

- 1 **Q. Coyne Evidence: With the full regression model estimates in JMC-7 please**
2 **confirm that the coefficient on the bond yield is not significant at normal levels and**
3 **discuss why any weight should be placed on results that are not significant?**
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- 5 A. Mr. Coyne indicated on page 30 of Concentric’s report that “[m]y analysis yielded a
6 statistically significant value at the 95 percent confidence level, and in my opinion is
7 informative of the relationship between bond yields and market risk premiums.” On re-
8 checking, the coefficient is significant at the 85% confidence level. Mr. Coyne finds that
9 variables that contribute to the quality of the regression results, (i.e., has explanatory
10 power and contributes to understanding the relationship between the risk free interest rate
11 and the market risk premium) are informative.
- 12 Mr. Coyne takes exception to the statement that the “results are not significant.” The
13 independent variables are significant as further measured by the f test and provide insight
14 into the dynamic relationship between bond yields and the market risk premium that he
15 uses as a reasonableness check on his forward looking market risk premium.