FOR IMMEDIATE RELEASE: Tuesday, December 1, 2020
CONTACT: Office of the Treasurer, michelle.woods-matthews@ct.gov

STATE OF CONNECTICUT

TREASURER SHAWN T. WOODEN

CONNECTICUT'S STATE CASH POSITION REMAINS STRONG; WITH COVID VACCINES IN SIGHT, CAPITAL MARKETS AND REAL ECONOMY SEE A TABLE LIGHT AT THE END OF THE TUNNEL

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

Cash Position

As of November 30, 2020, the State's overall available cash is $5.6 billion with the common cash pool at $4.9 billion.

"Our State's available cash remains strong, despite the impact the pandemic has had on our economy," State Treasurer Shawn Wooden said. "It continues to be disappointing that Congress has failed to pass a second stimulus package to provide towns and cities, small businesses and families the support they need, especially after U.S. Treasury Secretary Steven Mnuchin's decision to terminate several emergency lending programs by the end of the year. These decisions are not conducive to the economy recovery, but the news of several COVID-19 vaccines being highly effective gives markets and the real economy a stabilizing economic forecast that an economic recovery is in sight."

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.

Capital Markets

"The presidential election results have had a favorable impact on the markets, injecting certainty, and reducing volatility. The incoming administration is expected to prioritize combating the pandemic, a large stimulus package, and offers a clear look into how it will attempt to drive an economic recovery," continued Treasurer Wooden. " If confirmed, Janet Yellen, President-elect Biden's nominee for Treasury Secretary would bring further confidence to the markets. Yellen is a steady hand with a proven track record of successfully growing the economy in times of crises, who will prioritize economic relief for the real economy by pushing for federal aid, especially if Congress is unable to reach an agreement on a relief package beforehand. A true economic recovery is dependent on the nation's ability to successfully mitigate the spread of COVID-19, and how fast a vaccine can be deployed. According to Goldman Sachs analyst, the vaccination announcement will potentially add 2% of GDP growth in the second half of 2021, but they still indicated that the virus will continue to have a dampening impact, and will be with us throughout next year."

As 2020 is certainly turning out to be a year for the record books, November did not disappoint. If you were only focused on stock market performance, November was sensational. In fact, several records were broken, with the Dow Jones Industrial Average surging above the 30,000 mark for the first time up nearly 11.8 percent higher from the previous month, its strongest monthly gain since 1987. Similarly, the S&P 500 index was up 10.8 percent on the month, the strongest November since 1928, while the tech-heavy NASDAQ index jumped 11.8 percent, both indices setting all-time record highs during the month. The stock market rally wasn't confined to just large-cap and technology growth stocks, but rather broadened to include value stocks and small-cap stocks. In fact, the Russell 2000 small stock index had its best month on record since its creation in 1984, jumping 20 percent during November. Even international stocks delivered extraordinary outcomes, setting several records abroad. A byproduct of the stock market response was a decline in expected future stock market volatility as measured by the Chicago Board Options Exchange's Volatility Index, which dipped below 20 for the first time since February, indicating improving investor confidence.

Looking ahead to December, US and world financial markets continue to function normally, and global central banks continue to maintain accommodative policies and official interest rates to support economic activity and growth. The US Federal Reserve continues to support growth through a zero lower bound official interest rate policy, and quantitative easing through monthly purchases of US Treasuries and Agency Mortgage Backed Securities equal to $120 billion. All the while, doctors, nurses, scientists, and elected officials continue to aggressively address health-care issues in order the promote public health and bring the pandemic to a conclusion.

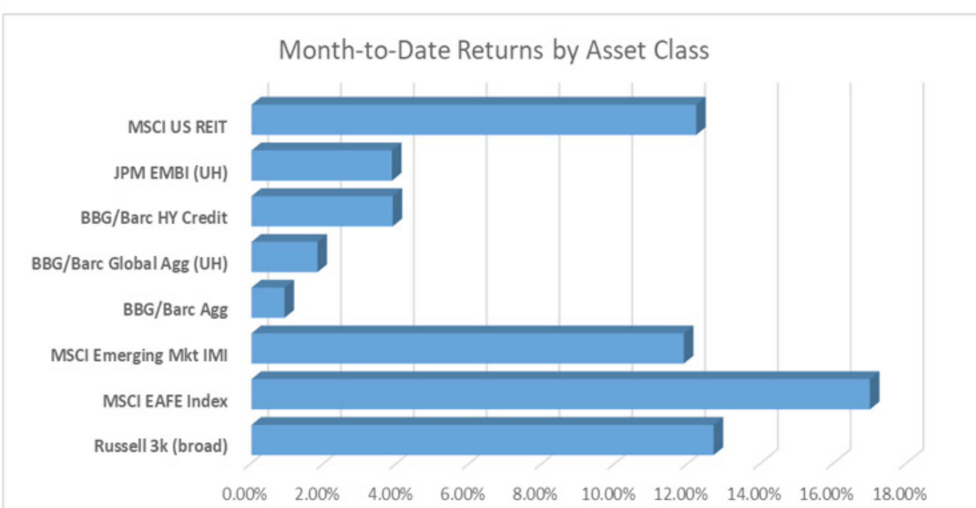
"Given the volatility of the markets and understanding how they are only one piece of this puzzle, we cannot look to them in a vacuum to determine which investments would lead Connecticut toward a sustainable recovery," noted Treasurer Wooden. "We need to consider the real economy, which takes into account people's livelihoods. The real economy is not recovering at the same rate for everyone; from small business owners wondering if they'll be able to keep up with their bottom line, to working families experiencing layoffs and not knowing how they will be able to pay next month's bills. We know that individuals holding traditional "white collar" jobs have been negatively affected at vastly lower rates than Americans working in service sectors, such as transportation, hotels, live entertainment, restaurants and bars. As millions of Americans continue to suffer, especially without a second stimulus package from Congress, a true economic recovery will prioritize additional federal aid until the pandemic threat fades."

Periodic returns of the various asset classes:

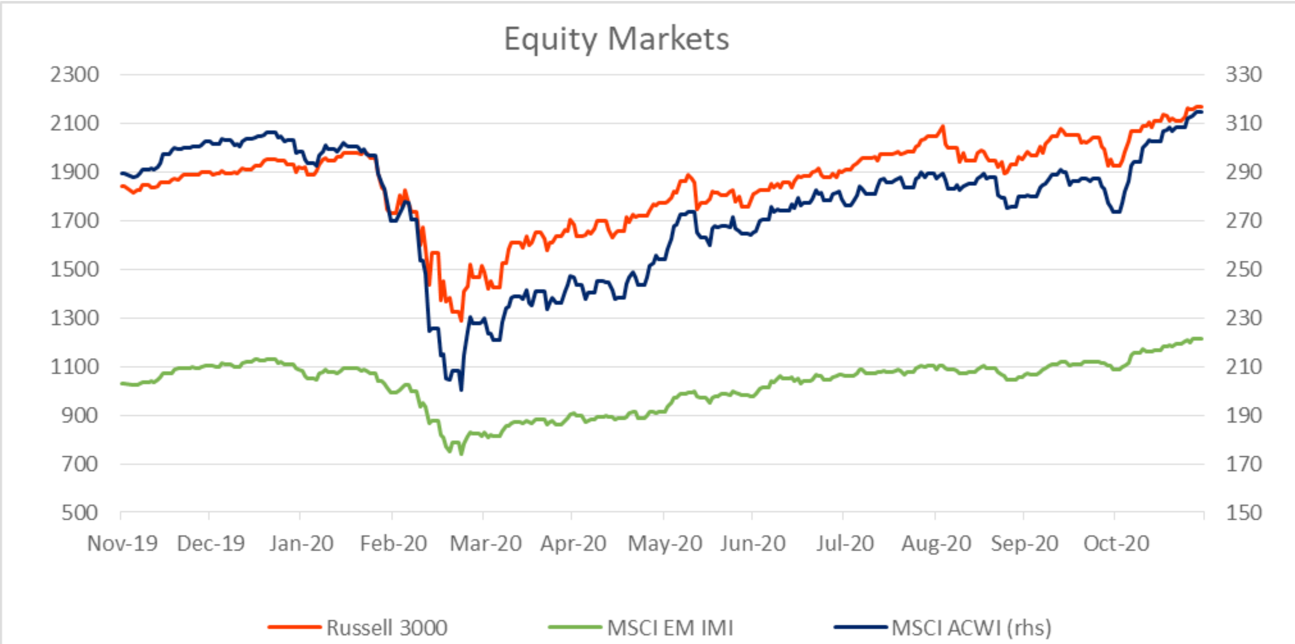
ASSET CLASS RETURNS

Asset Class	Strategy	Index	MTD Returns	QTD Return	Fiscal YTD Return
Equity	US Equity	Russell 3k (broad)	12.16%	9.74%	19.31%
Equity	International Equity	MSCI EAFE Index	16.99%	12.33%	17.65%
Equity	Emerging Market Equity	MSCI Emerging Mkt IMI	11.88%	13.91%	24.39%
Fixed Income	Core Fixed	BBG/Barc Agg	0.91%	0.46%	1.11%
Fixed Income	Global Fixed	BBG/Barc Global Agg (UH)	1.81%	1.91%	4.60%
Fixed Income	High Yield	BBG/Barc HY Credit	3.88%	4.41%	8.91%
Fixed Income	Emerging Mkt Bonds	JPM EMBI (UH)	3.86%	3.73%	6.02%
Real Estate	Real Estate	MSCI US REIT	10.79%	7.92%	7.01%

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



Equity market time series:



Citation: Graphs and charts are attributable to Bloomberg LP.

Debt Issuance

Treasurer Wooden plans to bring two important bond issuances to market during the month of December: a $288 million University of Connecticut transaction and an $800 million General Obligation transaction.

· In partnership with the University of Connecticut, Treasurer Wooden plans to sell approximately $288 million of UConn 2000 bonds including $169 million of new money bonds to fund various improvements at the University as part of the overall capital improvement plan and $119 million of UConn 2000 refunding bond to refinance existing bonds to lower interest rates for savings. Loop Capital, a leading minority owned bond underwriting firm, is leading the syndicate of bond underwriters offering the bonds. The bonds will have a retail investor priority order period on Friday, December 4 and Monday December 7 and will be offered to institutional investors on Tuesday, December 8. The Preliminary Official Statement for the bond sale is posted on the BuyCTBonds website. For the first time, the marketing plan includes a video Treasurer Wooden filmed promoting the bond sale that will be streaming on specific digital platforms and will also be posted on Buy CT Bonds. The bond sale is schedule to formally close on December 17, 2020.

· Coming right after, Treasurer Wooden plans to issue $800 million of General Obligation bonds with a retail investor priority order period on Monday, December 14, and institutional pricing on Tuesday, December 15. The bond issue 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; $78 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. The formal bond closing is scheduled for Wednesday, January 6, 2021.

Bond Issuance Schedule

Looking forward, several other bond transactions are planned before the end of the 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, two additional General Obligation bonds sales are planned totaling $800 million to fund local grants, school construction, and economic development initiatives.

In addition, Treasurer Wooden will be seeking and capturing opportunities to refinance existing debt to lower interest rates and reduce debt service payments. Since Treasurer Wooden took office, he has issued $529 million of refunding bonds which will save taxpayers $68.2 million over the remaining life of the bonds. Actively managing the State's debt portfolio reduces the cost of funding of long-term capital investments needed for future economic growth and prosperity.

###