



STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

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TREASURER WOODEN RELEASES STATE CASH POSITION; SHARES PERSPECTIVES ON GLOBAL, U.S. MARKET CLIMATE AND PLANNED STATE DEBT ISSUANCE

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

Cash Position

As of September 26, the State’s overall available cash is \$6.9 billion with the common cash pool at \$5.9 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 noted. “We continue to diligently monitor, assess and revise Connecticut’s cash projections for Fiscal Year 2021. I, along with other State leaders continue to advocate for Congress to pass a second stimulus package, so that much needed additional support can help our small businesses, our State and our municipalities.”

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 cover disbursements are invested in various short-term investments or maintained in bank accounts that earn interest that are collectively managed to successfully meet projected cash flows.

Capital Markets

As summer ended, so too did the recent rally in stock prices. Following the 7.00% run-up in the S&P 500 stock index in August, the index struggled throughout the month in keeping with September historically being the worst month for stock market returns on average since 1950. In fact, at the time of this writing, the S&P 500 index is closing out September down approximately

3.50%. Risk assets generally slouched downward, with investment grade and high yield corporate bond spreads widening, international stocks down, emerging market bonds weaker, and real estate lower.

“September is historically the worst month for stock market returns and this year is unfortunately no exception. Fear of a COVID-19 resurgence, a lack of additional financial support from Congress, and the slowing of previously extremely high performing tech stocks have all contributed to the downturn we are currently witnessing,” continued Treasurer Shawn Wooden. “The only bright spot in the broader capital markets was the modest rally in US Treasury prices, a move which drove yields lower, particularly in longer maturities. While the economic pain and disruption experienced in 2020 has been historically noteworthy and extraordinarily challenging, we continue to work toward economic improvement and a return to normal life despite the uncertainties ahead.”

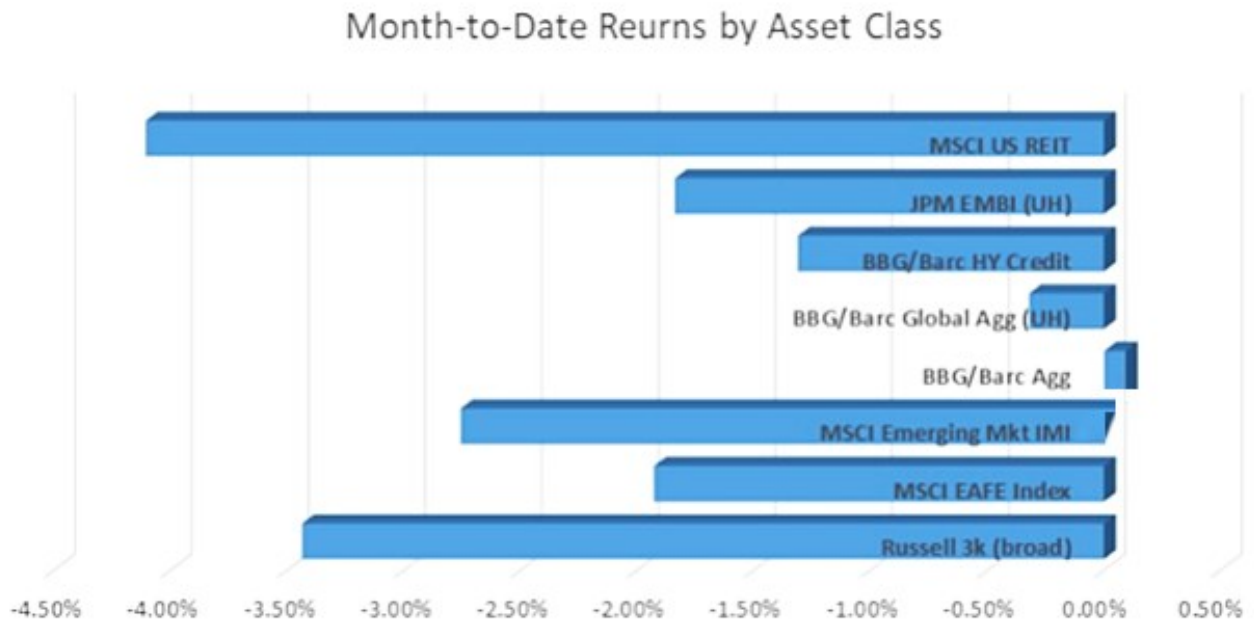
Lackluster capital markets performance, however, was coupled with continued US and global economic improvement. In the US, the August unemployment report released in early September showed a meaningful decline from 10.2% to 8.4%. While considerably higher than the pre-pandemic 3.5% unemployment rate in February, and still at an unacceptably high level, unemployment continues to improve from the 14.7% health crisis high in April. Also in the US, the final revised second quarter Gross Domestic Product (GDP) contraction was 31.4% (quarter-to-quarter annualized), below the initial advanced estimate of negative 32.9% reported in July.

This was the most severe contraction of US GDP ever recorded, certainly nothing to celebrate. However, expectations for third quarter growth is expected to easily surpass the best ever US GDP increase of 16.7% achieved in the first quarter of 1950, with a level of improvement expected to approach 30%, albeit from a much lower base due to the second quarter’s contraction. To put these changes in context, US GDP growth has averaged 3.06% since 1947.

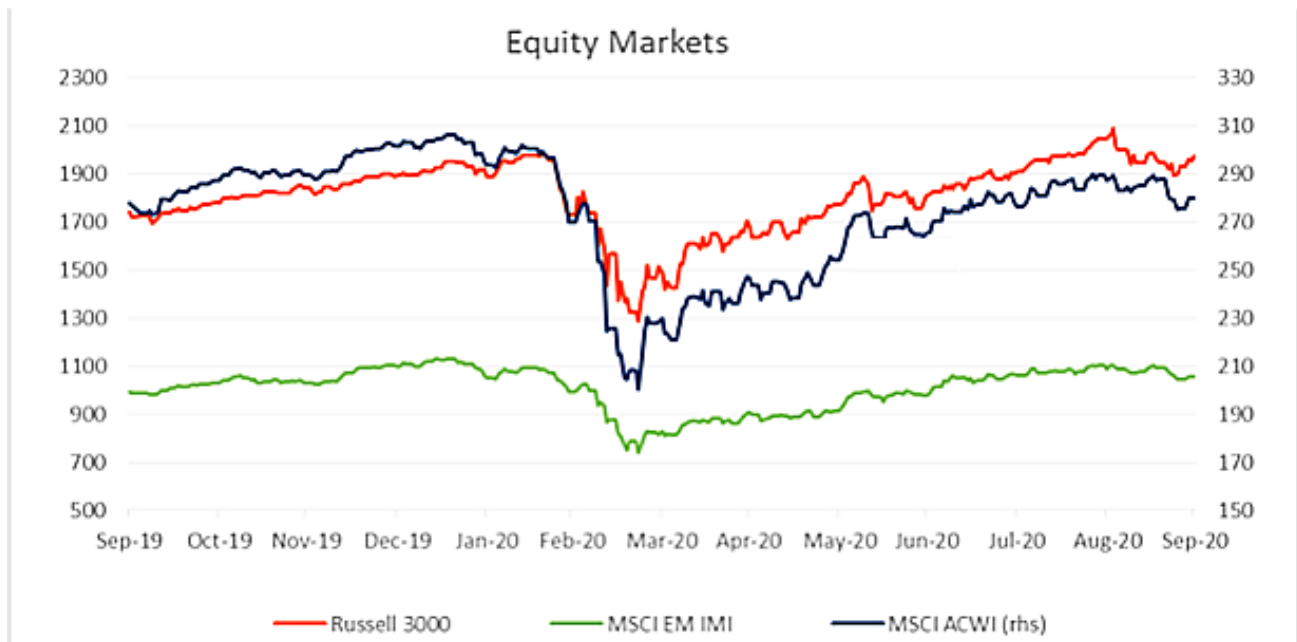
Periodic returns of the various asset classes:

Asset Class Returns					
Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	-3.44%	9.44%	12.82%
Equity	International Equity	MSCI EAFE Index	-1.93%	5.59%	7.47%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	-2.76%	8.60%	10.96%
Fixed Income	Core Fixed	BBG/Barc Agg	0.09%	0.77%	0.70%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	-0.32%	2.70%	3.01%
Fixed Income	High Yield	BBG/Barc HY Credit	-1.31%	4.30%	5.40%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	-1.84%	2.09%	4.37%
Real Estate	Real Estate	MSCI US REIT	-4.11%	0.68%	2.42%

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



Equity market time series:



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. 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:

- 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; and
- In May 2021, two General Obligation bond sales are planned totaling \$800 million (tax-exempt and taxable) to fund 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 and operating at the highest professional and ethical standards. Through investments and disbursements, 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 in economic growth. Learn more about the Office of the Treasurer at portal.ct.gov/ott and follow along on [Facebook](#), [Instagram](#) and [Twitter](#).