

51**FIXED-INCOME
ISSUANCE & TRADING**

1. The CFO of Premlow Insurance Co. wants to ensure that her investment portfolio aligns with the company's claims history and obligations as they come due. She will most likely invest in which types of fixed-income securities?
 - (A) Short-term, high-yield securities.
 - (B) Long-term, investment-grade securities.
 - (C) Intermediate-term, risk-free securities.
2. The ask price posted by a dealer on an older, relatively illiquid bond is quoted at \$1,065 per bond. The bid price posted by the dealer on that same bond will most likely be:
 - (A) 7 basis points higher.
 - (B) 15 basis points lower.
 - (C) 4 basis points lower.
3. An analyst who evaluates both fixed-income and equity indices will find that the turnover for the former relative to the latter will be:
 - (A) lower.
 - (B) higher.
 - (C) equivalent.
4. Fixed income classifications by issuer most likely include:
 - (A) Financial sector bonds.
 - (B) Floating-rate bonds.
 - (C) Money market securities.
5. Ridgeland Company wishes to issue its first bond, which will only be available to high-networth investors. The underwriter used by Ridgeland has guaranteed the bond issue price. Which of the following best describes this bond issuance?
 - (A) A public offering, underwritten offering.
 - (B) A shelf registration, best-efforts offering.
 - (C) A private placement, debut issuer.

6. A company's CFO looks to add more debt to the company's capital structure over a period of several years. She will most likely use which type of primary market transaction?
- (A) Shelf registration.
 - (B) Underwritten offering.
 - (C) Best-efforts offering..
7. A fixed-income investor is interested in high-yield bonds and is willing to take on the risk associated with non-investment-grade securities. Which of the following credit ratings will most likely be associated with the bonds in his portfolio?
- (A) An S&P rating of BBB–.
 - (B) An S&P rating of BB+.
 - (C) A Moody's rating of Baa2.
8. Jacob Sands, CFA, is an investment advisor working with a client who would like to incorporate more fixed income into his investment portfolio. The client already has a significant amount of funds allocated to relatively safe investments and has asked Sands about adding distressed debt to his portfolio. Sands will most likely describe these investments as having a:
- (A) medium credit rating, high risk, low yield.
 - (B) high credit rating, low risk, low yield.
 - (C) low credit rating, high risk, high yield.
9. Dave Kats, CFA, recommends the inclusion of a bond fund to his client. In determining the appropriate index benchmark for the fund, Kats will look for an index that matches the exposure of the bond fund in which of the following specific areas?
- (A) Volatility.
 - (B) Duration.
 - (C) Credit quality.
10. An investor who wishes to purchase asset-backed commercial paper (ABCP) will be choosing an investment that is considered:
- (A) intermediate term and default free.
 - (B) long term and high yield.
 - (C) short term and investment grade.
11. An analyst is likely to see a fixed-income index focused on which of the following characteristics?
- (A) Geography.
 - (B) Correlation to equity.
 - (C) Coupon rate ranges..

12. In explaining aggregate bond indices to her client, Ashley James references the Bloomberg Barclays Aggregate Index. Which of the following characteristics described by James to her client is most accurate?
- (A) Highly rated, high-yield, and unrated bond issuances are all included.
 - (B) There is no minimum size for bonds in the index.
 - (C) Bonds included come from many sectors and currencies.
13. A purchase of a new bond issue by a single investor is most accurately described as a(n):
- (A) private placement.
 - (B) underwritten offering.
 - (C) grey market transaction.
14. An investor is working with his financial planner to incorporate more fixed-income investments into his portfolio. One of the investor's questions centers on bond tracker funds and whether they use sampling to mirror a fixed-income index construction. The planner's response will most likely be that the tracker fund:
- (A) uses sampling to minimize transaction complexity.
 - (B) does not use sampling because that is more prevalent in equity index tracker funds.
 - (C) does not use sampling because the universe of fixed-income constituents is low relative to equity.
15. The Federal Reserve Bank of the United States sells Treasury securities to try and slow economic growth and reduce the money supply. The maturities of these securities are most likely to fall in a range of:
- (A) more than 10 years.
 - (B) 1 year to 10 years.
 - (C) less than 1 year.
16. The bid-ask spread for a bond most likely conveys information about:
- (A) its liquidity, but not its credit quality.
 - (B) both its liquidity and its credit quality.
 - (C) its credit quality, but not its liquidity.
17. Aggregate bond indexes are most likely to:
- (A) have less turnover than broad equity indexes.
 - (B) have large weights in sovereign bonds.
 - (C) include all bond sectors in a single currency.

18. Jane Reeves manages the travel schedule for the analysts and principals of the Overwater Underwriters (OU) Company. The schedule includes several roadshows over the next three months on behalf of Lakecot, Inc., a company that hired OU to bring its debt issuance to the marketplace. Lakecot's debt is best described as a:
- (A) debut issue.
 - (B) shelf issue.
 - (C) repeat issue.
19. An analyst has been tasked by his boss to review several bonds from issuers that used to carry investment-grade ratings, but have recently been downgraded to below investment grade. The bonds in this analyst's portfolio are best described as:
- (A) fallen angels.
 - (B) high to low yields.
 - (C) risk for cash investments.
20. Which type of issuer is most likely to issue bonds by auction?
- (A) Corporate.
 - (B) Municipal.
 - (C) Sovereign.
21. A bond is quoted at 96.25 bid and 96.75 ask. Based only on this information, this bond is most likely:
- (A) a corporate bond.
 - (B) non-investment grade.
 - (C) relatively illiquid.

