



October 2024

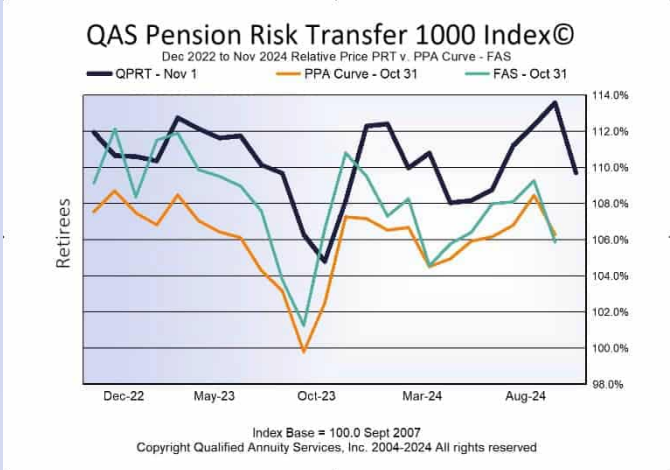
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## PRT Price Falls 3.42%; Trump Tariffs Confront Fed Goals

Annuity purchase rates declined further in October pushing PRT prices higher. The immediate annuity rate for Retirees fell 16 basis points to 4.29% from 4.45% and deferred rates fell 11 basis points to 4.35% from 4.46%. The highest immediate annuity rate fell 15 basis points to 4.97% and the highest deferred rate fell 5 basis points to 5.03%. The highest Retiree rate is now lower than the Deferred. (Note: The chart uses PRT rates as of November 1, 2024.)

10 Year Treasury rates trended lower ranging 64 basis points between 3.70% and 4.34% during September. The 30 Year treasury ranged lower from 4.03% to 4.58%, or 55 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread reversed from a high of 116 to a low of 104 or a 12-basis point difference.

US and Foreign equity markets were down in October. The S&P 500 fell -0.9% and aggregate MSCI World markets fell -2.1% in October. Inflation took a back seat to cautious election tempered market activity. World events remain a bit fragile as some yet to be determined races are challenged in the courts.



### PRT Rate Action – Rates No Longer Inverted

PRT Retiree Max Rate spreads to US 10 Year Treasuries fell 7 basis points to 123. Retiree spreads remain tepid. The October 2024 spread to the maximum deferred was 129 basis points only 3 basis points higher. The PRT risk-free advantage continues a bumpy ride as PRT rates move in concert with 10-year US Treasuries.

### Fed Watch

The Fed's next move according to the CME Group FedWatch Tool shows a 59.1% probability of a rate change of 425-450 basis points at the December 18, 2024 meeting. However, the probability for a Fed Target Rate of 450-475 still stands at 40.9%. The probability of March 19, 2025 rate cut ranges from 400-425% and 425-450% stands at 39.5% each. The future rate trend will change reflecting views from Treasury. Rate volatility is slightly elevated as a normal yield curve forms. The slope of the PRT rate curve lowered on the front end. However rates are higher across the curve lowering PRT prices. (CME FedWatch Tool)

### Trump Tarriffs Signal Volatility

Trump's win has put markets on notice regarding a policy tool that has questionable results. It seems that Trump has adopted century old William McKinley's policy on tariffs. Business leader Ken Griffin indicates he's "Very Anxious" over the prospect of implementing tariffs (Trump's Tariffs). The idea of a protectionist economic policy has fostered good and bad outcomes. With higher tariffs, US manufacturing will increase domestic activity by protecting it from low foreign prices. Businesses will hire in order to expand to meet demand. At the same time, tariffs collected go to the US Treasury and become a source of funding budget deficits or repaying debt. Pretty cool, if it works; and it also supports tax cut policies central to Trump's platform.

### Rates

The 10-year yield closed at 4.28% on October 31, soaring 48 basis points from September. The ICE BofA BBB US Corp Index Option-Adjusted Spread dropped to 104 and closed at 108 basis points as of October 31.

PRT Model Plan Trax Index +/-	PRT	PPA
12mo Hi-Lo %	+/- 5.14%	+/- 7.51%
YTD % Δ	+1.43%	+0.66%
3mos % Δ	-1.36%	-1.99%
1mo % Δ	-3.42%	-1.99%

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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	+/-
Oct	4.29%	-0.16	4.97%	-0.15	4.35%	-0.11	5.03%	-0.05%