

Question #10 of 29

Question ID: 1574379

Vantana Inc. has a bond outstanding with a modified duration of 5.3 and approximate convexity of 110. If yields increase by 1%, the bond price will:

A) decrease by less than 5.3%.

B) decrease by more than 5.3%.

C) increase by more than 5.3%.

Question #11 of 29

Question ID: 1574378

A bond's duration is 4.5 and its convexity is 87.2. If interest rates rise 100 basis points, the bond's percentage price change is *closest* to:

A) -4.06%.

B) -4.50%.

C) -4.94%.

Question #12 of 29

Question ID: 1574384

Wendy Jones, CFA, is reviewing a current bond holding. The bond's duration is 10 and its convexity is 200. Jones believes that interest rates will decrease by 100 basis points. If Jones's forecast is accurate, the bond's price will change by approximately:

A) +8.0%.

B) +11.0%.

C) –8.0%.

Question #13 of 29

Question ID: 1574387

Sensitivity of a bond's price to a change in yield at a specific maturity is *least appropriately* estimated by using:

A) effective duration.

B) key rate duration.

C) partial duration.

Question #14 of 29

Question ID: 1574370

For a given bond, the duration is 8 and the convexity is 100. For a 60 basis point decrease in yield, what is the approximate percentage price change of the bond?

A) 2.52%.

B) 4.62%.

C) 4.98%.

Question #15 of 29

Question ID: 1574381

A 9-year corporate bond with a 3.25% coupon is priced at 103.96. This bond's duration and convexity are 7.8 and 69.8. If the bond's yield increases by 100 basis points, the impact on the bondholder's return is *closest to*:

A) +8.15%.

B) –7.45%.

C) –7.80%.

Question #16 of 29

Question ID: 1574388

The approach to estimating duration that relies on using historical relationships between benchmark yield changes and bond price changes is:

A) empirical duration.

B) analytical duration.

C) modified duration.

Question #17 of 29

Question ID: 1574369

The price of a bond is equal to $101.76 if the term structure of interest rates is flat at 5%. The following bond prices are given for up and down shifts of the term structure of interest rates. Using the following information what is the approximate percentage price change of the bond using effective duration and assuming interest rates decrease by 0.5%?

Bond price: $98.46 if term structure of interest rates is flat at 6%

Bond price: $105.56 if term structure of interest rates is flat at 4%

A) 0.0087%.

B) 1.74%.

C) 0.174%.

Question #18 of 29

Question ID: 1574364

Jayce Arnold, a CFA candidate, considers a $1,000 face value, option-free bond issued at par. Which of the following statements about the bond's dollar price behavior is *most likely* accurate when yields rise and fall by 200 basis points, respectively? Price will:

A) decrease by $124, price will increase by $149.

B) decrease by $149, price will increase by $124.

C) increase by $149, price will decrease by $124.

Question #19 of 29

Question ID: 1574365

A non-callable bond has a modified duration of 7.26. Which of the following is the *closest* to the approximate price change of the bond with a 25 basis point increase in rates?

A) -0.018%.

B) -1.820%.

C) 1.820%.

Question #20 of 29

Question ID: 1574362

Effective duration is more appropriate than modified duration as a measure of a bond's price sensitivity to yield changes when:

A) the bond contains embedded options.

B) the bond has a low coupon rate and a long maturity.

C) yield curve changes are not parallel.

Question #21 of 29

Question ID: 1574386

Which of the following duration measures is *most appropriate* if an analyst expects a non-parallel shift in the yield curve?

A) Effective duration.

B) Key rate duration.

C) Modified duration.

Question #22 of 29

Question ID: 1574377

A bond has a modified duration of 7 and convexity of 100. If interest rates decrease by 1%, the price of the bond will *most likely:*

A) decrease by 7.5%.

B) increase by 6.5%.

C) increase by 7.5%.

Question #23 of 29

Question ID: 1574383

A bond priced at par ($1,000) has a modified duration of 8 and a convexity of 100. If interest rates fall 50 basis points, the new price will be *closest* to:

A) $958.75.

B) $1,041.25.

C) $875.00.

Question #24 of 29

Question ID: 1574375

Consider a bond with modified duration of 5.61 and convexity of 43.84. Which of the following is *closest* to the estimated percentage price change in the bond for a 75 basis point decrease in interest rates?

A) 4.12%.

B) 4.21%.

C) 4.33%.

Question #25 of 29

Question ID: 1574366

Given a bond with a modified duration of 1.93, if required yields increase by 50 basis points, the price would be expected to decrease by:

A) 0.965%.

B) 1.930%.

C) 0.009%.

Question #26 of 29

Question ID: 1574371

A bond has a duration of 10.62 and a convexity of 182.92. For a 200 basis point increase in yield, what is the approximate percentage price change of the bond?

A) -1.62%.

B) -17.58%.

C) -24.90%.

Question #27 of 29

Question ID: 1574363

The appropriate measure of interest rate sensitivity for bonds with an embedded option is:

A) effective duration.

B) Macaulay duration.

C) modified duration.

Question #28 of 29

Question ID: 1574361

An investor gathered the following information on two U.S. corporate bonds:

- Bond J is callable with maturity of 5 years
- Bond J has a par value of $10,000
- Bond M is option-free with a maturity of 5 years
- Bond M has a par value of $1,000

For each bond, which duration calculation should be applied?

	Bond J	Bond M
A)	Effective Duration	Effective Duration only
B)	Effective Duration	Modified Duration or Effective Duration
C)	Modified Duration	Effective Duration only

Question #29 of 29

Question ID: 1574389

For a portfolio consisting solely of short-term U.S. government bonds:

A) estimates of empirical and analytical durations should be similar.

B) empirical duration will be significantly lower than analytical duration.

C) analytical duration would be the preferable risk measure.