

July 2019

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Treasuries Drop in June, Stocks Hitting New Highs in June and July

Purchase rates were down slightly in June. The immediate annuity purchase rate fell from 2.63% to 2.55% and deferred purchase rates decreased from 2.91% to 2.84%, a decline of 8 and 7 basis points respectively. The highest immediate annuity rate was 2.95%, flat with May, and the highest deferred rate was 3.15%, down from 3.17%.

The treasury curve declined and steepened in June as expectations of a Fed rate cut impacted short term rates more than long term rates. The 10 Year treasury yield fell 14 basis points from 2.14% to 2.00% while the 30 Year treasury yield fell 6 basis points from 2.58% to 2.52%. The Two Year treasury yield decreased 20 basis points from 1.95% to 1.75%. T-bills traded at or above the Treasury Curve at 10 years and in.

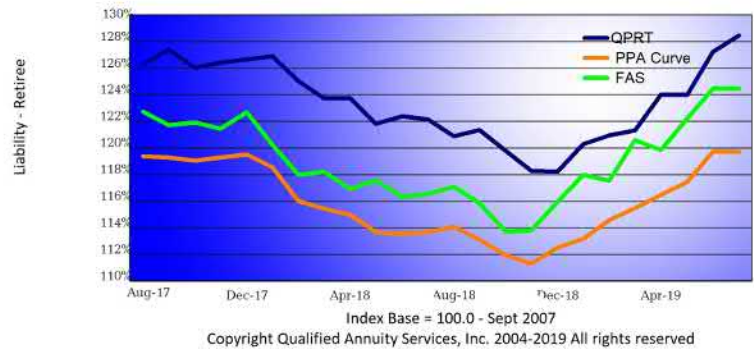
US and Foreign Equity markets rose significantly in June with the S&P 500 up 6.4% and foreign markets up 4.5%. The S&P 500 was up 17% and foreign markets were up 11.7% year-to-date at June 30. The S&P 500 and foreign markets are also posting gains in July. Positive early earnings and likely Fed action are offsetting concerns over trade talks between the US and China and growing tensions with Iran.

Not All CLOver® Has 4 Leaves

Recent financial headlines have focused on leveraged loans and the CLO's where these loans serve as the underlying collateral. Clover Technologies, one such issuer of these CLO's, recently lost a key contract causing the loan value to plummet by a third in one day. Look for more articles themed from "CLOver® is just the tip of the iceberg" to charts from CLO investment managers extolling their virtues and why your portfolio can't live without them. Most insurers have very little direct bank loan exposure and CLO

QAS Pension Risk Transfer 1000 Index©

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



exposure is generally in higher rated tranches.

Portfolio diversification and exposure to CLO's are among factors evaluated by QAS in determining insurer credit quality. For more information give QAS a call.

Rates

When the Fed meets on July 31 it is widely expected to cut the Fed Funds Target Range from a range of 2.25%-2.50% by at least 25 basis points. The CME Fed Watch Tool forecasts a 59% probability of a 25 basis point drop and a 41% probability of a 50 basis point drop. The CME tool also predicts more than one rate drop this year.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 8.7%
YTD % Δ	+ 8.7%
3 mos % Δ	+ 3.6%
1 mo % Δ	+ 1.0%

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Date	Immediate	High	Deferred	High
July 1, 2019	2.55%	2.95%	2.84%	3.15%