STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

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TREASURER WOODEN RELEASES STATE CASH POSITION TO GOVERNOR LAMONT; SHARES PERSPECTIVES ON GLOBAL AND U.S. MARKET CLIMATE AND STATE DEBT ISSUANCE

Hartford, CT – Today, State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report as of the end of July 2020 to the Governor and General Assembly, which highlighted Connecticut's strong cash position during the pandemic and details planned bond issuance for fiscal year the 2021. Additionally, he shared his perspective on the capital markets and the state's bonded debt.

Cash Position

As of Saturday, August 29, the State's overall available cash is $6.7 billion with the common cash pool at $5.6 billion.

"The spread of COVID-19 continues to devastate communities across our country, the economy continues to be strained, and unemployment levels remain unacceptably high," State Treasurer Shawn Wooden noted. "Due to work done prior to COVID-19, which focused on reducing risks and closely monitoring our liquidity position, Connecticut has maintained its strong cash position. Though our cash position is strong, COVID-19 continues to have a significant impact on state and local revenue. I, along with other State leaders continue to advocate for Congress to pass a second stimulus package, so that additional help can support small businesses, our State and municipalities."

The common cash pool contains the state's operating cash of its 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 offset negative balances in other funds. Bank balances are consolidated daily, and funds that are not needed to cover disbursements are invested in various short-term vehicles or maintained in bank accounts based on relative interest and earnings credit rates and projected cash flows.

Capital Markets

Corporate financial assets continued to perform strongly throughout August, with US stocks delivering the strongest August performance since 1986 with the S&P 500 index up 7% for the month, and the tech-heavy NASDAQ index up 9.6%. Both indices are dominated by a small number of technology stocks that have dramatically appreciated in value as pandemic-driven economic lock-down measures accelerated adoption of networking, communications, innovative software solutions, and on-line shopping services. Despite falling 34% from its February all-time high, the S&P 500 index retraced all losses by mid-August to post another record high, only 126 trading days from its prior peak.

"This has been a truly remarkable outcome given the economic fallout associated with an ongoing pandemic that caused unemployment to spike to levels not seen since last century's Great Depression and which continues to devastate specific industries and small businesses," continued Treasurer Wooden. "For example, the recent stock market recovery has missed some key sectors of the economy, with airline, cruise and energy stocks still off as much as 50% from pre-pandemic levels. We know, however, that the financial markets and the real economy are two very different things. A few concentrated publicly traded stocks certainly does not represent the devastating impact of the pandemic on many communities and small businesses that are closing as a result of the financial devastation. Additional stimulus from Congress along with continued support from the Fed and other central banks throughout the world are important steps for policy leaders to stabilize our economy."

The S&P 500 stock index currently reflects a price/earnings multiple approaching 23 times projected 12 month earnings, a level last seen in 2000 before the Dot-Com stock bubble burst. Additionally, investment-grade and high-yield corporate bonds continue to experience credit spread tightening, evidenced by higher bond prices and lower yields, and strong demand for new issues given the very low levels of comparable US Treasury yields across the maturity spectrum.

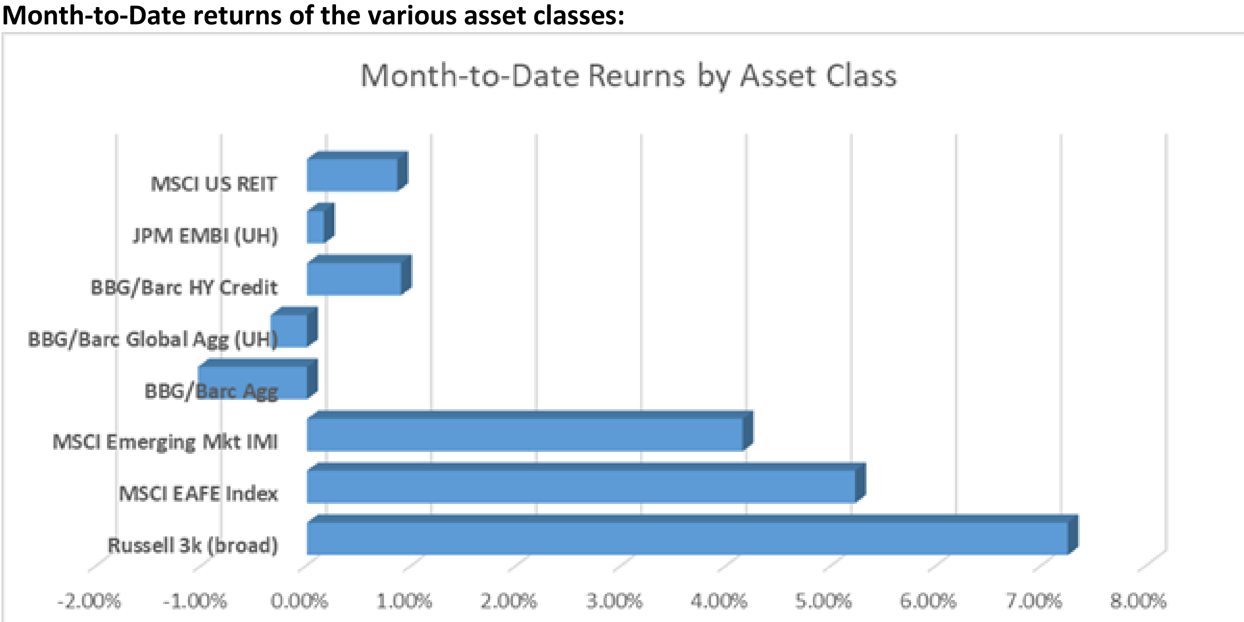
Periodic returns of the various asset classes:

Asset Class Returns

Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	7.24%	13.33%	12.82%
Equity	Internatioinal Equity	MSCI EAFE Index	5.22%	7.71%	7.50%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	4.15%	13.56%	12.83%
Fixed Income	Core Fixed	BBG/Barc Agg	-1.04%	0.44%	0.47%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	-0.35%	2.83%	2.81%
Fixed Income	High Yield	BBG/Barc HY Credit	0.89%	5.62%	5.34%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	0.16%	3.86%	4.37%
Real Estate	Real Estate	MSCI US REIT	0.86%	4.99%	2.42%

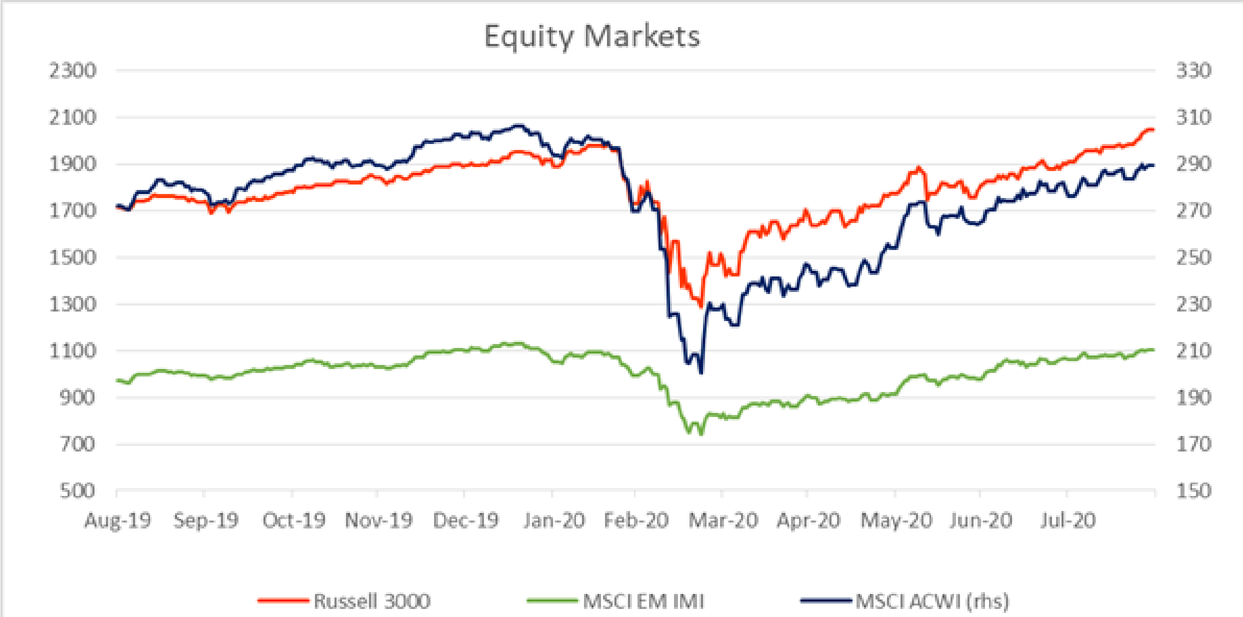
Source: Bloomberg News

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



Source: Bloomberg News

Equity market time series:



Source: Bloomberg News

Debt Issuance

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 to fund new projects, local grants and capital improvements.

"Investors and the rating agencies have noted our strong Budget Reserve Fund and that our State is much better prepared to financially weather crises compared to many other states," said Treasurer Wooden. "The Budget Reserve Fund reaching historic levels, due to fiscal discipline and smart policy enacted over the last few years, is a great accomplishment, but the more important marker of success is our discipline in how we utilize the reserve, not knowing what economic challenges lie ahead as a result of the ongoing pandemic. Serious liquidity, market, and credit risks still exist for the State, and maintaining a healthy budget reserve allows the State to meet its obligations in the event of a recession without compromising services for our most vulnerable residents."

The schedule is as follows:

- In November 2020, in partnership with the University of Connecticut, he plans to issue $197.2 million of UConn 2000 bonds to fund various improvements at the University as part of the overall capital improvement plan;
- In December 2020, he plans to issue $800 million of General Obligation bonds for various purposes including local school construction grants;
- In February 2021, he plans to issue $875 million in Special Tax Obligation Bonds, Transportation Infrastructure bonds, to continue to fund improvements in the State's transportation system across the State; and
- In May 2021, two General Obligation bonds sales are planned totaling $800 million to fund local grants, school construction and economic development initiatives.

In addition, Treasurer Wooden will seek to take advantage of opportunities to refinance existing debt to lower interest rates. Since Treasurer Wooden took office, he has issued $529.0 million of refunding bonds which will save taxpayers $68.2 million over the life of the bonds. Actively managing the State's debt portfolio reduces the cost of funding of long-term capital investments needed for future economic growth.

“After years of difficult budgets and fiscal crisis, the state is on the right path,” continued Treasurer Wooden. “Investors and credit rating agencies have noticed, with all of the credit rating agencies affirming the State’s credit ratings with stable outlooks earlier this year despite the COVID outbreak, and record demand from investors on this year’s bond sales. Strong and stable credit ratings translates into lower debt service costs for Connecticut taxpayers. However, we have to continue to focus on the long-term challenges to ensure that Connecticut’s long-term fiscal future is healthy. I look forward to the bond sales we have planned ahead that will fund critical investments for our State’s future.”

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