Teacher Answer Key

Case Study

1. U.S. Treasuries and gold provided safe-haven appeal, offsetting stock losses due to their negative or low correlation.

2. Jordan's steadier performance reduced stress and the urge to sell, while Alex faced greater emotional swings that could trigger poor decisions.

Multiple Choice

1. B

2. D

3. C

Matching

1-C, 2-A, 3-D, 4-E, 5-B

Fill-in-the-Blank

1) volatility, 2) Sharpe, 3) credit

Short Answer (Sample Responses)

Q1: Standard deviation measures the spread of returns—wider swings mean greater uncertainty.

Q2: During a systemic crisis (e.g., 2008), all asset classes can fall together, limiting diversification benefits.

Q3: Selling assets that have risen and buying those that have fallen realigns risk exposure and locks in gains.