

September 2019

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Rate Roller Coaster Continues As Rates Drop in August - Rise in September

Purchase rates were down significantly in August. The immediate annuity purchase rate decreased from 2.44% to 2.04% for a decline of 40 basis points, the deferred purchase rate decreased from 2.73% to 2.27%, a decline of 46 basis points. The highest rate for immediate annuities was 2.40%, down from 2.72% in July, while the highest deferred rate was 2.60%, down from 2.94%.

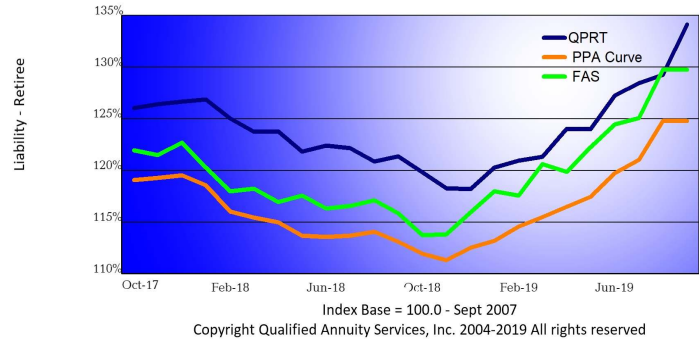
In August, the treasury curve decreased significantly with longer rates dropping more than 50 basis points. The ten year treasury yield decreased from 2.02% to 1.50%, a decrease of 52 basis points, while the 30 year treasury yield decreased from 2.53% to 1.96%, a decrease of 57 basis points. The two year treasury yield decreased from 1.89% to 1.50%, a 39 basis point decrease. The two year yield was equal to the ten year yield, however, interim treasury rates were below the two year.

US and Foreign Equity markets declined in August: S&P 500 down 1.64%; aggregate foreign markets down 2.17%. Year-to-date at the end of August the S&P 500 rose nearly 17% while aggregate foreign markets were up roughly 7%. In September the S&P 500 is up over 1.5%, while foreign markets rose nearly 2.5%. The US and China traded threats in August with scheduled talks in September. Brexit uncertainty heightened, oil prices shot up after the attack on a Saudi oil processing facility as the US suspects Iranian involvement. And yes, the Fed just lowered rates.

Is the Interest Rate Roller Coaster Driving You Crazy? With interest rates rising and falling, the only thing that's certain is uncertainty. Regardless of the direction, there is more room for rates to move up than down. However, President Trump recently said he wanted negative interest rates like some European countries. So just because the ten year is below 2% doesn't mean it can't drop by more than 2%. The best thing to do if you don't like interest rate uncertainty is to hedge the risk. The best hedge out there is a group annuity contract which not only eliminates interest rate risk, but also longevity risk, expenses, including PBGC premiums, and the hassles and

QAS Pension Risk Transfer 1000 Index©

Oct 2017 to Sept 2019 - Relative Price PRT v. PPA Curve - FAS



distractions that a pension plan can create for some plan sponsors. The group annuity contract isn't just a good hedge, it's that rare perfect hedge: it will get you off the roller coaster. For more information give QAS a call.

Rates

Last week the Fed dropped the Fed Funds Target Range by 25 basis points to 1.75-2.00%. The CME Fed Watch Tool forecasts a 62% chance of a drop at next month's Fed Meeting and a 29% chance of two more rate cuts by year end. Strong US jobs markets and domestic spending seem to "trump" global political and economic turmoil.

Since the end of August, treasury rates have rebounded significantly with the Two Year up 18 basis points at 1.68%, the Ten Year up 22 basis points to 1.72%, and 30 Year up 20 basis points to 2.16%. Annuity purchase rates are sure to follow if this trend continues.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 13.5%
YTD %	+ 13.5%
3 mos %	+ 5.4%
1 mo %	+ 3.8%

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Date	Immediate	High	Deferred	High
September 2019	2.04%	2.27%	2.40%	2.60%