

### Have Rates Hit the Bottom?

Immediate and deferred purchase rates continued decreasing in July. The immediate annuity purchase rate was down 9 basis points from 1.62% to 1.53%, while the deferred purchase rate was down 18 basis points from 1.93% to 1.75%. The highest rate for immediate annuities was 2.08%, down 27 basis points, while the highest deferred rate was 2.09%, down 6 basis points.

End of July treasury yields fell significantly from the end of June. The Ten Year treasury yield fell from 0.66% to 0.55%, declining 11 basis points, while the 30 Year treasury yield declined from 1.41% to 1.20%, a drop of 21 basis points. The Two Year treasury yield fell 5 basis points from 0.16% to 0.11%. Corporate spreads continued to tighten in July as Moody's Seasoned Baa ten year spreads narrowed 33 basis points and Moody's Seasoned Aaa ten year narrowed 20 basis points.

US and Foreign equity market performance was split in July. The S&P 500 was up 1.1% while aggregate foreign markets were down 1.2%. Year-to-date at the end of July, the S&P 500 was up 1.5% while foreign markets were down 8%. During August, stocks have continued to climb with the S&P 500 up 4.6% as foreign markets gained 4.5%.

Politics and the virus are inseparable in the news. Fall school reopening varies widely by state, city, town and grade level. Some college conferences cancelled fall sports while others have not. Total deaths and new cases seem to be trending down in the US. Although having a vaccine by the end of the year seems possible, wide spread availability seems further off. Former Vice President Biden and Senator Harris will face the Trump/Pence ticket.

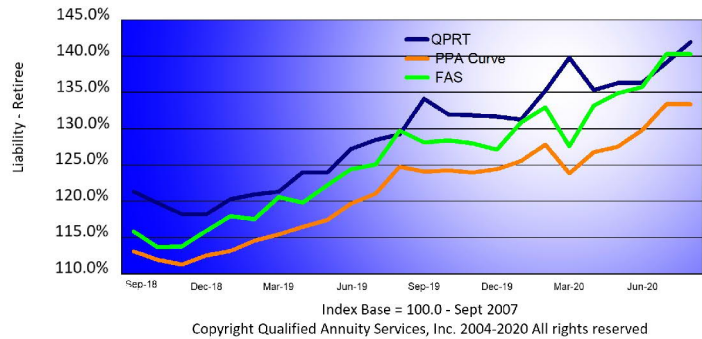
#### What Have We Learned?

Since publicly held insurance companies have reported Q2 earnings, it's a good time to discuss what we learned. For the most part, insurers have fared well with respect to *capital adequacy*. The reasons for this are:

- # being well capitalized to start the year
- # access to cash at the holding company level
- # reductions in share buy-backs

### QAS Pension Risk Transfer 1000 Index©

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



- # lower sales
- # mortality losses within or lower than expected
- # actual death rates lower than expected
- # longevity gains in annuity blocks
- # favorable long term care claim terminations

Asset portfolios held up to stress as government easing has delayed investment losses into Q3 and Q4 and into 2021. Long term reinvestment assumptions of 3-4% are not aligned with a 60 basis point 10 year treasury yield. Give QAS a call to get our views and stay tuned.

#### Rates

Since the end of July, treasury rates and spreads have increased. The 10 year yield rose 9 basis points to 0.64% and the 30 year yield is up 15 basis points to 1.35%. The 2 year treasury is up 5 basis points to 16 basis points. The Moody's Seasoned Baa spreads widened 5 basis points and Moody's Seasoned Aaa spreads rose 20 basis points. Have we seen the bottom of rates? Stay healthy.

| PRT Trax Index +/- |          |
|--------------------|----------|
| 12 mo Hi-Lo %      | +/- 8.2% |
| YTD % Δ            | + 7.8%   |
| 3 mos % Δ          | + 4.2%   |
| 1 mo % Δ           | + 2.1%   |

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| Date        | Immediate | +/-    | High  | +/-    | Deferred | +/-   | High  | +/-    |
|-------------|-----------|--------|-------|--------|----------|-------|-------|--------|
| August 2020 | 1.53%     | -0.09% | 2.08% | -0.27% | 1.75%    | 0.18% | 2.09% | -0.06% |