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Virus Improving Locally But Not Globally, Inflation on the Rise

Purchase rates were down in April. The immediate annuity purchase rate was down 5 basis points from 2.21% to 2.16%, while the deferred purchase rate was down 3 basis points from 2.46% to 2.43%. The highest rate for immediate annuities was down 15 basis points to 2.61%, while the highest deferred rate was up 13 basis points to 2.88%. Decreasing treasury rates were the main driver.

At the end of April, US Treasury bond yields were down from the end of March. The Ten Year treasury yield decreased from 1.74% to 1.65%, a decrease of 9 basis points, while the Thirty Year treasury yield decreased from 2.41% to 2.30%, a decrease of 11 basis points. Both were still 70 basis points above where they started the year. The Two Year treasury yield was unchanged at 0.16%. During the month of April, the ICE BofA BBB US Corp Index Option Adjusted Spread tightened by 2 basis points to 1.17%.

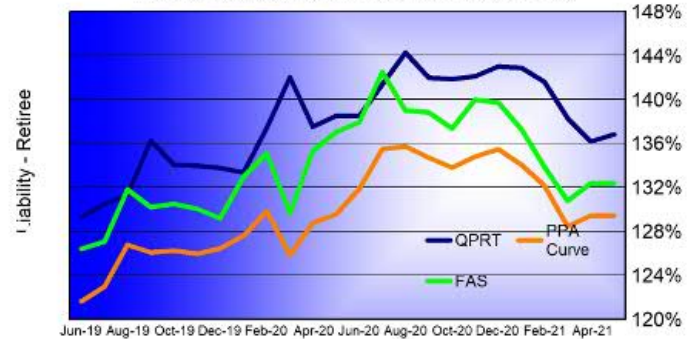
US and Foreign equity markets were both up in April. The S&P 500 was up roughly 5.3% while aggregate foreign markets were up around 2.8%. Since the end of April, US markets are down about 2.5% while aggregate foreign markets are flat. Year-to-date US markets are up nearly 9% while foreign markets are up just over 7%. The US vaccine rollout continues to go well with over 47% of adult Americans fully vaccinated, and the vaccine is curbing the virus allowing for expanded re-openings across the US. The rollout is slowing as vaccine hesitancy is replacing vaccine supply as the biggest challenge. The vaccine rollout in Europe is improving but India is struggling with poor health infrastructure, a number of potential virus variants and political problems. There are growing signs of rising inflation and worker shortages in the US, and the potential for war in the Middle East.

How Are the Insurers Doing?

It was quite a challenging year for everyone. For insurers, it was no different. Their portfolios took a big hit in the first quarter of 2020 as the economic consequences were largely unknown. Their stock prices also took a major nose dive. Looking at four large issuers of PRT, in the last

QAS Pension Risk Transfer 1000 Index©

Jun 2019 to May 2021 Relative Price PRT v. PPA Curve - FAS



Index Base = 100.0 Sept 2007
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year their stock price has almost doubled, up 95%. That's comparable to the S&P 500 at 40% and US Financials at 72% over the same period. Although the stock price doesn't tell the full story, it's a very good indicator that these companies are coming out of this in pretty good shape. Of course, they still have a number of challenges ahead. If you want to find out more, give QAS a call.

Rates

Since the end of April, treasury rates have remained relatively stable. The 10 year yield decreased a basis point to 1.64%, while the 30 year yield increased 7 basis points to 2.30%. The 2 year treasury is unchanged. The ICE BofA BBB US Corp Index Option Adjusted Spread has tightened 3 basis points since the end of April. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 5.9%
YTD % Δ	- 4.30%
3 mos % Δ	- 3.30%
1 mo % Δ	+ 0.80%

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
May	2.16%	-0.05%	2.61%	-0.15%	2.43%	-0.03%	2.88%	+0.03%