



CALIFORNIA STATE TREASURER JOHN CHIANG

# NEWS RELEASE

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## Fixed Income Markets Should Stabilize, State Treasurer John Chiang Says

*\$75 Billion Investment Fund Is Positioned To Weather Volatility*

**SACRAMENTO** – One of the golden truths associated with the capital markets is that investors hate the unexpected. Predictably, the fixed income markets reacted to election results by exhibiting a great deal of volatility. There are similarities to the market reaction to the Brexit vote in the United Kingdom—a lot of anxiety initially, followed by less reactive thinking and a gradual restoration of calm. That settling process may take a couple of days or even a few weeks. I remain confident that will be the case in this situation as well.

As your Treasurer, I want to assure you that we were well positioned for this event. The State's \$75 billion Pooled Money Investment Account – the go-to place for the state and thousands of local governments to invest their surplus and idle funds – is always invested conservatively as a matter of policy, with a preponderance of its holdings in U.S. Treasury securities. While these investment securities exhibit price/value volatility echoing the overall market, they also remain the investment vehicle of choice in uncertain times, especially when investors become spooked and take flight to quality. Certainly, that was the case today as the world absorbed the possible outcomes of yesterday's broadly unanticipated election results.

Looking forward, we should expect some continuing volatility over the next few days and weeks. Markets are trying to digest the meaning of a Trump presidency when coupled with a recurring signal from the Federal Reserve that rate increases may be in store as early as next month.

In the meantime, be assured that my investment staff and I will continue to monitor the situation and remain vigilant to events that might impact the public funds entrusted to us.

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