STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

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TREASURER WOODEN SHARES HOW FIRST CREDIT RATING UPGRADE FOR CONNECTICUT IN OVER 20 YEARS WILL CONTRIBUTE TO ECONOMIC GROWTH; REACTS TO GLOBAL AND U.S. MARKET CLIMATE

UPGRADED CREDIT RATING, HISTORIC HIGH BUDGET RESERVE FUND, AND STRONG CASH POSITION PUT CONNECTICUT IN STRONG FISCAL POSITION

Hartford, CT - Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report for the month of January 2021 with updates as of February 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.

Cash Position

As of March 27, 2021, the State's overall available cash is $7.0 billion with the common cash pool at $6.2 billion.

"Yesterday, we received exceptional news that Moody's Investors Service upgraded Connecticut's General Obligation bonds credit rating from "A1" to "Aa3", the State's first credit rating upgrade in over 20 years," State Treasurer Shawn Wooden said. "This is evidence that our efforts of practicing smart fiscal policies over the past few years – contributing to Connecticut's historic high Budget Reserve Fund and strong cash position have put us in a strong fiscal position. Our improved credit ratings will help generate greater demand from investors and allow us to borrow at even more attractive interest rates. This directly translates into reduced debt service costs for taxpayers and will pay dividends toward our long-term financial sustainability."

"Furthermore, State budget analysts project Connecticut will end fiscal year 2021 with a $180 million surplus, larger than last month's projections of a $131 million budget surplus. We also recently learned through a report released by the U.S. Commerce Department on March 27, that Connecticut's economy closed out 2020 with a burst of growth, only trailing three other states at a time when every state in the nation grappled with reduced economic activity. While it's clear that there are significant challenges ahead; including the ongoing public health crisis and economic downturn, there are factors indicating that Connecticut is on the right track towards economic recovery."

The State's common cash pool contains the 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

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Capital Markets

The first quarter of the 2021 calendar year is now in the books. As expected, we continued to experience elevated levels of uncertainty and pockets of asset price volatility both here and abroad, although nothing near the extremes endured last year. In the U.S. and around the world, we can now see a light at the end of the pandemic tunnel, although we're still in the tunnel. Vaccination deployment throughout the U.S. has progressed well and is accelerating. But as the U.S. and other countries race toward herd immunity, we remain in a vulnerable position as a relaxed vigilance against coronavirus spread is creating localized infection spikes and economic setbacks. While the need for continued focus against the spread of COVID-19 is still acute, better days are clearly ahead.

The basis for optimism for the U.S. to return to pre-pandemic economic conditions is due to several factors, the most important one being rapid and effective inoculation of our residents. Beyond that, our economy is positioned to surge in the coming quarters, with an emphasis in the second half of 2021. The American Rescue Plan, the recently approved federal relief package, has provided vast swaths of our population with much needed stimulus money. This, coupled with accumulated above-trend savings associated with prior fiscal support and a pandemic-related inability to spend discretionary funds on entertainment, travel, and experiences, creates a backdrop of both financial means and pent-up demand waiting to power an economic recovery. Add this to the positive wealth-effect that some have experienced as a result of strong stock and bond market returns since the middle of last year, along with an incredibly accommodating Federal Reserve and expectations for increased government spending on infrastructure, and the economy is positioned to substantially outperform recent historical growth rates.

So what can possibly hold back the U.S. consumer, economy and financial markets? Apart from any number of unpredictable events, along with the magnitude of a once-in-a-century global pandemic, let's focus on a single risk factor that is now apparent, higher interest rates. This occurrence could cause an adjustment in return expectations, a higher cost of borrowing, and higher discount factors across all public and private investments. Higher interest rates could also drive asset prices and consumer and investor confidence lower. An increase in yields can be disruptive to the recovery, but there are two mitigating factors. The first is that the Federal Reserve has clearly articulated its intention to maintain very accommodating monetary policy for an extended period, reflected in both low official short-term rates and continued quantitative easing (QE) to hold longer rates steady. The second is somewhat in conflict with the prior statement and takes into account that long-term rates have already moved considerably higher this year despite the Federal Reserve's commitment to maintaining its current QE monthly purchases of $120 billion per month. U.S. Treasury 10-year note yields have moved higher by about 80 basis points (0.80%) year-to-date. Yields can clearly move even higher as the recovery takes hold and inflation picks-up, particularly with a temporary rise in inflation and inflation expectations. But many in the market believe that the recent rise in interest rates and yields is healthy and to be expected, as we move away from extreme conditions created by the pandemic. We'll continue to monitor developments here as a key risk factor to our economic recovery and adjusting to post-pandemic living.

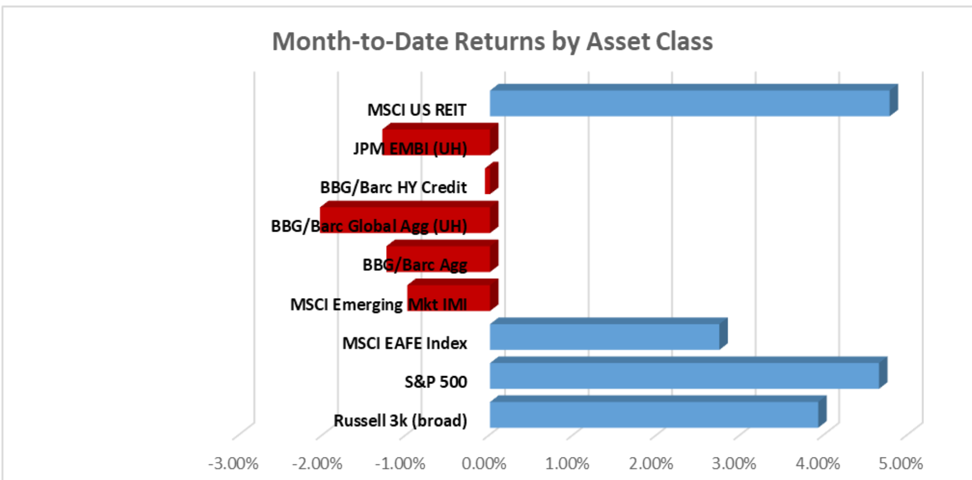
For both the month of March and the first quarter of the year, stock prices generally moved higher, but not straight-line and with a shift away from recent tech high flyers and into cyclical stocks expected to outperform in a post-COVID-19 world. In the U.S., the S&P 500 large cap stock index was up 3.8 percent in March and 5.6 percent for the quarter. Similarly, non-U.S. developed market stocks, as measured by the MSCI EAFE index, were up 2.8 percent in March and 4.0 percent for the quarter. U.S. and global bonds, however, were lower on the month and quarter due to the meaningful increase in yields that pushed bond prices lower and bond market returns negative. In fact, US Core fixed income returns, as measured by the Bloomberg Barclays Agg, were negative 1.3 percent and negative 3.4 percent in March and the first quarter, respectively.

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

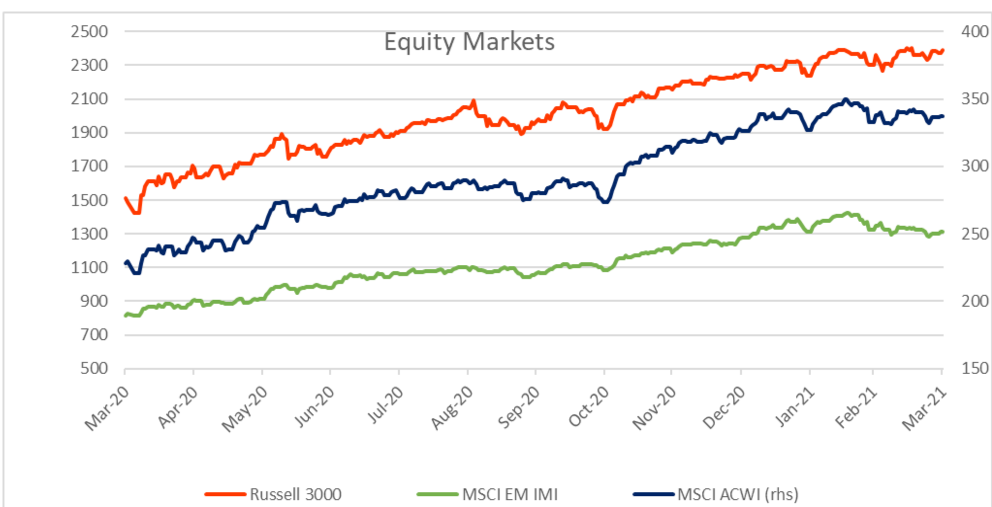
Asset Class Returns

Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	3.93%	6.69%	33.01%
Equity	US Equity	S&P 500	4.66%	6.45%	29.38%
Equity	Internatonal Equity	MSCI EAFE Index	2.74%	3.97%	26.41%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	-0.99%	2.99%	35.08%
Fixed Income	Core Fixed	BBG/Barc Agg	-1.24%	-3.36%	-2.09%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	-2.04%	-4.57%	1.16%
Fixed Income	High Yield	BBG/Barc HY Credit	-0.06%	0.64%	11.75%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	-1.29%	-4.98%	2.41%
Real Estate	Real Estate	MSCI US REIT	4.78%	9.14%	20.72%

Month-to-Date Returns by Asset Class:



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg LP.

Bond Issuance Schedule

Several bond transactions are planned before the end of this fiscal year (June 30, 2021):

- In the next 60 days, Treasurer Wooden plans to issue $875 million of Special Tax Obligation Bonds, Transportation Infrastructure bonds, to continue to fund improvements in the State's transportation network; and

- In May and June 2021, Treasurer Wooden plans to issue $800 million of tax-exempt and taxable General Obligation bonds 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 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.