The Exam will have 9 questions – 3 from each part of the course.

Except for bond pricing and duration type questions, the questions will be primarily essay questions with strong emphasis on the intuition behind models and results.
The basics

1. Bond Pricing
   A. Bond Pricing Formulas
   B. Duration
   C. Term Structure – Expectations Hypothesis

2. Interest Rate Risk
   A. Funding Gap
   B. Duration Gap
   C. Hedging Interest rate risk
      i. Interest Rate Futures
      ii. Swaps
      iii. Securitization
The basics - vocabulary

1. Money market
   A. Instruments

2. Fed Tools
   A. Discount Window
   B. Open Market Operations
   C. Reserve Requirements

3. Measures of bank performance
   A. ROE
   B. ROA
   C. NIM
   D. NII
Adding Uncertainty

A. Some tools and concepts
   A. Expected utility
   B. Risk aversion
   C. Optimal insurance

B. Banks as providers of optimal liquidity insurance.
   A. Autarky, bond trade, Pareto Optimum.
   B. Role of banks.
   C. Law of Large Numbers.
Credit Crisis

A. Know basic story from Brunnermeier article
   1. Sub-prime lending and securitization.
   2. Funding liquidity and market liquidity – interaction.
   3. Measures of liquidity and crisis
      a. Ted Spread.
      b. ABX index.
Final Exam

- Bring Blue Books
- Calculator may be needed
- How to study?
  - Create an index of terms for each topic
  - Understand how models relate – intuition of each
  - Keep the big picture in mind