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CONTACT: Office of the Treasurer, gabriella.martin@ct.gov, (959) 529-2468

STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

CONNECTICUT'S NEW PROJECTED $1.5 BILLION SURPLUS FOR FISCAL YEAR 2022: SHARES OUTLOOK ON GLOBAL AND U.S. MARKETS CLIMATE

HARTFORD, CT – On April 1, 2022, Connecticut State Treasurer Shawn T. Wooden transmitted the Cash and Bonding Report for the month of February 2022 with updates as of March 26, 2022, to the Governor and General Assembly. The Report highlights Connecticut's continued strong cash position. Additionally, the Treasurer shares his perspective on the capital markets and planned bond issuances for the remainder of the fiscal year.

Cash Position

As of March 26, 2022, the state's overall available cash is at $12.7 billion, and the common cash pool is at $10.5 billion.

"The State's overall available cash is at $12.7 billion and the updated projected surplus for fiscal year 2022 is now $1.5 billion, up $27.1 million from last month's forecast," said Treasurer Shawn Wooden. "Assuming these projections become reality – we will be able to responsibly pay down Connecticut's unfunded pension liabilities at an accelerated rate for the third straight year. While we are fortunate to continue to experience transformative economic growth and maintain a strong cash position in Connecticut, it is clear that many people are feeling the economic pain from rising inflation and an uneven economic recovery. Additionally, the recent Russian invasion of Ukraine presents us with global economic uncertainty that could add to the significant and ongoing challenges to our economic recovery. However, we must remain vigilant as we maintain our fiscal discipline, adhere to our established and smart financial policies, and continue working to foster an economy that works for all of Connecticut's families."

The state's common cash pool contains 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. 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

March proved to be a month of significant changes within the financial markets. A confluence of factors created uncertainty about the direction of interest rates, global GDP growth, the trajectory of inflation, and the response to inflationary pressures. Chief among these factors were continued Russian aggression in Ukraine, the impact of sanctions on Russian finance and exports, and the change to monetary policy within the United States.

The continuation of Russia's war with Ukraine resulted in a swift global reaction comprised of sanctions by countries and private corporations. The reduction in Russian and Ukrainian exports have led to significant increases in the prices of commodities as the two countries are top exporters of nickel, aluminum, platinum, palladium, corn, wheat, and fertilizer. As the combined production and export of commodities by these countries has been dramatically reduced, prices have increased leading to higher costs for the end products.

Consumer prices, as measured by the Consumer Price Index (CPI) year-over-year change, rose to 7.9 percent in February from 7.5 percent a month earlier, and the CPI excluding food and energy rose to 6.4 percent from 6.0 percent a month earlier.

On March 16th, the Federal Open Market Committee (FOMC) of the Federal Reserve Bank announced an increase in the federal funds rate. The increase in the rate from zero to 25 basis points (0.25 percent) is the first increase since March of 2020. As part of their statement on the change, the FOMC stated that it "anticipates that ongoing increases in the target range will be appropriate," and their projections (also released as part of their decision) showed the federal funds rate increasing to approximately 1.9 percent during calendar year 2022, with seven participants expecting the rate to be above two percent. Additionally, the FOMC expects to begin reducing the Federal Reserve's balance sheet at upcoming meetings.

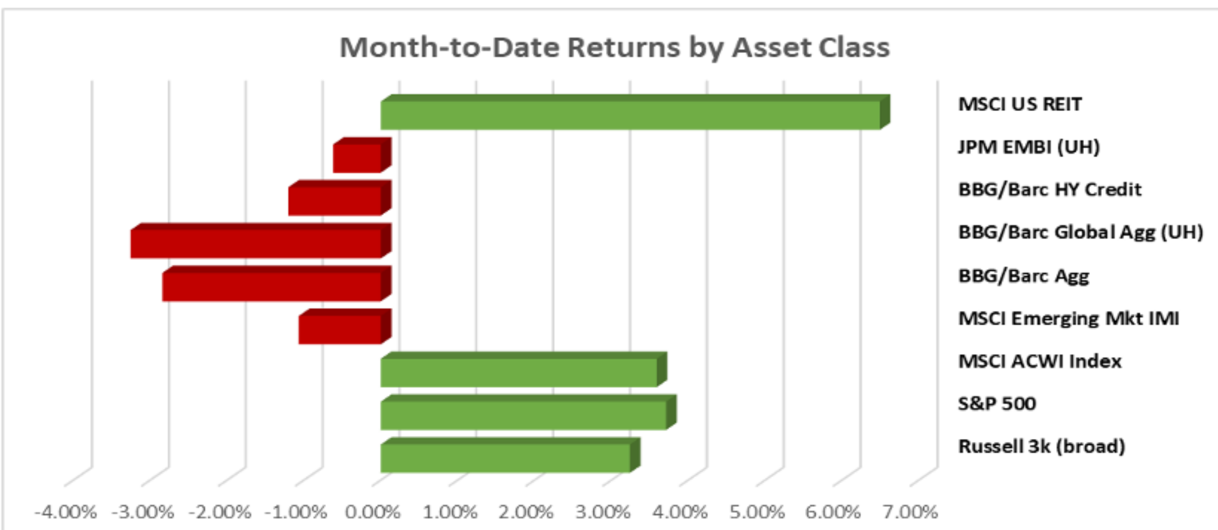
Due to the market's aversion to inflation, the magnitude of the expected increases in the federal funds rate, and the geopolitical uncertainty, capital markets were mixed during the month. Risk assets such as equities and high yield fared better than fixed income due to optimism about a resolution to the conflict in Ukraine. While equities (as measured by the Russell 3000 index) were down slightly more than 4 percent by mid-month, the market rebounded, gaining approximately 9 percent due to optimism that the conflict would subside in the near-term. This performance was also reflected in global equities (as measured by the MSCI All Country World Index) as the index rose 3.6 percent during the month. Investment grade fixed income did not fare as well during the month as inflation and the change in monetary policy weighed heavily on this segment of the market. During the month, the yield on the ten-year U.S. Treasury note increased by 50 basis points (0.50 percent) to 2.33 percent. The magnitude of the increase in interest rates resulted in a decline in the Bloomberg US Aggregate Bond Index of 2.84 percent and a decline in the Bloomberg Corporate High Yield Index of 1.20 percent.

Periodic returns of the various asset classes:

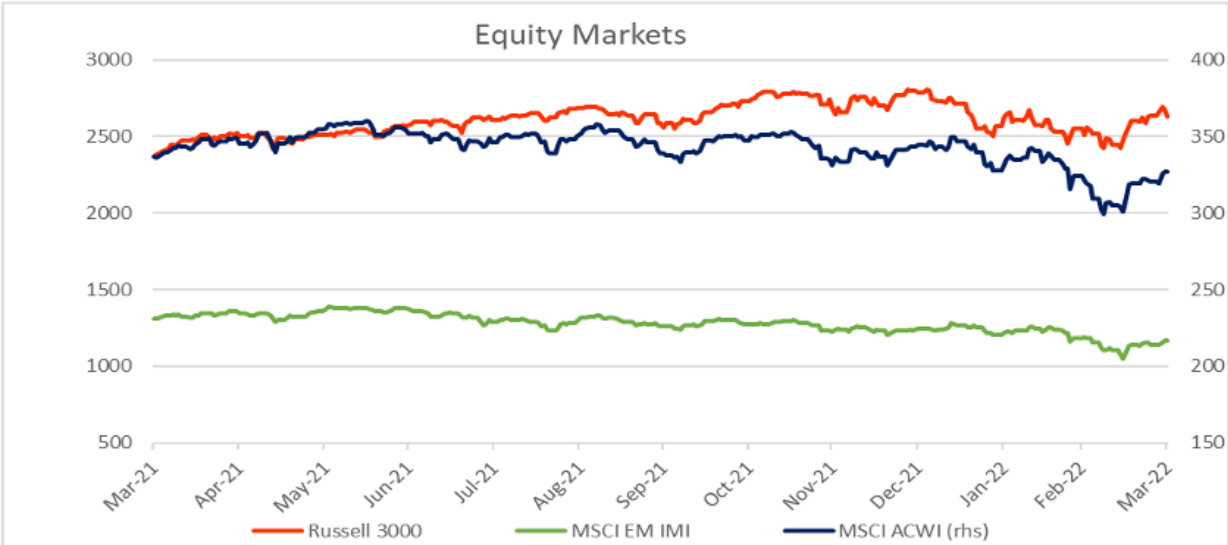
Asset Class Returns

Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	3.24%	-5.28%	2.88%
Equity	US Equity	S&P 500	3.71%	-4.60%	5.96%
Equity	Global Equity	MSCI ACWI Index	3.59%	-3.99%	-2.69%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	-1.07%	-6.11%	1.27%
Fixed Income	Core Fixed	BBG/Barc Agg	-2.84%	-6.00%	-5.89%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	-3.26%	-6.36%	-7.74%
Fixed Income	High Yield	BBG/Barc HY Credit	-1.20%	-4.89%	-3.50%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	-0.62%	-8.81%	-10.37%
Real Estate	Real Estate	MSCI US REIT	6.49%	-4.06%	12.19%

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



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg LP.

Bond Issuance Schedule

Treasurer Wooden plans to complete two bond transactions before the end of fiscal year 2022:

- The first bond transaction was sold this week for $227 million of the University of Connecticut, General Obligation Debt Service Commitment Bonds. These bonds will fund capital improvements and are tentatively expected to close later this month.

- The second bond transaction is scheduled for May/June of 2022 and is for $500 million of General Obligation Bonds to be issued in series as taxable and tax-exempt bonds. These bonds will fund a variety of capital improvements and grant programs across the state. In addition, we expect to refund some existing General Obligation bond for debt service savings depending on market conditions. This bond issue was approved by the State Bond Commission during their meeting on December 21, 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 taxpayers' dollars and the state's financial resources while maximizing returns, minimizing risks, and operating at the highest professional and ethical standards. Through receiving, investing, and disbursing, 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 opportunities in economic growth. Learn more about the Office of the Treasurer here and follow along on Facebook, Instagram, and Twitter.

Office of the Treasurer | 165 Capitol Avenue Hartford, CT, 06103