Assignment 5

The due date for submitting this assignment has passed. Due on 2016-08-24, 23:00 IST.

Submitted assignment

1) Choose the INCORRECT statement

- Lower the Nelson complexity index, higher the efficiency of the refinery
- Sour crude have higher sulphur component
- API measures the relative density of crude oil against water.
- A barrel is equivalent to 159 liters

No, the answer is incorrect.
Score: 0

Accepted Answers:
Lower the Nelson complexity index, higher the efficiency of the refinery

2) A barrel of crude oil equivalent to __________ gallons or __________ liters of crude oil

- 12, 160
- 42, 160
- 42, 159
- 12, 159

No, the answer is incorrect.
Score: 0

Accepted Answers:
42, 159

3) Choose the INCORRECT statement with respect to US Dollar Index

- Crude oil price and US Dollar exhibit negative relationship. i.e when US Dollar weakens, crude oil price goes up and vice versa
- US Dollar index measures the value of US Dollar relative to Euro
- When US Dollar strengthens against other currencies, the index increases
- Base year for the index is 1973 with base value of 100

No, the answer is incorrect.
Score: 0

Accepted Answers:
US Dollar index measures the value of US Dollar relative to Euro

4) Match the correct combinations a. upstream (i) refining b. midstream (ii) Exploration & development of oil fields c. downstream (iii) distribution of refined products

- a(iii), b(ii), c(i)

Score: 0

Accepted Answers:
22 Supplementary Material
   Crude Oil-Indian Basket- Lecture 22 Supplementary Material
   Shale vs crude-why oil price- Lecture 23 Supplementary Material
   Spot price WTI-Brent-Duabi Fateh-Lecture 23 Supplementary Material
   CME-Crude Oil-LOOP-Future- Lecture 24 Supplementary Material
   Crude oil-Refined Products- Futures & options-Lecture 24 Supplementary Material
   RIL Commodity Hedge FY 2014-Lecture 25 Supplementary Material
   SCME-MCX-seasonality-data-Lecture 25 Supplementary Material
   Quiz : Assignment 5
   Assignment 5-Solution

Week 6
Week 7:
Week 8

☐ a(i), b(ii), c(iii)
☐ a(ii), b(i), c(iii)
☐ a(iii), b(i), c(i)

No, the answer is incorrect.
Score: 0
Accepted Answers:
   a(ii), b(i), c(iii)

5) When crude oil inventory goes up, forward curve exhibits contango.  2 points
   goes up, contango
   goes down , contango
   does not change, backwardation
   goes up, backwardation

No, the answer is incorrect.
Score: 0
Accepted Answers:
   goes up, contango

6) In cash-and-carry arbitrage, on the trade date, the trader undertakes the following activities:
   Borrow cash, buy crude oil, store it and enter into long futures position
   Short sell crude oil, invest sale proceeds and enter into long futures position
   Borrow cash, buy crude oil, store it and enter into short futures position
   Short sell crude oil, invest sale proceeds and enter into short futures position

No, the answer is incorrect.
Score: 0
Accepted Answers:
   Borrow cash, buy crude oil, store it and enter into short futures position

7) In reverse cash-and-carry arbitrage, on the trade date, the trader undertakes the following activities:
   Borrow cash, buy crude oil, store it and enter into long futures position
   Short sell crude oil, invest sale proceeds and enter into long futures position
   Borrow cash, buy crude oil, store it and enter into short futures position
   Short sell crude oil, invest sale proceeds and enter into short futures position

No, the answer is incorrect.
Score: 0
Accepted Answers:
   Short sell crude oil, invest sale proceeds and enter into long futures position

8) Choose CORRECT statement: Market Crudes
   2 points
   are those crude oil variety that serves as a reference price for buyers and sellers of crude oil.
   all other crude varieties trade at a discount to these marker crudes
   all other crude varieties have higher Sulpher percentage than marker crudes
   spot prices of all marker crudes are posted by OPEC

No, the answer is incorrect.
Score: 0
Accepted Answers:
   are those crude oil variety that serves as a reference price for buyers and sellers of crude oil.

9) Match the following: A) WTI (i) North sea B) Brent (ii) Cushing C) Argus Media (iii) weighted average spot price D) OPEC reference Basket (iv) Sour crude 2 points
   A(i), B(ii), C(iii), D(iv)
   A(iv), B(iii), C(ii), D(i)
   A(iii), B(iv), C(i) , D(ii)
A(ii), B(i), C(iv), D(iii)

No, the answer is incorrect.
Score: 0

Accepted Answers:
A(ii), B(i), C(iv), D(iii)

10A swing producer

- Reduces/increases price to stimulate/reduce demand for a commodity
- Reduces/increases volume of production to increase/decrease price
- Reduces/increases value of production to increase/decrease volume of sales
- Only focuses on long term price movement and does not worry about short/medium term price fluctuation

No, the answer is incorrect.
Score: 0

Accepted Answers:
Reduces/increases volume of production to increase/decrease price

11Choose the CORRECT statement

- The DDR calculation for MCX crude oil contract is the WTI spot price * USD INR exchange rate given by RBI
- At CME, monthly futures contract on WTI crude oil are available for 9 years into future
- AT MCX, futures contracts on crude oil have underlying which can be categorized as “heavy sour crude”
- CME WTI futures contracts are expire on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month

No, the answer is incorrect.
Score: 0

Accepted Answers:
CME WTI futures contracts are expire on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month

12Nelson complexity index measures

- Sweet or sourness of crude oil input
- Sulphur content in crude oil input
- Viscosity of the crude oil input
- Capacity to change the output mix of refined product

No, the answer is incorrect.
Score: 0

Accepted Answers:
Capacity to change the output mix of refined product

13API gravity measures relative density of crude oil against

- Natural gas
- Liquefied Petroleum Gas
- Water
- Sulphur

No, the answer is incorrect.
Score: 0

Accepted Answers:
Water

14Choose the CORRECT statement:

- WTO crude oil always quotes at a higher price than Brent
- OPEC sets the crude oil price for all types of crude oil.
- Crude oil has negative relationship with USD index
Financialization of crude oil has reduced the demand for crude oil.

No, the answer is incorrect.
Score: 0

Accepted Answers:
Crude oil has negative relationship with USD index

15) Crude oil quality is measured by

- OPEC
- American Petroleum Institute
- Petroleum Association of Japan
- Argus Media

No, the answer is incorrect.
Score: 0

Accepted Answers:
American Petroleum Institute