

Long Rates UP, Near Pre-Crisis Levels, Equities at All Time Highs

Purchase rates were up in January. The immediate annuity purchase rate was up 7 basis points from 1.61% to 1.68% while the deferred purchase rate rose 10 basis points from 1.89% to 1.99%. The highest immediate annuity rate was up 16 basis points to 2.22%, while the highest deferred rate was up 9 basis points to 2.37%.

January month end treasury bond yields were higher than December month end. The 10 Year treasury yield increased from 0.93% to 1.11%, an increase of 18 basis points, while the 30 Year treasury yield increased from 1.65% to 1.87%, an increase of 22 basis points. The Two Year treasury yield fell 2 basis points from 0.13% to 0.11%. During the month of January, Moody's Seasoned Baa 10 year spreads tightened 1 basis point, while Moody's Seasoned Aaa 10 year spreads widened 10 basis points.

US and Foreign equity markets were split in January. The S&P 500 was down roughly 1% while aggregate foreign markets were up around 0.25%. Since the end of January, both US and foreign markets are up significantly with the US up nearly 6% and foreign markets up nearly 7%.

New cases of the virus are down globally as hospitalizations and deaths continue to decline. Despite bumps in the road, vaccine rollouts are making their way to the most vulnerable population. Scientists are concerned about new variants of the virus that are more contagious and more deadly than the original. President Biden is pushing his \$1.9 trillion stimulus bill as winter weather grips much of the nation in a deep freeze.

Long Rates Near Pre-Pandemic Levels Creates Opportunities for Deferrers

We recently compared effective yields on segments of the ICE BofA US Corporate Index to year ago pre-pandemic levels. The Index consists of investment grade corporate debt publically issued in the US. Since most insurers have large allocations to US investment grade corporate debt, the Index is a good indicator of investments available to this large institutional investor group. We found the effective yield in the 7-10 year space nearly 60 basis points below the pre-pandemic level. In the 10-15 year space,

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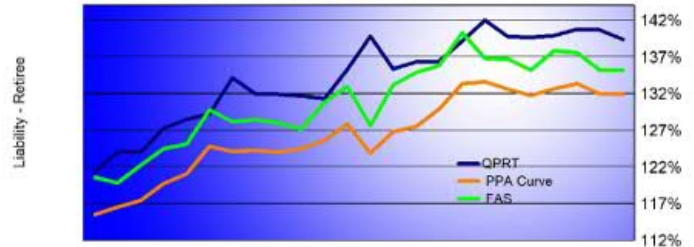
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Ron McHugh, FSA MAAA CFA (508)733-8591 # Joe Cleary (201)447-3900

Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
January	1.68%	+0.07%	2.22%	+0.16%	1.99%	+0.10%	2.37%	+0.09%

QAS Pension Risk Transfer 1000 Index©

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



Index Base = 100.0 - Sept 2007

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the difference is around 47 basis points. However, the 15 year and longer portion has only a 16 basis point differential. *The implication?* A heavily deferred bid should reflect rates very close to levels prior to the pandemic. Heavily weighted retiree cases are still at a price disadvantage at this time. Some insurers may pass through forward looking rates sooner than others. To find out more about insurer pricing strategies, give QAS a call. There is no obligation.

Rates

Since the end of January, treasury rates have increased. The 10 year yield increased 18 basis points to 1.29%, while the 30 year yield is up 21 basis points to 2.08%. The 2 year treasury is unchanged. The Moody's Seasoned Baa spreads have tightened 4 basis points since the end of January, while the Moody's Seasoned Aaa spreads have tightened 3 basis points. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 8.5%
YTD % Δ	- 1.0%
3 mos % Δ	- 0.44%
1 mo % Δ	- 0.06%

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