



STATE OF CONNECTICUT
TREASURER SHAWN T. WOODEN

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**TREASURER WOODEN SHARES UPDATES
ON CONNECTICUT ECONOMY, BOND ISSUANCE;
REACTS TO DELTA VARIANT AFFECTING U.S. MARKETS**

***STATE MAINTAINS STRONG CASH POSITION,
SUCCESSFULLY SELLS \$1B OF BONDS TO IMPROVE INFRASTRUCTURE,
INCREASE JOBS, AND ECONOMIC ACTIVITY STATEWIDE***

Hartford, CT – Today, Connecticut State Treasurer Shawn T. Wooden transmitted the monthly Cash and Bonding Report for June 2021 with updates as of July 31st to the Governor and General Assembly. The Report highlights Connecticut’s continued strong cash position during the ongoing pandemic and summarizes bonds issues prior to the end of fiscal year 2021 and planned bond issuances for the remainder of calendar year 2021. Additionally, the Treasurer shares his perspective on the capital markets.

Cash Position

As of July 31st, Connecticut’s overall available cash is at \$11.2 billion, with the common cash pool at \$9.7 billion.

“Our cash position remains strong,” said Treasurer Wooden. “The strength in our common cash pool is due to strong income tax and sales tax receipts, Federal dollars coming to Connecticut from the American Rescue Plan Act, and smart fiscal policies practiced during the past few years that will pay dividends toward our long-term financial sustainability. However, we must stay the course: the Delta variant will impact our economy, and it is even more critical that we maintain vigorous, resilient fiscal health.

At the most recent Bond Commission meeting, we allocated nearly \$1 billion in much-needed infrastructure improvements across the state to create and support jobs that will further improve our economy as we continue to work our way out of the pandemic. We are directly investing in maintaining our schools as a testament to our values: all our students deserve to have facilities conducive to learning, regardless of their zip code. We are investing in improving our roads and highways, not only to maintain safety, but to spur economic development and jobs in Connecticut. We are also investing millions of dollars to accelerate addressing crumbling foundations across Connecticut, a longstanding issue in many towns.

Finally, we ended the fiscal year with a significant budget surplus that will be used to pay down Connecticut's long-term unfunded pension liabilities, a top priority of mine. Our ability to make another meaningful payment towards these legacy pension liabilities through the excess amount in our Rainy-Day Fund – for the second year in a row and only the second time in our history – is a clear signal that Connecticut is on the right track," said Treasurer Wooden.

Connecticut'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

The U.S. economy continues to make progress recovering from the pandemic, while the COVID-19 Delta variant continues to spread, primarily among unvaccinated individuals. In the latest Federal Open Market Committee (FOMC) meeting, the Federal Reserve mentions "path of the economy continues to depend on the course of the virus." As a result, the Federal Reserve confirmed that the U.S. economy is making progress toward achieving its mandates and could set the stage for further upgrades in its performance assessments required to begin Quantitative Easing (QE) tapering to maintain economic vitality; however, this could also open our economy to higher rates of inflation. We expect further communication of the Federal Reserve's timing on QE tapering in late August or following the Federal Reserve's September meeting.

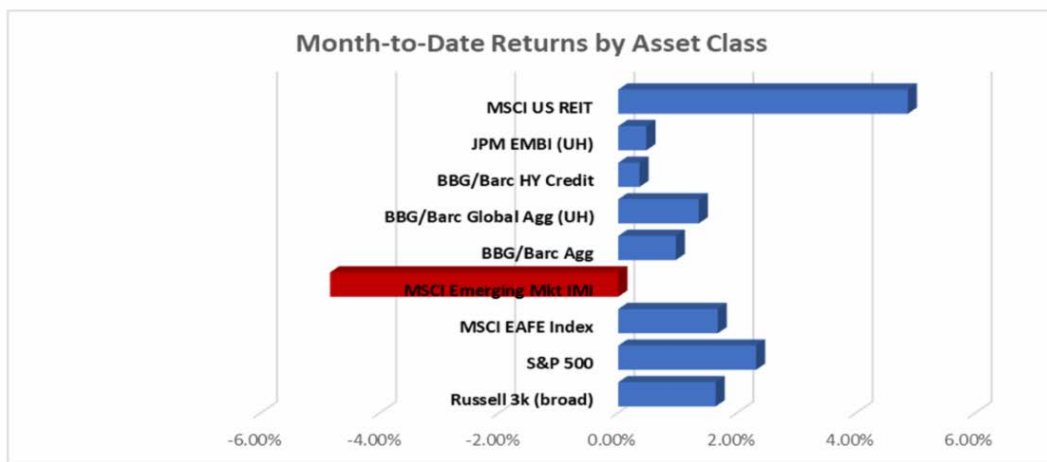
In the meantime, U.S. stocks continued to rally following record corporate earnings growth announcements for the second quarter of calendar year 2021, with the S&P 500 stock index up over three percent in July. Non-U.S. developed market stocks also continued to trend higher by nearly one-half of one percent, while emerging market equities sold off over six percent on concerns of Chinese interference in their domestic capital markets with spill-over across the emerging markets sector. July also brought a significant rally in U.S. Treasury prices, pushing the overall yield curve lower and flatter, and 10-year Treasury yields down by over 20 basis points (0.20%) to 1.25%.

Market participants continue to monitor market price action, economic developments, and Federal Reserve actions in the coming weeks and months. The markets appear to be accepting the Federal Reserve's position that recent increases in inflation will prove to be transitory and not permanent. Nonetheless, the rally in Treasury prices seems to be inconsistent with strong economic growth associated with a return to normality. As we work through the pandemic, market participants will continue to watch the debate on increasing the U.S. debt ceiling and dislocations caused by Treasury Department's actions required to manage national debt payments.

Select asset class returns:

Asset Class Returns			MTD	QTD	Fiscal YTD
Asset Class	Strategy	Index	Returns	Return	Return
Equity	US Equity	Russell 3k (broad)	1.64%	1.64%	1.63%
Equity	US Equity	S&P 500	2.31%	2.31%	2.32%
Equity	International Equity	MSCI EAFE Index	1.67%	1.67%	1.67%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	-4.84%	-4.84%	-4.85%
Fixed Income	Core Fixed	BBG/Barc Agg	0.96%	0.96%	0.96%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	1.35%	1.35%	1.35%
Fixed Income	High Yield	BBG/Barc HY Credit	0.36%	0.36%	0.36%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	0.47%	0.47%	0.54%
Real Estate	Real Estate	MSCI US REIT	4.86%	4.86%	4.86%

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



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg News

Bond Issuance Schedule

Treasurer Wooden plans to complete two bond transactions before December 31, 2021:

- The first bond issue is up to \$500 million of Special Tax Obligation Bonds, Transportation Infrastructure bonds, to continue to fund improvements in the State's transportation network; and
- The second bond issue is up to \$800 million of tax-exempt General Obligation bonds to fund local school construction grants and Clean Water Fund grants, and other projects across the State.

The State Bond Commission approved both bond sales during their meeting on July 23, 2021.

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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](#)