



June 1, 2018

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### **Long Term Yields Decline Slightly as Fed Increases Rates**

Both immediate and deferred purchase rates declined slightly during May. The immediate annuity purchase rate declined from 3.23% to 3.19%; the deferred purchase rate dropped from 3.37% to 3.31%. Both rates are still up roughly 50 basis points since the start of the year.

In May, the ten year treasury decreased from 2.97% to 2.89% while the thirty year treasury yield declined from 3.13% to 3.04%. The two year treasury yield moved up from 2.50% to 2.47%.

The S&P 500 was up roughly 2.4% in May while aggregate foreign market indexes were down roughly 1.6%. The S&P is back in positive territory for the year while the foreign markets are in negative territory. Daily trade war comments continue, however, the meeting between the American and North Korean leaders went off as scheduled.

#### **Implications for PRT**

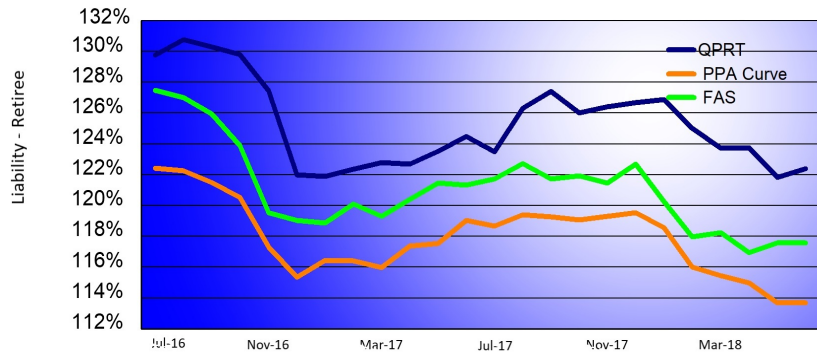
The annuity price continues to improve for plan sponsors as US equities are back in the black and the cost to purchase an annuity is near the bottom of the range for recent years.

#### **What Should Plan Sponsors Do?**

Assets up and the cost near the bottom of the range, no better time to call a PRT advisor to either establish a plan or to help execute an existing plan.

### **QAS Pension Risk Transfer 1000 Index©**

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



Index Base = 100.0 - Sept 2007

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#### **Rates**

Last week the Fed raised the fed funds to a 1.75%-2.00% range. Expected increases of two more this year, three in 2019 and one in 2020 put a fed funds range of 3.25-3.50% by year end 2020. As this newsletter is written, the ten year treasury is 2.93% and the thirty year is 3.05%, both are basis point drops in low teens from May, while the two year treasury is 2.55% exactly the same as May. The two year treasury is generally thought to be tied more closely to fed policy than longer term rates.

<b>PRT Trax Index +/-</b>	
12 mo Hi-Lo %	+/- 4.6%
YTD % Δ	- 3.5%
3 mos % Δ	- 1.1%
1 mo % Δ	+ 0.5%

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<b>Date</b>	<b>Immediate</b>	<b>Deferred</b>
May 1, 2018	3.23%	3.37%
June 1, 2018	3.19%	3.31%

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