

Initial Treasury Fit Discussion

Academy Economic Scenarios Work Group Weekly Meeting

May 10, 2024

Initial Treasury Fit Approach



Impact on December 2023 Fitting

Unusual initial curve



Impact on December 2023 Fitting



Impact on December 2023 Fitting State Variables

Unusual initial curve

Leads to unusual initial values

Mix of above and below target values

Relatively large mismatch between Fitted and Actual

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		Actuź	:	
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	State	Initial	Long Term	Reversion Speed
	State #1			
		Initial	Term	Speed
	#1	Initial 5.82%	Term 4.52%	Speed 4.50
	#1 #2 #3	Initial 5.82% 10.03%	Term 4.52% 5.26%	Speed 4.50 7.87

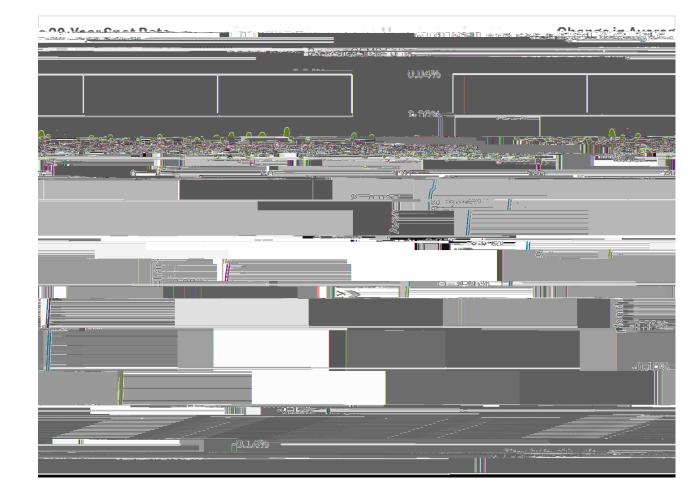
Prepared by Conning, Inc. Source: GEMS® Economic Scenario Generator scenarios.



Impact on December 2023 Fitting State Variables

Unusual initial curve

- Leads to unusual initial values
 - Mix of above and below target values
 - Relatively large mismatch between Fitted and Actual
- Creates potential for nonlinear movements in averages



Prepared by Conning, Inc. Source: GEMS® Economic Scenario Generator scenarios.





Impact on December 2023 Fitting Average Yields

Different fits create different behaviors

initial fit on 20-Year reduced swings in averages



Impact on December 2023 Fitting Average Yields

Different fits create different behaviors

