STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

FOR IMMEDIATE RELEASE: Tuesday, June 1, 2021
CONTACT: Office of the Treasurer, michelle.woods-matthews@ct.gov

Treasurer Wooden Shares Economic Outlook Following Latest Credit Rating Upgrade of the Special Tax Obligation, Transportation Infrastructure Bonds and Successful $1 Billion General Obligation Bond Sale

Wooden Reacts to Historic High Rainy Day Fund, Global and U.S. Market Climate

Hartford, CT – Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report for the month of April 2021 with updates as of May 29th to the Governor and General Assembly. The Report highlights Connecticut's continued strong cash position during the pandemic. Additionally, the Treasurer shares his perspective on the capital markets.

Cash Position
As of May 29th, 2021, the State's overall available cash is $10.6 billion with the common cash pool at $9.0 billion.

"On May 26th, Connecticut received its latest credit rating upgrade from Fitch Ratings of Connecticut's Special Tax Obligation (STO), Transportation Infrastructure bonds," said State Treasurer Shawn Wooden. "This most recent upgrade will attract new investors and save taxpayers millions of dollars by securing a lower cost of financing for critical transportation investments for years to come. It also came on the heels of the STO bonds receiving two other rating upgrades, and the General Obligation (GO) bonds receiving an upgrade by all four major credit rating agencies. Prior to this, the State hadn't received a credit rating upgrade in over two decades and never in the history of the State has Connecticut received three credit rating upgrades at one time. This latest credit rating upgrade of the STO bonds is another indication that the State's implementing and managing smart fiscal policies in recent years is working."

"Moreover, on May 20th, following Connecticut's recent GO credit rating upgrades, our Office announced the results of the successful $1 billion State of Connecticut GO bond sale. The ability for the State to now be able to sell bonds while achieving such a low cost of funds is a direct result of Connecticut's recent credit rating upgrades. This GO bond sale helped save taxpayers over $60 million dollars through bond refinancing and will also pay dividends toward Connecticut's long-term financial sustainability."

"Furthermore, in addition to Connecticut's historically high rainy day fund that's now expected to reach nearly $4.5 billion by the end of the current fiscal year, the latest consensus revenue report from analysts project Connecticut will end fiscal year 2021 with a $470.5 million surplus, larger than last month's projections of a $249.8 million budget surplus. While this is great news for our State's economic recovery, we know that low-wage workers and those who were economically disadvantaged before the pandemic hit, are hurting the most through Connecticut's uneven economic recovery. Our work remains to rebuild an inclusive economy that works for everyone."

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

As we advance the calendar to June, all eyes look toward summer. Trust and confidence for the future are grounded in a continued successful vaccination distribution process across our nation, with fully vaccinated individuals recently receiving new guidelines from the U.S. Centers for Disease Control and Prevention about removing masks in public settings, with limitations. No doubt this transition isn't without some uncertainty, but we continue to make progress. Similarly, the economy is following suit and will continue to advance in fits and starts, moving ahead two steps and falling back one. An example of this is the April employment report announced early in May. Although job growth for April was positive and meaningful at nearly 250 thousand jobs created, it fell short of the one million job creations expected and was the largest miss for this economic series in history. This economic indicator also pointed out that many individuals and families are still living with the economic pain caused by the pandemic in terms of unemployment, lost wages, and financial uncertainty. April's employment underperformance also vindicated Federal Reserve monetary policy and unprecedented fiscal spending designed to support a full recovery across all segments of our economy. We see similar volatility around many other economic indicators where expectations differ materially from actual outcomes, reminding us that economic uncertainty persists, and support is still needed to spur a full recovery.

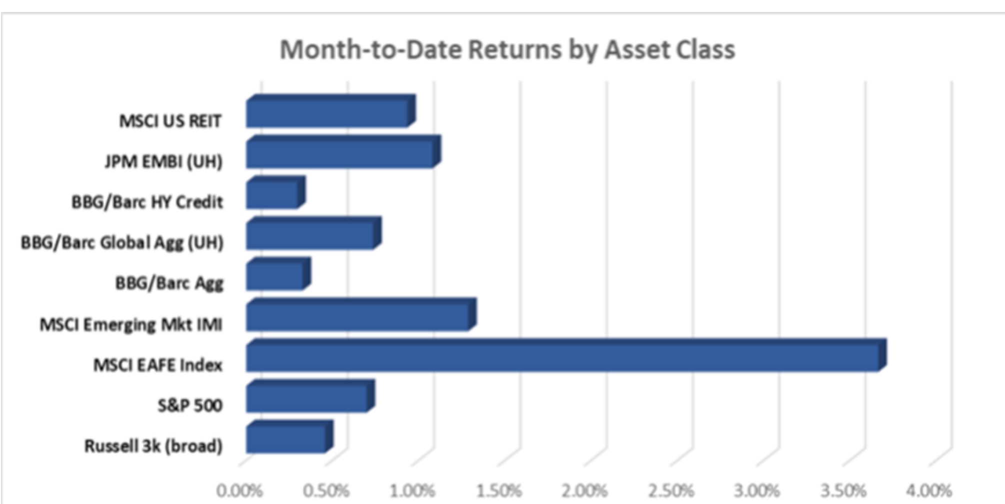
However, we also must note that the flip side of current accommodative monetary policy and government spending is the rise of inflation throughout portions of our economy, which have not come-in below expectations. The specter of higher inflation is an area of focus and concern for both economists and asset managers, causing many to question the Federal Reserve's expectation of an increase in inflation above its targeted range. While it's merely transitory and won't materialize into a persistent problem over time, the markets will be looking for any indications of a shift in the Federal Reserve's thinking around these expectations that impact policy, as changing policy will impact the U.S. economy and financial markets.

Regarding asset performance for the month of May, equities ended higher despite increased volatility in technology and growth stocks, with the broader market edging higher by almost one percent as measured by the S&P 500 large company stock index. This outcome was largely driven by price improvement in lower priced value shares in the industrial, energy, and financial company sectors. Stock prices of materials companies also moved significantly higher for the month, as inflation pressures associated with supply bottlenecks and increased demand pushed prices of commodities up. Bonds were essentially flat in price to slightly higher due to U.S. Treasuries trading is a tight yield band between 1.50-1.70 percent, and flat to slightly tighter credit spreads in corporate fixed income securities. One final noteworthy outcome in the markets this month involved three fossil fuel companies, namely Exxon, Chevron, and Shell. These companies each received clear indication that past ways of doing business must change and that shareholder and stakeholder expectations indicate more aggressive action to reduce carbon emissions and pursue alternative sources of clean energy or carbon-capture. These outcomes in large measure resulted from investor Environmental, Social, and Corporate Governance (ESG) initiatives and an increased awareness of the need for active engagement and progress towards sustainability.

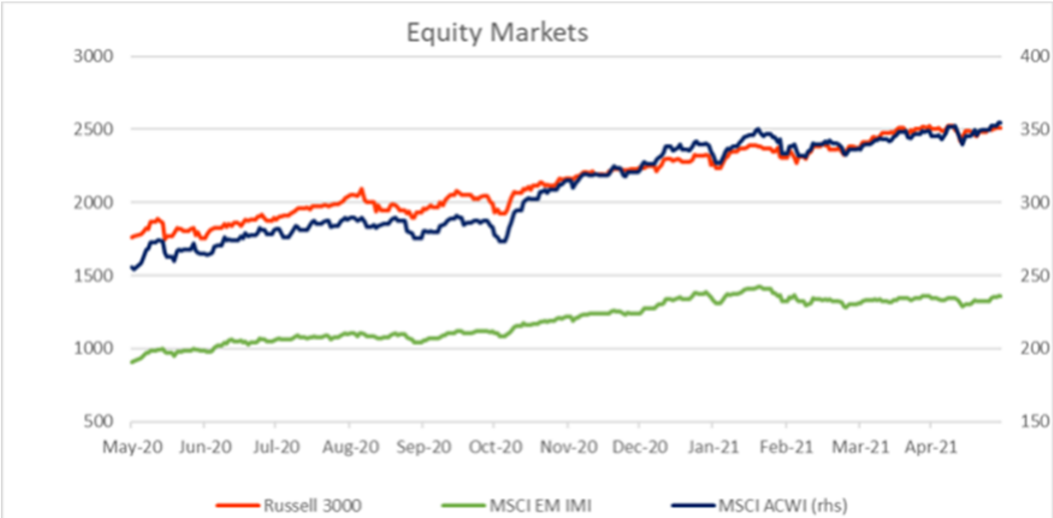
Periodic returns of the various asset classes:

Asset Class Returns					
Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	0.46%	5.63%	40.04%
Equity	US Equity	S&P 500	0.70%	6.07%	36.87%
Equity	Internatioinal Equity	MSCI EAFE Index	3.66%	6.85%	34.69%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	1.29%	4.21%	40.47%
Fixed Income	Core Fixed	BBG/Barc Agg	0.33%	1.12%	-1.00%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	0.74%	2.01%	3.31%
Fixed Income	High Yield	BBG/Barc HY Credit	0.30%	1.39%	13.54%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	1.08%	3.02%	5.85%
Real Estate	Real Estate	MSCI US REIT	0.93%	9.06%	31.20%

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



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg News

Debt Issuance

On May 26th, Connecticut received an additional credit rating upgrade from Fitch Ratings of Connecticut's STO, Transportation Infrastructure bonds which finances transportation improvements across the State.

This latest credit rating upgrade means the STO bonding program now enjoys four double-A credit category ratings. With the credit rating upgrades that began March 31, 2021, the STO credit ratings are now "Aa3" (Moody's), "AA-" (S&P Global Ratings), "AA-" (Fitch Ratings), and "AA+" (Kroll Bond Ratings).

On May 20th, Treasurer Wooden announced the results of the successful $1 billion State of Connecticut GO bond offering.

The $300 million 10-year taxable bond issue achieved an overall interest cost of 1.62% the lowest overall interest cost on a comparable 10-year taxable GO bond issue on record.

The sale included $600 million of bonds to fund new projects, which includes local school construction, economic development, housing, and municipal grants across Connecticut and approximately $400 million of refunding bonds to refinance previously issued bonds to lower interest rates and reduce debt services.

Treasurer Wooden gave retail investors priority during a dedicated retail only order period on Tuesday, May 18th. Retail orders received during this one-day retail priority period totaled $556.2 million, the second highest on any State bond sale in history.

The two series of refunding bonds will produce $60.7 million in debt service savings over the remaining life of the bonds refinanced.

Orders from both retail and institutional investors on the tax-exempt bonds reached almost $3.4 billion, far exceeding the bonds offered and allowed the State to lower its borrowing costs in the final pricing. The overall interest cost on the 20-year tax-exempt new money bond sale is 1.90%. The bond pricing spreads relative to AAA municipal bond indices were at the lowest levels achieved in 10 years.

Prior to the sale, all four credit rating agencies upgraded the State's GO bond rating with Stable outlooks. The State had not received any bond rating upgrades in over 20 years. In addition, never in the history of the State has Connecticut received three credit rating upgrades at one time.

On March 31st, Moody's Investors Service upgraded Connecticut's GO bond credit rating from "A1" to "Aa3". On May 13th, S&P Global Ratings upgraded Connecticut's GO bond credit rating from "A" to "A+". Also, on May 13, Kroll Bond Ratings upgraded Connecticut's GO bond credit rating from "AA-" to "AA". And finally, on May 14th, Fitch Ratings upgraded Connecticut's GO bond credit rating from "A+" to "AA-".

The rating upgrades come after Treasurer Wooden led presentations to all four credit rating agencies. The presentations highlighted the State's improving economy, strong fiscal controls and discipline and included a comparison of Connecticut's reserves, liquidity, debt levels, pension funding, employment, housing market indicators, as well as other data as compared to other higher-rated states. The presentations also included a detailed analysis of each credit rating agencies' scoring of Connecticut under their respective criteria.

Both the $300 million tax-exempt new money bonds and the $225 million refunding bonds were designated and marketed as "Social Bonds," a first for the State. These bonds will fund new local school construction grants across the State as well refinance existing bonds previously issued for school construction. Social Bonds allow investors to invest directly in bonds that finance socially beneficial projects.

More information on the State's bonding programs is available at www.buyctbonds.com.

###

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 and disability 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..