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Rates and Equities End 2018 On Down Note, 2019 Starts on Upswing

Both immediate and deferred purchase rates were down significantly in December. The immediate annuity purchase rate decreased from 3.44% to 3.25%; the deferred purchase rate decreased from 3.71% to 3.56%. The highest rate for immediate annuities was 3.55% down from 3.74%, the highest deferred rate was 3.91%, down from 4.07%. Rates are still up significantly since the beginning of 2018.

In December, the treasury curve dropped dramatically. The ten year treasury yield decreased from 3.01% to 2.69% while the thirty year treasury yield decreased from 3.30% to 3.02%. The two year treasury yield decreased from 2.80% to 2.48%. Slight inversions continued in the two to three year yields.

Equity markets were down significantly in December. The S&P 500 was down just over 9% while aggregate foreign market indexes were down just under 6%. The S&P 500 was down just over 6% for the year while aggregate foreign market indexes were down just under 17%.

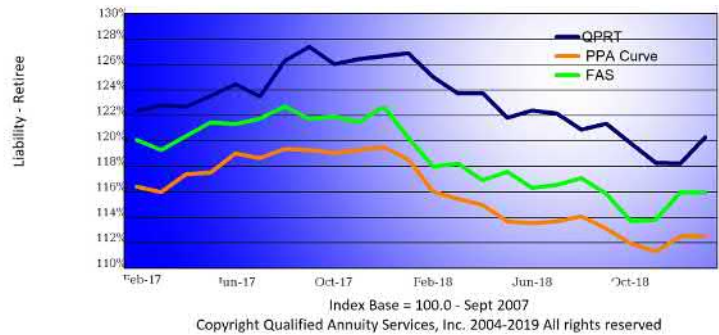
For 2019, stocks are off to a positive start with the S&P 500 up nearly 6% and foreign markets up around 5%. The partial government shutdown, turmoil in Washington, uncertainty over the path of future interest rates, slower global economic growth, trade war with China, and corporate earnings remain as concerns.

I've Heard Some Insurers Lost Money, Should I Still Buy An Annuity?

Insurers invest in the bond and fixed income markets and may from time to time have a bad quarter or two, sometimes more. Insurers and their regulators plan for this by requiring insurers to keep additional capital above their required reserves based on how much risk they take and to have actuaries sign off on the adequacy of the reserves. The regulators require insurers to use accounting standards that are more conservative than Generally Accepted Accounting Principles or GAAP. Some states build in even more redundancy. Conservative reserves, profit margin and capital serve as buffers to protect policyholders from loss. Still some companies

QAS Pension Risk Transfer 1000 Index©

Feb 2017 to Jan 2019 - Relative Price PRT v. PPA Curve - FAS



may not have enough to pay all of their policyholders. To learn more of the risks of insurers contact a PRT advisor who understands these risks.

Rates

After penciling in two more rate increases for 2019 at their December meeting, Fed Chairman Powell clarified the Fed's policy would change as economic conditions changed, his comments were favorably received by the markets. According to the CME Group's Fed Watch Tool, there is roughly a 74% chance that the Fed Funds target rate at the end of the year will remain unchanged at 2.25-2.50%, an 18% chance of a 25 basis point increase, a 1% chance of a 50 basis point increase, and a 6% chance of a 25 basis point decrease. Since the end of December, rates have moved up a few basis points. The ten year treasury is at 2.79%, the thirty year at 3.09% and the two year at 2.62%.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 5.8%
YTD % Δ	+ 1.8%
3 mos % Δ	+ 0.4%
1 mo % Δ	+ 1.8%

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Date	Immediate	High	Deferred	High
January 1, 2019	3.25%	3.55%	3.56%	3.91%