

- 1 **Q. Coyne Evidence: Please provide all evidence for the statement (page 29) that risk**  
2 **premiums are highly correlated “because” the markets are integrated. Is Mr.**  
3 **Coyne aware that from fundamental principles, the market risk premium will be**  
4 **the same in completely segregated markets if the level of risk and risk aversion is**  
5 **the same in both markets?**  
6
- 7 A. The point of Mr. Coyne’s statement on page 29 of Concentric’s report is that because the  
8 Canadian and U.S. economies are integrated, it is reasonable to believe that the market  
9 risk premiums for the two countries are highly correlated. Assuming, as stated in the  
10 question, that the market risk premium will be the same in completely segregated markets  
11 if the level of risk and risk aversion is the same in both markets further supports the  
12 reasonableness of Mr. Coyne’s conclusion on page 29 regarding the high degree of  
13 correlation between the market risk premiums for markets that are integrated.