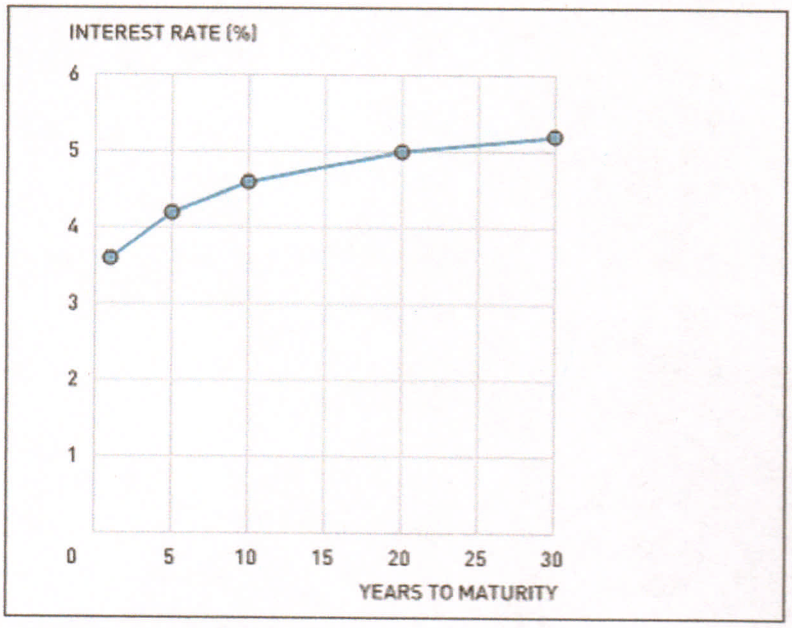
5. The yield curve

6

A Treasury yield curve is plotted below in the graph:



Would you describe this yield curve as being normal, inverted, or humped?

- (●) Normal
- ( ) Humped
- ( ) Inverted

True or False: According to the yield curve above, inflation must be expected to increase.

- (●) True
- ( ) False

Based upon the yield curve shown above, which of the following statements is correct?

- ( ) Expectations theory must be correct.
- (●) Inflation must be expected to increase in the future.
- ( ) Companies must have more investment opportunities now than they expect to have in the future.
- ( ) There is a positive maturity risk premium.
- ( ) If the pure expectations theory is correct, future short-term rates are expected to be higher than current short-term rates.

QNA 2.98 © 2004-2011 Aplia. All rights reserved.

Graded

Save & Continue