

1 **Q. Coyne Evidence: Can Mr. Coyne provide all evidence he is aware of that**  
2 **economists are better predictors of future interest rates than participants in the**  
3 **bond market?**  
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5 A. As discussed in the response to CA-NP-90, Mr. Coyne believes that consensus forecasts  
6 for bond yields, as he has used, convey important information to investors regarding  
7 expectations for future interest rates over their relevant investment horizon. The use of a  
8 forecast is especially appropriate when it is clear that the consensus is that long term rates  
9 will deviate from their current historic lows. Mr. Coyne has not studied the comparative  
10 performance of economists vs. bond markets. The Board has previously acknowledged  
11 that it is regulatory practice in Canada to use the long-term Canada bond as a proxy for  
12 the risk free rate in the equity risk premium model. Mr. Coyne is aware of this practice,  
13 and believes it is a reasonable approach to the determination of the risk free rate for a  
14 forward looking cost of capital analysis.  
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16 Furthermore, the Consensus Economics forecast is based on a survey of banks,  
17 academics, professional forecasting and economic research firms. These respondents not  
18 only have access to current bond yields, but are active participants in the trading of these  
19 securities or are uniquely positioned with regards to the interplay of financial markets and  
20 the economy. Below is the list of institutions whose members participated in the April  
21 13, 2015 survey for Canada:<sup>1</sup>  
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- 23 • Informetrica
- 24 • Royal Bank of Canada
- 25 • Oxford Economics
- 26 • Citigroup
- 27 • Conference Board of Canada
- 28 • Desjardins
- 29 • Econ Intelligence Unit
- 30 • Economap
- 31 • National Bank of Canada
- 32 • University of Toronto
- 33 • BMO Capital Markets
- 34 • IHS Economics
- 35 • Scotia Economics
- 36 • Bank of America – Merrill
- 37 • JP Morgan
- 38 • CIBC World Markets
- 39 • Capital Economics

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<sup>1</sup> Consensus Forecasts, Consensus Economics, Inc., Survey Date April 13, 2015 at 16.