

October Annuity Purchase Rates Virtually Flat to September

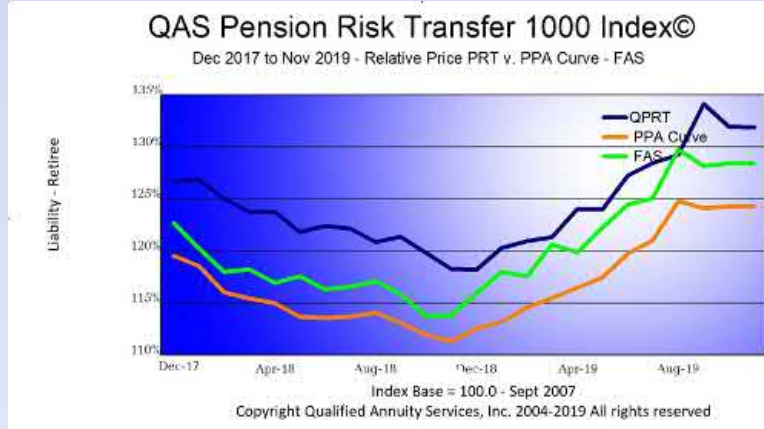
Purchase rates were virtually flat in October. The immediate annuity purchase rate was unchanged at 2.23%, the deferred purchase rate increased two basis points from 2.48% to 2.50%. The highest rate for immediate annuities was 2.57%, up from 2.52%, while the highest deferred rate was 2.63%, down from 2.70%.

In October, the treasury curve steepened slightly. The 10 Year treasury yield increased from 1.68% to 1.69%, an increase of only one basis point, while the 30 Year treasury yield increased from 2.12% to 2.17%, an increase of 5 basis points. The Two Year treasury yield decreased from 1.63% to 1.52%, an 11 basis point decrease. Slight inversions remain five years and shorter.

US and Foreign Equity markets were up in October. The S&P 500 was up 2.18% while aggregate foreign market indexes were up 3.43% year-to-date at the end of October. The S&P 500 was up just over 21% while aggregate foreign markets were up roughly 13%. In November, we have seen the S&P 500 up nearly 2.4%, while foreign markets are up nearly 1%. Impeachment talks have turned into impeachment hearings. Presidential caucuses and primaries are weeks away and the Democratic frontrunner is in flux with new entrants. Brexit extension means uncertainty will continue, and news on trade war with China continues to be well received by the markets. The Fed is now in a more neutral stance on short term rates.

Should I Wait Until After a Recession to Buy An Annuity?

We've been in a great market for stocks for a number of years now. Someday it's going to end. We think that rates are low and there is plenty of room to go up. People like us who worked in the 1980's experienced 20% short term rates. Others think that the current level of rates might be a new normal, and 5% treasuries aren't around the corner. Recently, S&P put the possibility of a recession next year at 30-35%. If there is a recession, stocks and interest rates will both likely go down. For plan sponsors, this means the cost of annuities will go up, and the value of stocks will go down. There might be some who are concerned over how



insurers will weather a recession. That's one of the things we do at QAS. For more information give QAS a call.

Rates

The Fed dropped the Fed Funds Target Range by 25 basis points to 1.50-1.75% at last meeting and meet again in December. According to the CME Fed Watch Tool, there is a 94% chance of no change at the next Fed Meeting. However, looking out to next year more drops are likely in 2020. There is a 67% chance of at least one rate drop by the end of 2020 and only a 2% chance of an increase.

Since the end of October, treasury rates have continued to increase slightly with the 10 Year up 8 basis points at 1.77%, the 30 Year up 7 basis points to 2.24%, and the Two Year up 8 basis points at 1.60%. Slight inversions remain three years and shorter.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 13.5%
YTD % Δ	+ 11.4%
3 mos % Δ	+ 2.0%
1 mo % Δ	- 0.1%

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Ron McHugh, FSA MAAA CFA (508)733-8591 ■ Joe Cleary (201)447-3900

Date	Immediate	High	Deferred	High
November 2019	2.23%	2.57%	2.50%	2.63%