



# Northern California Power Agency

**November 2021**

**Finance Committee Materials**

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# Report on Current Financial Market Conditions or Issues

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*Data, rates, and related statistics and charts are as of November 9, 2021, unless otherwise indicated*



## Market Overview Since August 10<sup>th</sup>

- From August 10<sup>th</sup> through September 22<sup>nd</sup>, rates remained relatively stable.

Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
10-Aug	35,265	0.88%	1.36%	1.46%	1.99%
20-Sep	34,258	0.94%	1.32%	1.54%	1.84%
Δ	-1,006	0.06%	-0.04%	0.08%	-0.15%

- In the month following Fed Chair Powell's comments at the September FOMC meeting – which hinted at a tapering of bond purchases as well as several possible rate hikes – the market saw increases in both AAA MMD and Treasuries.

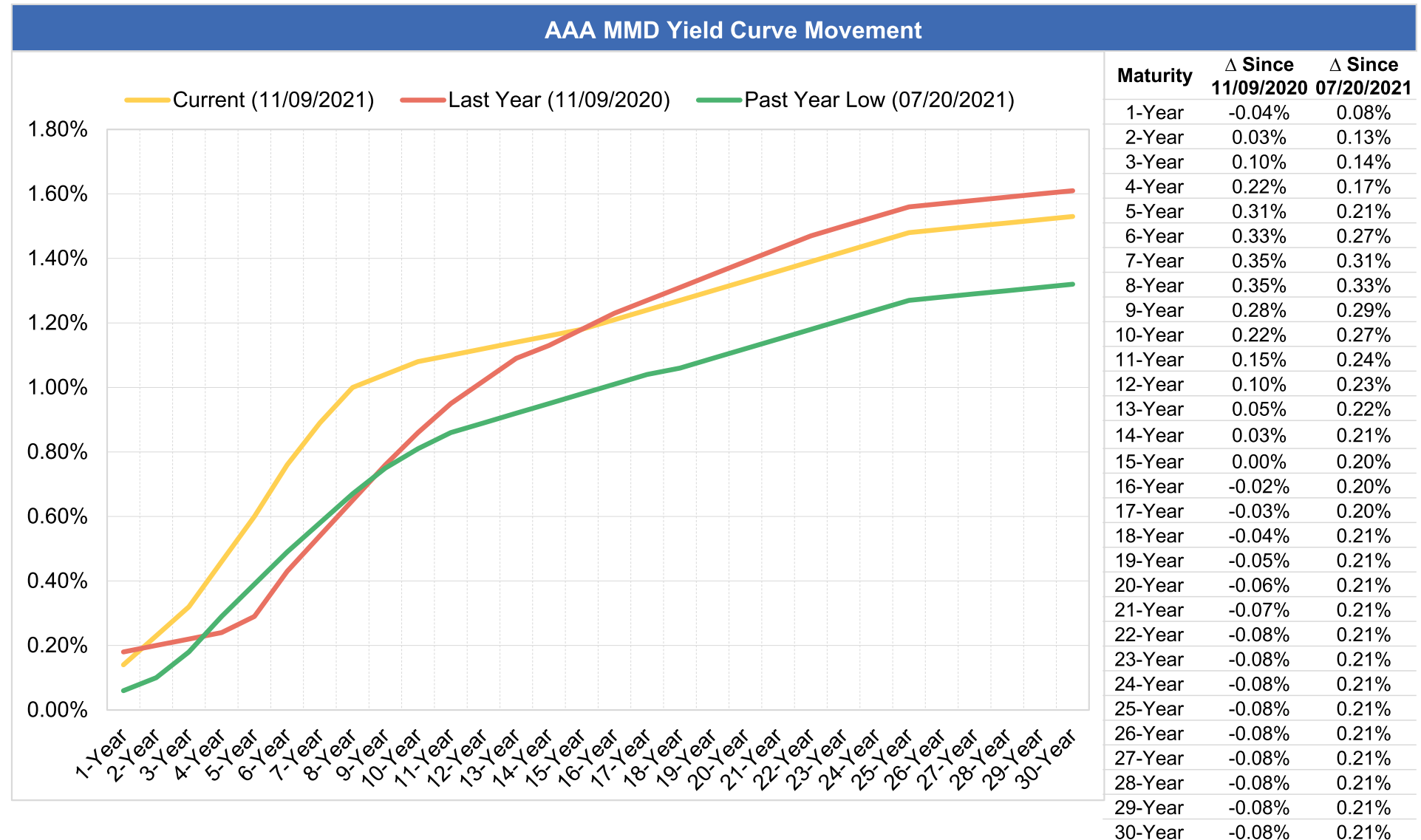
Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
22-Sep	34,258	0.94%	1.32%	1.54%	1.84%
27-Oct	35,491	1.21%	1.54%	1.70%	1.95%
Δ	1,232	0.27%	0.22%	0.16%	0.11%

- Late October and early November saw a drop in both Treasuries and AAA MMD, as the market responded to better-than-expected labor market data. Nevertheless, concerns about the economic outlook persist.
  - Spreads between the 5-year and 30-year Treasury yields flattened to levels not seen since March 2020.
  - Chairman Powell stressed at the FOMC's November meeting that the central bank would not be overly aggressive with rate increases. However, some market participants still believe that persistent inflation may force officials to raise rates several times in 2022.

Date	DJIA	10-Yr MMD	10-Yr Tsy	30-Yr MMD	30-Yr Tsy
27-Oct	35,491	1.21%	1.54%	1.70%	1.95%
9-Nov	36,320	1.08%	1.46%	1.53%	1.83%
Δ	829	-0.13%	-0.08%	-0.17%	-0.12%



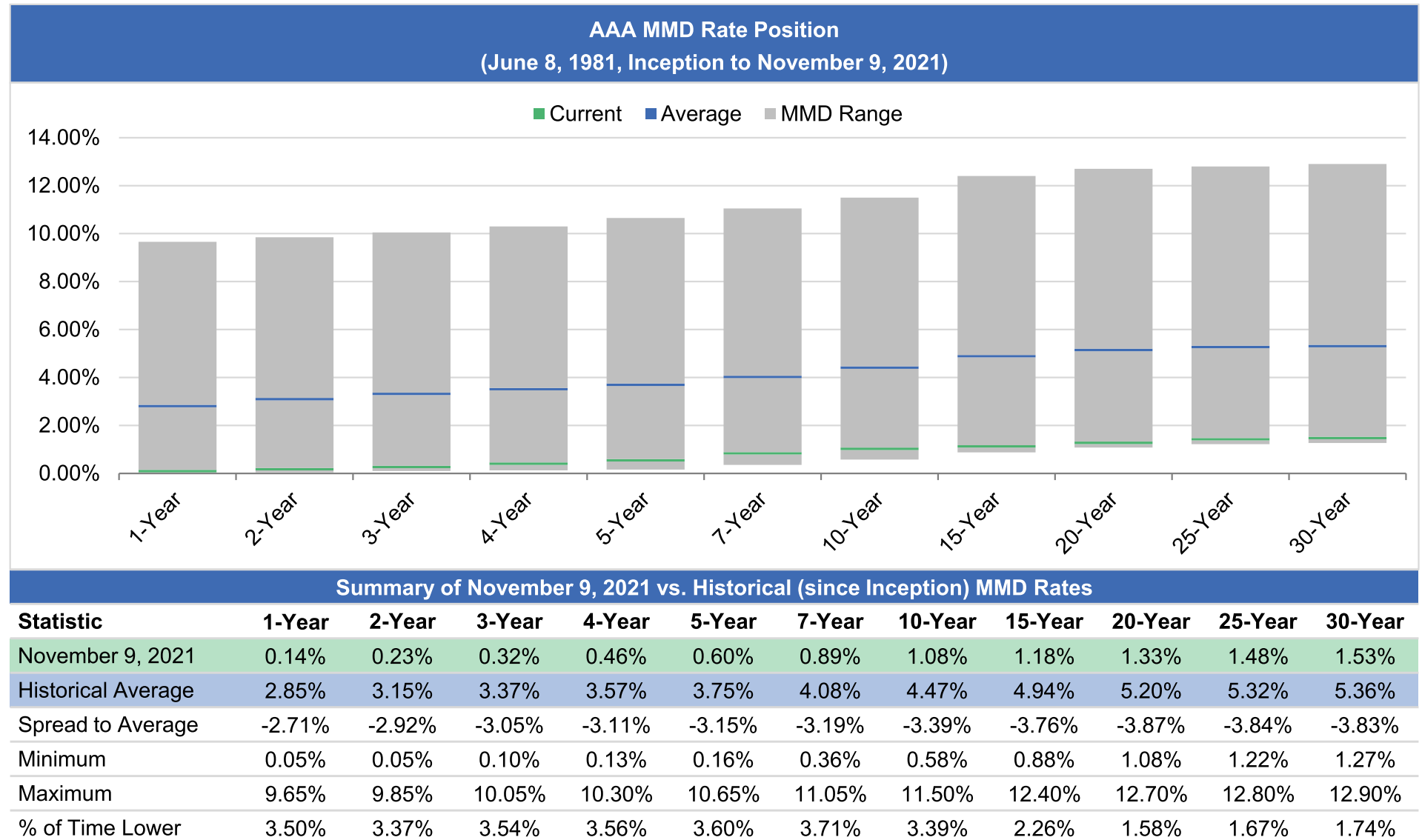
## Recent AAA MMD Yield Curve Movement



Source: Thomson Reuters



## AAA MMD Position Since Inception

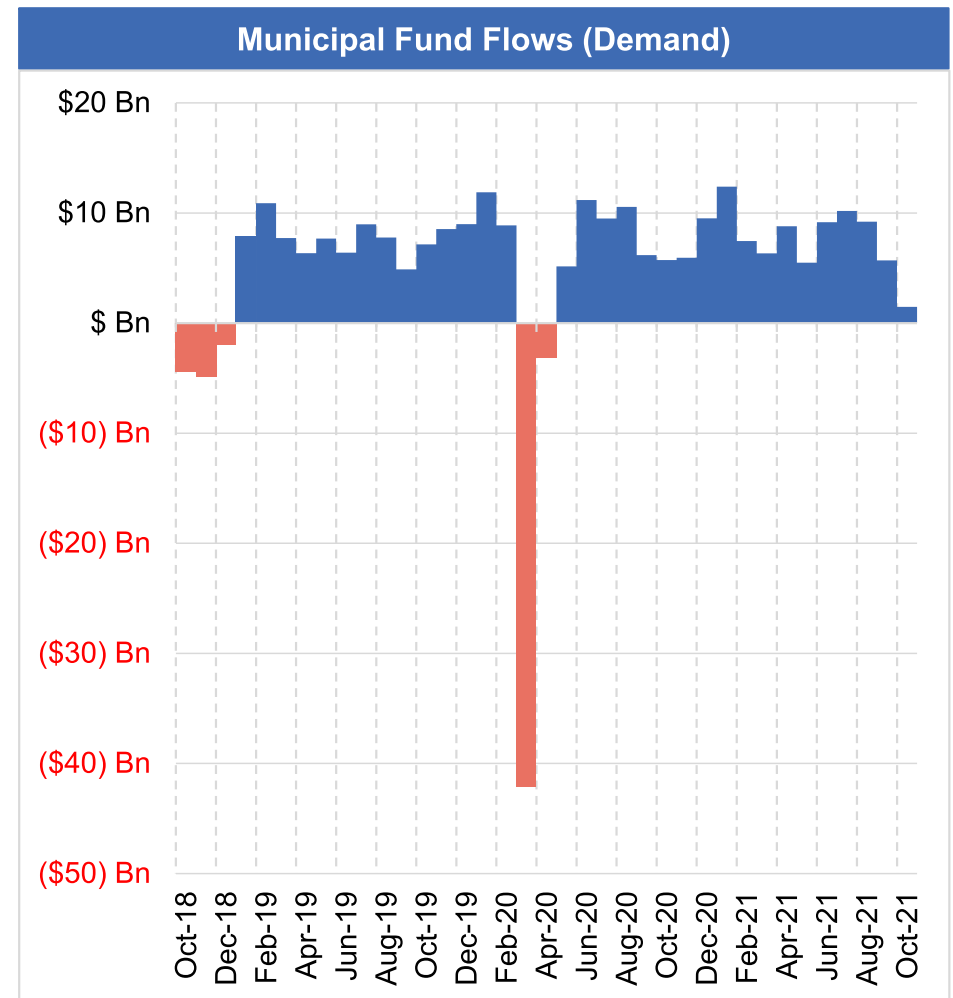
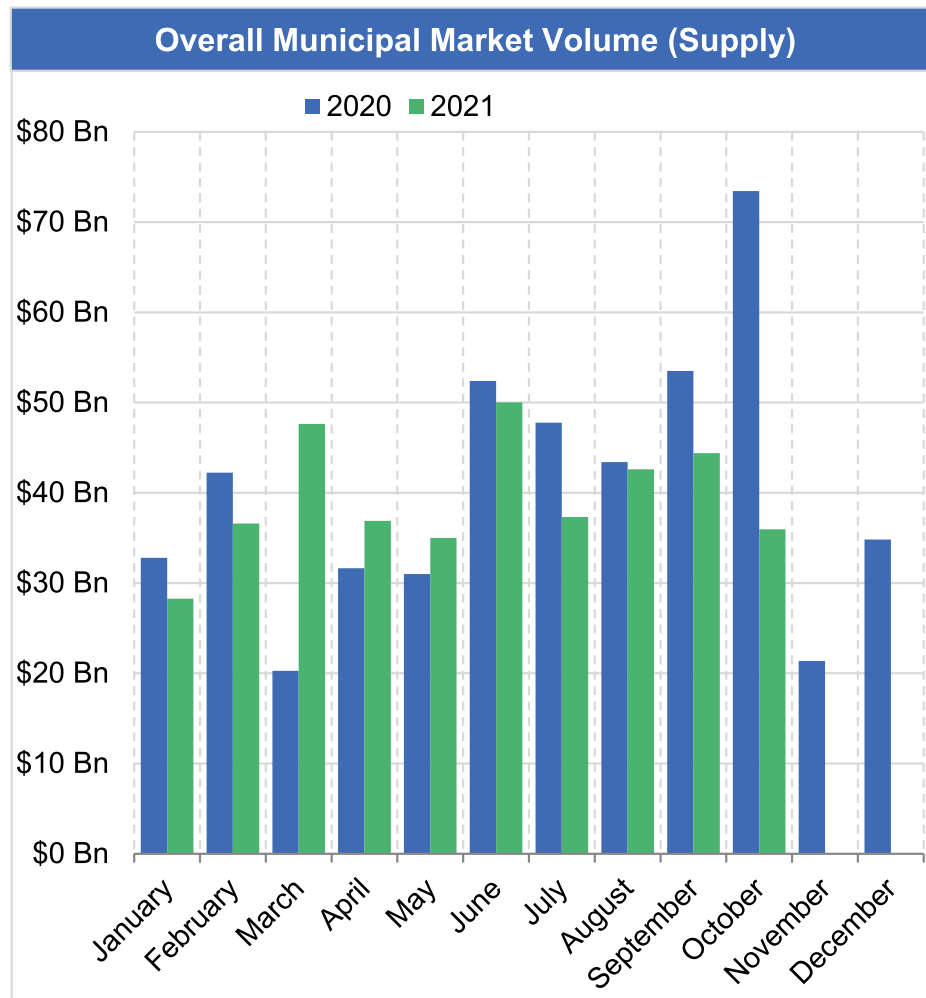


Source: Thomson Reuters



## Municipal Market Supply & Demand

- New issuance volume was down by 51.04% year-over-year in October, while year-to-date new issuance volume was 7.88% lower than 2020 issuance through October.



Source: Bond Buyer, Investment Company Institute



## Interest Rate Forecasts

- According to effective Fed funds futures, the market expects no rate action in Q4 but anticipates rate action beginning in 2022.

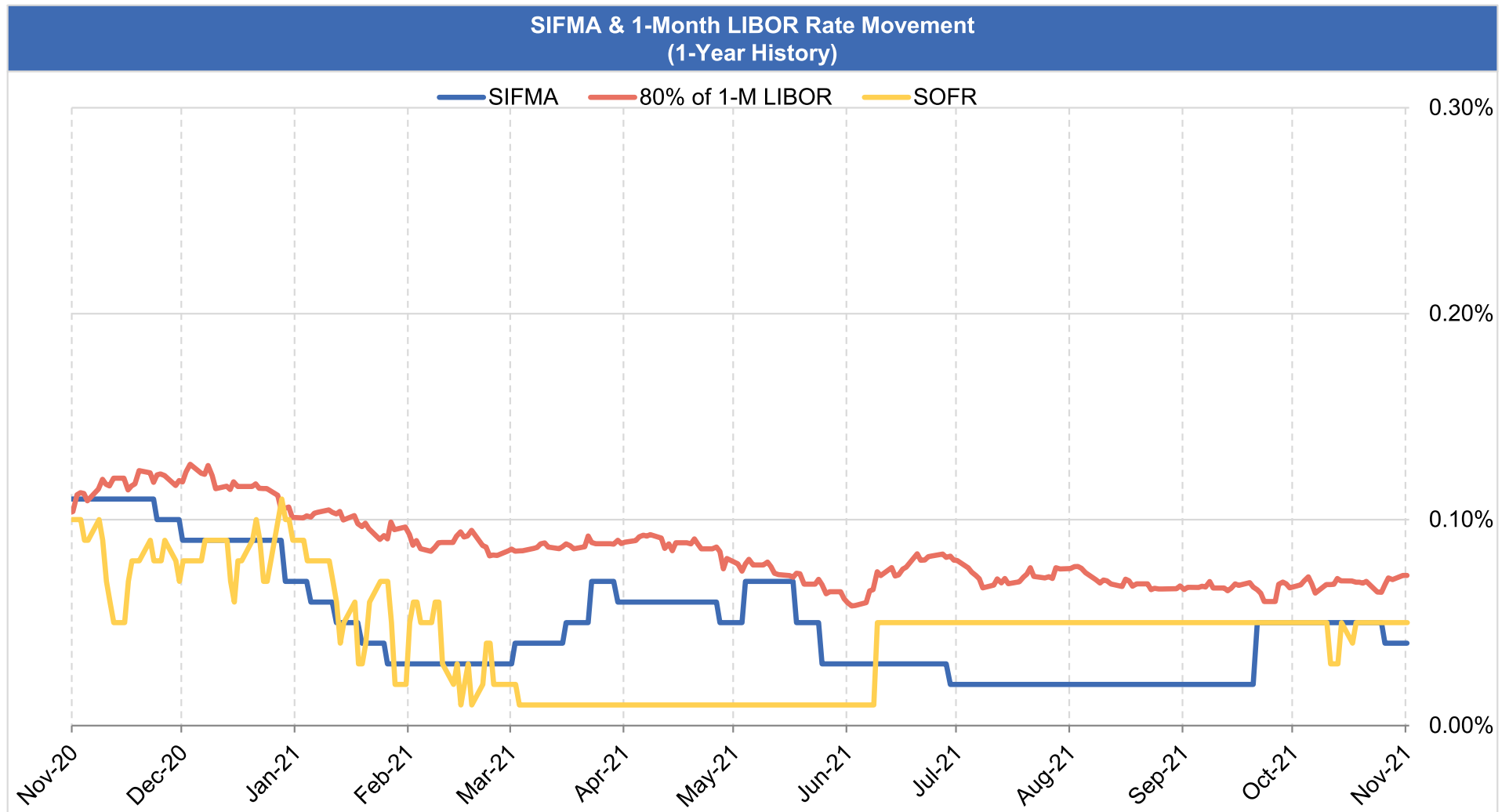
The Street's Interest Rate Forecast (As of November 8, 2021)								
Average Forecasts	Current	Q4 21	Q4 Δ vs. Current	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
30-Year UST	1.90%	2.24%	0.34%	2.36%	2.47%	2.54%	2.60%	2.71%
10-Year UST	1.47%	1.69%	0.22%	1.79%	1.89%	1.97%	2.04%	2.17%
2-Year UST	0.42%	0.38%	-0.04%	0.46%	0.56%	0.67%	0.80%	0.98%
3M LIBOR	0.14%	0.18%	0.04%	0.21%	0.26%	0.33%	0.43%	0.67%
Fed Funds Target Rate	0.00%	0.00%	0.00%	0.01%	0.02%	0.04%	0.15%	0.30%

Source: Bloomberg



## SOFR, SIFMA & 1-Month LIBOR Rate Movement

- For the past year SOFR, SIFMA and 1-M LIBOR have all remained below 0.20%. Currently, SIFMA and SOFR are below 80% of 1-M LIBOR at 0.04% and 0.05%, respectively.



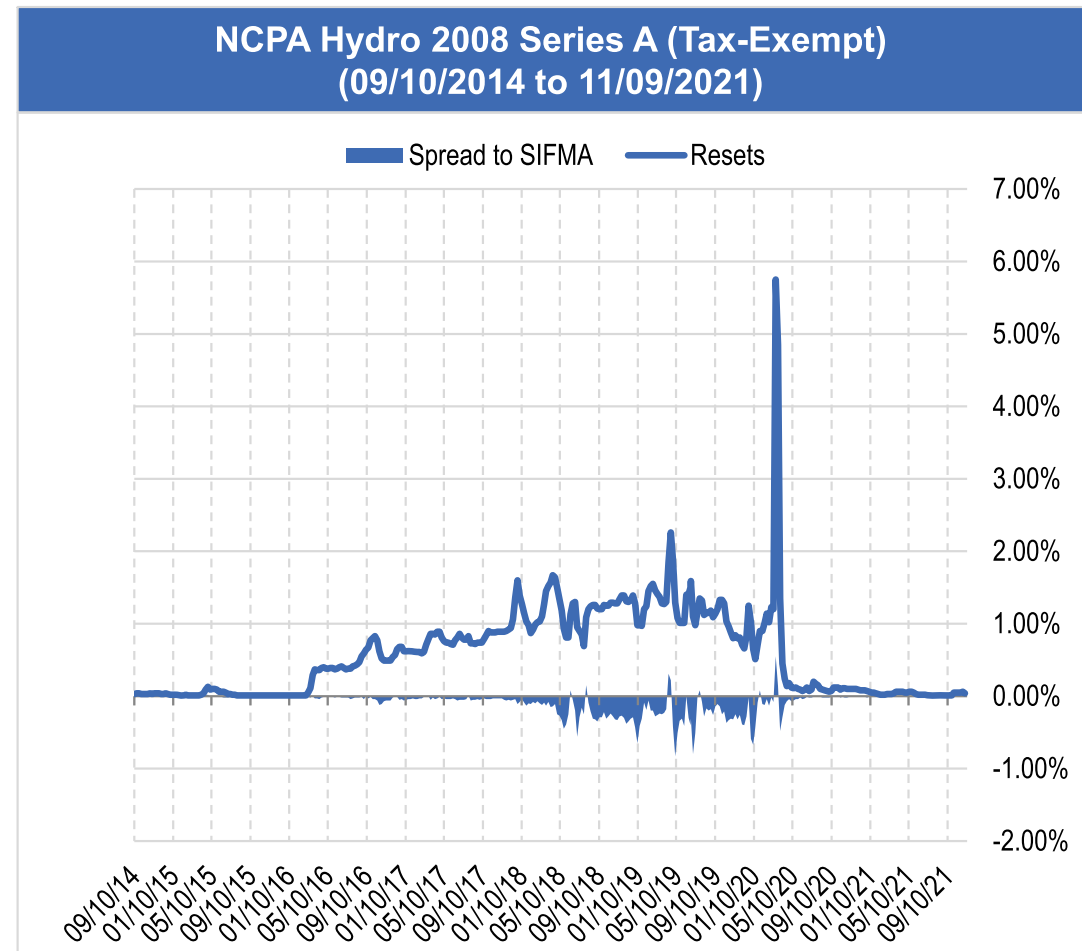
Source: Thomson Reuters





## NCPA's Hydroelectric Project 2008 Series A Bonds

- The 2008A Bonds reset at 0.01% through August and most of September.
- On September 29<sup>th</sup>, the 2008A bonds reset at 0.05%, in line with the jump in SIFMA; the bonds have reset around that level since
- All resets since August have been within a basis point of SIFMA; the bonds only priced above SIFMA on October 26<sup>th</sup>
- The 2008A bonds are hedged with an interest rate swap and backed by a direct-pay letter of credit agreement with Bank of America, N.A.



**Key Takeaway:** *The 2008A Bonds continue to reset in line with SIFMA*

Source: Thomson Reuters, EMMA