

Equities UP, Rates UP, Net Contribution to Closeout Is Down

Purchase rates were little changed in December. The immediate annuity purchase rate was down 3 basis points from 1.64% to 1.61%, while the deferred purchase rate was up 4 basis points from 1.85% to 1.89%. The highest rate for immediate annuities was down 5 basis points to 2.06%, while the highest deferred rate was up 11 basis points to 2.28%.

December ending treasury bond yields were slightly higher than at the end of November. The 10 Year treasury yield increased 9 basis points from 0.84% to 0.93% while the 30 Year treasury yield increased 7 basis points from 1.58% to 1.65%. The Two Year treasury yield was down 3 basis points from 0.16% to 0.13%. During December, Moody's Seasoned Baa 10 Year spreads tightened 11 basis points, while Moody's Seasoned Aaa 10 Year spreads tightened 6 basis points.

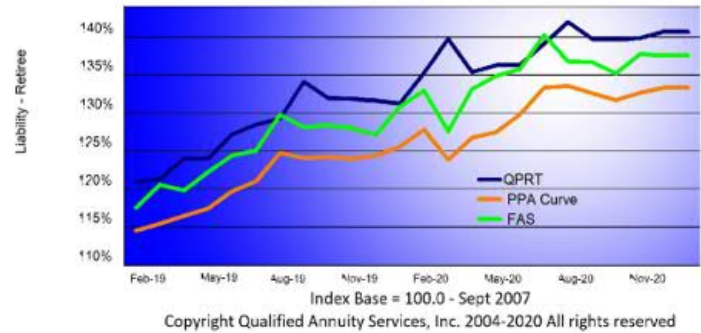
US and Foreign equity markets were up significantly again in December. The S&P 500 was up roughly 3.3% while aggregate foreign markets were up around 4.8%. Year-to-date at the end of December, the S&P 500 was up roughly 16% while foreign markets were up roughly 8%. 2021 is off to a good start with the US market at all-time highs, up another 2.6% while foreign markets added 5%. President Biden and Vice President Harris are implementing the Democratic agenda with a very thin margin leaving the Senate split evenly, but with Democrats in control. Former President Trump was impeached again by the House and the Senate has begun the trial and is moving to approve the Biden Cabinet nominees. The pandemic is setting all-time new case highs, hospitalizations and deaths (which now exceed 400,000 in the US). The vaccine rollout has hit some bumps but appears to be improving. A second \$900 billion stimulus bill just passed and a third \$1.9 trillion is proposed by the Biden Administration.

Net Contribution to Closeout Is Down

With both US and Foreign Equity markets at all-time highs and purchase rates up slightly, the net contribution to purchase an annuity is down significantly since the end of October. As an example, if your portfolio allocation is 60%

QAS Pension Risk Transfer 1000 Index[®]

Feb 2019 to Jan 2021 - Relative Price PRT v. PPA Curve - FAS



equity (40% US and 20% foreign) and 40% fixed (cash flow matched) at the end of October and your budget shortfall was \$10 million, the portfolio would be up roughly 12% while the annuity cost would be down nearly 1%. On a \$10 million shortfall basis, that's roughly \$1.3 million. To learn more about settlement dynamics, give QAS a call, it's free and there is no obligation.

Rates

Since the end of December, treasury rates have increased. The 10 year yield increased 17 basis points to 1.10%, while the 30 year yield is up 19 basis points to 1.84%. The 2 year treasury is up 1 basis point. The Moody's Seasoned Baa Spreads have tightened 5 basis points since the end of November, while the Moody's Seasoned Aaa Spreads have widened 5 basis points. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 8.2%
YTD % Δ	- 0.1%
3 mos % Δ	- 0.72%
1 mo % Δ	- 0.1%

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
December	1.61%	-0.03%	2.06%	+0.05%	1.89%	+0.04%	2.28%	-0.11%