

## CFA® SAMPLE QUESTION - LEVEL I

### Fixed Income

**Q:** Which of the following bonds will have the greatest interest rate risk?

**CORRECT ANSWER:**

**(b) A 5% 10-year option-free bond yielding 4%**

Embedded options will reduce the duration/ interest rate risk.

The straight bond with the "lower" coupon will have greater duration than the straight bond with the higher coupon and thus the higher interest rate risk.



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