



The Fed Blinked

Annuity interest rates began marching higher again in June. The immediate annuity rate rose 8 basis points to 4.59% from 4.51%, and deferred interest rates fell 5 basis points to 4.58% from 4.63%. The highest immediate annuity rate fell 4 basis points to 5.09% and the highest deferred rate fell 13 basis points to 4.99%.

Treasury rates experienced volatility as the 10 Year ranged 56 basis points from 3.30% to 3.86% during May. The 30 Year treasury yield ranged from 3.66% to 4.01%, or 35 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread ranged between a low of 173 and a high of 185 during May.

US and Foreign equity markets rose in May. The S&P 500 rose 0.25% and aggregate MSCI World markets fell 2.26%. The Fed blinked as it stared at messaging for dire consequences if it acted to hike again. The markets responded warmly, but inflation indicators spoiled the show.

PRT Rate Action

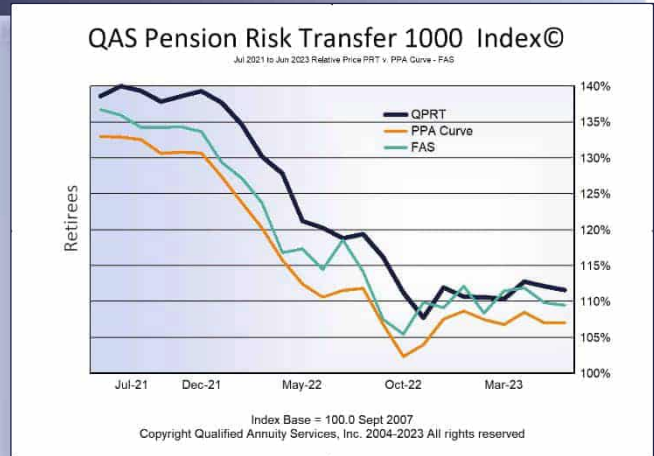
June 2023 PRT rates rose modestly, bringing annuity prices down slightly. The US T 10 year ranged widely in May and has since moved higher. The 2023 PRT calendar is loaded as benefit commencement dates near December for some providers. This is the longest lead time ever in the industry. It's a seller's market.

QAS's Tactical PRT Strategy Reigns

Years of effort has led QAS to develop, test and implement practice methods in applying Tactical strategies to PRT needs. Deal volume is problematic; and it is not in synch with interest rate movement. Transaction style and structure can optimize outcomes. Early engagement is a mandate. Balancing the Tactical Strategy with the rate driven market backdrop requires demanding skill sets and implementation techniques. This is where QAS excels. See this link ([AWWA Case Study](#)) for a case study.

Volatility Subsides

A resurgent market defies recognition in the face of future rate increases and a moribund commercial real estate market. There is a distance to be overcome in a market of oversupply and vacancies spreading on a regional basis. Think California. However, payrolls and employment levels remain firm. CPI moderates as consumer spending continues to be steady. Where is the other shoe?



Balance Sheets

Insurers have begun to experience interest rate risks as surrenders and transfers of accumulation annuities increase. Some providers have switched horses to ride a steadier liability stream of outflows in the form of pension payments. The PRT liability pool is very robust at \$2 trillion plus. Right sizing pensions is happening at levels which make a difference in a now changing complexion of liabilities. This requires an examination of new financial characteristics of risks. ERISA standards for "procedural prudence" mandate rigorous review.

Rates

The 10-year yield closed at 3.64% and the ICE BofA BBB US Corp Index Option-Adjusted Spread was 176 basis points on May 31, 2023. Stay healthy.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo HI-Lo %	+/- 10.8%	+/- 9.3%
YTD % Δ	+0.9%	-1.5%
3mos % Δ	+1.1%	-0.4%
1mo % Δ	+0.9%	-1.5%

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Where PRT Advice Matters Most

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Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
June	4.59%	+0.08	5.09%	-0.04	4.58%	-.05	4.99%	-0.13