

**Directions (1 – 10): Read the following passage carefully and answer the questions given below it. Certain words/phrases have been printed in bold, to help you locate them while answering some of the questions.**

For more than three years, Anna Feng didn't tell her husband that she had sunk nearly half of their savings into the Shanghai stock market. While he thought all their money was safely sitting in a bank, the value of the stocks **plunged** by almost 75%. But over the past couple of months, the Shanghai market has shown signs of life, and Feng, a 56-year-old retiree has recouped half her losses. She's quietly hopeful that maybe she'll make it all back. "Everyone seems to be so optimistic about the markets now," she says.

Around the world, stocks have been on a tear. In Asia, for example, the Tokyo TOPIX stock index hit a 14-year high last week as a bull run in once-dormant Japan gathered momentum; Mumbai's main equity index hit an all-time high in trading early Friday amid India's continuing economic boom; and Hong Kong shares reached a five-year high while indices in Singapore, Jakarta and Sydney set new records. And though stocks in Asia, in particular, are on fire, they are not alone. From Germany to Venezuela to South Africa, equity markets in both mature and emerging markets have moved up sharply this year — and show little sign of slowing.

The underpinning for stocks' strong performance, global bulls say, is straight forward. Economic growth continues to be strong in places where it has been **buoyant** for several years (the US, China and India) and is finally picking up in places where it had been notably absent — Japan and parts of "old" Europe. Moreover, earnings and corporate balance sheets around the world are as healthy as they have been in years. In Japan, corporate profits have climbed for four straight years and consumer spending is rising **briskly** on the back of declining unemployment. Economists say that Japan is now in a golden cycle. So, for now, is much of the world. "It comes down to very simple macroeconomics," says Subir Gokam, an economist at CRISIL, India's largest credit-rating firm. "The global economy is growing without much inflationary pressure."

Is anything wrong with this picture? One very big thing, warn the **sceptics**. Interest rates are rising nearly everywhere, and if there is one simple adage that many investment advisers live by, it's this: "When rates are high, stocks will die." Indeed, one of the most impressive — or scariest — aspects of the current global bull run is that it has come in the teeth of central bank tightening, most importantly by the US Federal Reserve, which could slow growth in the world's key economic locomotive. The Fed has increased a key short-term interest rate — the so-called Fed funds rate — 15 times dating back to June 2004, and is widely expected to raise it once or twice more over the next few months. A brief recession and the Sep 11 terrorist attacks in 2001 **spurred** a prolonged period of very low interest rates. That **boosted** US consumption — in particular the rate-sensitive housing market — and kept the global economy humming. But long-term rates are now beginning to tick upward: last week the US 30-year treasury bond reached 5.04%, its highest level since late 2004, and the housing market is cooling off — potentially triggering an economic slowdown as homeowners cut their spending.

1. According to the passage, what makes people hopeful about the markets?
  - a) The descent in the value of stocks
  - b) The trend of substantial increase in the value of stocks
  - c) Safety provided by banks to their deposits
  - d) Optimism of the stock market players
  - e) The interest rates are going up
  
2. Which of the following is TRUE about the comparison between market indices of Mumbai and Hong Kong on the one hand and Singapore, Jakarta and Sydney on the other?
  - a) The indices in the former case are increasing while those in the latter are decreasing.
  - b) There is no remarkable trend visible between the two sets of indices.
  - c) Indices in both the groups have been stable over a period of last five years.
  - d) The markets in both the groups of countries have shown, upward trend.
  - e) None of these
  
3. What is the impact of increasing long-term interest rates ?
  - (i) Demand in housing market is gradually diminishing.
  - (ii) Retardation in economic growth.
  - (iii) Restrictions imposed by central bank.
  - a) (i) only
  - b) (ii) only
  - c) (iii) only
  - d) (i) & (iii) only
  - e) None of these

4. In what way did the terrorist attacks in the US influence the markets ?

- a) It led to a brief recession.
- b) It increased long-term need for housing.
- c) It helped increase the interest rates on housing.
- d) It prolonged the low interest rate regime
- e) None of these

5. How are the interest rates associated with the stocks ?

- a) In direct proportion
- b) In inverse proportion
- c) No relation
- d) Dependent upon the investors
- e) None of these

6. **Which of the following is most OPPOSITE in meaning of the word given in bold as used in the passage ?**

- Briskly
- a) vigorously
  - b) efficiently
  - c) hurriedly
  - d) insignificantly
  - e) slowly

7. **Which of the following is most OPPOSITE in meaning of the word given in bold as used in the passage ?**

- Boosted
- a) aggravated
  - b) elevated
  - c) deflated
  - d) damaged
  - e) stopped

8. **Which of the following is most OPPOSITE in meaning of the word given in bold as used in the passage ?**

- Plunged
- a) fell
  - b) increased
  - c) dropped
  - d) more
  - e) appeared

9. **Which of the following is most nearly the SAME in meaning as the word given in bold as used in the passage ?**

- Buoyant
- a) drawing
  - b) haphazard
  - c) upbeat
  - d) extravagant
  - e) sailing

10. **Which of the following is most nearly the SAME in meaning as the word given in bold as used in the passage ?**

- Spurred
- a) shortened
  - b) widened
  - c) thronged
  - d) stimulated
  - e) escalated

**PRESIDENCY**  
C A R E E R P O I N T