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September Annuity Purchase Rates Rebound on Rise In Treasuries

Purchase rates were up in September. The immediate annuity purchase rate increased from 2.04% to 2.23% for an increase of 19 basis points, the deferred purchase rate increased from 2.27% to 2.48%, an increase of 21 basis points. The highest rate for immediate annuities was 2.52%, up from 2.40% in August, while the highest deferred rate was 2.70%, up from 2.60%.

In September, the treasury curve increased above the August lows but still remains below recent levels. The ten year treasury yield increased from 1.50% to 1.68%, an increase of 18 basis points, while the 30 year treasury yield increased from 1.96% to 2.12%, an increase of 16 basis points. The two year treasury yield increased from 1.50% to 1.63%, a 13 basis point increase. Slight inversions remain on the short end of the treasury curve.

US and Foreign Equity markets were up in September. The S&P 500 was up 1.49% while aggregate foreign market indexes were up 2.14%. Year-to-date at the end of September the S&P 500 was up just under 19% while aggregate foreign markets were up roughly 9.5%. In October, we have seen the S&P 500 up over 2.25% while foreign markets are up nearly 3.50%. Impeachment talks, presidential primaries, continuing turmoil in the Middle East and Brexit uncertainty are better received by the markets than the China trade war.

Equities Are Up and Rates Have Rebounded a Bit.
Is it Time to Buy An Annuity?

With the S&P 500 at a new record high, foreign equities at their highest level in over a year and rates having rebounded a bit from their August lows, now might be a good time to see if it makes sense to purchase a group annuity contract. For more information give QAS a call.

QAS Pension Risk Transfer 1000 Index©

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



Rates

The Fed dropped the Fed Funds Target Range by 25 basis points to 1.75-2.00% at last month's meeting. The Fed also meets later this week to deliberate further. According to the CME Fed Watch Tool, there is a 94% chance of a drop at this month's Fed Meeting. There is a 17% chance of another drop by the end of the year and roughly a 5% chance of an increase.

Since the end of September, long treasury rates have continued to rebound with the Ten Year up 12 basis points at 1.80%, and the 30 Year up 18 basis points to 2.29%. The Two Year is unchanged at 1.63%.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 13.5%
YTD %	+ 11.6%
3 mos %	+ 2.7%
1 mo %	- 1.6%

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Date	Immediate	High	Deferred	High
October 2019	2.23%	2.52%	2.48%	2.70%