



Northern California Power Agency

February 2024

Finance Committee Materials

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Report on Current Financial Market Conditions or Issues

Data, rates, and related statistics and charts are as of February 5, 2024, unless otherwise indicated



Market Overview Since November 14th

Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
14-Nov	34,828	3.13%	4.44%	4.12%	4.61%
29-Dec	37,690	2.25%	3.88%	3.34%	4.03%
Δ	2,862	-0.88%	-0.56%	-0.78%	-0.58%

- The slightly dovish tone of the 10/31-11/1 FOMC started downward momentum on rates that continued to push rates lower through November and early December.
 - Fed minutes revealed that the Fed was unanimous in proceeding cautiously at future meetings.
 - October durable goods orders came in weaker than expected, PCE price index was unchanged in October, below expectations of a 0.1% increase, and weekly claims rose less than anticipated.
 - In December, November unemployment came in lower than estimated at 3.7%, and JOLTS job openings decreased to 8.7 million. CPI came in as expected at 4% YoY and PPI came in lower than expected at -0.4% MoM.

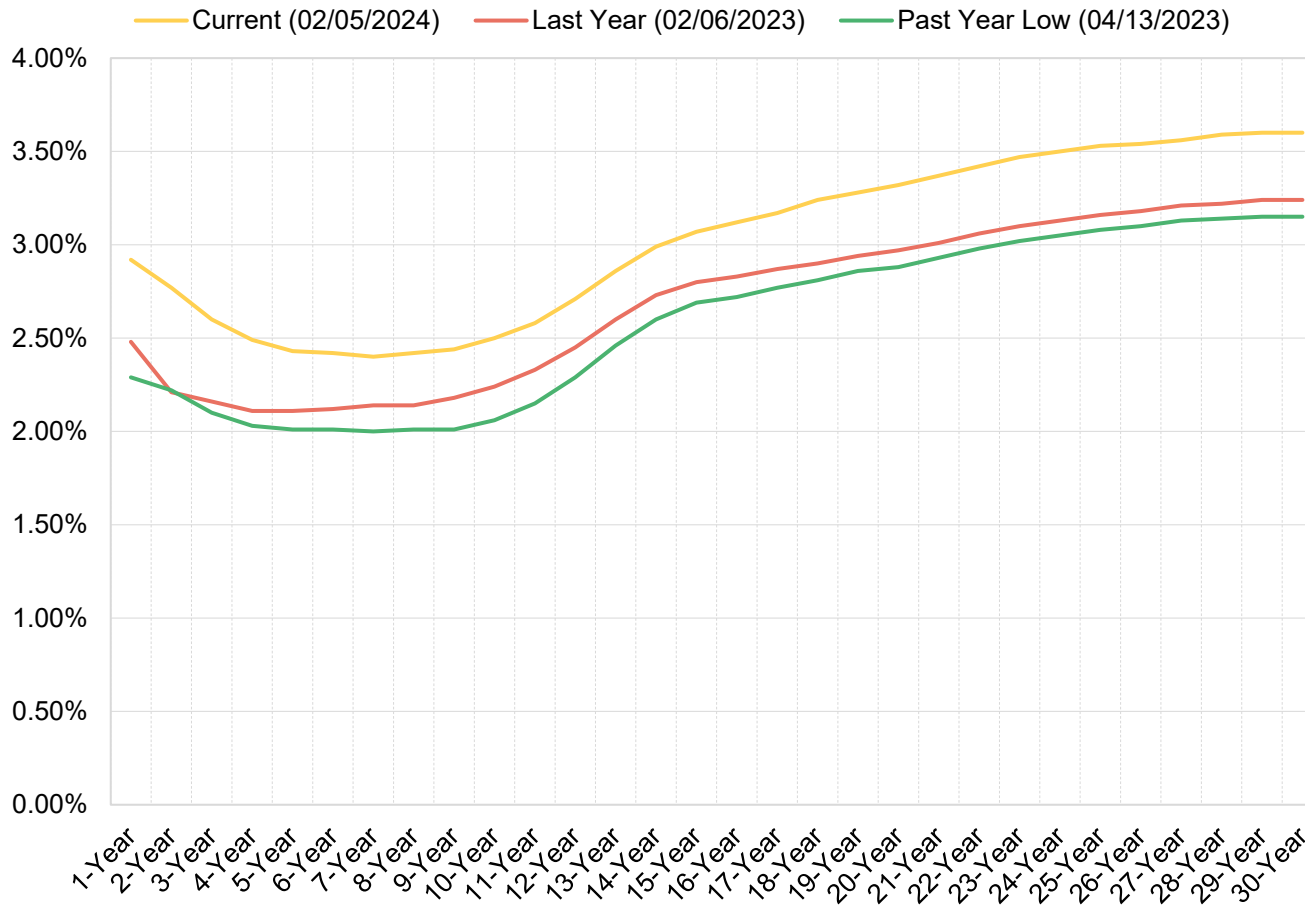
Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
29-Dec	37,690	2.25%	3.88%	3.34%	4.03%
5-Feb	38,380	2.50%	4.17%	3.60%	4.35%
Δ	691	0.25%	0.29%	0.26%	0.32%

- Moving into the new year, rate movement reversed, losing some of the gains at the end of 2023.
 - December CPI came out slightly above November, at 3.4% YoY. PMI and GDP releases were above expectations, while core PCE MoM change was in line with expectations, with YoY change just below 3%.
 - January nonfarm payrolls came out at almost twice as much as estimates.
- At the January FOMC, the Fed held rates as expected, and Powell said that a March rate cut would be unlikely, noting that the Fed needs greater confidence that inflation is moving sustainably to 2%.
 - Powell's commentary was reinforced by his 60 Minutes interview on 2/1, which was viewed as more hawkish and suggested rate cuts may not start until the second half of the year, briefly resulting in a sharp market adjustment.



Recent AAA MMD Yield Curve Movement

BVAL Yield Curve Movement

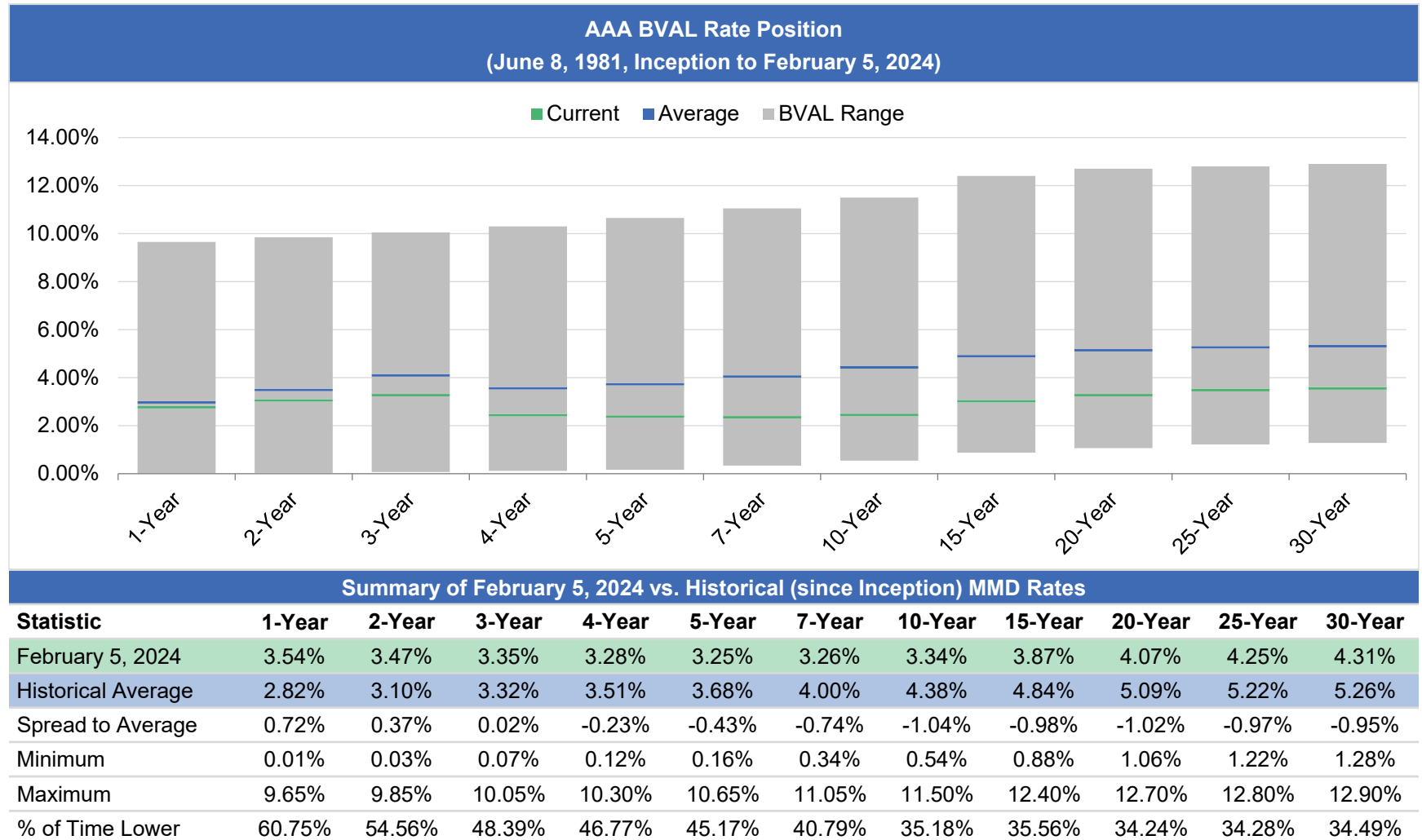


Maturity	Δ Since 02/05/2023	Δ Since 04/13/2023
1-Year	0.44%	0.63%
2-Year	0.56%	0.55%
3-Year	0.44%	0.50%
4-Year	0.38%	0.46%
5-Year	0.32%	0.42%
6-Year	0.30%	0.41%
7-Year	0.26%	0.40%
8-Year	0.28%	0.41%
9-Year	0.26%	0.43%
10-Year	0.26%	0.44%
11-Year	0.25%	0.43%
12-Year	0.26%	0.42%
13-Year	0.26%	0.40%
14-Year	0.26%	0.39%
15-Year	0.27%	0.38%
16-Year	0.29%	0.40%
17-Year	0.30%	0.40%
18-Year	0.34%	0.43%
19-Year	0.34%	0.42%
20-Year	0.35%	0.44%
21-Year	0.36%	0.44%
22-Year	0.36%	0.44%
23-Year	0.37%	0.45%
24-Year	0.37%	0.45%
25-Year	0.37%	0.45%
26-Year	0.36%	0.44%
27-Year	0.35%	0.43%
28-Year	0.37%	0.45%
29-Year	0.36%	0.45%
30-Year	0.36%	0.45%

Source: Bloomberg, PFM Research



Tax-Exempt Rate Position Since Inception

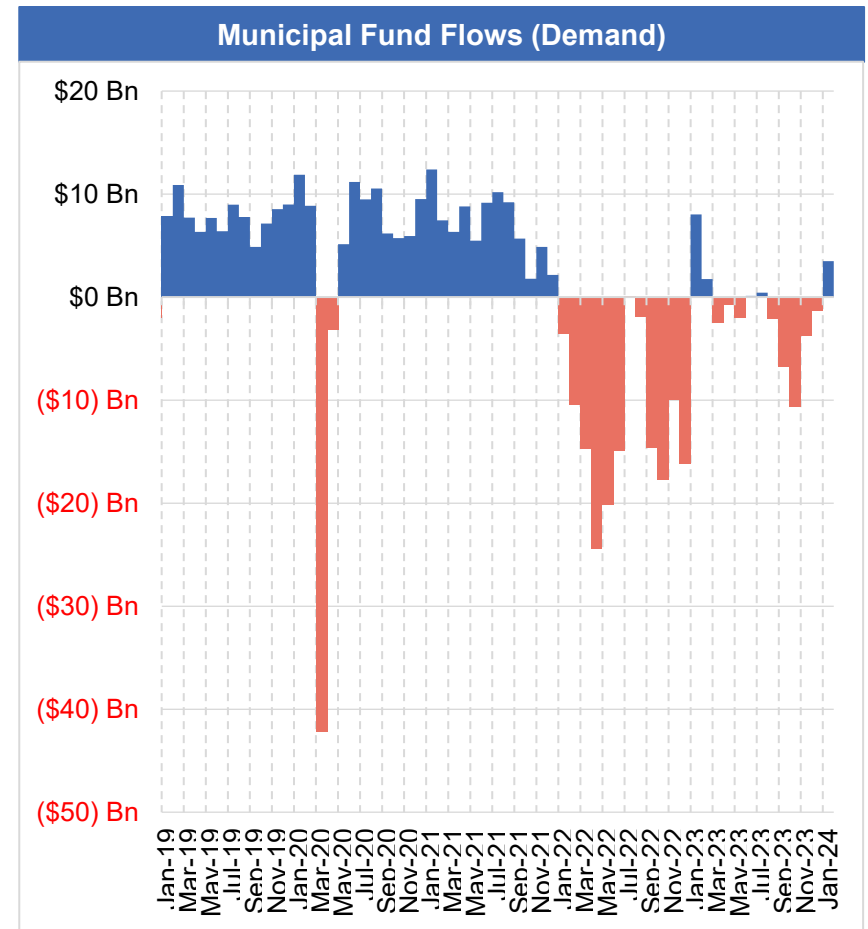
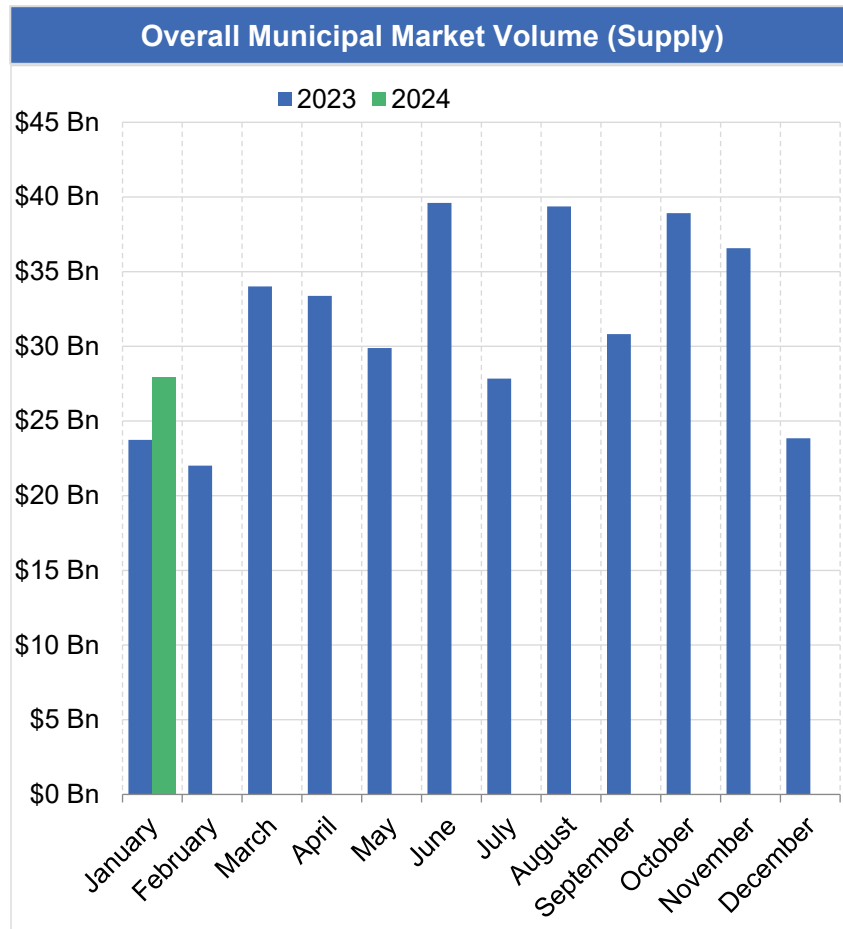


Source: Bloomberg, PFM Research



Municipal Market Supply & Demand

- Municipal funds experienced a surge in demand in January 2024. New issuance volume was up 17.7% year-over-year in January.



Source: Bond Buyer, Investment Company Institute



Interest Rate Forecasts

- Markets largely expect the Fed to hold rates through Q1 of 2024.

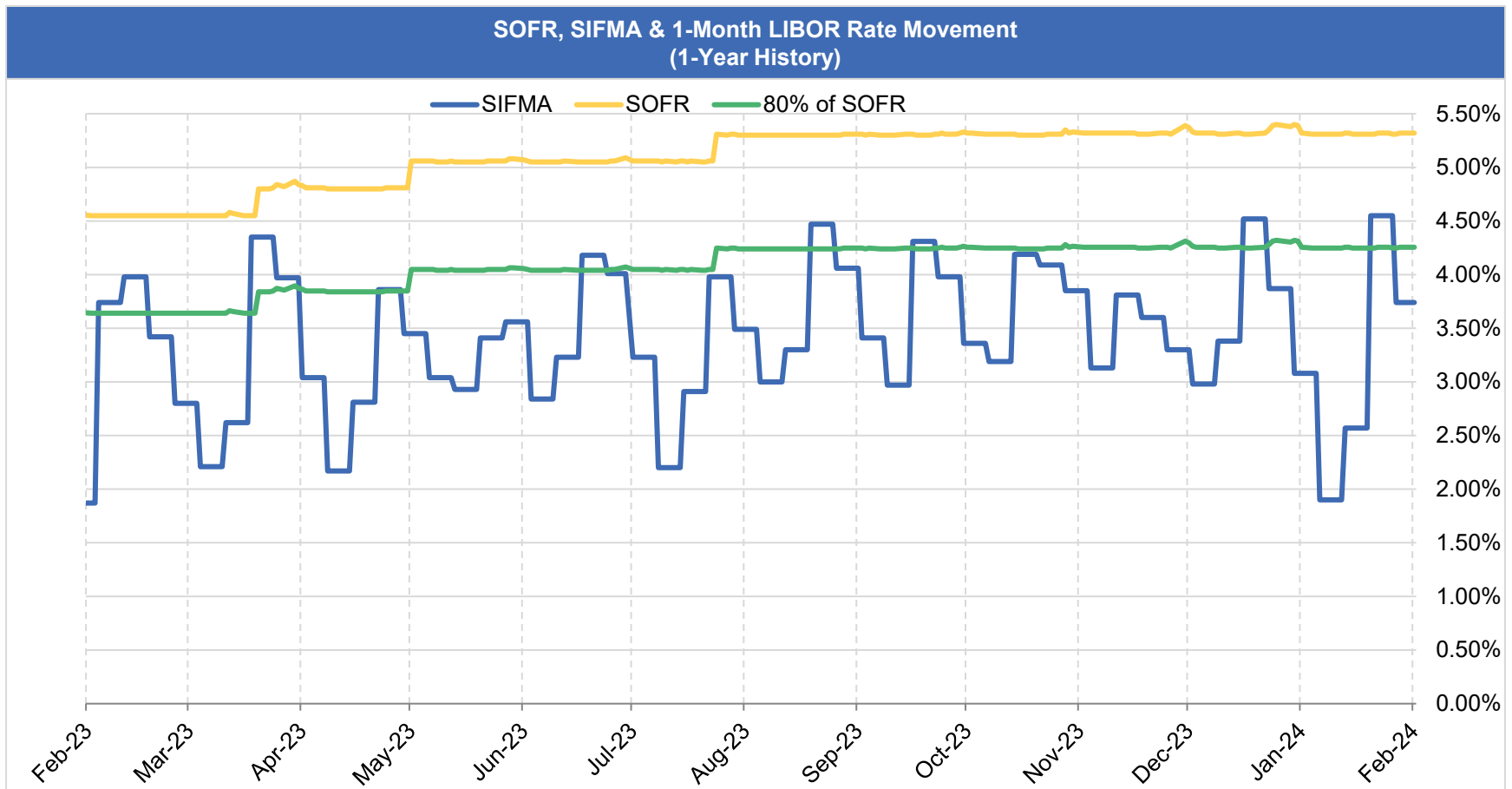
The Street's Interest Rate Forecast (As of February 5, 2024)								
Average Forecasts	Current	Q1 24	Q1 Δ vs. Current	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25
30-Year UST	4.34%	4.24%	-0.10%	4.09%	4.00%	3.97%	3.92%	3.90%
10-Year UST	4.16%	4.04%	-0.12%	3.88%	3.78%	3.75%	3.69%	3.66%
2-Year UST	4.46%	4.33%	-0.13%	4.04%	3.79%	3.58%	3.44%	3.32%
3M SOFR	5.32%	5.29%	-0.03%	5.00%	4.64%	4.27%	3.95%	3.66%
Fed Funds Target Rate	5.25%	5.23%	-0.02%	4.91%	4.49%	4.11%	3.65%	3.39%
<i>Fed Funds Δ Since August Meeting</i>	0.00%	-0.02%		-0.09%	-0.14%	-0.10%	-0.11%	-0.05%

Source: Bloomberg



SOFR, SIFMA & 1-Month LIBOR Rate Movement

- SIFMA continues to fluctuate, hitting a new 12-month high of 4.55% in late January 2024. SOFR has largely held steady around 5.3% since the last rate hike in July, with wider fluctuation in early December and early January.



Source: Bloomberg, PFM Research

