



STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

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CONNECTICUT'S STATE CASH POSITION NEAR ALL-TIME HIGH; TREASURER WOODEN APPOINTS 44 BOND UNDERWRITING FIRMS; REACTS TO GLOBAL, U.S. MARKET CLIMATE HEADING INTO THE ELECTION

Hartford, CT – Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report as of the end of September 2020 to the Governor and General Assembly. The Report highlights Connecticut's continued strong cash position during the pandemic and summarizes planned bond issuances for Fiscal Year 2021. Additionally, he shares his perspective on the capital markets and the state's bonded debt.

Cash Position

As of October 31, 2020, the State's overall available cash is \$5.8 billion with the common cash pool at \$5.0 billion.

"Our state's available cash is near all-time highs, despite the continued impacts of COVID-19 on our economy," State Treasurer Shawn Wooden said. "Given the economic uncertainty associated with the pandemic and the potential impact on State cash receipts and disbursements, we continue to diligently monitor, assess and revise Connecticut's cash projections for Fiscal Year 2021. While Connecticut has weathered the pandemic storm better than many states, the future remains uncertain. I am deeply disappointed in Congress' inability to come together to pass a second stimulus package to provide towns and cities, small businesses and families, needed relief. During these uncertain times, we will continue taking steps to support our State's path to fiscal stability.

The common cash pool contains the state's operating cash in many funds and accounts. The cash is pooled in order to make the most effective and efficient use of aggregate balances and to allow positive balances in one fund to temporarily offset negative balances in other funds. Bank balances are consolidated daily, and funds that are not projected to be immediately needed to fund disbursements are collectively managed in various short-term investments or bank accounts that earn interest to successfully meet projected cash flows. No temporary transfers from bond proceeds investment accounts have been made since December 2017.

Capital Markets

October 2020 was a month plagued by heightened uncertainty concerning the path of COVID-19 and the spike in infection rates, the potential for a second round of fiscal stimulus by Congress, and the outcome of the presidential election. A well-known volatility index called the VIX, which is also known as the "Fear Gauge" and measures the expected volatility for the

S&P 500 stock index, moved higher throughout the month ending approximately 10 points above the average for September 2020, closing at 38.

“The outcome of the 2020 elections has shaped-up to be a key area of concern and uncertainty for Americans and financial markets, particularly given the current economic pain and disruption to the lives of millions of Americans caused by the pandemic, further exacerbated by the acute level of social unrest throughout our nation,” continued State Treasurer Wooden. “Various potential outcomes have put investors further on-edge as we enter November. The market dislikes uncertainty. However, the Connecticut Treasury will continue to monitor and manage through this challenging economic cycle and resulting market volatility in the months and quarters ahead.”

The U.S. stock market broadly delivered on these concerns in October 2020, with the blue chip Dow Jones Industrial Average reaching a technical correction level down 10% from its February 2020 peak, and delivering its worst monthly performance since March 2020. At the same time, U.S. Treasury yields edged higher on both a better than expected initial estimate of Q3 GDP growth of over 33% annualized, and anticipation of a potential Biden Presidential win with increased fiscal spending putting upward pressure on inflation. Specifically, the benchmark 10-year U.S. Treasury Note yield moved up 18 basis points (0.18%) in October, for a month-end yield of 0.87%. During October stock prices and bond prices moved lower in tandem.

“There have been rises in the rates of COVID-19 infections across the country and throughout Europe threatening economic growth by increasing the potential for business lock-downs and a renewed vigor for social distancing,” continued Treasurer Wooden. “The timing of a viable COVID-19 vaccination is still uncertain, as is a timeframe for deployment and acceptance by the general public. Without a better widely available treatment for infected individuals that reduces the mortality of the virus and ultimately an effective and accepted vaccine, the impacts of the pandemic will likely continue to negatively impact economic activity and disrupt our daily lives well into calendar year 2021.”

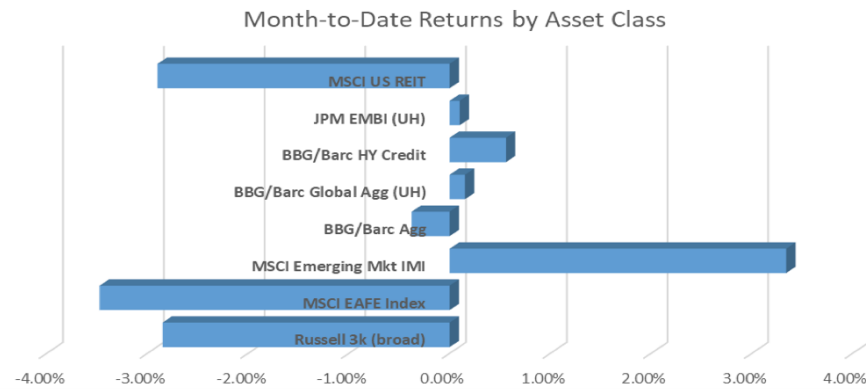
Despite recent improvements in economic indicators and outcomes, including the technical end of the pandemic-related recession that began in the first quarter of this year, the recovery seems poised to slow and stall with the lack of an additional fiscal stimulus package.

“While the U.S. economy has made progress in repairing some of the damage caused by the pandemic, there continues to be much more to do to get our nation back to pre-pandemic levels of employment and economic activity,” added State Treasurer Wooden. “With more than 12 million Americans still out of work, now is not the time for inaction on the part of Congress and the White House. The U.S. unemployment rate continues to be more than double pre-pandemic levels, with economic despair and disruption disproportionately impacting the U.S. service sectors, such as travel, hotels, live entertainment, restaurants and bars, and lower-wage workers that are on the front lines of these businesses.”

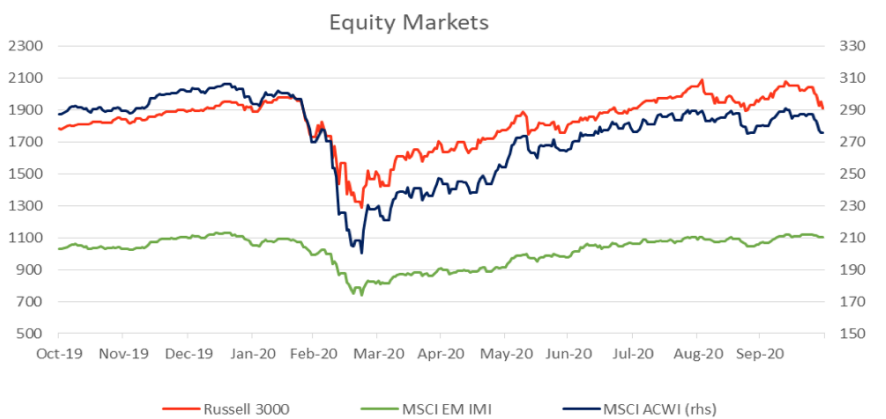
Periodic returns of the various asset classes:

Asset Class Returns					
Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	-2.85%	-2.85%	12.82%
Equity	International Equity	MSCI EAFE Index	-3.47%	-3.47%	7.47%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	3.34%	3.34%	10.96%
Fixed Income	Core Fixed	BBG/Barc Agg	-0.38%	-0.38%	0.70%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	0.15%	0.15%	3.01%
Fixed Income	High Yield	BBG/Barc HY Credit	0.56%	0.56%	5.40%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	0.10%	0.10%	4.37%
Real Estate	Real Estate	MSCI US REIT	-2.90%	-2.90%	2.42%

Month-to-Date returns of the various asset classes:



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg News.

Debt Issuance

Treasurer Wooden announced the appointment of 44 bond underwriting firms to serve as a senior manager, co-senior manager, co-manager, or selling group member for the State's bond programs as a result of a competitive Request for Proposal issued for Underwriting and Investment Banking Services.

The competitive process allowed the Treasurer to refresh the pool of underwriters that had been in place since 2012:

- 14 firms were awarded senior manager eligibility for one or more of the State's four bond underwriting programs (General Obligation, Special Tax Obligation - Transportation Infrastructure, UConn 2000 Bonds, and State Revolving Fund - Clean Water Fund);
- Nine firms were awarded co-senior manager eligibility for any of the State's bond sales and 16 firms were awarded co-manager eligibility on any state bond sale;
- Five firms were awarded selling group eligibility on any state bond sale; and
- Of the 44 firms hired, 19 are minority owned, woman owned, or disabled veteran owned firms.

Bond Sale Schedule

Treasurer Wooden set a tentative bond issuance forward calendar for Fiscal Year 2021 to issue \$2.67 billion of new bonds under three different bonding programs. The proceeds from the bond sales will be used to fund new and ongoing projects, local grants and various capital improvements. The preliminary schedule is as follows:

- The plan to issue \$197.2 million of UConn 2000 bonds to fund various improvements, in partnership with the University of Connecticut, as part of the overall capital improvement plan has been updated to occur in December 2020;
- Also in December 2020, Treasurer Wooden plans to issue \$800 million of General Obligation bonds for various purposes including projects across the state and local school construction grants;
- In February 2021, he plans to issue \$875 million in Special Tax Obligation bonds (Transportation Infrastructure), to continue to fund improvements in the State's transportation system; and
- In May 2021, two (tax-exempt and taxable) General Obligation bond sales are planned totaling \$800 million to fund projects across the state including local grants, school construction, and economic development initiatives.

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About the Office of the State Treasurer

Under the leadership of Connecticut's State Treasurer Shawn T. Wooden, the Office of the Treasurer is dedicated to safeguarding the state's financial resources and taxpayers' dollars, while maximizing returns and minimizing risks for pension beneficiaries and operating at the highest professional and ethical standards. Through investments and cash management, the office continues to enhance the state's fiscal stability, financial literacy, college savings, and its approach to leveraging business partnerships to combat social issues such as gun violence, climate change, and equal opportunity for economic growth. Learn more about the Office of the Treasurer [here](#) and follow along on [Facebook](#), [Instagram](#) and [Twitter](#).