Date: 02/02/2021   **Time to complete the exam:** 1:30 hours

Exam PART B (130 points)

Please consider the Case Studies provided and answer in a straightforward way to the following questions:

1. How can the yield curve be used to predict recessions and the future level of reference rates of central banks, by also taking into account the explanatory theories of the term structure of interest rates. **(30 points)**

2. Present and discuss two alternative and adequate static methods to estimate the yield curve, identifying their major pros and cons. **(25 points)**

3. Describe how to compute the price of a futures contract on the 3-month Euribor rate with settlement next June. **(20 points)**

4. Characterize the structured products presented in the cases, namely by identifying the options embedded and the upside and risks for investors. **(30 points)**

5. Describe how to assess the probability of losing more than 20% of the amount invested in each of the structured products. **(25 points)**