



Northern California Power Agency

November 2022

Finance Committee Materials

PFM Financial Advisors
LLC

555 West 5th Street
Suite 3500
Los Angeles, CA 90013

213.489.4075



Report on Current Financial Market Conditions or Issues

Data, rates, and related statistics and charts are as of November 4, 2022, unless otherwise indicated



Market Overview Since August 9th

Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
9-Aug	32,774	2.24%	2.80%	2.91%	3.01%
30-Sep	28,726	3.30%	3.83%	3.90%	3.79%
Δ	-4,048	1.06%	1.03%	0.99%	0.78%

- August saw rates increase in response to market data releases in early August and comments from the Fed later in the month at the Jackson Hole Symposium
- In mid and late September, the fixed income markets experienced significant increases in rates, flattening of the AAA MMD yield curve, and a widening inversion of the 2-year and 10-year Treasury
 - As expected, Fed Funds was raised by another 75 bps at the September FOMC meeting, bringing the benchmark rate to 3.00-3.25%

Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
30-Sep	28,726	3.30%	3.83%	3.90%	3.79%
5-Oct	30,274	3.18%	3.76%	3.74%	3.78%
Δ	1,548	-0.12%	-0.07%	-0.16%	-0.01%

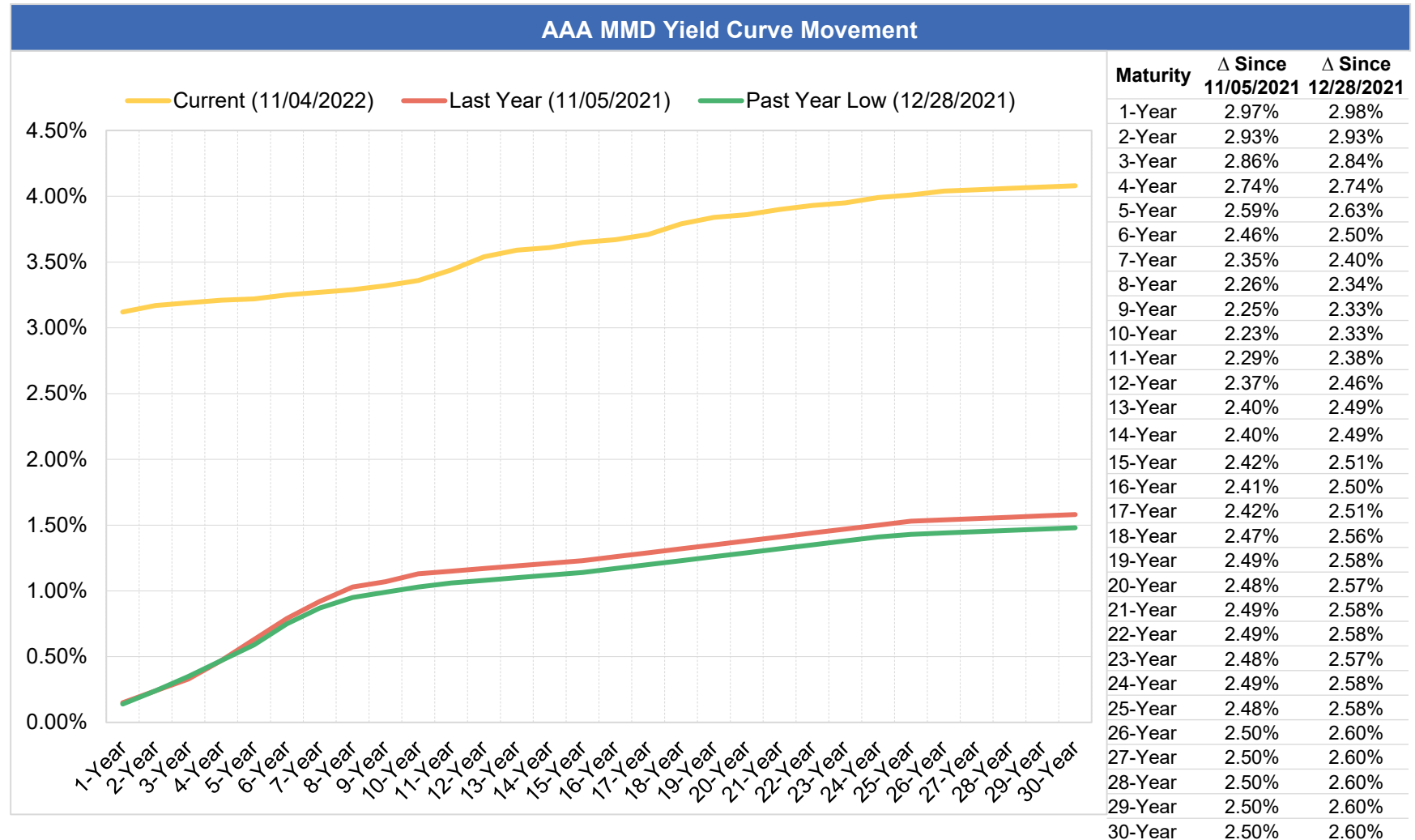
- The Bank of England's announcement on September 28th that it would purchase long-dated UK government bonds to stabilize financial markets caused a brief uptick in risk appetite

Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
5-Oct	30,274	3.18%	3.76%	3.74%	3.78%
4-Nov	32,403	3.36%	4.22%	4.08%	4.34%
Δ	2,129	0.18%	0.46%	0.34%	0.56%

- CPI came in higher-than-expected on 10/13, leaving little doubt that the FOMC would implement another 75 bps rate hike in November, which was reaffirmed by FOMC meeting minutes released that week
 - A 75 bps rate hike was already priced into Fed Fund futures by the time the FOMC raised Fed Funds by 75 bps at the November 2nd meeting



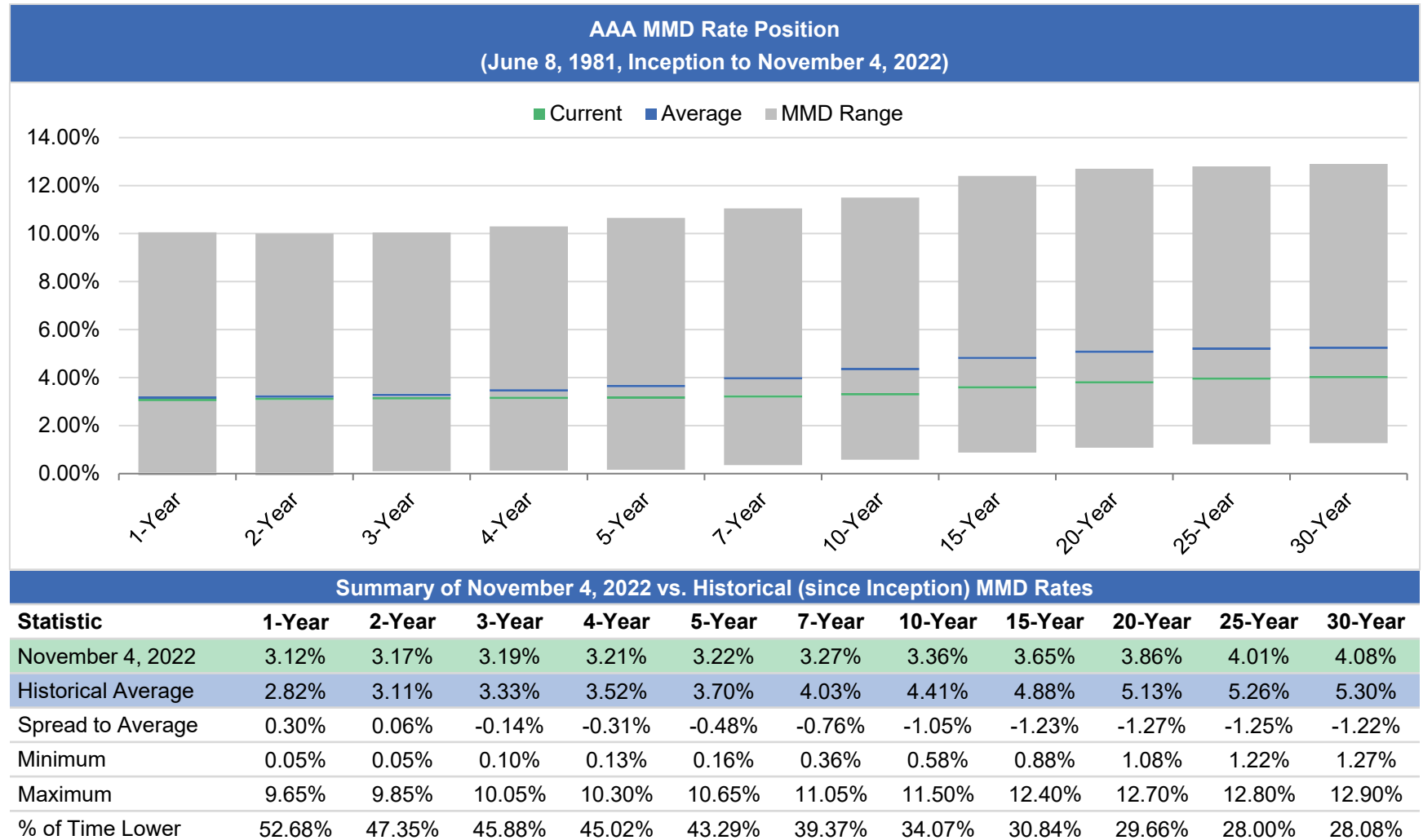
Recent AAA MMD Yield Curve Movement



Source: Bloomberg, PFM Research



AAA MMD Position Since Inception

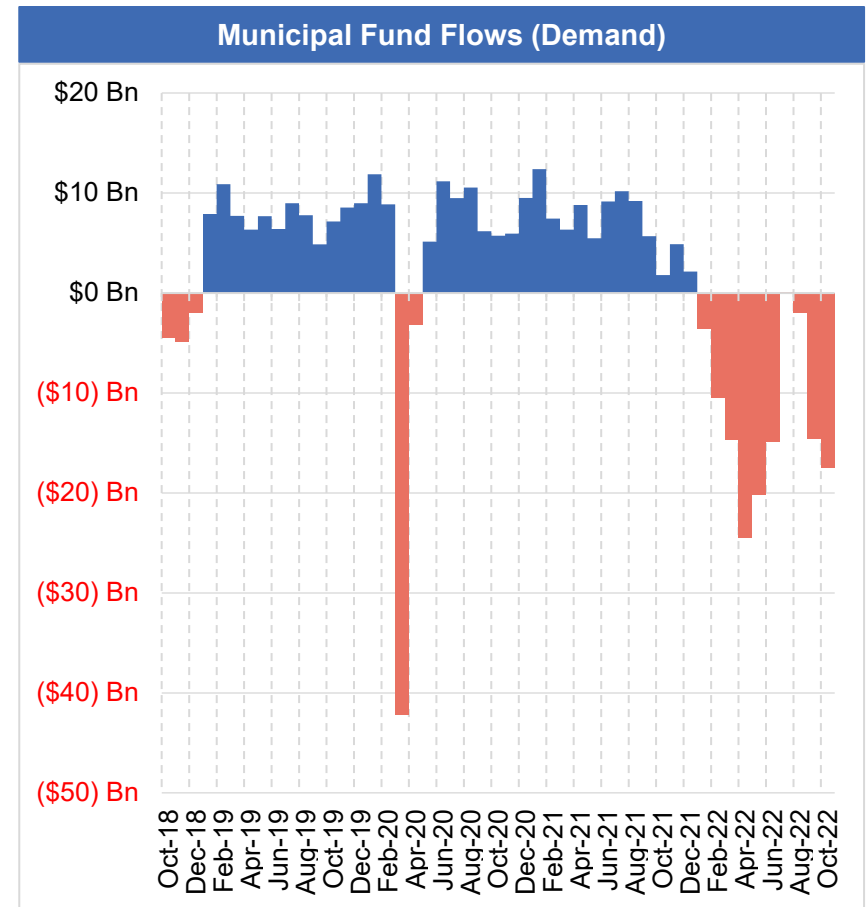
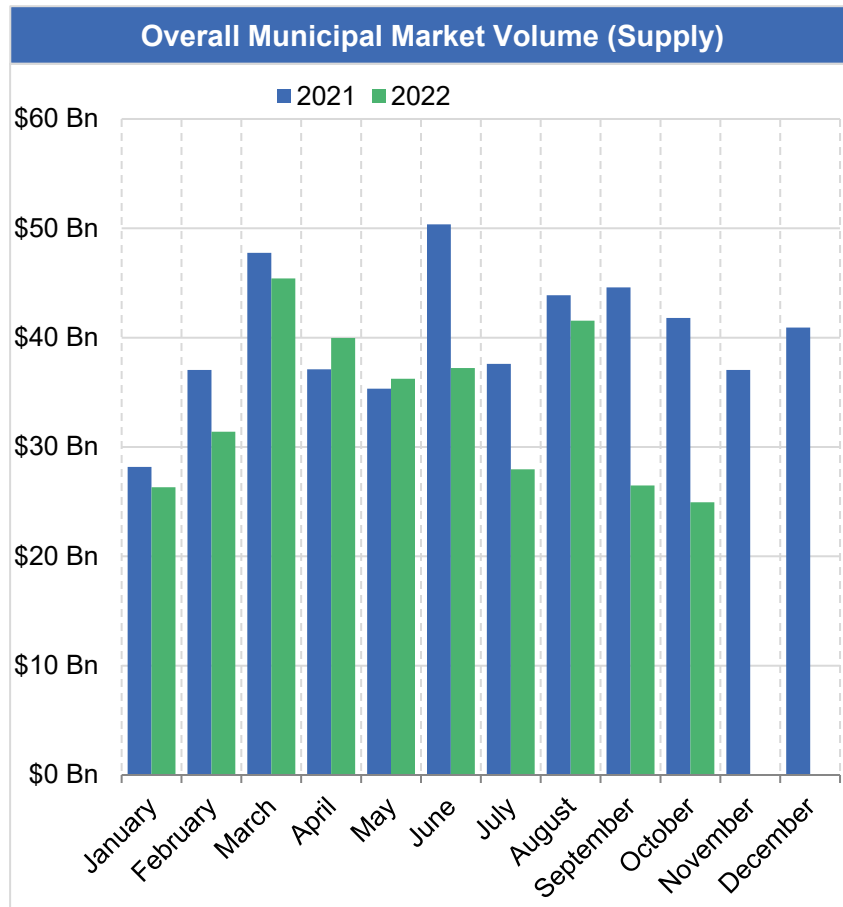


Source: Bloomberg, PFM Research



Municipal Market Supply & Demand

- Municipal bond fund outflows continued through October, with Lipper reporting net outflows of \$2.4 billion for the week ending November 2nd. New issuance volume was down 40.3% year-over-year in October, and year-to-date new issuance volume was 16.4% lower than 2021 issuance through October



Source: Bond Buyer, Investment Company Institute



Interest Rate Forecasts

- The market expects another 50 bps in Fed Fund rate hikes this year but sees rates peaking in early 2023.

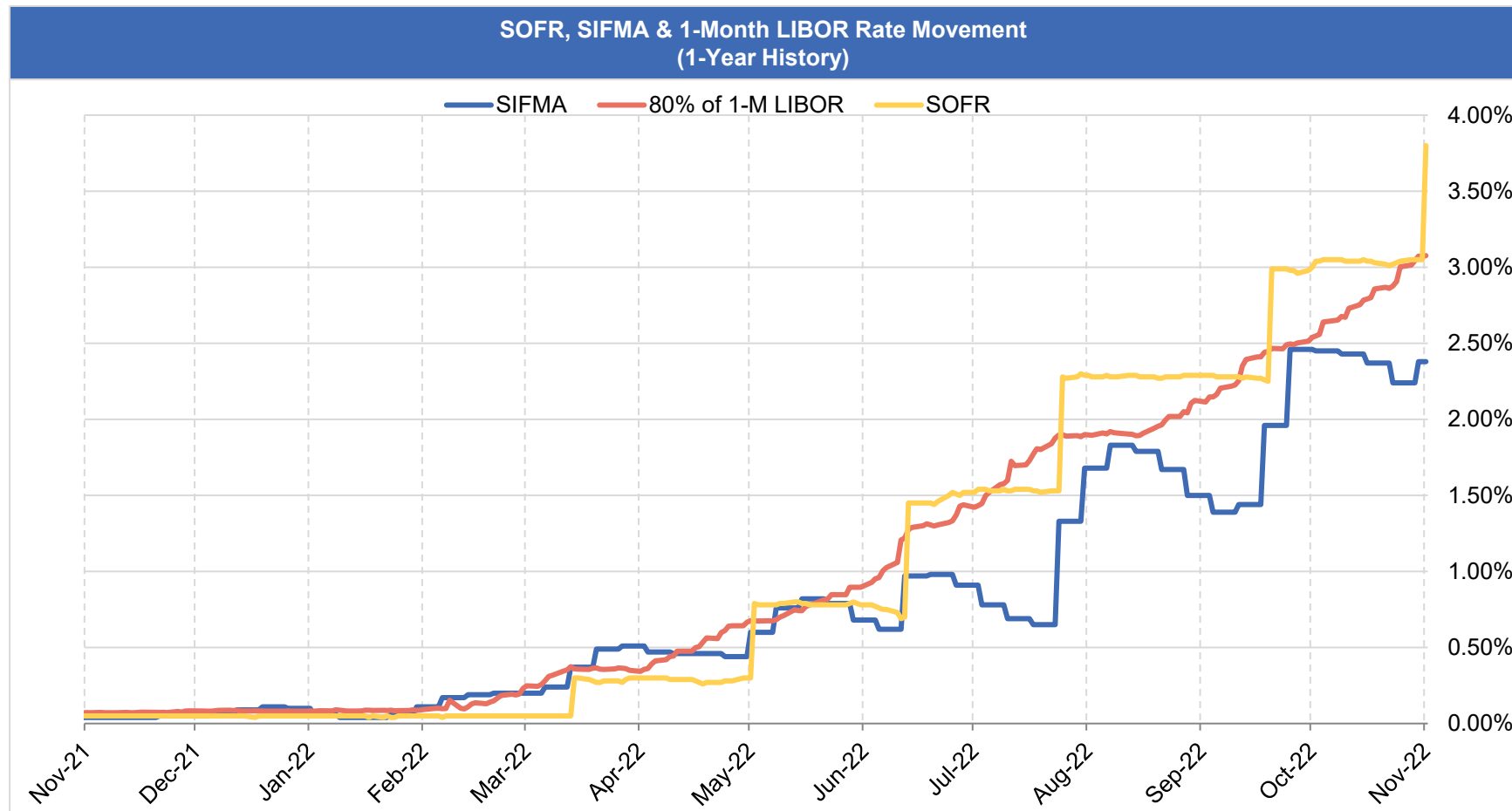
The Street's Interest Rate Forecast (As of November 7, 2022)								
Average Forecasts	Current	Q4 22	Q4 Δ vs. Current	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
30-Year UST	4.28%	3.90%	-0.38%	3.88%	3.82%	3.72%	3.63%	3.63%
10-Year UST	4.19%	3.86%	-0.33%	3.83%	3.72%	3.59%	3.44%	3.39%
2-Year UST	4.71%	4.41%	-0.30%	4.36%	4.15%	3.88%	3.63%	3.44%
3M SOFR	4.21%	4.26%	0.05%	4.51%	4.40%	4.17%	4.03%	3.82%
Fed Funds Target Rate	3.75%	4.25%	0.50%	4.58%	4.51%	4.35%	4.12%	3.69%
<i>Fed Funds Δ Since August Meeting</i>	1.50%	0.94%		1.17%	1.16%	1.19%	1.06%	0.87%

Source: Bloomberg



SOFR, SIFMA & 1-Month LIBOR Rate Movement

- 1-M LIBOR has experienced steady growth since February, while SOFR and SIFMA have continued to make significant stepped jumps following Fed rate hikes.



Source: Bloomberg, PFM Research



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