

June 2020

Vol. XX, No. 6

Rates Stabilizing at Low Levels

Immediate purchase rates decreased slightly in May while deferred rates were flat. The immediate annuity purchase rate was down 6 basis points from 1.90% to 1.84%, while the deferred purchase rate was flat at 2.19%. The highest rate for immediate annuities was 2.54%, down 13 basis points, while the highest deferred rate was 2.46%, down 3 basis points.

In May, long treasury yields were up slightly. The 10 Year treasury yield increased from 0.64% to 0.65%, an increase of 1 basis point, while the 30 Year treasury yield increased from 1.28% to 1.41%, an increase of 13 basis points. The Two Year treasury yield decreased from 0.20% to 0.16%, a 4 basis point decrease. Corporate spreads continued tightening during May with spreads on Moody's Seasoned BBB ten year spreads tightening 11 basis points, while Moody's Seasoned Aaa spreads tightened 2 basis points.

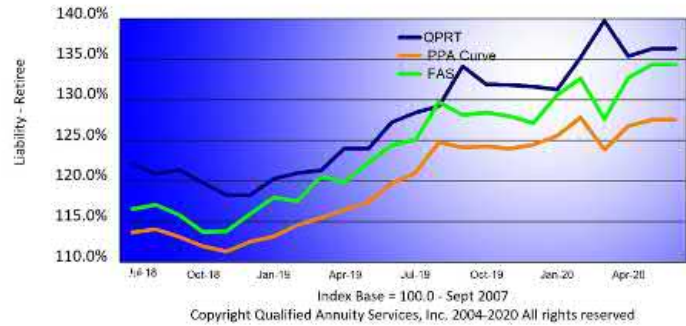
US and Foreign equity markets were up significantly in May. The S&P 500 was up 4.7% while aggregate foreign markets were up 5.0%. Year-to-date at the end of May the S&P 500 was down 5.4% while foreign markets were down roughly 14.9%. During June, stocks have continued to rebound with the S&P 500 up roughly 0.5%, and foreign markets are up roughly 3.5%, volatility remains high. The virus was replaced by demonstrations against police shootings as the lead news story for most of the last month. Some states are seeing a surge in new virus cases while many of the states that were hit the hardest by the virus earlier in the year are seeing continued improvement. Businesses are continuing to reopen, but some big names like Hertz and J Crew have filed for bankruptcy and JC Penny announced store closures. Unemployment is high. A vaccine by the end of the year seems possible, and new treatments appear effective in reducing the death rate from the virus. President Trump is down in the polls against former Vice President Biden.

Life Insurers Versus US Financials

We are coming to the close of the second quarter and we'll soon hear from the public insurers in the PRT space

QAS Pension Risk Transfer 1000 Index©

Jul 2018 to Jun 2020 - Relative Price PRT v. PPA Curve - FAS



about how they are doing. Looking at the stock performance of the holding companies of five of the PRT insurers we see that their stock is down on average 35% year-to-date, with a range of 28% to 45%. That compares to a drop of only 5% in the S&P 500 and 23% for US Financials. But this is far better than their March lows where all five insurers were down more than 50%. To learn more about insurer financials give QAS a call.

Rates

Since the end of May, treasury rates made a very modest rebound. The 10 year yield is up to 0.72%, while the 30 year yield is 1.49%. The 2 year treasury is 18 basis points. The Fed has expanded its bond buying program and it is continuing to have an effect. The Moody's Seasoned Baa Spreads have tightened another 7 basis points since the end of May, while the Moody's Seasoned Aaa Spreads also tightened by 7 basis points. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 8.8%
YTD %	+ 3.6%
3 mos %	- 2.5%
1 mo %	+ 0.0%

As the rules of risk change, QAS adds value for its clients. Read more or subscribe here: <https://www.qualifiedannuity.com/monthly-newsletters/>

Learn More About Custom PRT Modeling and Glide Path Capabilities.

Get Informed. Think Strategic. Act Tactical.

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

Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
June 2020	1.84%	-0.06%	2.54%	-0.26%	2.19%	0.00%	2.46%	-0.03%