



## PRT Prices Inverted; Massive US Debt Cost to Challenge Fed

Annuity purchase rates declined in September sending PRT prices higher once again. The immediate annuity rate for Retirees fell 11 basis points to 4.45% from 4.56% and deferred rates fell 15 basis points to 4.46% from 4.61%. The highest immediate annuity rate fell 13 basis points to 5.12% and the highest deferred rate fell 16 basis points to 5.08%. The highest Retiree rate is now inverted to the Deferred. (Note: The chart lists PRT rates as of October 1, 2024.)

10 Year Treasury rates trended lower ranging 28 basis points between 3.77% and 4.05% during September. The 30 Year treasury ranged lower from 3.91% to 4.21%, or 30 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread reversed from a high of 125 ending September at 116 basis points.

US and Foreign equity markets eked out gains in September. The S&P 500 gained 2.5% and aggregate MSCI World markets squeezed a 0.2% gain in September. Inflation concerns eased and the market's response injected a bit of volatility after the Fed rate cut. World events have begun to fade with greater focus on the 2024 US Presidential election.

### PRT Rate Action – Rates Now Inverted

PRT Retiree Max Rate spreads to US 10 Year Treasuries improved again. Retiree spreads peaked at +207 in July 2022, they averaged +138 basis points over US T-10 between August 2022 and September 2024. The September 2024 spread of +138 was up 12 basis points, again helping to offset the decline in the PRT risk-free advantage.

### Massive Debt Load Signals Higher Rates

The alarm bells are sounding and the curve seems to be going parabolic US Interest Debt. Worldwide debt amounts are spiraling higher. US politicians seem un-swayed by the looming implications. As the election nears, it appears neither side seems to have addressed the issue.

The volatility of the bond market in the face of the Fed's 50 basis point drop seems to have been shrugged off by the markets. Indeed, rates have softened. It's possible that de-dollarization is countering the Fed's actions. Needless to say, something seems to be cooking. Let's hope it's not another financial hurricane.

### QAS Pension Risk Transfer 1000 Index©



### Fed Watch

After the Fed's September 50 bps cut, the CME Group FedWatch Tool now shows a 86.8% probability of a range of 450-475 basis points at the November 7, 2024 meeting. The Fed's December 18, 2024 Target Rate of 475-500 now stands at 13.2%. This suggests a minimal probability of a rate cut in December 2024. Eyes are on the upcoming US Presidential election. With inflation as a secondary focus volatility continues to soften. The peak PRT rate has inverted granting retiree liability pricing support. More basis points mean lower costs. (CME FedWatch Tool)

### Rates

The 10-year yield closed at 3.80% on September 30, down 11 basis points from August. The ICE BofA BBB US Corp Index Option-Adjusted Spread closed at 116 basis points as of September 30 and fell further to 104 as of October 17.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 8.39%	+/- 10.41%
YTD % Δ	+5.02%	+2.70%
3mos % Δ	+5.01%	+4.00%
1mo % Δ	+1.10%	+1.54%

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### Where PRT Advice Matters Most

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

Date	Immediate	+/-	High	+/-	Deferred	+/-	High	+/-
Sept	4.45%	-0.11	5.12%	-0.13	4.46%	-.15	5.08%	-0.16%