



May 1, 2018

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Yield Curve Shifts Upward, Global Equities Remain Volatile

Both immediate and deferred purchase rates increased roughly 20 basis points during April. The immediate annuity purchase rate increased from 3.03% to 3.23%; the deferred purchase rate rose from 3.18% to 3.37%. Both rates are up roughly 50 basis points in 2018.

In April, the ten year treasury increased from 2.73% to 2.97% while the thirty year treasury yield rose from 2.97% to 3.13%. The two year treasury yield moved up from 2.25% to 2.50%. The ten year treasury yield reached the psychologically important 3.00% mark for the first time since early in 2014. Higher treasury yields drive higher annuity rates.

US and Foreign large market indexes were up slightly for April. The S&P 500 is down just under 1% for 2018 and foreign markets were flat. Trade talk continues as North Korea thaws a bit. The dollar strengthens as 3% yields attract foreign money.

Implications for PRT

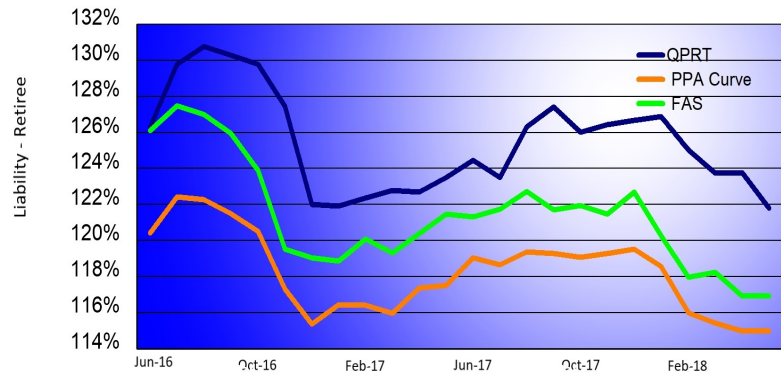
The annuity price impact improves for plan sponsors as a 50 basis point increase in annuity purchase rates translates to roughly a 4.25% lower price for a typical retiree only group, and more than a 6.00% reduction in price for an all deferred group.

What Should Plan Sponsors Do?

During volatile markets, it's even more important to be ready to execute. Plan sponsors who work with a PRT advisor to develop a plan are much more likely to be ready to execute when financial and PRT market conditions align with their budget goals.

QAS Pension Risk Transfer 1000 Index©

Jun 2016 to May 2018 - Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 - Sept 2007

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Rates

Rates have continued to move up during May. As of the writing of this newsletter, the ten year treasury is 3.06% and the thirty year is 3.20%, while the two year treasury is 2.55%. The dollar continues to strengthen. The debate is whether the Fed will increase rates two or three more times this year. We may know more later this week.

PRT Trax Index +/-

12 mo Hi-Lo %	+/- 4.6%
YTD % Δ	- 3.8%
3 mos % Δ	- 2.6%
1 mo % Δ	- 1.6%

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Date	Immediate	Deferred
April 1, 2018	3.03%	3.18%
May 1, 2018	3.23%	3.37%

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