

January 2020

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### **December Annuity Purchase Rates Virtually Flat, Equities Up**

Purchase rates were virtually flat in December continuing the trend of the last few months. The immediate annuity purchase rate was up four basis points from 2.27% to 2.31%, while the deferred purchase rate was up two basis points from 2.48% to 2.50%. The highest rate for immediate annuities was 2.55%, flat to November, while the highest deferred rate was 2.70%, up five basis points from 2.65%.

In December, the treasury curve increased. The Ten Year treasury yield increased from 1.78% to 1.92%, an increase of 14 basis points, while the 30 Year treasury yield increased from 2.21% to 2.39%, an increase of 18 basis points. The Two Year treasury yield increased from 1.61% to 1.62%, a one basis point increase. There was a slight inversion in the six month to two year portion of the curve.

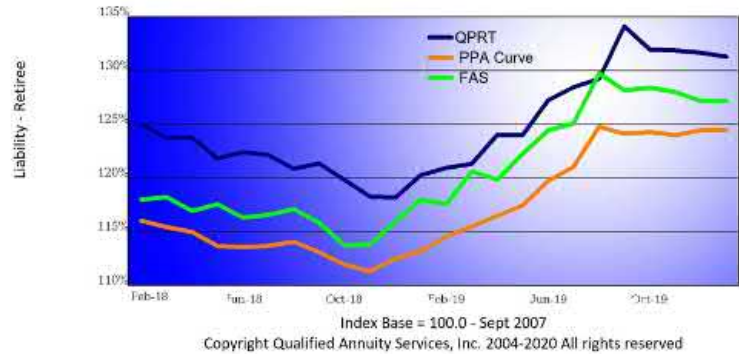
US and Foreign Equity markets were up in December. The S&P 500 was up 2.5% while aggregate foreign market indexes were up 3.2%, year-to-date at the end of December. The S&P 500 was up 28.7% while aggregate foreign markets were up roughly 18%. In January, we have seen the S&P 500 up another 2.9% thus far, while foreign markets are up 0.6%. Impeachment hearings have moved to the Senate, the Iowa presidential caucuses are days away, and although trade wars with China appear contained, a coronavirus strain has emerged out of central China that has already claimed 17 lives and has spread to a number of other Asian countries and the US.

#### 2020 Foresight

In corporate America, January and February are common months when boards approve plans for the coming year that will determine bonuses and equity grants in 2021. There are lots of numeric goals for sales volumes and earnings and many companies also have special projects lists. Planning or executing a PRT transaction in 2020 might be an ideal consideration on your company's to-do list. If your company has a PRT project on that special list, give QAS a call to get the PRT transaction QED.

### **QAS Pension Risk Transfer 1000 Index©**

Feb 2018 to Jan 2020 - Relative Price PRT v. PPA Curve - FAS



#### Rates

According to the CME Fed Watch Tool, there is an 87% chance of no change in the Fed Funds rate target, currently at 1.50% to 1.75%, at the next Fed Meeting in January and roughly a 13% chance of a rate increase. However, by the end of the year there is a 61% chance of an easing (versus a 67% chance one month ago). According to this same tool there is a minimal 2.5% chance of an increase in the range by the end of 2020.

Since the end of December, treasury rates have decreased with the Ten Year down 14 basis points to 1.78%, the Thirty Year down 16 basis points to 2.23%, and the Two Year down 9 basis points at 1.53%.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 11.5%
YTD %	- 0.3%
3 mos %	- 0.5%
1 mo %	- 0.3%

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Date	Immediate	High	Deferred	High
January 2020	2.31%	2.55%	2.50%	2.70%