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Treasuries Continue to Drop, Stocks Are Back On Top In June

Purchase rates were down in May. The immediate annuity purchase rate decreased from 3.03% to 2.63% for a decline of 40 basis points, the deferred purchase rate decreased from 3.30% to 2.91% for a decline of 39 basis points. The highest rate for immediate annuities was 2.95%, down from 3.65%, the highest deferred rate was 3.17%, down from 3.62%. The drop in rates can be explained entirely by treasury curve movements.

In May, the treasury curve experienced roughly a 35 basis point downward parallel shift. The 10 year treasury yield decreased from 2.51% to 2.14%, a decrease of 37 basis points, while the 30 year treasury yield decreased from 2.93% to 2.58%, a decrease of 35 basis points. The Two year treasury yield decreased from 2.27% to 1.95%, a 32 basis point drop. T-bills continued to be at or above the treasury curve at 10 years and in.

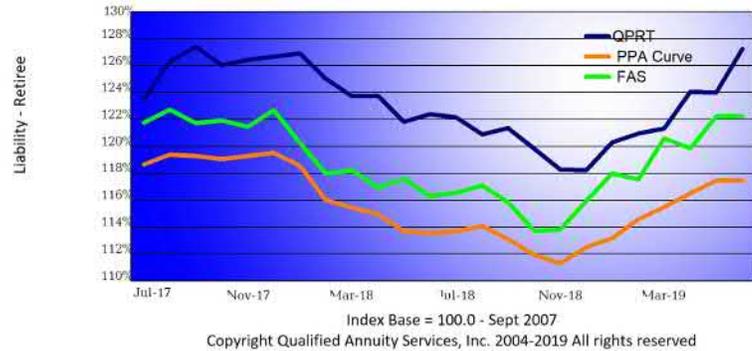
Global Equity markets were down in May. The S&P 500 was down 6.4% while aggregate foreign market indexes were down 5.4%, year-to-date at the end of May the S&P 500 was up roughly 10% while aggregate foreign markets were up 6.8%. June has seen new highs for the S&P 500. US markets are up roughly 7.5% since the end of May and up 18.3% year-to-date. Foreign markets are up roughly 4.2% for the month and 11.3% year-to-date. Promised talks between the US and China and an agreement with Mexico on border security have trumped concerns on global growth. Ongoing political turmoil between the President and Democrats in Congress, tensions in the Middle East with Iran and slowing global growth remain concerns for investors.

What Should A Plan Sponsor Do?

With annuity providers focused more than ever on a limited portion of the market, plan sponsors who need more traditional PRT are increasingly left holding the bag. Although the traditional plan termination portion of the market faces ever increasing challenges, QAS provides active monitoring and strategic advice in a dynamic

QAS Pension Risk Transfer 1000 Index©

Jul 2017 to Jun 2019 - Relative Price PRT v. PPA Curve - FAS



market where indicative pricing may not always be available. We succeed where others have failed. If your PRT transaction isn't moving forward, make a call to QAS your next step.

Rates

The Fed left the range unchanged at their June meeting but signaled a drop at their end of July meeting. According to the CME Fed Watch Tool, there is a 76% probability of a 25 basis point drop to the Fed Funds target rate at the current 2.25-2.50% range, and a 26% probability of a 50 basis point drop. Since the end of May, rates have continued to move down with the Two Year down 23 basis points at 1.72%, the 10 Year down 13 basis points at 2.01% and the 30 Year at 2.58%, lower by 5 basis points.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 7.6%
YTD % Δ	+ 7.6%
3 mos % Δ	+ 4.9%
1 mo % Δ	+ 2.6%

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Date	Immediate	High	Deferred	High
June, 2019	2.63%	2.95%	2.91%	3.17%