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Passage No. 26

Directions: Read the following passage to answer the given questions based on it. Some words/phrases are 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 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 stocks index hit a 14-year high momentum; Mumbai's main equity index hit a 14-year high last week as a bull run in once-dormant Japan gathered momentum 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 stock's strong performance, global bulls say, is straightforward. Economic growth continues to be strong in places where it has been **buoyant** for several years (the US, China and India) and is up in places where it had been notably absent – Japan and part of "old" Europe. Moreover, earnings and corporate balance sheet 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 Japan is now in a golden city. 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 **skeptics**. 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 30- year treasury bond yields to 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

Questions:

- 
- 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 increases in the value of stocks
 - C. Safety provided by banks to their deposits
 - D. The interest rates are going up
 - E. None of these
 - 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 market 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. 1 only
B. 2 only
C. only
D. 1 & 3 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 statements is/are FALSE in the context of the passage?**
- I. Economic growth in US, China, India, Japan and old European countries started to show a downward trend.
 - II. Higher interest rates help boost stock value.
 - III. Skeptics firmly believe that economic growth is a boon from all the angles.
- A. All the three
B. 1 & 2 only
C. 2 & 3 only

- D. 1 & 3 only
- E. None of these

7. **How do the stock value in Asian countries compare with that in the other countries of the globe?**

- A. It cannot be inferred on the basis of the content of the passage.
- B. There is a general decline in the market indices all over the globe.
- C. Markets show a general rise in the indices all over the globe.
- D. Markets only in Asian countries have shown upward trend.
- E. None of these

8. **Which of the following is/are the reason(s) for the statement that 'Japan is now in a golden cycle'?**

- I. It is an economic growth without much inflationary pressure.
- II. Japan witnessed a substantial increase in corporate profits for the last four years.
- III. There are more employment avenues open and consumer spending has increased significantly.

- A. All the three
- B. 1 & 2 only
- C. 2 & 3 only
- D. 1 & 3 only
- E. None of these

9. **According to the content of the passage, the spurt in stock markets appears to be**

- A. a healthy sign of growing world peace
- B. an indication of eradication of global poverty
- C. a proof of a negligible number of people below poverty line
- D. a transition from under-development to enrichment
- E. None of these

10. **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

11. 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

12. 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

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

buoyant

A. drawing B. Haphazard C. upbeat D. extravagant E. sailing

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

spurred

A. shortened B. widened C. thronged D. stimulated E. escalated

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

skeptic

A. disbeliever B. orthodox C. theist D. philosopher E. analyst

Correct Answers:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
B	D	A	D	B	A	C	A	E	E	E	B	C	D	A



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