

Treasury Rates UP Roughly 70 Basis Points in 2021

Purchase rates were up in February. The immediate annuity purchase rate was up 25 basis points from 1.68% to 1.93%, while the deferred purchase rate was up 30 basis points from 1.99% to 2.29%. The highest immediate annuity rate was up 35 basis points to 2.57%, while the highest deferred rate rose 33 basis points to 2.70%.

At the end of February, treasury bond yields were much higher than at the end of January. The 10 Year treasury yield increased from 1.11% to 1.44%, an increase of 33 basis points, while the 30 Year treasury yield increased from 1.87% to 2.17%, an increase of 30 basis points. The Two Year treasury yield rose 3 basis points from 0.11% to 0.14%. The February Moody's Seasoned Baa 10 year spreads tightened 5 basis points and Moody's Seasoned Aaa 10 year spreads widened 2 points.

US and Foreign equity markets were both up in February. The S&P 500 was up roughly 2.8% while aggregate foreign markets were up around 2.3%. Since the end of February, US and foreign markets are up as the US added 3% and foreign markets added 1%. However, inflation fears have caused rates to increase and volatility to spike.

The US vaccine rollout picked up steam as more than 25% of Americans received at least one dose, and the daily average doses administered is more than 2.5 million. More groups of Americans are now eligible, and President Biden has requested that all adults be eligible in May and has said that there will be enough vaccine for all adults by the end of May. In Europe and globally the rollout is encountering major snags as the Oxford Astrazeneca vaccine, once the most promising of all the vaccines, continues to hit a number of speed bumps. New daily cases in the US still hover around 50,000 and super-spreader events, easing restrictions and new variants continue to be a concern.

Higher Rates Mean 7-10%+ Lower Annuity Cost

Both the 10 year and 30 year US Treasury yields are up roughly 70 basis points year-to-date. The 10 year and 30 year treasuries are the main drivers of rate levels offered



by PRT market providers, as shorter rates have relatively little impact. Most insurers have passed this increase into their pricing resulting in much lower annuity purchase costs. A typical retiree group has approximately an 8-10 year duration which translates to a 7% reduction in retiree annuity cost. A heavily deferred group having a 15 year or longer duration might garner more than a 10% reduction in annuity cost. The pass through depends on market demand and investment capacity as well as the timing of statutory reserving. To find out more, give QAS a call, it's free and there is no obligation.

Rates

Since February, treasury rates have continued to rise. The 10 year yield increased 19 basis points to 1.63%, while the 30 year yield is up 17 basis points to 2.34%. The 2 year treasury is up 1 basis point. The Moody's Seasoned Baa spreads have tightened 4 basis points since the end of February, while the Moody's Seasoned Aaa spreads have also tightened 4 basis points. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 5.0%
YTD % Δ	- 3.40%
3 mos % Δ	- 3.40%
1 mo % Δ	- 2.40%

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
March	1.93%	+0.25%	2.57%	+0.35%	2.29%	+0.30%	2.67%	+0.30%

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