Université PANTHÉON - ASSAS (PARIS II) U.E.C. 1

Droit - Economie - Sciences Sociales Code matière : G27040AT

Paris

Session :	Janvier 2023 – 1 ^{er} semestre		
Année d'étude :	Magistère Banque Finance 1 ^{ère} année (MBF1)		
Discipline :	Anglais (Unités d'Enseignements Complémentaires 1)		
Titulaire(s) du cours :	Fanny Domenec et Claire Heuillard		
Durée de l'épreuve :	90 minutes		

Document(s) autorisé(s) : Aucun

Ce sujet comporte 5 pages. Avant de composer, veuillez vérifier que votre sujet est complet.

In the months leading up to the collapse of OOMLT $2005-3^1$ – and all the other pools of home loans he had bought credit default swaps on – Michael Burry noted several remarks from Ben Bernanke and Henry Paulson. Each said, repeatedly, that he saw no possibility of "contagion" in the financial markets from the losses in subprime mortgages. "When I first started shorting these mortgages in 5 2005," Burry wrote in an email, "I knew full well that it was not likely to pay out within two years and for a very simple reason. The vast majority of mortgages originated the last few years had a rather ominously attractive feature called the 'teaser rate period'. Those 2005 mortgages are only now reaching the end of their teaser periods, and it will be 2008 before the 2006 mortgages get there. What sane person on Earth would confidently conclude in early 2007, smack dab in the midst of the mother of all teaser rate scams, that the subprime fallout will not result in contagion? The bill 10 literally has not even come due." Across Wall Street, subprime mortgage bond traders were long and wrong, and scrambling to sell their positions – or scrambling to buy insurance on them. Michael Burry's credit default swaps were suddenly fashionable. What still shocked him, however, was that the market had been so slow to assimilate material. "You could see that *all* these deals were sucking wind² leading up to the **reset** 15 date," he said. "[...] I was in a state of perpetual disbelief. I would have thought that someone would have recognized what was coming before June 2007. If it really took that June remit data³ to cause a sudden realization, well it makes me wonder what a 'Wall Street Analyst' really does all day." 1. OOMLT 2005-3: a pool of subprime mortgages that Burry had bought (loans made between April and June of 2005, by a company called Option One). 2. to suck wind: in business, to perform very poorly. 3. remit data/remittance data: monthly information on the performance of underlying loans (delinquencies, foreclosures, bankruptcies...) Source: Michael LEWIS (2010), The Big Short: Inside the Doomsday Machine, Penguin, pp. 197-198

Answer the following questions using your knowledge of the subprime crisis. Use complete sentences for questions 2 to 6.

Propose definitions or synonyms for the following words or expressions (underlined in bold in the text):
 (3 pts)

Pay out	 	 	
Reset date	 	 	

2) Who is the author? Comment on the register used in the text; provide examples.

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(4 pts)
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3) Lines 5 to 11 quote an email from Michael Burry. Based on the information provided in the text, when would you say that email was written? (Provide a rough estimate) (2 pts)

4) L. 12-13: Explain what the author means when he says bond traders were "long and wrong, and scrambling to sell their positions". (4 pts)

5) L.17-19: Explain the final comment: "*If it really took that June remit data to cause a sudden realization, well it makes me wonder what a 'Wall Street Analyst' really does all day.*" (3 pts)

6) Which scene from the movie best illustrates the events and concerns highlighted in this passage? Justify your answer.
 (4 pts)

Extended writing exercise

You are a chief economist at JP Morgan Chase. You have to explain why inflation expectations are particularly important for the Federal Reserve in the current context (December 2022-January 2023), and how the Federal Reserve's policy statements and monetary decisions can influence these expectations.

Use Doc 1, Doc 2 and Doc 3 to write a report (300-350 words) including:

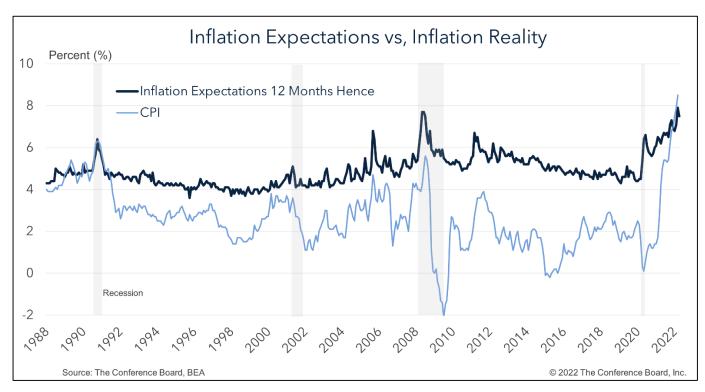
-A short introduction to the economic context in the USA (Doc 1)
-A brief description of the key elements provided in Docs 2 and 3

-A personal commentary/discussion

Your report has to be written in formal English and will be read by all the company members.

GDP growth rate (Q3 2022)	2.9%
Unemployment rate (Q3 2022)	3.7%
Fed Funds target range (November 2022)	3.75%-4%
Inflation rate (October 2022)	7.7%

Doc 1. Key figures about the US economy (October-November 2022)



Doc 2. US Inflation Expectations Remain High As Inflation Surges, The Conference Board, May 02, 2022

Doc 3. Hall of mirrors: How consumers think about inflation, Carlo Pizzinelli, IMF, September 2022

