



NORTHERN CALIFORNIA POWER AGENCY

MUNICIPAL MARKET UPDATE

April 9, 2014



The PFM Group

MUNICIPAL MARKET RATE CHANGES SINCE LAST FINANCE COMMITTEE

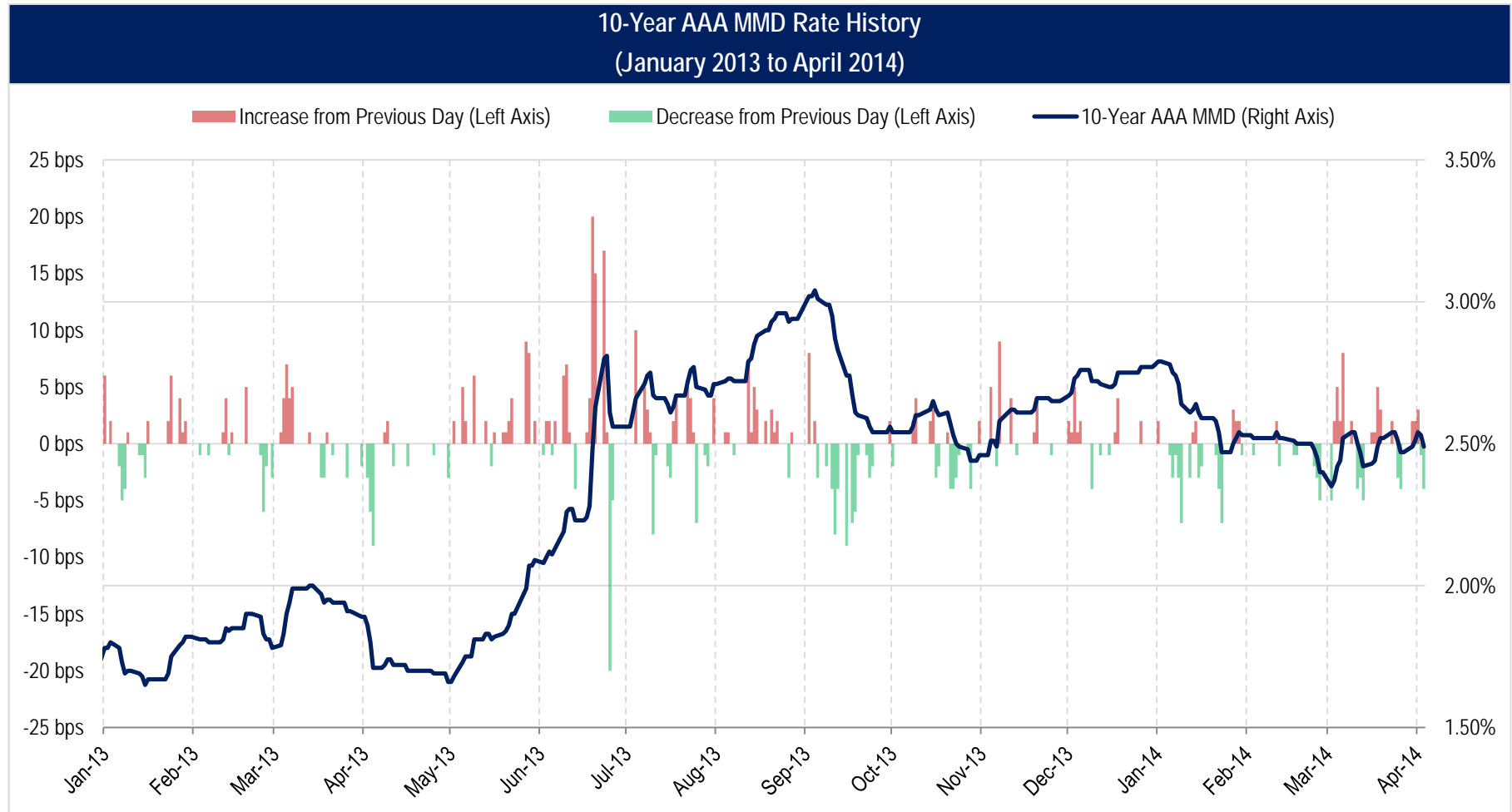
AAA MMD Rates			
Maturity	04/08/2014	02/19/2014	Change
2015	0.15%	0.17%	(0.02%)
2016	0.39%	0.31%	0.08%
2017	0.68%	0.50%	0.18%
2018	0.98%	0.79%	0.19%
2019	1.28%	1.08%	0.20%
2020	1.63%	1.49%	0.14%
2021	1.91%	1.84%	0.07%
2022	2.15%	2.15%	0.00%
2023	2.32%	2.37%	(0.05%)
2024	2.45%	2.50%	(0.05%)
2025	2.56%	2.65%	(0.09%)
2026	2.67%	2.78%	(0.11%)
2027	2.78%	2.90%	(0.12%)
2028	2.87%	3.01%	(0.14%)
2029	2.96%	3.12%	(0.16%)
2030	3.04%	3.22%	(0.18%)
2031	3.11%	3.31%	(0.20%)
2032	3.18%	3.39%	(0.21%)
2033	3.25%	3.47%	(0.22%)
2034	3.30%	3.52%	(0.22%)
2035	3.35%	3.57%	(0.22%)
2036	3.40%	3.62%	(0.22%)
2037	3.45%	3.66%	(0.21%)
2038	3.48%	3.70%	(0.22%)
2039	3.51%	3.74%	(0.23%)
2040	3.53%	3.78%	(0.25%)
2041	3.55%	3.80%	(0.25%)
2042	3.57%	3.82%	(0.25%)
2043	3.58%	3.83%	(0.25%)
2044	3.59%	3.84%	(0.25%)

MARKET REACTION TO RECENT EMPLOYMENT REPORT

- Key features of the unemployment report were:
 - 192,000 jobs were added last month
 - Unemployment rate stayed at 6.7%
 - Wage growth was flat – well below expectations
- In the bond markets, the reaction was favorable. With no inflation in wages, Treasuries rallied significantly, 2.788% to 2.726% for the 10-year Treasury. Except in the first couple of years, AAA MMD was lower by 2 bps - 5 bps through the curve

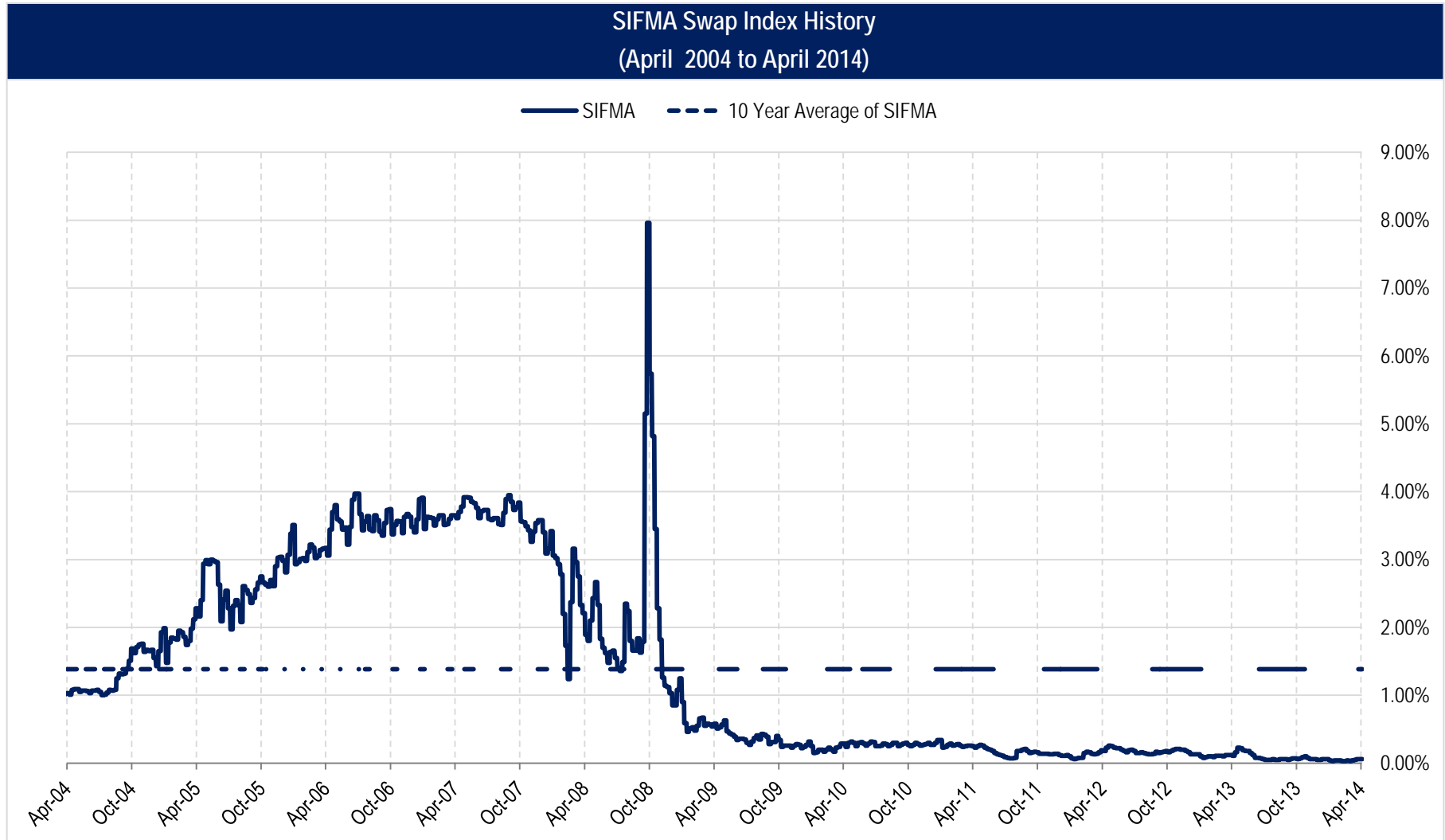
BENCHMARK TAX-EXEMPT INTEREST RATE PROGRESSION

- Benchmark tax-exempt rates increased considerably over the summer of 2013, before retreating over September 2013, trading in a relatively narrow band during the final quarter of 2013, and decreasing so far this year



SIFMA SWAP INDEX PROGRESSION

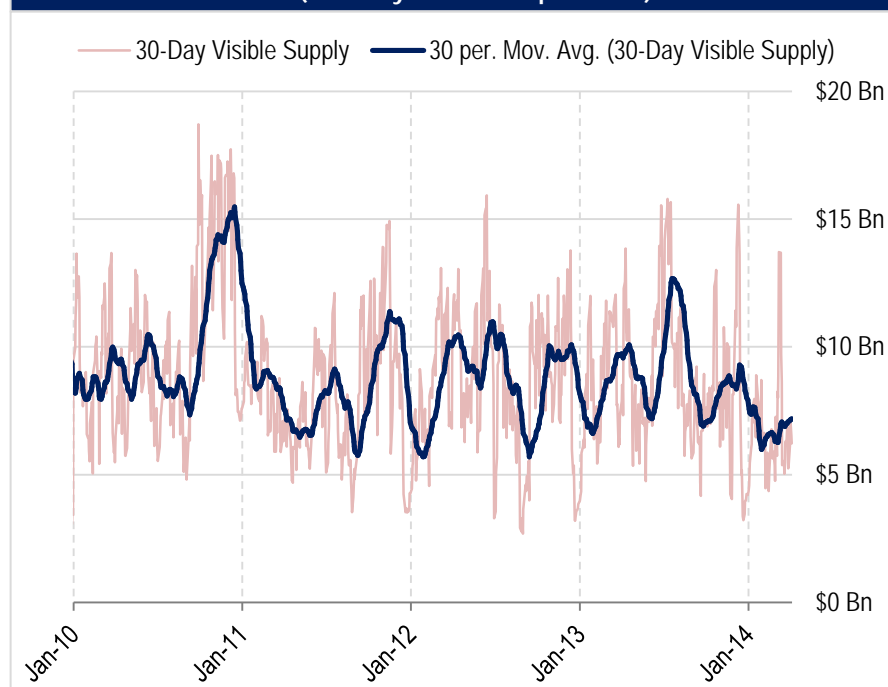
- The SIFMA Swap Index, which will serve as the benchmark for the variable-rate transaction (Series 2014B), remains at historically low levels



MUNICIPAL MARKET SUPPLY AND DEMAND

- The municipal market has benefitted from positive market technicals this year – i.e. low new issue supply coupled with an improving demand picture
 - New issuance volume in the municipal market has so far been over 25% below last year's levels
 - Average weekly issuance so far in 2014 has been approximately \$5 billion
 - The week of March 10, 2014 was the heaviest week of the year in terms of municipal market volume with approximately \$11 billion issued. The supply was well received by the market, resulting in a rally in the AAA MMD benchmark index
 - Inflows into muni bond funds have bolstered the demand side of the equation. There has been approximately \$3.5 billion of net inflows into municipal bond funds this year

30-Day Visible Supply
(January 2013 to April 2014)



Net Long-Term Municipal Bond Mutual Fund Flows
(January 2013 to March 2014)

