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## Honorable Mention

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By Editorial Staff      Thu, Oct 3, 2019

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*Foreign central banks lower exposure to U.S. dollar; SOA seeks papers on retirement strategies, offers \$10k award; New FIA from Nassau Re.*

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### Foreign central banks lower exposure to U.S. dollar

Appetite for the U.S. dollar has been shrinking to unprecedented levels among the world's central banks, reflecting their fear of uncertainty in U.S. economic policy and the American political landscape, said the head of research with Global Markets, EMEA, and International Securities at Mitsubishi UFJ Financial Group, Inc. (MUFG), at a recent press event in New York.

The U.S. dollar's share of currency reserves held by central banks around the world—as reported to the International Monetary Fund—has been declining since 2017 toward record lows. Central banks hold reserves in different currencies primarily to support their liabilities, and occasionally to support the values of their countries' respective currencies.

“The U.S. dollar is still the world's foremost reserve currency, but central banks appear to be reducing their exposure to it in a sustained manner,” Halpenny said. “The recent decline in the value of their dollar reserves is all the more striking given that the dollar has actually strengthened for most of 2019. This means central banks are diversifying away from the greenback fast enough to offset its rising value.”

Halpenny cited U.S. political and economic-policy uncertainty as likely reasons for central banks to trim their dollar exposure. “The U.S. administration's shifting positions on trade—especially with China—have created confusion as economic officials of other countries attempt to formulate a response,” he said. “Additionally, as we approach the 2020 U.S. Presidential election with no clear victor in sight—and with the country's two major political parties far apart from each other on geopolitical and economic-policy issues—the road ahead looks very ambiguous.”

Halpenny pointed to capital-flow data from the U.S. Treasury Department indicating that banks have been net sellers of U.S. Treasury bonds for four years now. In the 6-month period leading to the end of July, 2019, central banks from around the world sold \$124 billion worth of bonds. They sold \$180 billion in all of 2018, \$149 billion in 2017, and \$332 billion in 2016.

“The dollar’s position as the world’s most dominant reserve currency allows the United States to enjoy lower interest rates, increased investment, cheaper consumption, and the ability to borrow and spend well beyond what other nations can afford,” Halpenny said. “However, a continuation of the current trend among central banks could erode this enviable position.”

#### **SOA seeks papers on retirement strategies, offers \$10k award**

The Society of Actuaries announces an essay competition focused on helping pre-retirees and retirees, by exploring innovations and ideas that:

- (1) Identify retirement risks
- (2) Plan for and maintain a secure retirement.

Essays should address new developments in tools, products and/or strategies not constrained by whether they currently exist. To the extent a concept is not feasible in the current market, authors are encouraged to identify what changes are needed for such concepts to become a reality.

A \$10,000 award has been allocated for this call for essays. The review committee will select the leading essays and determine how to allocate the award money.

Deadlines:

November 18, 2019: Submission of essays

December 31, 2019: Awards announcement

For more information, contact Steven Siegel, Sr., Research Actuary, Society of Actuaries, at [ssiegel@soa.org](mailto:ssiegel@soa.org).

#### **New FIA from Nassau Re**

Nassau Financial Group this week announced its entry into the accumulation-focused fixed indexed annuity (FIA) space with its inaugural product, Nassau Growth Annuity.

The product introduction marks Nassau’s latest initiative in its insurance and annuity businesses. The company’s incubator, Nassau Re/Imagine, is active in the Hartford, CT region’s insurance and insurtech industry.

Nassau Growth Annuity “enables us to offer a full suite of fixed annuities to the underserved middle market,” said Phil Gass, chairman and CEO of Nassau Financial Group, in a release. “To date, we have attracted 12 insurance-related startups” to the Hartford area. The new product offers exposure to either the S&P 500 Composite Stock Price Index or the Smart Passage SG Index, an exclusive new index sponsored by Société Générale.

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