STATE OF CONNECTICUT
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FOR IMMEDIATE RELEASE: Wednesday, January 4. 2021
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INVESTOR CONFIDENCE IN CONNECTICUT REMAINS STRONG; COVID-19 VACCINE DISTRIBUTION ON TRACK, BOOSTING MARKETS CONFIDENCE FOR STABILIZING ECONOMIC FORECAST

Hartford, CT – Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report for the month of November 2020 with updates as of the new year 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, the Treasurer shares his perspective on the capital markets and the State's bonded debt.

Cash Position

As of January 2, 2021, the State's overall available cash is $5.5 billion with the common cash pool at $4.9 billion.

"As we continue to confront the public health crisis and economic downturn, December proved to bring Connecticut some much welcomed steady progress," State Treasurer Shawn Wooden said. "On the economic front, the major rating agencies affirmed CT's credit ratings and stable outlooks which contributed to the State completing two record setting bond transactions. Key contributing factors to the affirming of Connecticut's strong investment grade ratings include strong governance, fiscal resilience, high income levels, budgetary management improvements, and current above average employment relative to the pre-pandemic peak and better than neighboring states. All of these factors contributed to CT's historic high Budget Reserve Fund, and played a role in putting Connecticut ahead of other states that are financially not as well positioned to navigate the pandemic's economic downturn. Along with saving taxpayer dollars and enhancing the State's long-term financial future, these bond issuance results make it clear that investor confidence in the State of Connecticut remains strong and continues to improve."

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.

“While Connecticut’s common cash pool remains strong, there continues to be significant fiscal demands placed on state and local governments to address this pandemic, including the distribution of the vaccine. While the second COVID-19 stimulus relief bill will provide much needed aid to certain state programs and thousands across Connecticut who qualify for a direct payment, it simply does not go far enough and only serves as a band-aid for people in need. The incoming Biden administration will need to focus on supporting the real economy with further aid, and must address gaps in local and state level funding that were left out of the first and second stimulus packages. Local and state aid provides critical funding to some of our most essential workers; firefighters, public works, and other public service employees who will continue to serve on the frontlines during the remainder of this pandemic.”

Capital Markets

“A stable and consistent economic recovery is dependent on our State and nation’s ability to successfully contain the spread of COVID-19 and deploy the vaccine as quickly and efficiently as possible, and Connecticut has been notably on track,” continued Treasurer Wooden. “According to a report from Bloomberg news released on December 30th, Connecticut is faring well in its distribution process when compared to other states. Connecticut is on schedule to finish vaccinating all frontline health care and emergency medical works as well as nursing home residents by the end of January, as planned for its first phase. A successful vaccine rollout, and confidence in federal allocation of vaccine doses by Connecticut leaders in the weeks and months to come, continues to give the financial markets confidence that a stabilizing economic forecast and economic recovery is in sight.”

It's been a year for the record books. One that has forced many Americans to adapt to a new way of life that involved massive disruptions to life as we knew it. Similar to the societal impact, the economic and financial impact of the pandemic on the global economy and financial markets will continue to ripple for years to come.

Following the global economy during 2020 presented many twists and turns; many of which could not have been easily predicted. The second quarter of 2020 included the largest economic contraction since the great depression with negative GDP growth of 31.4 percent. However, a somewhat robust recovery ensued in the third quarter, equal to a gain of 33.4 percent, with slower but continued positive growth expected in the fourth quarter, which is expected to be around 4.6 percent. If this comes to pass, we will have experienced an economic contraction for the full year equal to approximately negative 3.5 percent. However, estimates for calendar year 2021, which reflect expectations for a steady return to pre-pandemic conditions are dependent on mass distribution and acceptance of COVID-19 vaccines, are projected to be positive 3.9 percent. The labor market was also hobbled during 2020, with the unemployment rate beginning the year at 3.5 percent, peaking in June at 19 percent and ending the year at 6.7 percent. As whole segments of our population and economy have been disproportionately hurt by the pandemic, the economic recovery will also likely be uneven and challenging for many as we continue to address the scaring left by the COVID-19 crisis.

Financial markets continued to rise throughout December despite the surge in COVID-19 related infections across the country and economic disruption from prudent measures to stop its spread. Expectation for, and approval last week of, additional federal stimulus has been a big factor in supporting recent asset valuations, as has the approval and early-stage deployment of vaccines expected to occur throughout much if not all of 2021. With the exception of US Treasury note and bond prices, which have moved slightly lower (higher yields) due to expectations of higher government spending and deficits, financial assets have had a strong month. US stocks, as measured by the S&P 500 Index, are up over 3 percent for the month, while international equities and emerging market stocks have returned over 4 percent. High yield debt, emerging market bonds, and real estate assets are all up between 1-2 percent for the month. For the quarter, the S&P 500 stock Index is up over 11 percent, and has appreciated a whopping 68 percent. Similarly, international developed market stocks are up about 61 percent, emerging market stocks are up over 70 percent, high yield bonds are up over 33 percent, emerging market bonds are up nearly 31 percent, and real estate related equities are up over 52 percent. For the 2020 calendar year, despite remarkable price volatility during the year, the S&P 500 stock Index is up almost 18 percent, international developed market stocks are up over 22 percent, emerging market stocks are up over 28 percent, core fixed income and high yield bonds are both up over 7 percent, emerging market bonds are up almost 6 percent, while real estate related equities, measured by the MSCI US REIT index, are down 8 percent. As long-term investors, our pension and trust funds have benefited from these incredible performance gains throughout the entire year, as we adhered to a consistent strategic allocation across a blend of asset types.

As we've said goodbye to 2020, we'll be keeping a close eye on further developments that will drive investment opportunity and performance: the outcome of the Georgia U.S. Senate run-off races on January 5th, the transition of the new administration in Washington D.C., progress in containing the coronavirus, production and distribution of the vaccines, and a host of other geopolitical, social, market, and economic factors.

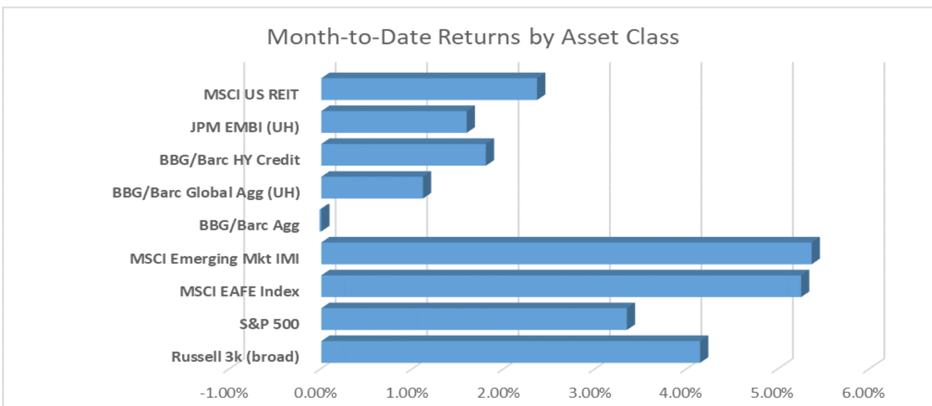
“Since past performance is never a guarantee of future outcomes, we will remain vigilant in our management of the assets throughout this year and beyond,” continued Treasurer Wooden. “Although we could not have anticipated the COVID-19 pandemic and the financial distress that it brought; strong financial governance and early decisions have allowed Connecticut's common cash pool to remain strong and put us in a much better financial position to deal with the economic downturn when compared to many other states. Despite the volatility of the markets, we must continue to stay the course, and invest successfully in Connecticut's future by sticking to our long-term investment plan."

Periodic returns of the various asset classes:

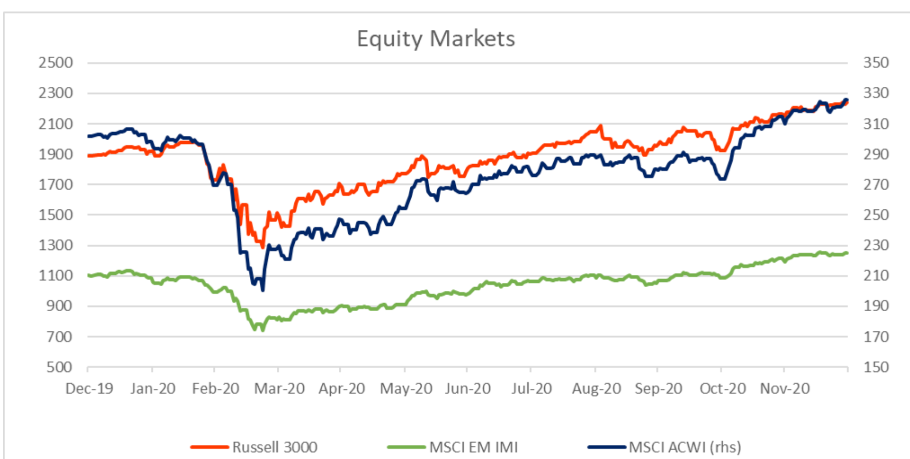
Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	4.14%	14.29%	76.22%
Equity	US Equity	S&P 500	3.34%	11.61%	69.36%
Equity	International Equity	MSCI EAFE Index	5.25%	16.72%	63.06%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	5.36%	17.70%	72.77%
Fixed Income	Core Fixed	BBG/Barc Agg	-0.02%	0.51%	6.24%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	1.11%	3.05%	12.20%
Fixed Income	High Yield	BBG/Barc HY Credit	1.80%	6.36%	33.42%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	1.59%	5.27%	31.22%
Real Estate	Real Estate	MSCI US REIT	2.36%	10.47%	53.52%

Asset Class Returns

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



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg LP.

Debt Issuance

On December 8th, the major rating agencies affirmed Connecticut's credit ratings and stable outlooks and, subsequently, Treasurer Wooden completed two highly successful State bond transactions. This was good news for Connecticut as thirteen other states have had their credit ratings downgraded or put on negative outlook by one or more credit rating agencies since the pandemic began.

On December 8th and in partnership with the University of Connecticut, Treasurer Wooden completed a $279 million UConn 2000 Program bond sale. It attracted $455 million in retail orders, the highest level in the 24-year history of the program. In addition, the bond sale saved taxpayers $29 million by refinancing previously issued bonds. The bond issue provides $200 million of funding for UConn infrastructure investments. Key projects being funded include academic and research facilities; improvements to the Fine Arts complex; residential life facilities; library collections; and telecom, equipment and infrastructure improvements at the Storrs and UConn Health campuses.

On December 15th, Treasurer Wooden completed an $800 million General Obligation (GO) bond sale which achieved the lowest bond pricing spreads in six years. Between the very low market interest rates and lower pricing spreads, the overall interest cost on these bonds is 1.80 percent, the lowest interest cost on any GO Bond transaction on record. This GO bond issuance will fund $200 million of local school construction projects; $146 million of improvements to state universities and community colleges; $86 million of grants for economic development, municipalities and not-for-profits; $73 million for technology improvements; $77 million for the Crumbing Foundations program; $71 million for Clean Water Fund grants; and the balance for various state programs for housing, environmental initiatives, renovation of state buildings, and the Small Business Express Program.

Bond Issuance Schedule

Several other bond transactions are planned before the end of this fiscal year:

• In February 2021, Treasurer Wooden plans to issue $875 million in Special Tax Obligation Bonds, Transportation Infrastructure bonds, to continue to fund improvements in the State's transportation network; and

• In May 2021, the second General Obligation bond issuance of the fiscal year is planned totaling $800 million 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 here and follow along on Facebook, Instagram and Twitter.