



Northern California Power Agency

November 2023

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 6, 2023, unless otherwise indicated



Market Overview Since August 8th

Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
8-Aug	35,314	2.69%	4.03%	3.70%	4.21%
30-Oct	32,929	3.63%	4.90%	4.59%	5.05%
Δ	-2,386	0.94%	0.87%	0.89%	0.84%

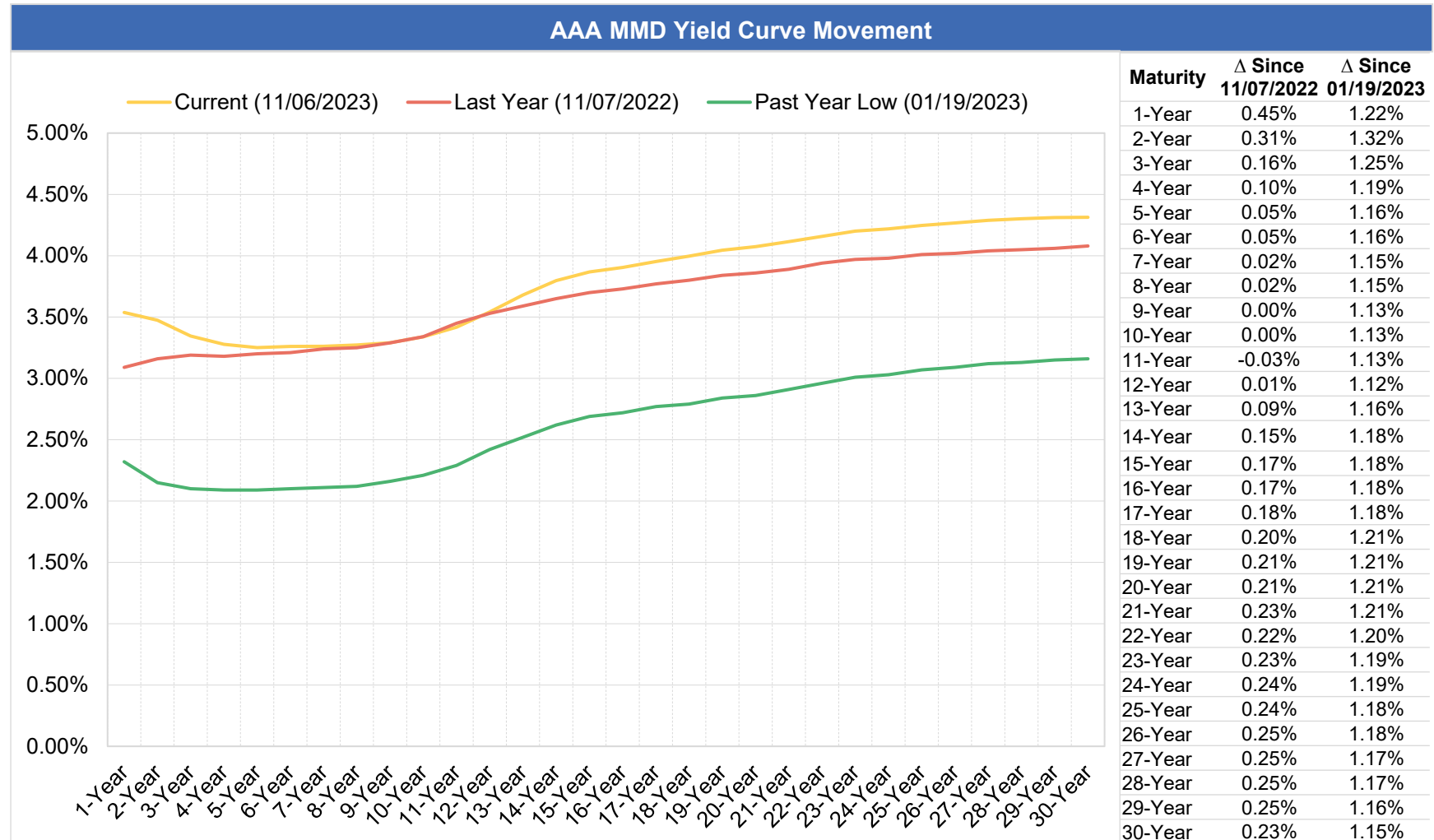
- For much of August, September and October treasuries and municipal rates climbed higher.
 - Data releases in August provided mixed messages, and CPI in September and October beat expectations.
 - Rising oil prices in September threatened to push the inflation rate higher, adding to expectations that rates would remain elevated for a while.
 - Although the Fed did not raise rates at the September FOMC meeting, it took a hawkish stance and signaled that a November rate hike may be needed. This hawkish tone was further supported by comments from Powell and other Fed members over the past few months.
 - Domestic challenges, namely the narrowly avoided US government shutdown, and new geopolitical conflicts, with the eruption of the Israel-Hamas war, added market volatility.

Date	DJIA	10-Yr BVAL	10-Yr Tsy	30-Yr BVAL	30-Yr Tsy
30-Oct	32,929	3.63%	4.90%	4.59%	5.05%
8-Nov	34,112	3.23%	4.51%	4.20%	4.63%
Δ	1,183	-0.40%	-0.39%	-0.39%	-0.42%

- In the first few days of November, broader fixed income and municipal markets experienced a significant rally downwards in yields, resulting from a few factors:
 - At the 10/31-11/1 FOMC, the Fed left rates unchanged as anticipated, but took a slightly dovish tone at the preceding press conference.
 - Treasury plans to auction \$112 billion in notes and bonds came in slightly below investor forecasts of \$114 billion.
 - Non-farm payrolls missed expectations, prior payroll was revised downwards, and unemployment increased.



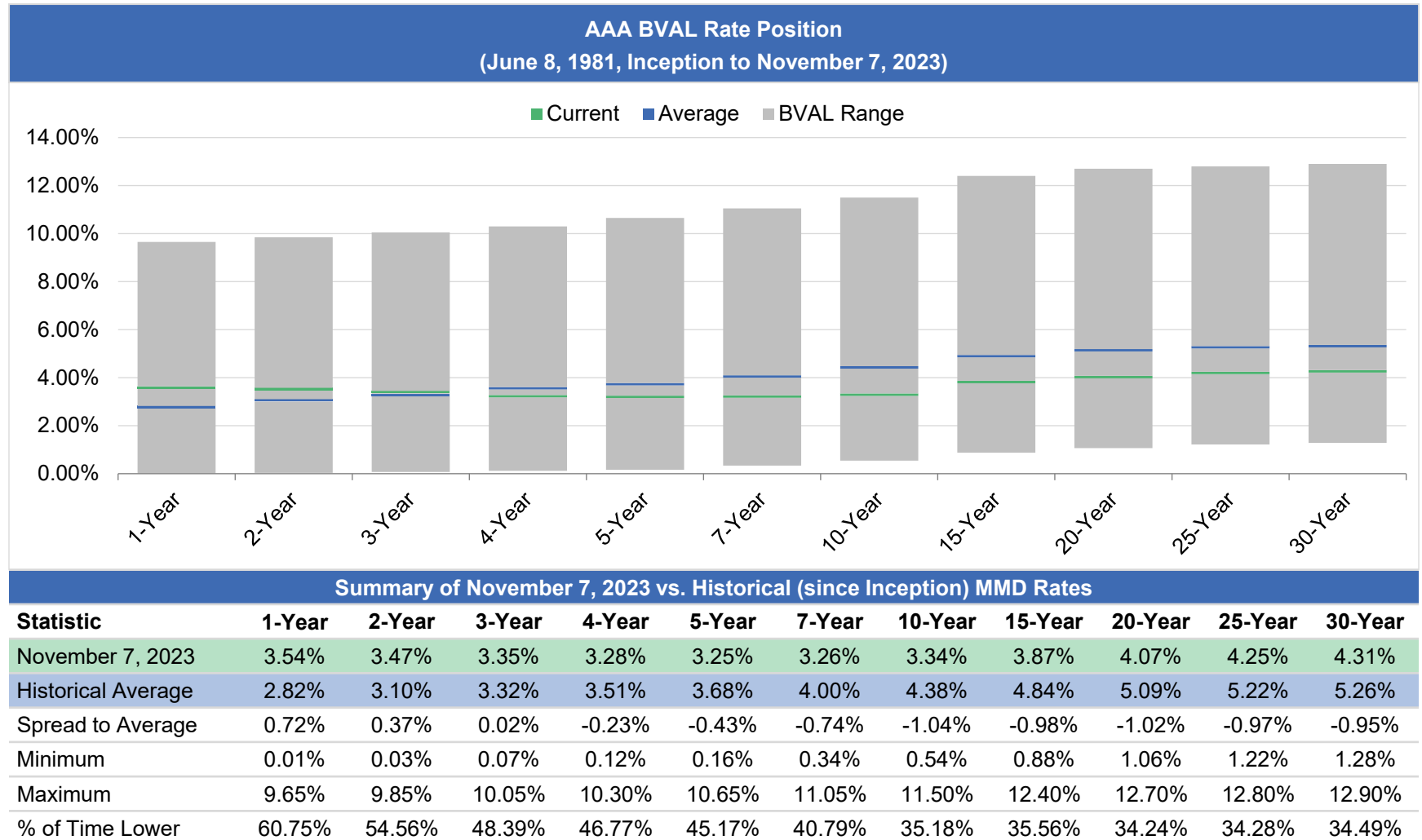
Recent AAA MMD Yield Curve Movement



Source: Bloomberg, PFM Research



Tax-Exempt Rate Position Since Inception

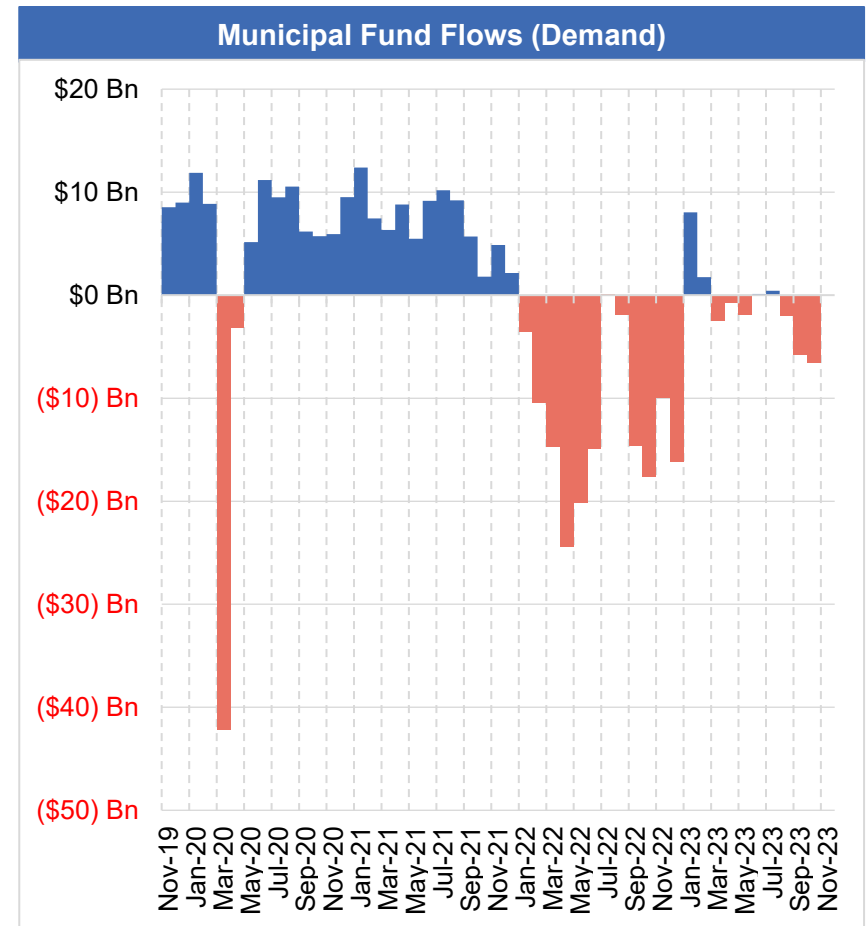
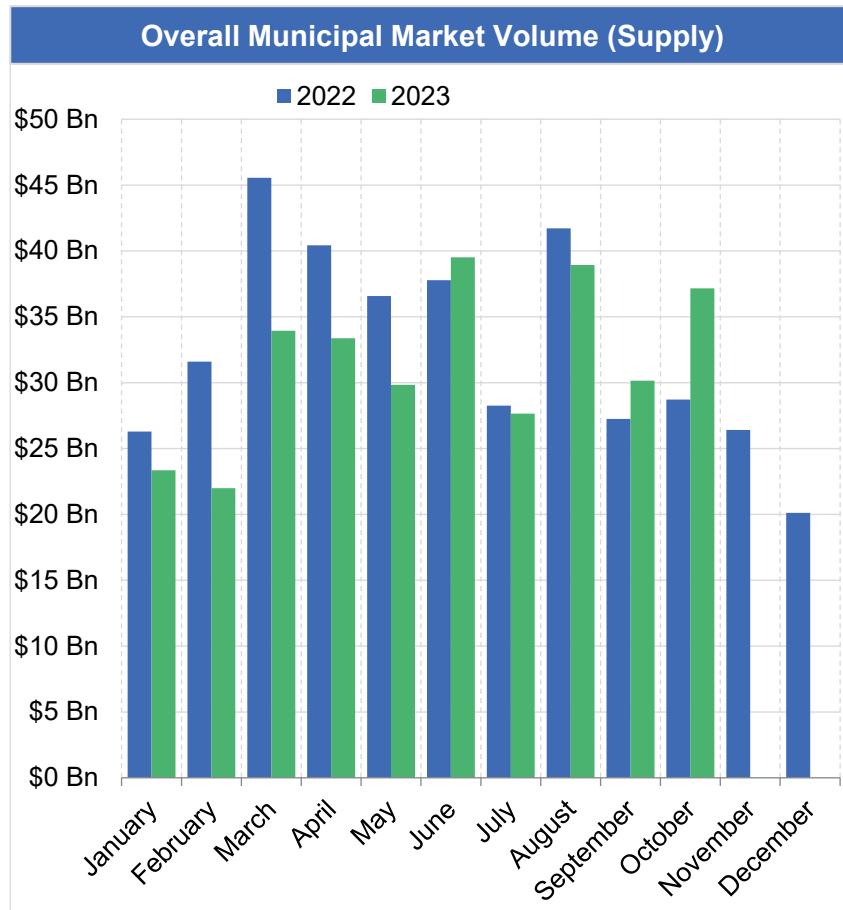


Source: Bloomberg, PFM Research



Municipal Market Supply & Demand

- In October, municipal funds saw further outflows. New issuance volume was up 29.3% year-over-year in October, and year-to-date new issuance volume was 8.2% lower than 2022 issuance through October.



Source: Bond Buyer, Investment Company Institute



Interest Rate Forecasts

- Market participants expect Fed Funds to remain elevated through the end of this year.

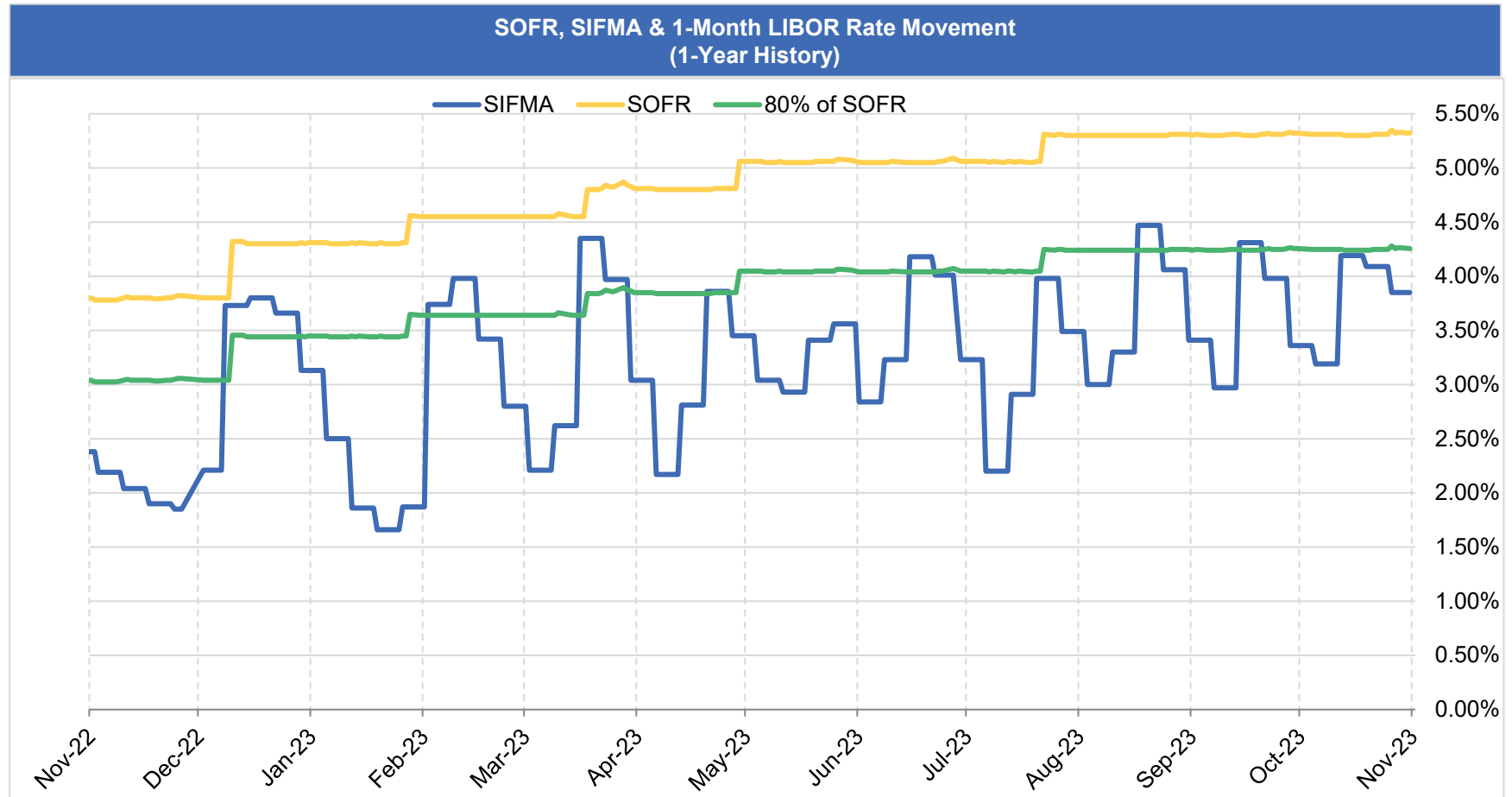
The Street's Interest Rate Forecast (As of November 6, 2023)								
Average Forecasts	Current	Q4 23	Q4 Δ vs. Current	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
30-Year UST	4.82%	4.71%	-0.11%	4.54%	4.35%	4.16%	4.01%	3.92%
10-Year UST	4.64%	4.53%	-0.11%	4.31%	4.11%	3.91%	3.75%	3.69%
2-Year UST	4.89%	4.97%	0.08%	4.65%	4.27%	3.93%	3.60%	3.43%
3M SOFR	5.37%	5.42%	0.05%	5.32%	5.07%	4.73%	4.35%	3.97%
Fed Funds Target Rate	5.25%	5.30%	0.05%	5.25%	5.00%	4.63%	4.21%	3.76%
<i>Fed Funds Δ Since August Meeting</i>	<i>0.00%</i>	<i>0.04%</i>		<i>0.24%</i>	<i>0.47%</i>	<i>0.56%</i>	<i>0.50%</i>	<i>0.40%</i>

Source: Bloomberg



SOFR, SIFMA & 1-Month LIBOR Rate Movement

- SIFMA continues to go through the cycle we've seen for much of this year, making stepped decreases followed by large increases, a reflection of the smaller pool of investments that the index is based off. SOFR has held steady since the last rate hike in July, continuing to hover close to 5.3% through October and early November.



Source: Bloomberg, PFM Research



pfm