



April 2025

Vol. XXV, No. 4

## Murky Tariff Turf; PRT Rates Rise

Annuity purchase rates rose in April resulting in lower PRT prices. Immediate annuity rates for Retirees rose 6 basis points from 4.70% to 4.76% and deferred rates rose 10 basis points to 4.86% from 4.76%. The highest immediate annuity rate rose 1 basis point to 5.40% and the highest deferred rate rose 5 basis points to 5.39% from 5.34%. Rate volatility increased. (Note: The chart uses PRT rates as of May 1, 2025.)

April 10 Year Treasury rates were volatile, dropping to 3.89% on April 4<sup>th</sup> and reversing to 4.59% on April 11<sup>th</sup>, a wide range of 70 basis points in about a week. The 30 Year Treasury had a wild ride ranging from 4.34% to 4.91%, or 57 basis points. The ICE BofA BBB US Corp Index Option Adjusted Spread ranged from 119 to 149 during April as risk came into focus.

US and Foreign equity markets were mixed in March. The S&P 500 declined -0.5% following its -6.0% in March. Aggregate MSCI World markets fell -3.4%. The tariff war is rattling markets even as the Trump Administration touts deals and the market wonders about the ultimate end result.

### PRT Rate Action – Spreads to Treasuries Jump

PRT Retiree Rate spreads to US 10 Year Treasuries rose 29 basis points from 30 to 59 while the Retiree Max spread rose 24 basis points from 99 to 123. The April 2025 Deferred spread to US 10 Year Treasuries rose 33 basis points from 36 to 69 and the Deferred Max rose 28 basis points from 94 to 122. The improved PRT risk-free advantage now suggests stronger consideration be given to tactical implementation of PRT strategies utilizing “buy in” contracts to de-risk at this time.

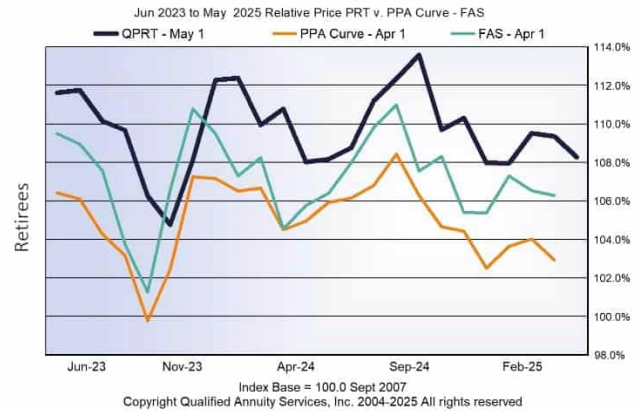
### Tariff Turf Becomes Murky

Markets get whip sawed by levels of rhetoric following a questionable policy approach to the tariffs. The on again-off again approach is creating headwinds for consumers and businesses. The idea has garnered success with friendly partners willing to invest in America. Wielding a stick is happening more frequently as businesses curry favor with the chief.

If it sounds tribal, it is.

The background team smooths things out and deals are getting done. The line is long and the clock keeps ticking on the budget deficit. Will it work? Only time will tell. It's been a long time since there was equilibrium. It takes a lot of leverage to tilt the earth. However, Archimedes theorized how it could be done.

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### Fed Watch

The Fed's next move according to the CME Group FedWatch Tool (CME Fed Watch Tool) shows a 97.8% probability of rates unchanged at 425-450 basis points at the June 18, 2025 meeting. In May, the probability for a Fed Target Rate of 400-425 at the June 18, 2025 meeting was 29.4%. The tariff turf rhetoric is ammunition against the Fed's restraint in being vigilant over its monetary responsibilities. Confronting the Fed is not going to sway it from maintaining its mandate.

### Rates

The US Treasury 10-year yield ended April 30 at 4.18%, down 7 basis points from March 31 or, 4.25%. The ICE BofA BBB US Corp Index Option-Adjusted Spread rose from 121 on April 1 to 137 on April 30, 2025.

| PRT Model Plan<br>Trax Index +/- | PRT       | PPA       |
|----------------------------------|-----------|-----------|
| 12mo HI-Lo %                     | +/- 5.20% | +/- 5.79% |
| YTD % Δ                          | -1.85%    | -1.42%    |
| 3mos % Δ                         | +0.29%    | +0.42%    |
| 1mo % Δ                          | -0.98%    | -1.04%    |

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### Where PRT Advice Matters Most

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| Date | Immediate | +/-    | High  | +/-    | Deferred | +/-    | High  | +/-    |
|------|-----------|--------|-------|--------|----------|--------|-------|--------|
| Apr  | 4.76%     | +0.06% | 5.40% | +0.01% | 4.86%    | +0.10% | 5.39% | +0.05% |