APPENDIX D

Round 2 Reasons For Projections

1. Annual increase in Consumer Price Index

Lowest Plausible

Respondent 1

- Historical Basis

Respondent 2

- The Fed is unlikely to tolerate getting closer than 1% to risk deflation

Respondent 3

- Possible ongoing deflation as developing world plays ever increasing role in manufacturing and services.

Respondent 4

- Global depression or a period of prolonged weak economic growth
- A shift to rebuild savings by over-indebted consumers
- Exchange rates not being allowed to adjust to offset competitive and trade imbalances.
- 23. A technology driven continued steady decline in the real prices of natural resources

Respondent 5

- Oil/fuel price component of CPI is volatile and subject to short-term periods of high inflation or deflation

Respondent 7

- 21. Deflationary pressures continuing as Asia develops
- 22. Jobs traveling to poorer countries and consequent dramatic growth in unemployment

Respondent 8

- Historic cycle

Respondent 9

- Productivity
- Nanotechnology

Respondent 10

- Fed will keep inflation relatively constant

Respondent 11

- 13. Productivity increases continue
- 15. The Fed policy for controlling inflation remaining effective, Should keep inflation low but…

Respondent 12

- 13. Productivity increases continue and accelerate by repeating in service sector what happened to manufacturing in the 20th Century.
- 18 A shift to rebuild savings by over-indebted consumers
- 20. Baby boomers & younger generation spending less, saving more over concern for social security

Respondent 15

- Economic collapse of US based on debt and deficits

Respondent 16

- 13. Productivity increases continue

Respondent 17

- 17. Global depression or a period of prolonged weak economic growth
- 21. Deflationary pressures continuing as Asia develops

Respondent 18

- 13 Productivity increases continue
- 23. A technology driven continued steady decline in the real prices of natural resources

- 24 Capital market discipline on government inflation.

Respondent 19

- 14. Commodities- even energy becoming less important
- 21. Deflationary pressures continuing as Asia develops
- 22. Jobs traveling to poorer countries and consequent dramatic growth in unemployment

Respondent 21

- Energy breakthrough lowers value of oil reserves; intensely competitive global markets; breakthroughs in remote manufacturing
- 13. Productivity increases continue
- 22. Jobs traveling to poorer countries and consequent dramatic growth in unemployment

.

Respondent 23

- Possibility of deflationary pressures continuing as Asia develops

Respondent 24

- No chance of deflation given mega-budget deficits and demands for inflation-prone services like health care from retired baby boomers

Expected Value

Respondent 1

- Historical Basis

Respondent 2

- Slightly higher than the Fed's target for price stability

Respondent 3

- Developing world will exert deflationary pressures resulting in average inflation being slightly below last century's US average of about 3.2%

Respondent 4

- 1.Tight energy and commodity markets: price shocks, oil shortages; rising oil prices

- 2. Widening of the US budget and trade deficits
- 13. Productivity increases continue
- 15. The Fed policy for controlling inflation remaining effective
- 21. Deflationary pressures continuing as Asia develops

Respondent 8

- Historic cycle

Respondent 9

- New Fed Chairman

Respondent 10

- Fed will keep inflation relatively constant

Respondent 11

- The following mean inflation won't stay as low as 1-2% for the next 20 years
  1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
  2. Widening of the US budget and trade deficits

Respondent 12

- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 5. Growth in the number of elderly and concomitant cost increase in medical care expenses
- 13. Productivity increases continue and accelerate by repeating in service sector what happened to manufacturing in the 20th Century.
- 18 A shift to rebuild savings by over-indebted consumers
- 20. Baby boomers & younger generation spending less, saving more over concern for social security

Respondent 15

- Debt (consumer and government)
- Trade and current account deficits

Respondent 16:

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 5. Growth in the number of elderly and concomitant cost increase in medical care expenses

Respondent 17

- 13**.** Productivity increases continue
- 14. Commodities- even energy becoming less important
- 15. The Fed policy for controlling inflation remaining effective
- 21. Deflationary pressures continuing as Asia develops
- 23. A technology driven continued steady decline in the real prices of natural resources

Respondent 19

- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 8. The Fed increasing money supply to help avoid a collapse in housing and reduce the trade deficit
- 10. Fiscal and trade issues triggering a return to more stimulative monetary and fiscal policies

Respondent 22

- High global growth, esp developing countries plus resource constraints

Respondent 24

- Factors listed above, energy shocks/shortages, inflationary monetary policy

Highest Plausible Value

Respondent 1

- Historical Basis

Respondent 2

- Temporary surge in inflation due to commodity prices, dollar depreciation, other accident

Respondent 3

- I believe it unlikely that the Federal Reserve will allow long-term inflationary trends to accelerate to the levels seen in the post WWI, post WWII, and oil crisis. Although high levels are possible, I assign a probability below 10% that they exceed 6%.

Respondent 4

- 9. The Fed's credibility being eroded by deteriorating debt
- 10. Fiscal and trade issues triggering a return to more stimulative monetary and fiscal policies
- 11. Geopolitical issues: e.g., instability in the Middle East or wartime conditions, such as 1917 – 18
- 12. A shock due to terrorism or natural catastrophe (earthquakes, hurricanes, influenza pandemic)

Respondent 5

- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 11. Geopolitical issues: e.g., instability in the Middle East or wartime conditions, such as 1917 – 18

Respondent 7

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 2. Widening of the US budget and trade deficits
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 5. Growth in the number of elderly and concomitant cost increase in medical care expenses

Respondent 8

- Historic cycle

Respondent 9

- 3. China
- 1. Oil
- 11. Unrest

Respondent 10

- Fed will keep inflation relatively constant

Respondent 11

- The strength of 13 and 15 also means that even the extreme high for inflation should be dampened
  13. Productivity increases continue
  15. The Fed policy for controlling inflation remaining effective

Respondent 12

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 7. Consumers with a "buy now" attitude, discounting the future in pursuit of comfort in the present
- 9. The Fed's credibility being eroded by deteriorating debt

Respondent 14

- Strong monetary policy will prevent very high inflation

Respondent 15

- 1. High oil prices drive future inflation

Respondent 16:

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 5. Growth in the number of elderly and concomitant cost increase in medical care expenses

Respondent 17

- 10. Fiscal and trade issues triggering a return to more stimulative monetary and fiscal policies
- 11. Geopolitical issues: e.g., instability in the Middle East or wartime conditions, such as 1917 – 18

Respondent 18

- Increase in monetization of government debt caused by entitlement programs outpacing productivity increases

Respondent 19

- 2. Widening of the US budget and trade deficits
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 4. The retired baby boom generation demanding huge amounts of services, especially health care
- 11. Geopolitical issues: e.g., instability in the Middle East or wartime conditions, such as 1917 – 18

Respondent 21

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 3. The rise in China's economy with resulting higher wages and prices for exports to the U.S.
- 5. Growth in the number of elderly and concomitant cost increase in medical care expenses
- 8.The Fed increasing money supply to help avoid a collapse in housing and reduce the trade deficit
- 11. Geopolitical issues: e.g., instability in the Middle East or wartime conditions, such as 1917 – 18

- 12. A shock due to terrorism or natural catastrophe (earthquakes, hurricanes, influenza pandemic)

- Dollar loses relative value

Respondent 22

- 8. The Fed increasing money supply to help avoid a collapse in housing and reduce the trade deficit

- 10. Fiscal and trade issues triggering a return to more stimulative monetary and fiscal policies

- 14. Commodities- even energy becoming less important

Respondent 24

- Factors listed above, energy shocks/shortages, inflationary monetary policy

2. 10 Year Treasury Spot Yields

Lowest Plausible Value

Respondent 1

- Historical Rationale

Respondent 2

- Low inflation and low real rate

Respondent 3

- Do not expect prolonged deflation and thus it is unlikely the 10-year rate will be lower than this level.

Respondent 4

- 20. A prolonged period of US fiscal austerity in an attempt to balance its budget

- 21. The Fed commits to and achieves inflation in a 0-2% range

Respondent 5

- 17. Low CPI and the Fed putting liquidity into the market

- 21. The Fed commits to and achieves inflation in a 0-2% range

Respondent 7

- 20. A prolonged period of US fiscal austerity in an attempt to balance its budget
- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing

Respondent 8

- Historic cycle

Respondent 9

- Corporate governance problems lead to need for liquidity

Respondent 12

- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing

Respondent 14

- In recessionary times the Fed will lower rates aggressively as we've seen recently

Respondent 16

- 24. Government policies reacting quickly to inflationary pressures

Respondent 17

- 18. Combination of projected labor force growth and productivity growth
- 21. The Fed commits to and achieves inflation in a 0-2% range
- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare

Respondent 18

- 21. The Fed commits to and achieves inflation in a 0-2% range

Respondent 19

- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing
- 24. Government policies reacting quickly to inflationary pressures

Respondent 21

- Technology breakthroughs lead to rapid increases in productivity,
- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing

Respondent 23

- Competition to Treasury bonds for investment: other alternatives including global capital markets

Respondent 24

- Higher inflation implies higher short term yields, big budget deficits, weak dollar

Expected Value

Respondent 1

- Social Security estimated amount

Respondent 2

- Trend real interest rate plus expected value for inflation

Respondent 3

- I expect that inflation will not be an ongoing problem in the next 20 years. Therefore, bond holder's inflationary expectations should remain modest and 5.5% seems a reasonable nominal yield.

Respondent 4

- 4. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 12. U.S. dollar losing value
- 13. Foreign governments switching to place funds in euros
- 15. Competition to Treasury bonds for investment: other alternatives including global capital markets.

Respondent 8

- Historic cycle

Respondent 9

- Possible war with China

Respondent 11

- 21. The Fed commits to and achieves inflation in a 0-2% range
- 24. Government policies reacting quickly to inflationary pressures

Respondent 12

- 10. Calls on government promises for retirement income and medical care straining federal budgets
- 22. Delays in retirement and new retirement careers resulting in improved tax revenues and slowing the growth of calls on Social Security and Medicare
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing

Respondent 15

- 2% premium over long-term inflation

Respondent 16

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 4. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 5. High inflation from combination of the budget and trade deficit
- 8. Inability to generate domestic savings to reduce reliance on foreign borrowing

- 12. U.S. dollar losing value
- 13. Foreign governments switching to place funds in euros

Respondent 17

- 18. Combination of projected labor force growth and productivity growth
- 3. Continuing wave of technological change driving robust economic growth
- 9. People continuing to favor current consumption over saving

Respondent 19

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- Highly stimulative U.S. monetary and fiscal policies
- 10. Calls on government promises for retirement income and medical care straining federal budgets
- 13. Foreign governments switching to place funds in euros
- 23. The extra productivity of the post-retirement workers increasing the amount of money looking for secure investments while reducing the need for government borrowing

Respondent 23

- Competition to Treasury bonds for investment: other alternatives including global capital markets

Respondent 24

- Recession could bring low-end down, but inflationary factors cited above + incentive to monetize fed debt push high end up expectation up

Highest Plausible Value

Respondent 1

- I believe that if the new Fed chairman will continue to manage as Greenspan, we will not see a dramatic swing upward. We saw the rates above 10% after Volcker set limits on Bank Reserves. This methodology is not longer popular in Western Governments (except Brazil)

Respondent 2

- High inflation plus high real rate

Respondent 3

- I arrived at 12% by assessing a 6% highest plausible inflation rate and assuming investors might demand a high real return of 6% in the face of inflationary uncertainty.

Respondent 4

- 5. High inflation from combination of the budget and trade deficit
- 6. Foreign investors diversifying portfolios away from U.S. dollar assets
- 7. Highly stimulative U.S. monetary and fiscal policies
- 8. Inability to generate domestic savings to reduce reliance on foreign borrowing

Respondent 5

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 10.Calls on government promises for retirement income and medical care straining federal budgets
- 12. U.S. dollar losing value
- 14. Government inability to “manage” mid or long term rates

Respondent 7

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 2. Labor unrest as the dependency ratio rises with the baby boomers retiring
- 4. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 6. Foreign investors diversifying portfolios away from U.S. dollar assets
- 10. Calls on government promises for retirement income and medical care straining federal budgets

Respondent 8

- Historic cycle

Respondent 9

- Shortage of commodities
- Service economy catches up

Respondent 12

- 10. Calls on government promises for retirement income and medical care straining federal budgets
- 11. The growth in demand for treasuries falling behind the growth in federal commitments

Respondent 14

- Originally I had a lower value but after reading the other responses I was probably influenced too much by recent history

Respondent 16

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 4. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 5. High inflation from combination of the budget and trade deficit
- 8. Inability to generate domestic savings to reduce reliance on foreign borrowing
- 12. U.S. dollar losing value
- 13. Foreign governments switching to place funds in euros

Respondent 17

- 5. High inflation from combination of the budget and trade deficit
- People continuing to favor current consumption over saving

Respondent 18

- 12, U.S. dollar losing value
- Increased monetization of debt as a result of entitlement spending outpacing productivity gains. Increases inflation and supply of debt, raising interest rates

Respondent 19

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 10. Calls on government promises for retirement income and medical care straining federal budgets
- 6. Foreign investors diversifying portfolios away from U.S. dollar assets
- 14. Government inability to “manage” mid or long term rates

Respondent 21

- 4. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 5. High inflation from combination of the budget and trade deficit
- 8. Inability to generate domestic savings to reduce reliance on foreign borrowing
- 12. U.S. dollar losing value
- 10. Calls on government promises for retirement income and medical care straining federal budgets

Respondent 24

- Recession could bring low-end down, but inflationary factors cited above + incentive to monetize fed debt push high end up expectation up

3. S&P 500 Total Rate of Return

Lowest Plausible Value

Respondent 1

- Extrapolation from historical value

Respondent 2

- Any 1 year can be extremely volatile

Respondent 4

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years
- 2. Exceptionally volatile, but globalization and cross-linking of exchanges dampening overall fluctuations
- 15. Increased cross-border, competition in both goods and services reducing the return of equities

Respondent 5

- 16. An environment that supports the highest plausible value of the other variables
- 17. A bear market

- 20. The next generation creating another bubble in the market, this will burst as always

Respondent 7

- 13.Rising discount rate, but highly volatile
- Increased cross-border, competition in both goods and services reducing the return of equities
- 16. An environment that supports the highest plausible value of the other variables
- 17. A bear market
- 18. The baby boom reaching the Social Security retirement age, with the U.S. the last of the major industrialized nations to reach this point of a massive proportion of its population in retirement
- 19. A flight from equities resulting from retirees' needs for cash...

Respondent 8

- Tech revolution

Respondent 9

- Normal fluctuations

Respondent 11

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years

Respondent 12

- 12. High interest rates and poor fiscal policy damaging corporate earnings and hurting investor confidence
- 18. The baby boom reaching the Social Security retirement age, with the U.S. the last of the major industrialized nations to reach this point of a massive proportion of its population in retirement
- 19. A flight from equities resulting from retirees' needs for cash...

Respondent 16

- 12. High interest rates and poor fiscal policy damaging corporate earnings and hurting investor confidence
- 13. Rising discount rate, but highly volatile

Respondent 17

- 17. A bear market
- 19. A flight from equities resulting from retirees' needs for cash...
- 20. The next generation creating another bubble in the market, this will burst as always

Respondent 18

- - Profit margins damaged by political settlements, reducing confidence in equity investing

Respondent 19

- 17. A bear market
- 19. A flight from equities resulting from retirees' needs for cash...

Respondent 21

- Happen to hit a low in 2024, malaise among investors from long term outlook for lagging growth in the U.S., resource shortages
- 12. High interest rates and poor fiscal policy damaging corporate earnings and hurting investor confidence
- 19. A flight from equities resulting from retirees' needs for cash..,

Respondent 24

- Highly volatile series

Expected Value

Respondent 1

- I believe that the long term average will balance out

Respondent 2

- A bit faster than trend nominal GDP growth

Respondent 4

- Reasonable spread over base case 10yr Tsy scenario

Respondent 8

- Tech revolution

Respondent 11

- 4. A continued wave of technological change should drive robust economic growth (plus gives a reasonable equity risk premium over long-term bond yields)

Respondent 12

- 18. The baby boom reaching the Social Security retirement age, with the U.S. the last of the major industrialized nations to reach this point of a massive proportion of its population in retirement

- 19. A flight from equities resulting from retirees' needs for cash...

Respondent 16

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years

- 2. Exceptionally volatile, but globalization and cross-linking of exchanges dampening overall fluctuations

- 4. A continued wave of technological change should drive robust economic growth

Respondent 17

- 4 A continued wave of technological change should drive robust economic growth

- 8. Significant increases in service sector productivity, particularly medical services

Respondent 18

- -increased compliance costs creating artificial economies of scale, driving small cap companies out of the public markets – reduces volatility

Respondent 19

- 10. A balance existing between those who cash out their equity portfolios to meet current spending needs or to find more stable investments, and those who hold on to equities for their potential to deliver solid income

- 11 a. Many companies shifting their focus to provide solid dividend income to their shareholders, mitigating the impact of declines in equity prices Still need a reasonable spread over corporate bonds to make the equity risk worthwhile

Respondent 23

- Increased cross-border competition in both goods and services reducing the return of equities

Respondent 24

- Expected returns from equities will be more modest in the future as interest rates will be higher and demand will fall; Rise in interest in foreign stocks reduce demand for US securities

Highest Plausible Value

Respondent 1

- Historical Basis

Respondent 2

- Any 1 year can be extremely volatile

Respondent 3

- You have asked for the value in 2024, NOT the average value from now to 2024. Equity returns are volatile and historically a high return is not a rare event. My round 1 estimate was based on my examination of the wrong data set.

Respondent 4

- 2. Exceptionally volatile, but globalization and cross-linking of exchanges dampening overall fluctuations

Respondent 5

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years
- 9. Though implausible, an exuberant bull market in 2024

Respondent 7

- 2. Exceptionally volatile, but globalization and cross-linking of exchanges dampening overall fluctuations
- 4. A continued wave of technological change should drive robust economic growth

- 7. An environment that supports the lowest plausible value of the other variables

- 10.A balance existing between those who cash out their equity portfolios to meet current spending needs or to find more stable investments, and those who hold on to equities for their potential to deliver solid income

- 11.Many companies shifting their focus to provide solid dividend income to their shareholders, mitigating the impact of declines in equity prices

Respondent 8

- Tech revolution

Respondent 9

- Normal fluctuations

Respondent 11

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years

Respondent 12

- 8. Significant increases in service sector productivity, particularly medical services

- 11. Many companies shifting their focus to provide solid dividend income to their shareholders, mitigating the impact of declines in equity prices

Respondent 14

- Over reaction in the market can cause any single year to deviate above or below normal levels

Respondent 16

- 1. This is a highly volatile series: above 24% gain or below - 10% loss due to immediate growth, irrational exuberance, recession or under & over valuations in recent years

- 2. Exceptionally volatile, but globalization and cross-linking of exchanges dampening overall fluctuations

- 4. A continued wave of technological change should drive robust economic growth

Respondent 17

- 4 A continued wave of technological change should drive robust economic growth

- 8. Significant increases in service sector productivity, particularly medical services
- 9**.** Though implausible, an exuberant bull market in 2024

Respondent 18

- 5. Taxes being reduced and income taxes possibly being replaced by consumption taxes.
- New technologies dramatically drop cost of natural resources

Respondent 19

- 9. Though implausible, an exuberant bull market in 2024
- 11. Many companies shifting their focus to provide solid dividend income to their shareholders, mitigating the impact of declines in equity prices a) Still need a reasonable spread over corporate bonds to make the equity risk worthwhile; b) potential changes in the make up of the S&P 500 dropping poor performers and replacing them with stronger companies gives an upward bias to the index. This is not as common as with the Dow Jones but is still possible as companies can go into bankruptcy and be dropped (e.g., Enron).

Respondent 21

- Happen to hit a peak in 2024
- 8. Significant increases in service sector productivity, particularly medical services

Respondent 24

- In any given year, falling interest rate, econ recovery could send the market up

4. Corporate Baa Spot Yields

Lowest Plausible Value

Respondent 1

- As money tightens the Spread will need to increase

Respondent 2

- Low T-bond rate plus compressed spreads

Respondent 3

- Baa yields depend on inflation, treasury yields, and credit market perceptions. It is unlikely that appetite for lesser quality investment grade bonds will be high enough to justify a spread of less than 200bp to treasury (particularly in a low interest rate environment where corporate profits might be squeezed by deflationary pressures) and my low estimate for treasury is 3.5%.

Respondent 4

- 16. Good profitability and strengthened corporate governance keeping the spread over treasuries relatively tight

- 17. Government prudence and a perception of relatively low corporate risk because of healthy

Respondent 5

- Consistent with lowest plausible value for 10 year Treasury

Respondent 7

- 18. Credit spreads over treasury securities becoming smaller because of a growing preference for corporate bonds (resulting from a reduction in confidence in government bonds) as the credit risk seems increasingly insignificant compared to the large-scale federal commitments

- 19. Little way to avoid credit risk

Respondent 8

- Equity will be more attractive.

Respondent 11

- Values need to be consistent with bond yields (see section 2 above) and reflective of widening or narrowing credit spreads

Respondent 12

- 18. Credit spreads over treasury securities becoming smaller because of a growing preference for corporate bonds (resulting from a reduction in confidence in government bonds) as the credit risk seems increasingly insignificant compared to the large-scale federal commitments

Respondent 16

- 13. A boom, creating an excess of demand for credit risk, lowering yields

- 17. Government prudence and a perception of relatively low corporate risk because of healthy balance sheets, strong earnings momentum, and favorable economic conditions.

Respondent 17

- 18. Credit spreads over treasury securities becoming smaller because of a growing preference for corporate bonds (resulting from a reduction in confidence in government bonds) as the credit risk seems increasingly insignificant compared to the large-scale federal commitments

Respondent 18

- 16. Good profitability and strengthened corporate governance keeping the spread over treasuries relatively tight

Respondent 19

- 13. A boom, creating an excess of demand for credit risk, lowering yields

Respondent 21

- Low rates in response to poor economy with few investment opportunities
- 17. Government prudence and a perception of relatively low corporate risk because of healthy balance sheets, strong earnings momentum, and favorable economic conditions.

Respondent 24

- US may be flush with foreign capital, like today, keeping interest rates low

Expected Value

Respondent 1

- As money tightens the spread will need to increase

Respondent 2

- Trend real rate, expected inflation plus normal spreads versus Treasuries

Respondent 3

- I believe that recent Baa spreads are too low and that spreads will return to historical levels in the 250bp range.

Respondent 8

- Equity will be more attractive.

Respondent 11

- Values need to be consistent with bond yields (see section 2 above) and reflective of widening or narrowing credit spreads

Respondent 15

- 4% risk premium

Respondent 16

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices

- 3. A recession involving a credit crunch, raising yields

- 6. Need to attract foreign capital to finance the enormous U.S. budget deficit

Respondent 17

- 18. Credit spreads over treasury securities becoming smaller because of a growing preference for corporate bonds (resulting from a reduction in confidence in government bonds) as the credit risk seems increasingly insignificant compared to the large-scale federal commitments

- 3. A recession involving a credit crunch, raising yields

- 9. Lack of government prudence

Respondent 19

- 16. Good profitability and strengthened corporate governance keeping the spread over treasuries relatively tight

- 4. A continued wave of technological change driving robust economic growth

Respondent 23

- Need to attract foreign capital to finance the enormous U.S. budget deficit

Respondent 24

- Modestly higher inflation

Highest Plausible

Respondent 1

- As money tightens the spread will need to increase

Respondent 2

- In high inflation, high real interest rate world with wide spreads

Respondent 3

- If treasury rate do wind up at the high end then it is likely that credit markets will demand high risk premiums for loaning to Baa grade corporations.

Respondent 4

- 3. A recession involving a credit crunch, raising yields
- 5. Rising inflation and a continuation of inflationary expectations
- 8. High inflation
- 9. Lack of government prudence
- 10. A perception of relatively high corporate risk because of unhealthy balance sheets, low earnings momentum and unfavorable economic conditions

Respondent 5

- Consistent with highest plausible value for 10 year Treasury

Respondent 7

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 2. Labor unrest as the dependency ratio rises with the baby boomers retiring
- 4. A continued wave of technological change driving robust economic growth
- 5. Rising inflation and a continuation of inflationary expectations
- 6. Need to attract foreign capital to finance the enormous U.S. budget deficit

Respondent 8

- Equity will be more attractive.

Respondent 11

- Values need to be consistent with bond yields (see section 2 above) and reflective of widening or narrowing credit spreads

Respondent 12

- 7. Increasing competition for savings; the retirement of the baby boomers will mean dis-saving on a massive scale as they quit paying into IRAs and start withdrawing funds
- 8. High inflation

Respondent 14

- Increased this value to reflect a change in 10 yr treasury value

Respondent 16

- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 3. A recession involving a credit crunch, raising yields
- 6. Need to attract foreign capital to finance the enormous U.S. budget deficit

Respondent 17

- 5. Rising inflation and a continuation of inflationary expectations
- 10. A perception of relatively high corporate risk because of unhealthy balance sheets, low earnings momentum and unfavorable economic conditions

Respondent 18

- 5. Rising inflation and a continuation of inflationary expectations
- 10. A perception of relatively high corporate risk because of unhealthy balance sheets, low earnings momentum and unfavorable economic conditions
- 12. Rising political risk
- Increased risk from government litigation (e.g., Spitzer) vs. regulation

Respondent 19

- 7. Increasing competition for savings; the retirement of the baby boomers will mean dis-saving on a massive scale as they quit paying into IRAs and start withdrawing funds

- 10. A perception of relatively high corporate risk because of unhealthy balance sheets, low earnings momentum and unfavorable economic conditions

Respondent 21

- Investors insist on higher returns to offset high perceived risk & volatility
- 1. Tight energy and commodity markets: price shocks, oil shortages; rising oil prices
- 6. Need to attract foreign capital to finance the enormous U.S. budget deficit
- 2. Labor unrest as the dependency ratio rises with the baby boomers retiring
- 10. A perception of relatively high corporate risk because of unhealthy balance sheets, low earnings momentum and unfavorable economic conditions

Respondent 24

- Huge fed deficits may crowd out private investment forcing businesses to offer high yields