

• Reading Comprehension 3 Level 9

Directions: Read the passage. Then answer the questions below.

Just announced: existing home sales hit an annualized rate of 5.03 million units during August. That exceeds the 4.70 million unit rate that had been expected, on average, among economists polled by InstaPoll.com. The pace is also up from the rate of 4.67 million units recorded during the previous month. The broad market hasn't reacted strongly to the data. However, homebuilders Genix (GEN 14.32, +0.22), ND Home (NDH 6.59, +0.15), and Home Group (HMG 4.54, +0.03) are all up nicely as investors anticipate that a rise in existing home sales **portends** an acceleration of the rate of new home sales.

Questions

- 1) Which of the following would be the best title for this passage?
 - A. Investors Favor Homebuilders
 - B. A Better Way to Build a Home
 - C. GEN and ND Home Register Big Gains
 - D. Led by Homebuilders, Stocks Hit New Highs

- 2) As used in the passage, which is the best synonym for **portends**?
 - A. predicts
 - B. decreases
 - C. affects
 - D. authorizes

- 3) This passage would most likely be found
 - A. in a high school economics textbook
 - B. in a book on twenty-first century economics
 - C. in a manual outlining stock market rules and regulations
 - D. on a real-time stock market trading website

Answers and Explanations

1) **A**

A good title summarizes the main idea of a passage and lets readers know what to expect should they continue reading. At the beginning of the passage, the author announces that the current rate of existing home sales has surpassed expectations and the previous rate. In the last sentence of the passage, the author lists three stocks (GEN, NDH, and HMG) that are "all up nicely as investors anticipate that a rise in existing home sales portends an acceleration of the rate of new home sales." Given that homebuilders' stocks are all "up nicely," we can infer that investors have a positive outlook about them, and are therefore investing in them. This investment has caused the stocks to appreciate, or go up. The main idea of this passage is that recent news about home sales has caused investors to look favorably upon homebuilder stocks, so a good title would be "Investors Favor Homebuilders." Therefore **(A)** is correct. The passage does not discuss better ways to build a home. This rules out **(B)**. A title that includes GEN and ND Home but leaves out HMG, another stock mentioned to have big gains, is too narrow to capture the main idea of the passage. This makes **(C)** incorrect. The passage does not say that all stocks have hit new highs. It only says that homebuilding stocks are "up nicely." This means **(D)** is incorrect.

2) **A**

portend (*verb*): to indicate in advance; foreshadow; predict.

The last sentence of the passage tells us that homebuilder stocks "are all up nicely as investors anticipate that a rise in existing home sales portends an acceleration of the rate of new home sales." Since investors are buying homebuilder stocks based on the fact that sales have risen for existing homes, they must think that this fact indicates or predicts there will be an increase in the sale of new homes, and therefore in the demand for homebuilders' skills. The fact that the investors "anticipate" this development means that it is likely, but not certain, so a good synonym for *portends* is *predicts*. Therefore **(A)** is correct. *Decrease* means to make something smaller. The investors would not invest in homebuilder stocks if they anticipated that the rise in existing home sales would decrease, or lower, an acceleration of the rate of new home sales. Instead, they expect the rate of new home sales to increase. This rules out **(B)**. *Affect* means to have an effect on something. However, that effect can be either positive or negative. Since the investors think that "a rise in existing home sales will portend an acceleration of the rate of new home sales," and they are therefore looking favorably on homebuilding companies, we can understand that they believe this to be a positive effect; that is, they believe the "rise" will predict an increase in the acceleration of the rate of new home sales, not a decrease. Since it could be positive or negative, **(C)** is not the best choice. *Authorize* means to give official power or to allow. We cannot infer from the passage that investors anticipate the news about existing homes will necessarily allow an acceleration of new home sales. The news signals a possible acceleration, but we cannot assume that it directly allows the acceleration to happen. This means that *authorizes* is not a good synonym for *portends*. Therefore **(D)** is incorrect.

3) **D**

This passage announces how existing home sales have had a positive effect on the price of homebuilding company stocks. Since the passage opens with the words "just announced," we can infer that the passage is found in a place where breaking news about the stock market is posted. A real-time stock market trading website provides up-to-the-minute information about stock prices and market conditions, so this information would likely be found there. Therefore **(D)** is correct. A high school economics class teaches students about the basics of investing, but the textbook would not include the kind of stock-specific information found in the passage. Furthermore, books do not contain the kind of time-sensitive information included here. This makes **(A)** incorrect. A book on twenty-first century economics would likely discuss both home sales and stocks, but would not contain the kind of specific information included in the passage. This rules out **(B)**. A manual outlining stock market rules and regulations would only discuss what can be done when buying, selling, and trading stocks. It would not discuss the current market or specific stocks, so **(C)** is incorrect.