

- 1   **Q.   Evidence of Ms. McShane, Equity risk premium tests, Pages 44-56: Please confirm**  
2   **that equities have at times been extremely interest rate sensitive so that equity prices**  
3   **tend to increase when interest rates are reduced and decline when they increase? If**  
4   **not, why not?**  
5  
6   A.   Confirmed that at times equity prices have been extremely interest rate sensitive,  
7   reducing equity prices when interest rates rose and vice versa.