82 NATURAL RESOURCES

1. When the carrying cost exceeds the benefit of holding commodity:
   (A) the spot price is below the forward price.
   (B) there is an upward sloping forward curve.
   (C) the forward curve experiences backwardation.

2. If a commodity futures market is in backwardation:
   (A) the commodity has a high convenience yield.
   (B) a long futures position will have a negative roll yield.
   (C) the futures price is of the commodity is higher than the spot price.

3. The convenience yield of a commodity is best described as:
   (A) a benefit that reduces the forward price.
   (B) being directly related to the commodity's inventory levels.
   (C) a cash benefit from holding a physical commodity

4. Funds that invest in specific commodity sectors such as oil and gas or precious metals are best described as:
   (A) managed futures funds.
   (B) sector funds.
   (C) specialized funds.

5. Which of the following types of alternative investment is most likely to provide steady cash flows?
   (A) Farmland.
   (B) Timberland.
   (C) Raw land.

6. Which of the following is least likely to be a benefit of investing in commodities?
   (A) Current income.
   (B) Diversification.
   (C) Inflation hedge.

7. If a commodity's convenience yield is close to zero, the futures market for that commodity is most likely

   (A) in contango.

   (B) in backwardation.

   (C) at fair value