

March, 2019

Vol. XIX, No. 3

Rates Down, Equities Strong Recovery Slowing, Yield Curve Inverting

Purchase rates were down in February. The immediate annuity purchase rate decreased from 3.29% to 3.22%; the deferred purchase rate decreased from 3.54% to 3.47%. The highest immediate rate was 3.60% down from 3.65%, the highest deferred rate was 3.79%, up from 3.73%.

In February, the treasury curve experienced a parallel shift of roughly 10 basis points. The ten year treasury yield increased from 2.63% to 2.73% while the 30 year treasury yield increased from 2.99% to 3.09%. The two year treasury yield increased from 2.45% to 2.52%. There was also a slight inversion from the one year treasury to the five year.

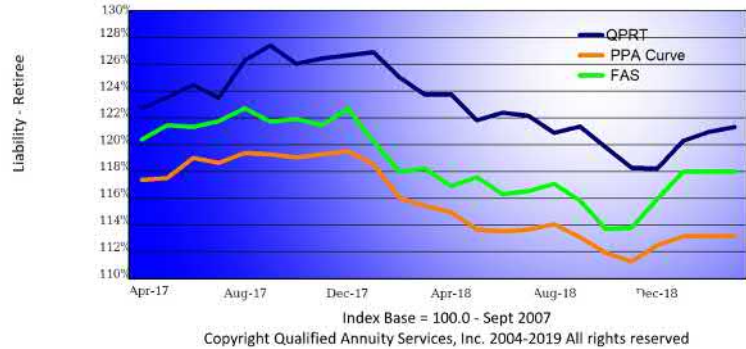
Equity markets continued to recover in February. The S&P 500 was up 3.25% while aggregate foreign market indexes were up around 1.6%. Year-to-date the S&P 500 was up roughly 11.4% while aggregate foreign markets were up over 9.4%. So far in March, the markets have seen daily volatility but remain flat for the month. Evidence of a worldwide economic slowdown is mounting as central banks including the Fed delay plans for rate hikes, the bund has reentered negative territory, Brexit clarity has not been achieved, and the US trade gap continues to widen. The Mueller report is out with no further indictments recommended.

Is Now A Good Time To Buy An Annuity?

With rates being down from recent highs some plan sponsors may be thinking this isn't a good time to buy an annuity. If you can accurately predict the direction of interest rates, that's great. For the rest of us, the best way to go is to be prepared to act when the time is right. QAS has been a leader in the PRT market for nearly forty years. To learn more about developing an effective de-risking strategy to buy an annuity for your plan, give QAS a call.

QAS Pension Risk Transfer 1000 Index©

Apr 2017 to Mar 2019 - Relative Price PRT v. PPA Curve - FAS



Rates

Last week the Fed met and did not raise interest rates. According to the CME Group's Fed Watch Tool, there is roughly a 92% probability that the Fed will leave rates unchanged at their next meeting on May 1, and the chance that the Fed Funds Target will drop 25 basis points is 8%. Since the end of February, rates have moved down considerably. The ten year treasury is at 2.44%, the thirty year at 2.88% and the two year at 2.31%. The inversion is getting larger, as T-bills exceed the 2-10 year portion of the curve at some points by nearly 20 basis points.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 4.7%
YTD % Δ	+ 2.6%
3 mos % Δ	+ 2.63%
1 mo % Δ	+ 0.3%

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Date	Immediate	High	Deferred	High
February 1, 2019	3.22%	3.60%	3.47%	3.79%

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