

April 2020

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"The More Things Change, the More They Stay the Same" An Old French Proverb

Purchase rates increased in March. The immediate annuity purchase rate was up 29 basis points from 1.67% to 1.96%, while the deferred purchase rate was up 32 basis points from 1.88% to 2.20%. The highest rate for immediate annuities was 2.80%, up 76 basis points, while the highest deferred rate was 2.65%, up 48 basis points. Purchase rates have basically returned to where they were at the end of January.

In March, treasury yields continued to decrease. The Ten Year treasury yield decreased from 1.13% to 0.70%, a decrease of 43 basis points, while the Thirty Year treasury yield decreased from 1.65% to 1.35%, a decrease of 30 basis points. The Two Year treasury yield decreased from 0.86% to 0.23%, a 63 basis point decrease.

US and Foreign equity markets were down significantly in March but have shown signs of recovery in April. The S&P 500 was down in March by roughly 13% while aggregate foreign market indexes were down roughly 16.5%. Year-to-date at the end of March S&P 500 was down roughly 20% while foreign markets were down roughly 25%. Since the end of March, stocks have rebounded with the S&P 500 up roughly 10% for the month, while foreign markets are up roughly 5% for the month. The news is all about the virus, nightly death counts similar to during the Vietnam War, reports of job loss, debates about the severity of the recession caused by the mitigation, shortages at hospitals, charts of hospitalizations and death projections on the surge and the apex of the curve. The new \$484 billion stimulus is added to \$2.2 trillion already passed by Congress as debates intensify on when shutdowns will come to an end. More recent news may indicate that the worst is behind us as Europe and China reduce restrictions with an abundance of caution. By the way, Bernie Sanders has dropped out of the race for the Democratic presidential nomination making Joe Biden the presumptive nominee.

Why Are Purchase Rates At Pre Coronavirus Crisis Levels?
When insurance companies calculate what rates to offer for PRT business they pretty much look to how they are

QAS Pension Risk Transfer 1000 Index©

May 2018 to Apr 2020 - Relative Price PRT v. PPA Curve - FAS



going to invest the money they receive and what they expect to earn on the assets they acquire. For most companies this is largely driven by treasury rates and credit spreads. Treasury rates have dropped over the last two months as the ten year declined by roughly 80 basis points. But credit spreads have widened. Moody's Seasoned Baa spreads have widened by about 180 basis points while Moody's Seasoned Aaa spreads widened by about 75 basis points over this same period. While these spread levels may not be fully investible by any particular company, they clearly indicate there is spread available to be passed on in pricing. For more information, give QAS a call.

Rates

Since the end of March, treasury rates have continued to decrease. The 10 year yield is down to 0.65%, while the 30 year yield is 1.27%. The 2 year treasury is 20 basis points. The Moody's Seasoned Baa Spreads have tightened another 60 basis points, while the Moody's Seasoned Aaa spread has tightened 26 basis points. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 12.7%
YTD %	+ 2.6%
3 mos %	+ 3.1%

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Date	Immediate	High	+/-	Deferred	High	+/-
April 2020	1.96%	2.80%	+0.29%	2.20%	2.65%	+0.32