KOD/NAMA KURSUS : EG3183 PELABURAN ANTARABANGSA

TARIKH : 22 SEPTEMBER 1997 (ISNIN)

MASA : 2.30 - 5.00 PETANG (2 1/2 JAM)

TEMPAT : DEWAN MU’ADZAM SHAH

ARAHAN :

1. Kertas soalan ini mengandungi SEMBILAN (9) soalan di dalam ENAM (6) halaman bercetak.

2. Anda dikehendaki menjawab SEMUA soalan.


NO. MATRIK : 

(dengan perkataan) (dengan angka)

NO. KAD PENGENALAN :

NAMA PENSYARAH :

KUMPULAN :

JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN
1. Briefly describe the current international monetary system.

2. Foreign companies are complaining that they are prevented from exporting to Japan by all kinds of official or unwritten impediments. Try to list some of these impediments. What are the implications in terms of PPP?
3. Should nominal interest rates be equal across countries? Why? (10)

4. In late 1994 it was announced that the monthly current account of Japan was shrinking and that this effect could be permanent. Is this news good or bad for the Japanese yen? Why? (10)
5. The annualized performance of the U.S. and EAFE stock indexes are:

\[
\text{Return}_{\text{us}} = 11\% \quad \sigma_{\text{us}} = 15.5\%
\]

\[
\text{Return}_{\text{eafe}} = 14.6\% \quad \sigma_{\text{eafe}} = 18.2\%
\]

Correlation = 0.47

(i) What would be the return and risk of a portfolio invested half in the U.S. market and half in the EAFE index?

(ii) What if the correlation increases to 0.6?
6. Try to find some reasons why

(i) stock and bond markets should be strong correlated across the world. (6) & (ii) stock and bond markets should be weakly correlated. (6)

7. A broad-based stock market index is made up a large numbers of issues, with many of them trading infrequently. Assume a national stock market with little trading activity. Each company is traded only every other day (half the stocks trade on even days, and the other half trade on odd days). Explain why an index calculated on the basis of last available prices would exhibit positive autocorrelation of daily returns. (10)
8. (i) Compare national turnover ratios (ratio of annual turnover to market capitalization).

(ii) Do you have any explanation for the difference across markets and over time?
9. Here are some risk and return estimates for the future:

<table>
<thead>
<tr>
<th>Market</th>
<th>Return</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>10%</td>
<td>16%</td>
</tr>
<tr>
<td>EAFE</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Composite</td>
<td>15%</td>
<td>25%</td>
</tr>
</tbody>
</table>

All return and risk measures are calculated in U.S. dollars and are expressed in % per year. The correlation matrix is given below:

<table>
<thead>
<tr>
<th>U.S.</th>
<th>EAFE</th>
<th>Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>EAFE</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Composite</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

(i) Calculate the return and risk of a portfolio invested in the following proportions:

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>U.S.</th>
<th>EAFE</th>
<th>Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>50%</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>B</td>
<td>45%</td>
<td>45%</td>
<td>10%</td>
</tr>
<tr>
<td>C</td>
<td>40%</td>
<td>40%</td>
<td>20%</td>
</tr>
</tbody>
</table>

(ii) Try to derive some estimate of the efficient frontier obtained by using these three indexes (no short sales are allowed).