# Monthly Update Process

## Overview

Most of the documents on this site focus on the calibration process for the GOES scenarios. Specifically, these parameters, which can be found in NAIC GOES Technical Documentation - GOES Parameters, were selected to align with the NAIC's long-term targets for the resulting scenarios (e.g., the frequency of low-for-long Treasury paths). These parameters will only be adjusted every few years via a rigorous review process involving Conning, the NAIC, and interested insurance companies.

In addition, to ensure that the GOES scenarios start with current conditions, the monthly update process will make adjustments to the initial conditions in the model. These adjustments will have little or no impact on the long-term dynamics of the model but may materially affect the first few years of each simulation. The rest of this document will outline each of these adjustments with a particular focus on:

- What data is being used?
- What is the source of information?
- How can users see the impact of these adjustments?

## Treasury Yields

### Source Data

The most important update relates to Treasury yields. Each day, the U.S. Treasury Department collects pricing information for Treasury bonds and bills ranging in maturity from 4 weeks to 30 years. They use a monotone convex method to fit this data and produce a full par yield curve which they publish to their website, typically by 6 PM Eastern time each day. While the published data may change over time, the GOES calibration process[1] only uses the following tenors:

- 1-Month
- 3-Months
- 6-Months
- 1-Year
- 2-Years
- 3-Years
- 5-Years
- 7-Years
- 10-Years
- 20-Years
- 30-Years

[1] For more details on this fitting process, please refer to NAIC GOES Technical Documentation - Initial Treasury Yield Fitting Process.pdf.

## Impact on Scenarios

The main impact of this process will be on the three initial state variables solved for by the fitting process. These values will be published as part of the monthly package (e.g., Initial Treasury Fitting and State Variables - 20260831.pdf).

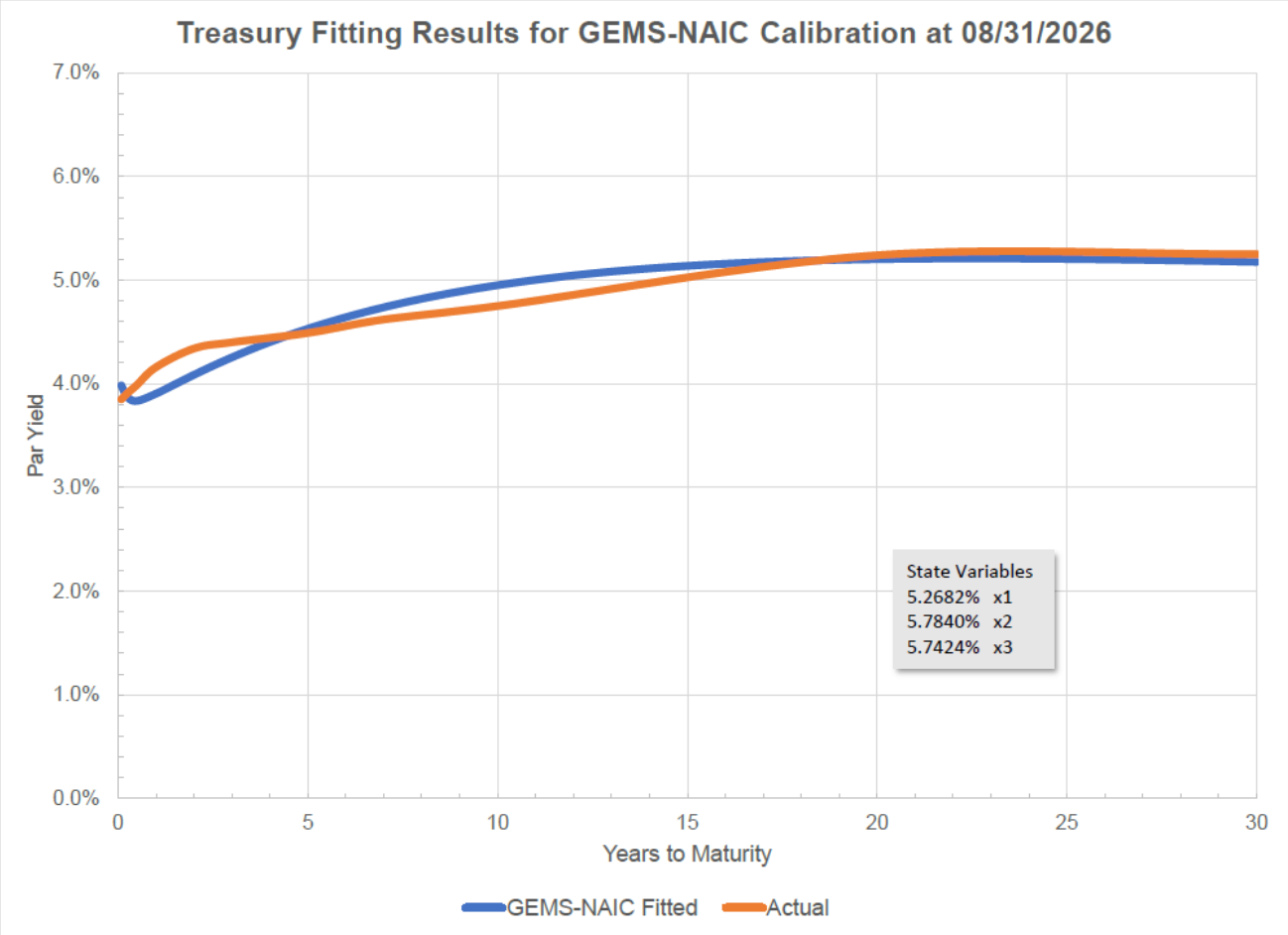


*Figure 1: Initial fitting report for August 31, 2026. Prepared by Conning, Inc. ©2026 Conning, Inc. Source: GEMS® Economic Scenario Generator scenario.*

In general, higher state values will produce more volatility in the projected Treasury yields in the first few years. In addition, there will tend to be a downward reversion in the average yield. Both the high initial values and the impact of this mean reversion will tend to drive up bond returns with the impact being more pronounced on longer bonds. For example, we can look at the Basic Data Set Validation Report - 19891031; back in October 1989, Treasury yields were around 8%, resulting in initial state variables—especially the third one—that are substantially higher than the ones seen in 2026. By the end of the first simulation period, the average 1-month yield has dropped about 30 bps (see Figure 2). At that point, this yield is also about 20% more volatile than current scenarios: 2.11% standard deviation vs. roughly 1.79%. Figure 3 shows the impact of these differences on the Long Govt Bond asset class. In particular, we can see that the average return in the first simulation period (i.e., 11.0%) is actually higher than the initial 8% yield due to the downward movement in yields.

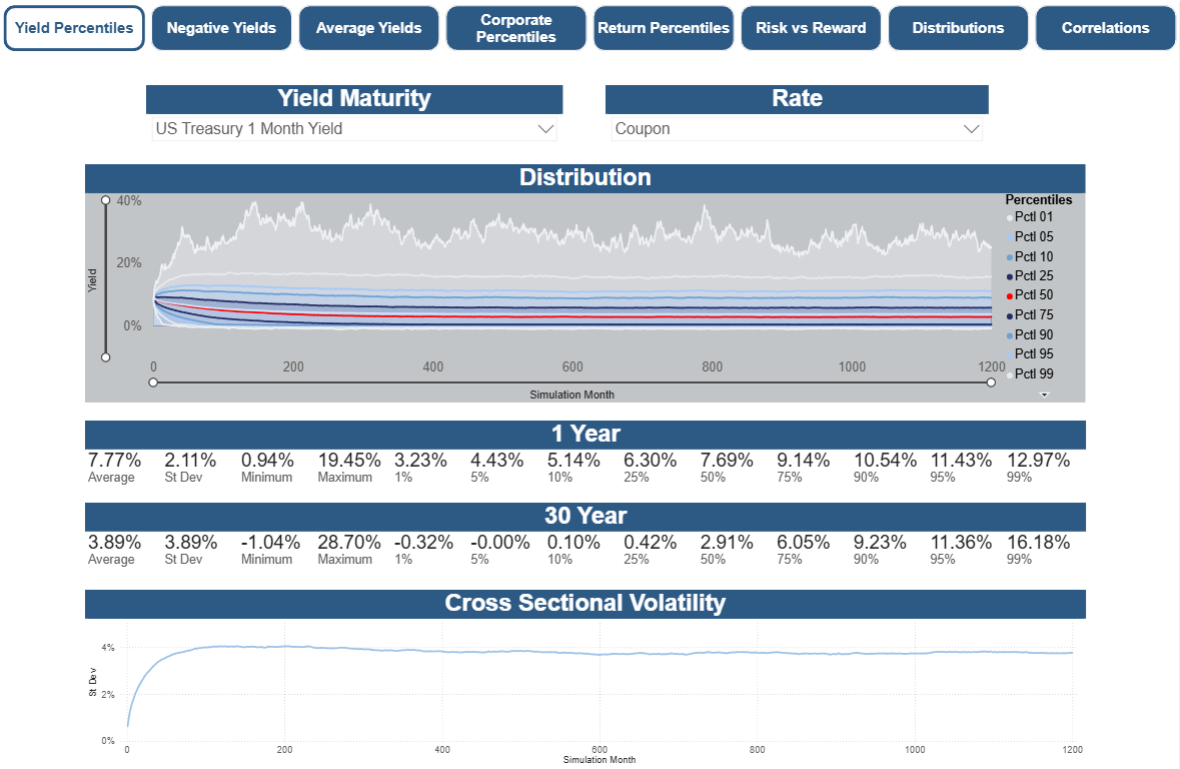


*Figure 2: Projected 1-Month Yield from October 31, 1989 initial conditions. Prepared by Conning, Inc. ©2026 Conning, Inc. Source: GEMS® Economic Scenario Generator scenario.*

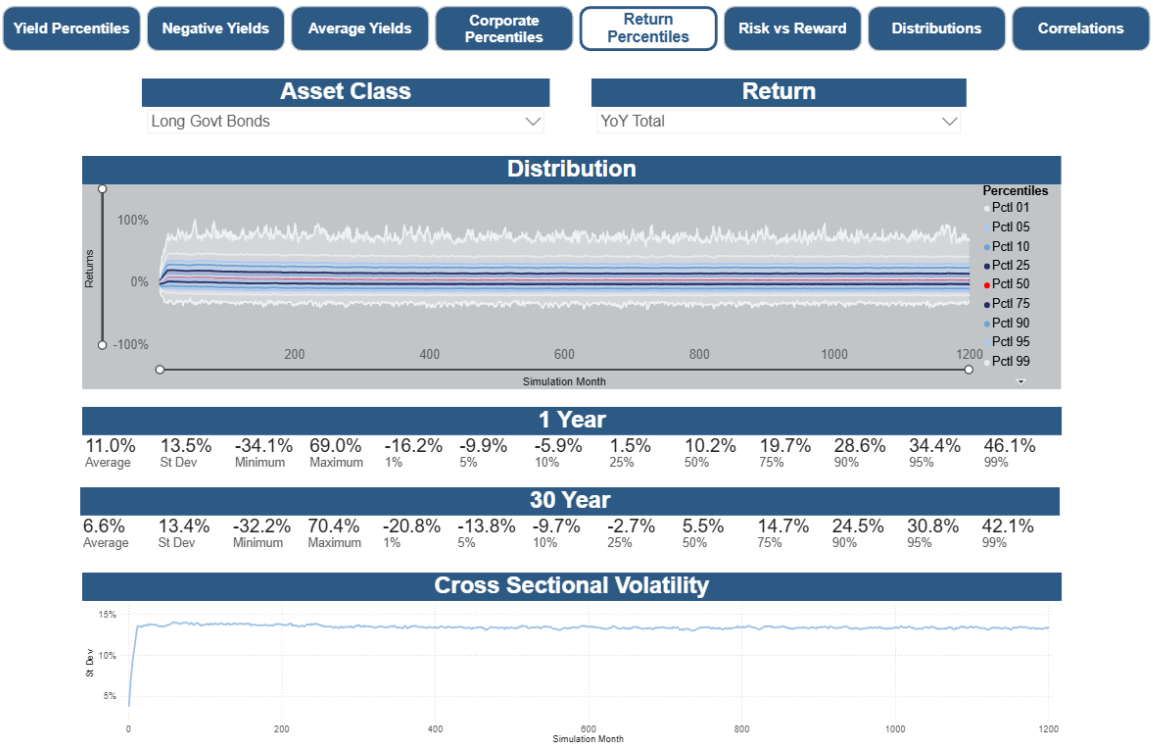


*Figure 3: Projected Year-over-Year Total Returns for the Long Govt Bond Asset Class from October 31, 1989 initial conditions. Prepared by Conning, Inc. ©2026 Conning, Inc. Source: GEMS® Economic Scenario Generator scenario.*

# Equity Data

## Source Data

The only relevant parameter that gets updated for equity indices are the initial dividend yields for the domestic asset classes.[2] Specifically, Conning gets the **EQY_DVD_YLD_12M** field from Bloomberg for the following tickers:

- Large Cap - S&P 500 (Ticker: SPX Index)
- Mid Cap – S&P 400 Midcap (Ticker: MID Index)
- Small Cap – Russell 2000 (Ticker: RTY Index)
- US Aggressive Equity – NASDAQ 100 (Ticker: NDX Index)

## Impact on Scenarios

For the domestic equity asset classes, the main impact of these changes will be on the split between price and income returns. Specifically, higher dividend yields will lead directly to higher income returns. However, because the expected price return is reduced by this same dividend yield (see highlighted portion of Equation 1), there will be little impact on the total return.[3]

$$\frac{dS(t)}{S(t)} = [(-D(t)) + \mu_0 + \mu_1 V(t) - \lambda m V(t)]dt + \sqrt{V(t)}dW_1(t) + \gamma dN(t)$$

*Equation 1*: Stochastic Differential Equation for Equity Price level

Unlike the domestic equity asset classes, the foreign equity asset classes (i.e. International Diversified Equity and Aggressive Foreign Equity) may see larger changes because of these updates. Specifically, each of these asset classes' returns include weighted factors applied to the Large Cap Asset Class's Price and Income returns. However, these weights are not the same for price and income. Consider the following example: Large Cap Income returns are up 10 bps due to higher initial dividend yields. Based on the income weight of 1.652 for the International Diversified Equity Asset Class[4], that would increase that asset class's income return by about 16.5 bps. That would be offset by a roughly 8.6 bps reduction in price return (i.e. -10 bps reduction in large cap price return * 0.864 weight for the International Diversified Equity Asset Class). The net result is a roughly 7.9 bps increase in total return for the International Diversified Equity Asset Class.

# Corporate Data

## Source Data

As with the Treasury yield, the corporate yields need to be fit at the beginning of the simulation. For the GOES scenarios, Conning will be using the SPGMI Fixed Income Curves. Specifically, the calibration process will be run using five ratings: AAA, AA, A, BBB and BB for the following maturities: 6-Month, 1 through 10, 12, 15, 20, 25 and 30 years.

[2] Since some Cash Flow projection models use actual index levels, Conning also updates the initial price for these same indices using Bloomberg's **PX_Last** field. However, these values have no impact on the data in the Basic Data Set.
[3] There may be some slight differences due to the approximation used to integrate this equation. But, they will tend to have minimal impact on the Total returns.
[4] These factors can be found in the NAIC GOES Technical Documentation - GOES parameters.pdf document.

## Impact on Scenarios

The easiest place to see the impact of these changes is in the **Spread** option for the **Corporate Percentiles** report (see Figure 4). As with Treasury yields, changes in the initial spreads will also flow into total returns. However, spreads through 2026 have been relatively stable. So, all of the reports currently available have looked fairly similar.

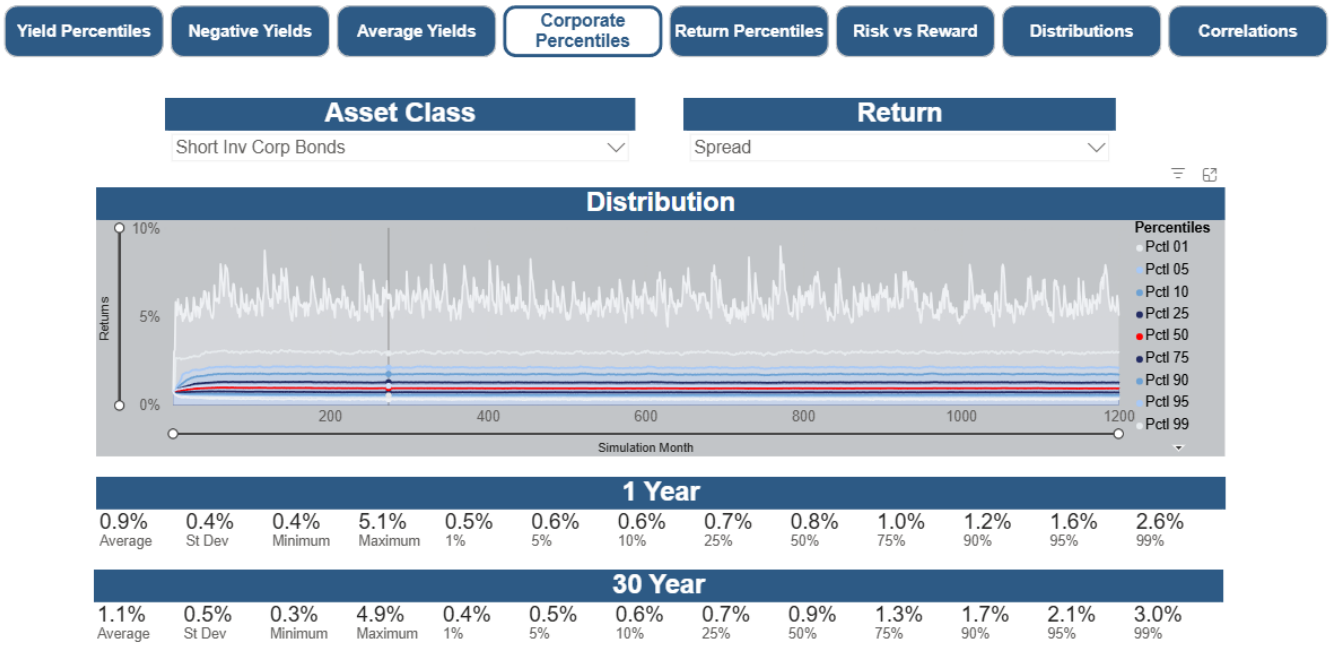


*Figure 4: Projected Spread for the Short Inv Corp Bond Asset Class for the September 2026 scenarios. Prepared by Conning, Inc. ©2026 Conning, Inc. Source: GEMS® Economic Scenario Generator scenario.*

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