

ENGLISH LANGUAGE

Directions (1-10) : Read the following passage and answer the given questions. Certain words or phrases are given in **bold** to help you locate them while answering some of the questions.

The markets are in the midst of a strong reflationary trade, with most investors convinced that global growth is accelerating, inflation is starting to rise and the dollar will strengthen.

One of the natural outcomes of this reflationary trade is the rise in bond yields. If growth and inflation are both accelerating, bond yields will rise. This is especially so given the extraordinary monetary accommodation and unconventional interest rate policy of the past few years. It has already been seen US 10-year yields rise to 2.6 per cent. Some of the more bearish commentators expect a quick surge to 3 per cent, with an eventual convergence to nominal gross domestic product (GDP) growth, likely to be somewhere near 5 per cent. The 35-year bond bull market looks to be over. Their outperformance versus equities over the past 17 years seems **destined** to end.

Independent of this, a corollary is the impact of rising yields on economic growth itself. Debt ratios and absolute debt numbers globally are at very elevated levels. The sensitivity of economic growth to rising bond yields should be at an extreme. This dynamic of elevated debt cannot withstand high rates, as servicing costs will get to a point where they trigger a recession. Will the near 100 basis point rise in yields till date be enough to short circuit economic growth? At what point should one be worried?

The reflationary trade will fall flat on its face if rising yields linked to accelerating growth and inflation themselves stall growth.

BCA has done some interesting work in this area, and come to the conclusion that rising yields are not an issue in the short term at least.

They acknowledge that globally debt levels are at an all-time high. Since 2007, global debt has surged by 40 per cent to over 250 per cent of GDP (household, corporate and government). Given this level of debt, simple back-of-the-envelope calculations, assuming a 100-200 basis points rise in servicing costs throw up very worrying projections. The cash flow effect of rising debt service costs is enough to seriously damage both consumption and investment. Many of the bears on the US, and the current rally believe that markets are overestimating the potential growth acceleration in the economy as the bulls are failing to understand the cash flow drag of rising interest rates.

BCA makes the point that these back-of-the-envelope calculations are too simplistic and the impact is far more nuanced. They are less bearish on the cash flow impact of rising rates than most. They have looked at data in the US, the UK, EU and Japan.

Their more **sanguine** view is based on the fact that debt service burdens are today far lower than in 2007, across all geographies studied, with the decline, in rates more than compensating for the rising debt stock. The starting point on debt service is very low.

Second, the maturity profile of the debt implies that it will take a long time for rising rates to actually impact debt servicing costs. Corporate debt has a maturity profile of mostly between 5 to 12 years and most governments have extended their debt maturity to over 10 years. For households, almost 90 per cent of consumer debt is fixed rate, thus insulated from short term interest rate fluctuations.

They make the additional point that even today, across all geographies studied, the average cost of existing debt stock, across all types of borrowers, is higher than current interest rates. Implying that as this debt matures, is replaced with new debt at current rates, servicing costs will actually decline, as the debt stock gets re-priced downwards.

Based on the above factors, their modeling shows that even if interest rates were to rise by 100 basis points immediately and across all maturities, it will not materially damage the cash flows of any category of borrowers over the coming two to three years. The increased debt service will be very much in line with previous tightening cycles and still take the debt service burden to levels lower than prevalent prior to 2007. You need a 300 basis points immediate rise in rates across the yield curve to start causing damage to spending.

While we do agree that the bond bull market is probably over, the chances of an immediate rise of 300 basis points in yields across the maturity curve looks to be remote. Inflation across all the major economies is still **benign**, and bond supply will likely continue to mopped up the Bank of Japan (BOJ) and the European Central Bank (ECB). Market experts expect the stock of government bonds available to investors to actually shrink by \$750 billion in 2017, after already shrinking by \$546 billion in 2016. Guidance provided by the BOJ and the ECB, in terms of continued QE and a targeted level of interest rate will also cap bond yields globally.

Despite the surge in debt after the financial crisis, it does not seem that rising debt service costs can short circuit the global economy as the Fed normalises monetary policy and interest rates globally mean revert. Even if rates rise by 100 basis points, debt service will rise from

very low levels and the increase in interest payments/GDP will be consistent with previous cycles. The level of interest/GDP will also be within the levels seen in 2007.

The only caveat to all this is China. The debt numbers there are truly scary, especially on the corporate side. Debt has gone up to 170 per cent of GDP from 100 per cent in 2008. There isn't enough granular data to do a similar analysis for China as done above, but clearly it is much more vulnerable than other developed market economies. China and its corporate debt ratios remain the **Achilles heel** of the global economy. An implosion here could bring everyone down.

1. Which of the following statement(s) is/are correct in the context of the given passage?
 - I. Rise in bond yields is one of the natural outcomes of the reflationary trades.
 - II. Debt ratios and absolute debt numbers globally are at very elevated levels.
 - III. The US 10-year yields rise to 2.5 per cent
 - (1) Only I
 - (2) Only III
 - (3) Only I and III
 - (4) Only I and II
 - (5) All three I, II and III
2. What should be the most appropriate title of the given passage.
 - (1) Decreasing Yields and Markets
 - (2) Rising Yields and Market Sensitivity
 - (3) Increasing Corporate Debt Ratio
 - (4) Strong Reflationary Trade and Insensitivity
 - (5) None of these
3. The BCA has done some interesting work in the area of reflationary trade and drawn some conclusions. Which of the following is/are the related conclusion(s)?
 - I. Since 2007 global debt has surged by 40 per cent to over 250 per cent of GDP (household, corporate and government).

- II. The cash flow effect of rising debt service costs is enough to seriously damage both consumption and investment.
 - III. The maturity profile of the debt implies that it will take a long time for rising rates to actually impact debt servicing costs.
 - (1) Only I
 - (2) Only I and II
 - (3) Only III
 - (4) Only II and III
 - (5) All three I, II and III
4. Which of the following statement(s) is/are not in agreement with the opinions expressed by the writer of this article?
 - I. The dynamic of elevated debt can withstand high rates, as servicing costs will get to a point where they trigger a recession.
 - II. The reflationary trade will fall flat on its face if rising yields linked to accelerating growth and inflation themselves stall growth.
 - III. The bond bull market is probably not over.
 - (1) Only I
 - (2) Only III
 - (3) Only I and II
 - (4) Only I and III
 - (5) All three I, II and III
 5. Select the correct statement(s) in the context of the given passage.
 - (1) Corporate debt has a maturity profile of mostly between 5 to 12 years.
 - (2) BCA has looked at data in the U.S., the U.K., EU and Japan to study the reflationary trade.
 - (3) For households, almost 90 per cent of consumer debt is fixed rate, thus insulated from short term interest rate fluctuations.
 - (4) All the above are correct
 - (5) None is correct
 6. Select the incorrect statement(s)
 - I. Debt in China has gone up to 180 per cent of GDP from 100 per cent in 2008.

- II. The BCA opines, even today, across all geographies studied, the average cost of existing debt stock, across all types of borrowers is less than current interest rates.
- III. China and its corporate debt ratios remain the Achilles heel of the global economy.
 - (1) Only I
 - (2) Only II
 - (3) Only I and II
 - (4) Only II and III
 - (5) Only III

Directions (7-8) : In the following questions, choose the word/group of words which is most **same** in meaning to the word/group of words printed in **bold** as used in the passage.

7. Destined

- (1) pre-decided
- (2) destitute
- (3) detailed
- (4) involved
- (5) detectable

8. Sanguine

- (1) pessimistic
- (2) sarcastic
- (3) optimistic
- (4) divine
- (5) sardonic

Directions (9-10) : In the following questions, choose the word/group of words which is most **opposite** in meaning to the word/group of words printed in **bold** as used in the passage.

9. Benign

- (1) kind
- (2) beneficial
- (3) malignant
- (4) weak
- (5) bigoted

10. Achilles heel

- (1) weak point
- (2) strong point
- (3) scorpion's feet
- (4) acrimony
- (5) acquiescence

Directions (11-15) : Rearrange the given six sentences/group of sentences (A), (B), (C), (D), (E) and (F) in a proper sequence so as to form a meaningful paragraph and then answer the given questions.

(A) But the cores give no hint of the volcano's whereabouts because sulphates from an eruption mix rapidly into the atmosphere and are soon spread evenly around earth.

(B) These show a spike in sulphate levels in layers laid down during those years.

(C) This suspicion is backed up, moreover, by ice cores collected in Greenland.

(D) So the suspicion that what happened in the early 820s was precipitated by such an eruption has been around for a long time.

(E) In particular they eject sulphur dioxide, which reacts with atmospheric gases to form sulphate aerosols that reflect sunlight back into space, cooling the air beneath.

(F) Large volcanic eruptions can affect the weather.

11. Which of the following should be the **FIRST** sentence after the rearrangement?

- (1) A (2) B
(3) C (4) F
(5) E

12. Which of the following should be the **SIXTH (LAST)** sentence after the rearrangement?

- (1) A (2) B
(3) C (4) E
(5) D

13. Which of the following should be the **THIRD** sentence after the rearrangement?

- (1) E (2) D
(3) C (4) B
(5) A

14. Which of the following should be the **FIFTH** sentence after the rearrangement?

- (1) A (2) B
(3) C (4) D
(5) F

15. Which of the following should be the **FOURTH** sentence after the rearrangement?

- (1) A (2) B
(3) C (4) D
(5) E

Directions (16-20) : In the following questions, one part of the sentence may have an error. Find out which part of the sentence has an error and choose the option corresponding to it. If the sentence is free from error, choose the "No error" option.

16. Jobs can create when growth (1)/ comes from the transition of labour (2)/ from informal sectors like agriculture (3)/ to the more formal manufacturing and service sectors. (4)/ No error (5)

17. Belief is a matter of personal choice and no (1)/ external authority, whether state, cultural community (2)/ or religious congregation (3)/ can say an individual what her beliefs should. (4)/ No error (5)

18. What is abundantly clear, though is that (1)/ the judiciary, very institution the people look for (2)/ for deliverance from normative coercion (3)/ and support for individual freedoms, can occasionally side with the presumed majority. (4)/ No error (5)

19. Stents are tiny metal tubes (1)/ coated to medication, which is (2)/ put into clogged arteries (3)/ to keep them flowing well. (4)/ No error (5)

20. Those who criticise us for our space programme (1)/ did not understand how (2)/ we are using this for (3)/ for our socio-economic development. (4)/ No error (5)

Directions (21-30) : In the given passage there are blanks each of which has been numbered. Against each, five words are suggested, one of which fits the blank appropriately. Find out the appropriate word in each case.

Fresh evidence of loss of forest cover in the Indian Sundarbans, which represent a third of the largest contiguous mangrove ecosystem in the world, is a reminder that an accelerated effort is necessary to

(21) them. Long-term damage to the highly productive mangroves on the Indian side occurred during the colonial era, when forests were cut to (22) cultivation. As a recent Jadavpur University study has pointed out, climate change appears to be an emerging threat to the entire 10,000 sq. km. area that also straddles Bangladesh towards the east, and sustains millions of people with food, water and forest products. There is also a unique population of tigers that live here, (23) to move easily across the land-sea interface. The Sundarbans present a stark example of what loss of ecology can do to a landscape and its people, as islands shrink and sediment that normally adds to landmass is trapped upstream in rivers by dams and barrages; such a loss is not compensated by the limited benefits available elsewhere in the islands from additions. As a (24) zone of freshwater brought by the big Himalayan rivers and high concentrated salinity, these islands are a crucible of biodiversity that helps the 4.5 million that live on the Indian side. It is remarkable, for instance, that the mangrove tree species, including the Sundari, which has historically helped the local economy in the construction of boats and bridges, make up as much as a third of the global (25) of such trees. Understandably, the region has attracted a large number of settlers, and the population within Indian boundaries has risen from 1.15 million in 1951 to 4.4 million six decades later.

Parts of the Sundarbans are legally protected as national parks and sanctuaries, and there is a special focus (26) tiger conservation. Yet, its future now depends on local actions that will protect the banks from erosion, and policies that address the pressures created on natural resources by lack of human development. Suggestions for fortification against (27) on the lines of the dikes in The Netherlands merit scientific evaluation.

Strengthening them with endemic plant and tree species that can thrive in changing salinity conditions can provide co-benefits to local communities. Carefully considered ecotourism holds the **(28)** to raise awareness and funds, since the Sundarbans harbour a raft of bird and animal species. There is also a strong case for international climate finance to be channelled to India and Bangladesh for the region's preservation, given its global uniqueness. It is **(29)** that local communities are pulled out of poverty, which would also relieve the pressure on natural resources. Climate research and social science thus have a synergistic role in giving the Sundarbans a greater chance of **(30)**.

21. (1) preserve
(2) destroy
(3) present
(4) prescribe
(5) pre-sell
22. (1) discourage
(2) facilitate
(3) hinder
(4) prance
(5) practice
23. (1) adopted
(2) adamant
(3) adapted
(4) addicted
(5) addled
24. (1) conflict
(2) confluence
(3) influence
(4) cacophony
(5) mixture
25. (1) trill
(2) trick
(3) trove
(4) depletion
(5) scarce
26. (1) in
(2) for
(3) against
(4) with
(5) on

27. (1) erosion
(2) deposition
(3) disposition
(4) aggregation
(5) integration
28. (1) trigger
(2) potential
(3) able
(4) tribute
(5) trifle
29. (1) vital
(2) noting
(3) worthless
(4) meagre
(5) insignificant
30. (1) survive
(2) surviving
(3) survival
(4) capacity
(5) extinction

Directions (31–35) : Which of the phrases given against the sentence should replace the word/phrase given in **bold** in the sentence to make it grammatically correct? If the sentence is correct as it is given and no correction is required, select 'No correction required' as the answer.

31. In most films they are just pretty faces and pretty bodies seen besides heroes, but their pain and sorrow **has large gone unnoticed and unheeded**.
(1) have large gone unnoticed and unheeded.
(2) have largely gone unnoticed and unheeded
(3) has largely went unnoticed and unheeded
(4) has largely undergone unnoticed and unheeded
(5) No correction required
32. A special investigation team **will be probed by the death** for the IAS officer who was found under mysterious condition.
(1) will probe the death of
(2) shall probe death for
(3) shall be probed the death of
(4) will probe the death for
(5) No correction required

33. India is examining the use of private vehicles as **share taxis** in effort for reducing car ownership and curb growing traffic congestion in major cities.
(1) shared taxis in an effort for reduced
(2) share taxis in an effort for reduction of
(3) shared taxis in an effort to reduce
(4) have taxis for an effort to reduce
(5) No correction required
34. A trust is an effective succession tool **that it was a perpetual entity** and separates ownership and management of a business.
(1) as it is a perpetual entity
(2) because it was a perpetual entity
(3) as it had a perpetual entity
(4) that it is a perpetual entity
(5) No correction required

35. For existing assets, owners must leverage efficiency and capacity enhancement planning **to augmenting asset value and curtailing** unnecessary cost of new construction.
(1) to augment asset value but curtailing
(2) to augmenting asset value and curtail
(3) to augment asset value and curtail
(4) to augment asset value and curtailing
(5) No correction required

Directions (36–40) : Each sentence has two blanks, each blank indicating that something has been omitted. Choose the set of words for the blanks which best fits the meaning of the sentence as a whole.

36. Demand and supply do not _____ the same relationship as the one that is _____ between height and weight.

- (1) possess, has
- (2) incur, is
- (3) defend, volunteers
- (4) bear, borne
- (5) have, exists

37. A good management will decide not only the ____ for equipment but also its ____ for deciding priorities.

- (1) need, urgency
- (2) usefulness, utility
- (3) cost, value
- (4) requirement, necessities
- (5) technology, methodology

38. If the system ____ to yield the desired result, try to ____ the whole procedure in the given sequence.

- (1) entitles, dump
- (2) ignores, reproduce
- (3) fails, reoperate
- (4) imitates, generate
- (5) equips, encompass

39. Unpredictable ____ of the child could not lead the consultants to any ____.

- (1) performace, setting
- (2) belief, judgement
- (3) operation, purpose
- (4) behaviour, conclusion
- (5) react, decision

40. One of the TV cameramen was ____ in the leg by a bullet when he was ____ in the middle of a gun fight between two gangs.

- (1) hurt, entered
- (2) shot, caught
- (3) injured, came
- (4) stabbed, trapped
- (5) beaten, engulfed