

PUB (MPI) 1-27

Part and Chapter:	VI INV 14.1; Figure INV-42 & INV-43	Page No.:	74-75
PUB Approved Issue No:	8. Performance of the Investment portfolio		
Topic:	Investments		
Sub Topic:	Interest Rate Forecast		

Preamble to IR (If Any):

Question:

- a) Please provide the actual supporting forecast that was used to populate both INV-42 and INV-43.
- b) Please update table INV-42 and INV-43 for the most current date (currently based on February 28, 2018) and also provide the supporting forecasts used for the updated tables.

Rationale for Question:

To understand the details that support the interest rate forecast tables and to obtain a most recent version.

RESPONSE:

- a) See Attachment A, Attachment C; and Attachment D, which the Corporations is seeking confidential treatment pursuant to rule 13.
- b) Figure 1 and 2 below are updates to INV-42 and INV-43. See Attachment B, Attachment C, and Attachment D (seeking confidentiality) for the supporting forecasts.

Figure 1: SIRF, Naïve and 50/50 GoC 10 Year Bond Forecast as of July 2018

Line No.		BMO NB	CIBC	Desjardins	Global	National	RBC	Scotia	TD	Average (SIRF)	Naïve	50/50
1	2018 Q2	2.28%	2.19%	2.17%	2.23%	2.17%	2.17%	2.17%	2.20%	2.20%	2.17%	2.18%
2	Q3	2.30%	2.50%	2.35%	2.43%	2.22%	2.35%	2.40%	2.45%	2.38%	2.17%	2.27%
3	Q4	2.50%	2.55%	2.55%	2.52%	2.57%	2.60%	2.55%	2.55%	2.55%	2.17%	2.36%
4	2019 Q1	2.60%	2.65%	2.70%	2.63%	2.74%	2.70%	2.60%	2.60%	2.65%	2.17%	2.41%
5	Q2	2.65%	2.70%	2.80%	2.74%	2.93%	2.80%	2.65%	2.65%	2.74%	2.17%	2.46%
6	Q3	2.75%	2.65%	2.90%	2.84%	3.01%	2.90%	2.70%	2.70%	2.81%	2.17%	2.49%
7	Q4	2.80%	2.60%	2.95%	2.92%	3.09%	2.95%	2.75%	2.75%	2.85%	2.17%	2.51%
8	2020 Q1	X.XX%	2.72%	3.00%	2.98%	3.26%	X.XX%		2.78%	2.96%	2.17%	2.56%
9	Q2	X.XX%	2.75%	3.00%	3.03%	3.37%	X.XX%		2.80%	3.01%	2.17%	2.59%
10	Q3	X.XX%	2.80%	2.80%	3.06%	3.35%	X.XX%		2.83%	3.01%	2.17%	2.59%
11	Q4	X.XX%	2.85%	2.55%	3.08%	3.33%	X.XX%		2.85%	3.00%	2.17%	2.59%
12	2021 Q1	X.XX%	2.90%	2.35%	3.08%	3.31%	X.XX%		2.85%	2.99%	2.17%	2.58%
13	Q2	X.XX%	2.95%	2.25%	3.09%	3.29%	X.XX%		2.85%	2.97%	2.17%	2.57%
14	Q3	X.XX%	2.96%	2.20%	3.09%	3.33%	X.XX%		2.85%	2.97%	2.17%	2.57%
15	Q4	X.XX%	2.98%	2.20%	3.08%	3.37%	X.XX%		2.85%	2.99%	2.17%	2.58%
16	2022 Q1			2.20%	3.07%	3.40%	X.XX%		2.85%	2.96%	2.17%	2.57%
17	Q2			2.25%	3.06%	3.44%	X.XX%		2.85%	2.97%	2.17%	2.57%
18	Q3			2.35%	3.05%	3.48%	X.XX%		2.85%	3.01%	2.17%	2.59%
19	Q4			2.45%	3.04%	3.52%	X.XX%		2.85%	3.04%	2.17%	2.61%

Figure 2: SIRF, Naïve, 50/50 90-Day T-Bill Forecast as of July 2018

Line No.		BMO NB	CIBC	Desjardins	Global	National	RBC	Scotia	TD	Average (SIRF)	Naïve	50/50
1	2018 Q2	1.21%	1.24%	1.26%	1.25%	1.42%	1.26%	1.26%	1.22%	1.27%	1.26%	1.26%
2	Q3	1.50%	1.45%	1.45%	1.49%	1.53%	1.40%	1.55%	1.50%	1.48%	1.26%	1.37%
3	Q4	1.70%	1.45%	1.55%	1.74%	1.88%	1.65%	1.80%	1.63%	1.68%	1.26%	1.47%
4	2019 Q1	1.70%	1.75%	1.70%	1.99%	1.96%	1.90%	2.05%	1.76%	1.83%	1.26%	1.55%
5	Q2	1.95%	1.70%	1.80%	2.24%	2.18%	2.15%	2.30%	1.88%	2.00%	1.26%	1.63%
6	Q3	2.15%	1.95%	1.95%	2.49%	2.21%	2.15%	2.30%	2.01%	2.15%	1.26%	1.71%
7	Q4	2.15%	2.00%	2.05%	2.74%	2.21%	2.15%	2.50%	2.13%	2.22%	1.26%	1.74%
8	2020 Q1	X.XX%	2.10%	2.25%	3.03%	2.39%	X.XX%		2.22%	2.35%	1.26%	1.80%
9	Q2	X.XX%	2.20%	2.25%	3.03%	2.47%	X.XX%		2.32%	2.42%	1.26%	1.84%
10	Q3	X.XX%	2.21%	2.20%	3.03%	2.41%	X.XX%		2.41%	2.40%	1.26%	1.83%
11	Q4	X.XX%	2.23%	1.90%	3.03%	2.35%	X.XX%		2.50%	2.35%	1.26%	1.81%
12	2021 Q1	X.XX%	2.24%	1.40%	3.03%	2.28%	X.XX%		2.50%	2.30%	1.26%	1.78%
13	Q2	X.XX%	2.25%	1.25%	3.03%	2.22%	X.XX%		2.50%	2.31%	1.26%	1.79%
14	Q3	X.XX%	2.26%	1.25%	3.03%	2.22%	X.XX%		2.50%	2.30%	1.26%	1.78%
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18	Q3			1.25%	3.03%	2.33%	X.XX%		2.50%	2.33%	1.26%	1.80%
19	Q4			1.25%	3.03%	2.37%	X.XX%		2.50%	2.34%	1.26%	1.80%

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~~[Attachment C Redacted. The Corporation is seeking confidential treatment of this response].~~

b) Figure 1 and 2 below are updates to INV-42 and INV-43. See Attachment B for the supporting forecasts, Attachment C, and Attachment D (seeking confidentiality) for the supporting forecasts.

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4	2019 Q1	2.60%	2.65%	2.70%	2.63%	2.74%	2.70%	2.60%	2.65%	2.17%	2.41%
5	Q2	2.65%	2.70%	2.80%	2.74%	2.93%	2.80%	2.65%	2.74%	2.17%	2.46%
6	Q3	2.75%	2.65%	2.90%	2.84%	3.01%	2.90%	2.70%	2.81%	2.17%	2.49%
7	Q4	2.80%	2.60%	2.95%	2.92%	3.09%	2.95%	2.75%	2.85%	2.17%	2.51%
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BANK OF MONTREAL
(BMO)

	Canada: Overnight Money Market Financing Rate, Target [BoC] (%)	Canada: 3-Month Treasury Bills [BoC] (%)	Canada: Benchmark 10- Year Bond Yields [BoC] (%)
.DESC	Q4-1992	Q1-1962	Q1-1989
.T1	Q4-2021	Q4-2021	Q4-2021
.TN	BMOCME	BMOCME	BMOCME
.SOURCE	Mar-16-2018 10:48	Mar-16-2018 10:48	Mar-16-2018 10:48
.DTLM	Quarterly [Monthly]	Quarterly [Monthly]	Quarterly [Monthly]
.FRQ			
20161	0.500000	0.446985	1.216894
20162	0.500000	0.510072	1.284791
20163	0.500000	0.502113	1.059972
20164	0.500000	0.482349	1.445373
20171	0.500000	0.471420	1.712945
20172	0.500000	0.539864	1.513022
20173	0.833333	0.808318	1.947045
20174	1.000000	0.923567	1.961595
20181	1.250000	1.161387	2.286381
20182	1.250000	1.202641	2.416139
20183	1.500000	1.441989	2.535222
20184	1.750000	1.681337	2.654306
20191	2.000000	1.920684	2.786667
20192	2.250000	2.160032	2.925667
20193	2.500000	2.359489	3.064667
20194	2.500000	2.359489	3.203667
20201	2.500000	2.359489	3.293889
20202	2.750000	2.609489	3.394445
20203	2.750000	2.609489	3.495000
20204	2.750000	2.609489	3.540000
20211	2.750000	2.609489	3.557222
20212	2.500000	2.359489	3.518889
20213	2.500000	2.359489	3.508333
20214	2.500000	2.359489	3.553333

BANK OF MONTREAL
(BMO)

	Canada: Overnight Money Market Financing Rate, Target [BoC] (%)	Canada: 3-Month Treasury Bills [BoC] (%)	Canada: Benchmark 10- Year Bond Yields [BoC] (%)
.DESC	Q4-1992	Q1-1962	Q1-1989
.T1	Q4-2022	Q4-2022	Q4-2022
.TN	BMOCME	BMOCME	BMOCME
.SOURCE	Jul-12-2018 13:34	Jul-12-2018 13:34	Jul-12-2018 13:34
.DTLM	Quarterly [Monthly]	Quarterly [Monthly]	Quarterly [Monthly]
.FRQ			
20161	0.500000	0.446985	1.216894
20162	0.500000	0.510072	1.284791
20163	0.500000	0.502113	1.059972
20164	0.500000	0.482349	1.445373
20171	0.500000	0.471420	1.712945
20172	0.500000	0.539864	1.513022
20173	0.833333	0.808318	1.947045
20174	1.000000	0.923567	1.961595
20181	1.250000	1.139677	2.236988
20182	1.250000	1.212951	2.277850
20183	1.500000	1.468929	2.237415
20184	1.750000	1.675000	2.425930
20191	1.750000	1.712500	2.537857
20192	2.000000	1.937500	2.635102
20193	2.250000	2.125000	2.715680
20194	2.250000	2.125000	2.787925
20201	2.250000	2.162500	2.901281
20202	2.500000	2.350000	3.047222
20203	2.500000	2.350000	3.120000
20204	2.500000	2.350000	3.165000
20211	2.500000	2.350000	3.182222
20212	2.500000	2.350000	3.143889
20213	2.500000	2.350000	3.133333
20214	2.500000	2.350000	3.178333