

1 **Q. Reference: Appendix F, Page 6, Lines 22-25**
2

3 **Please provide all support for the premise that lower yields are expected on long-term**
4 **U.S. government bonds than on long-term Government of Canada bonds in the future.**
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6
7 **A.** Dr. Booth did not say that. Dr. Booth was very specific to refer to “normally earned (all else
8 constant)”
9

10 Right now given the huge government deficits in the US and the potential for higher inflation
11 the expectation is that US government bond yields will be 0.50% higher than in Canada and
12 that the C\$ will appreciate against the US\$ because of all these US problems. With a lower
13 inflationary environment in Canada LTC bond yields are lower than in the US.
14

15 If Canada had the US government’s financing and deficit problems then the “all else
16 constant” might be closer to being true and LTC yields would be above those in the US due
17 to the special role of the US as the world’s reserve currency. Whether the US\$ will continue
18 in this role given the comments of the Chinese government and the rise of the Euro is open
19 to question.
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