

A Volatile 12 Month Period

Purchase rates were mixed in October. The immediate annuity rate rose 4 basis points from 1.99% to 2.03%, while deferred purchase rates dropped 8 basis points from 2.27% to 2.19%. The highest immediate annuity rate was up 13 basis points to 2.48%, while the highest deferred rate was unchanged at 2.50%. Increasing treasury rates were again the main driver.

At the end of October, US Treasury bond yields were down from the end of September. The Ten Year treasury yield fell from 1.56% to 1.50%, a 6 basis point decline and the Thirty Year treasury yield fell from 1.94% to 1.89% declining 5 basis points. The month end October ICE BofA BBB US Corp Index Option Adjusted Spread was flat from September at 1.10%.

US and Foreign equity markets advanced in October. The S&P 500 was up 6.9% in October while aggregate foreign markets MSCI were up 5.9%. Year-to-date the S&P was up 24.6% while foreign markets measured by MSCI were up 20.5%. As of November DD, the S&P 500 is up 1.7%.

Vaccine news got a boost as both Merck and Pfizer announced highly effective treatments which bodes well for potentially reducing stress on the medical system and more widely increasing availability for remedies in less developed countries. Vaccine mandates and booster shots face resistance. The debt limit and infrastructure bills passed with cost cutting in the social spending component. Inflation in food and energy threatens the recovery. According to the CME FedWatch Tool, futures are predicting a greater than 88% chance of at least one 25 basis point move in the Fed Funds rate before the end of next year.

How Do You Manage PRT Volatility?

Over the last 12 month period, the Hi-Lo range for PRT price varied by more than 10%. As a plan sponsor, there is little that can be done to manage this volatility risk. Implementing an LDI portfolio may mute asset volatility over time whether for a retiree carve out or a plan termination. However, settlement costs are also volatile which is why advice is so critical to a successful outcome.



There are many advantages to QAS's Advice, including the possibility to pay up for a higher credit provider. QAS provides dynamic monitoring of PRT settlement cost. Plan sponsors should ask:

Can we afford a 10% higher annuity cost?

If the answer is "No", then consider engaging QAS as your PRT Advisor.

Rates

Since the end of October, the 10 year yield increased another 3 basis points to 1.60%, while the 30 year yield has increased 1 basis point to 1.98%. The 2 year treasury is up 20 basis points to 0.48% from September 30. The ICE BofA BBB US Corp Index Option Adjusted Spread has barely moved 2 basis points since the end of October. Stay healthy.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 10.50%
YTD % Δ	- 5.30%
3 mos % Δ	+ 0.80%
1 mo % Δ	+ 2.40%

As the rules of risk change, QAS adds value for its clients. Read more or subscribe here:

<https://www.qualifiedannuity.com/monthly-newsletters/>

Learn More About QAS's PRT Advice Alpha Capabilities.

Get Informed. Think Strategic. Act Tactical.

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
November	2.03%	+0.04%	2.48%	+0.13%	2.19%	-0.08%	2.50%	+0.00%