

April, 2019 Vol. XIX, No. 4

Rates Down in March But Rebounding In April, Equities Strong

Purchase rates were down significantly in March. The immediate annuity purchase rate decreased from 3.22% to 2.97%, first drop below 3% since February 2018; the deferred purchase rate decreased from 3.47% to 3.21%. The highest rate for immediate annuities was 3.30%, down from 3.60%, and the highest deferred rate was 3.40%, down from 3.79%.

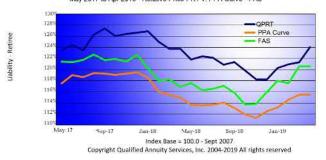
In March the treasury curve declined significantly. The 10 year treasury yield decreased from 2.73% to 2.41%, 32 basis points lower, while the 30 year treasury yield decreased from 3.09% to 2.81%, declining 28 basis points. The two year treasury yield decreased 25 basis points from 2.52% to 2.27%. Treasury rates at one year and less were in the 2.40% to 2.44% range causing an inversion from the one year to two year yields of 13-17 basis points.

Equity markets continued to recover in March. The S&P 500 was up 1.2% while aggregate foreign market indexes rose around 0.9%. Year to date the S&P 500 was up roughly 12.9% while aggregate foreign markets were up over 9.9%. Like the weather, the markets have been calmer in April. US markets are up roughly 2.7% since the end of March, eclipsing 16% year to date. Foreign markets are up nearly 3% since March and just over 13.1% year to date. The Mueller report is dominating the news with Democrats divided on pushing programs or pushing out President Trump. Presidential candidates are trying to separate themselves in a growing and crowded field. The Fed is signaling no change in the near term, but that could change at any time as we just witnessed.

Focus: A Top Reason For an Annuity Purchase

One of our clients wrote a letter to his board on why they were purchasing an annuity. His top reason: Focus. Many of his executives were involved in pension issues and it was chewing up their time and energy. They were neither actuaries nor investment pros, and didn't want to be. The CEO and board spent much more time discussing issues around the pension plan than they wanted. They were good at their core business and that's where they wanted their time and energy spent.

QAS Pension Risk Transfer 1000 Index© May 2017 to Apr 2019 - Relative Price PRT v. PPA Curve - FAS



QAS has been a leader in the PRT market for nearly forty years. To learn more about developing a plan to buy an annuity, give QAS a call.

Rates

The next Fed meeting is May 1 and, according to the CME Fed Watch Tool, the Fed is virtually certain to leave Fed Funds at the current 2.25-2.50% target range. By the end of 2019, the CME tool is predicting a 44% probability of no change, a negligible chance of an increase, a 40% chance of a 25 basis point decrease, and a 15% chance of a 50 basis point or greater decrease. Recent inflation projections are below the 2% target causing some Fed members to support a drop if the data supports it. Since the end of March, rates have moved up with the two year up 11 basis points at 2.38%, the 10 year at 2.59% and the 30 year at 2.99%, both up about 18 basis points.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 4.9%
YTD % Δ	+ 4.9%
3 mos % Δ	+ 3.1%
1 mo % Δ	+ 2.2%

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 Date
 Immediate
 High
 Deferred
 High

 April 1, 2019
 2.97%
 3.30%
 3.21%
 3.40%