



# Northern California Power Agency

**August 2017**

**Finance Committee Materials – Follow up**

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# Historical Bond Yield Forecasts



## Current Bond Yield Forecast

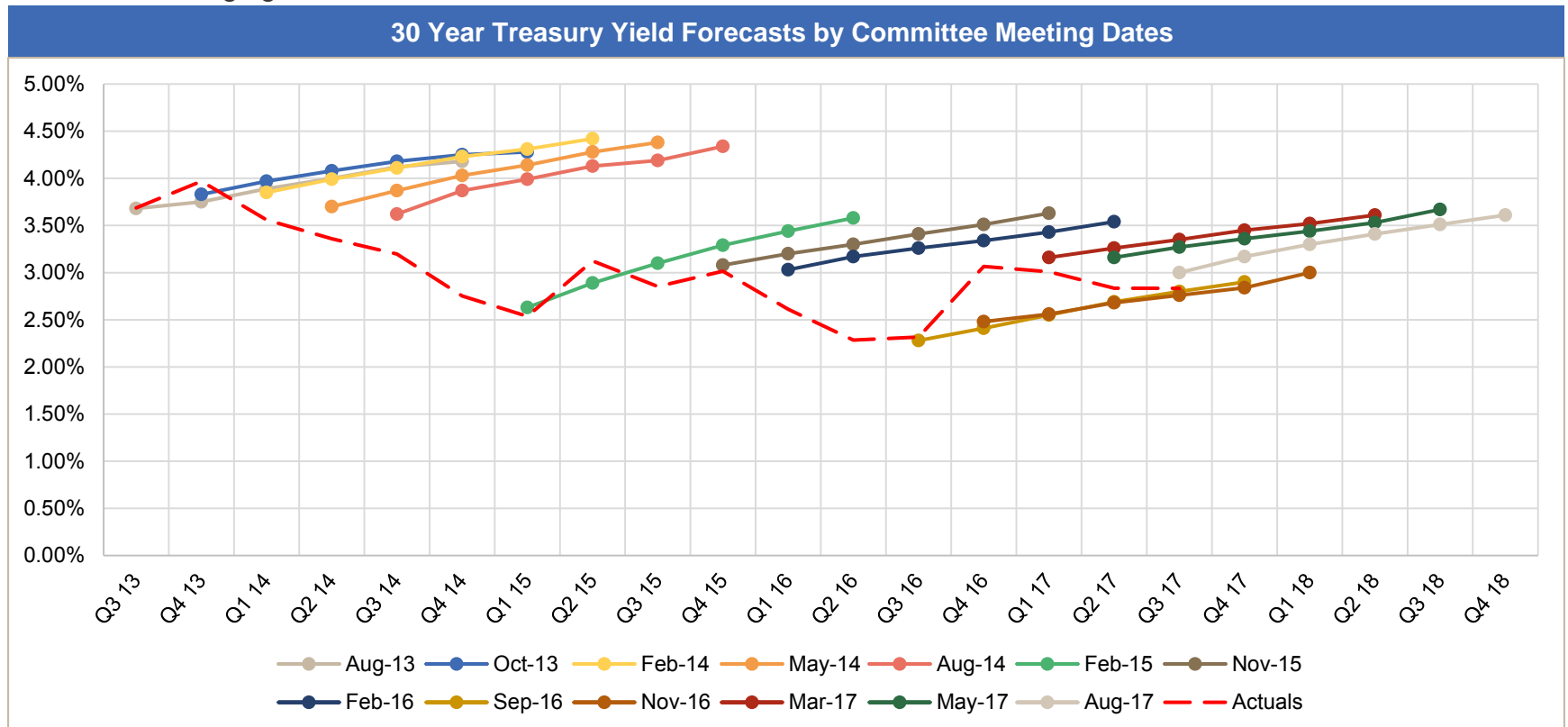
The Street's Interest Rate Forecast (As of August 7, 2017)							
Average Forecasts	Current	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
30-Year UST	2.83%	3.00%	3.17%	3.30%	3.41%	3.51%	3.61%
10-Year UST	2.26%	2.42%	2.58%	2.71%	2.82%	2.93%	3.09%
2-Year UST	1.35%	1.52%	1.70%	1.84%	2.02%	2.16%	2.33%
3M LIBOR	1.31%	1.40%	1.58%	1.76%	1.96%	2.12%	2.29%
Fed Funds Target Rate (Upper)	1.25%	1.25%	1.50%	1.65%	1.85%	2.00%	2.15%
Fed Funds Target Rate (Lower)	1.00%	1.01%	1.24%	1.38%	1.61%	1.74%	1.90%

Source: Bloomberg



## 30 Year Treasury Yield

- Each line in the graph below represents the 30 year treasury forecasts from historical finance committee meeting dates
  - Each forecast looks 6 quarters into the future
- The data shows that the street has continually projected gradual increases, even as the actual rate has fluctuated, edging lower

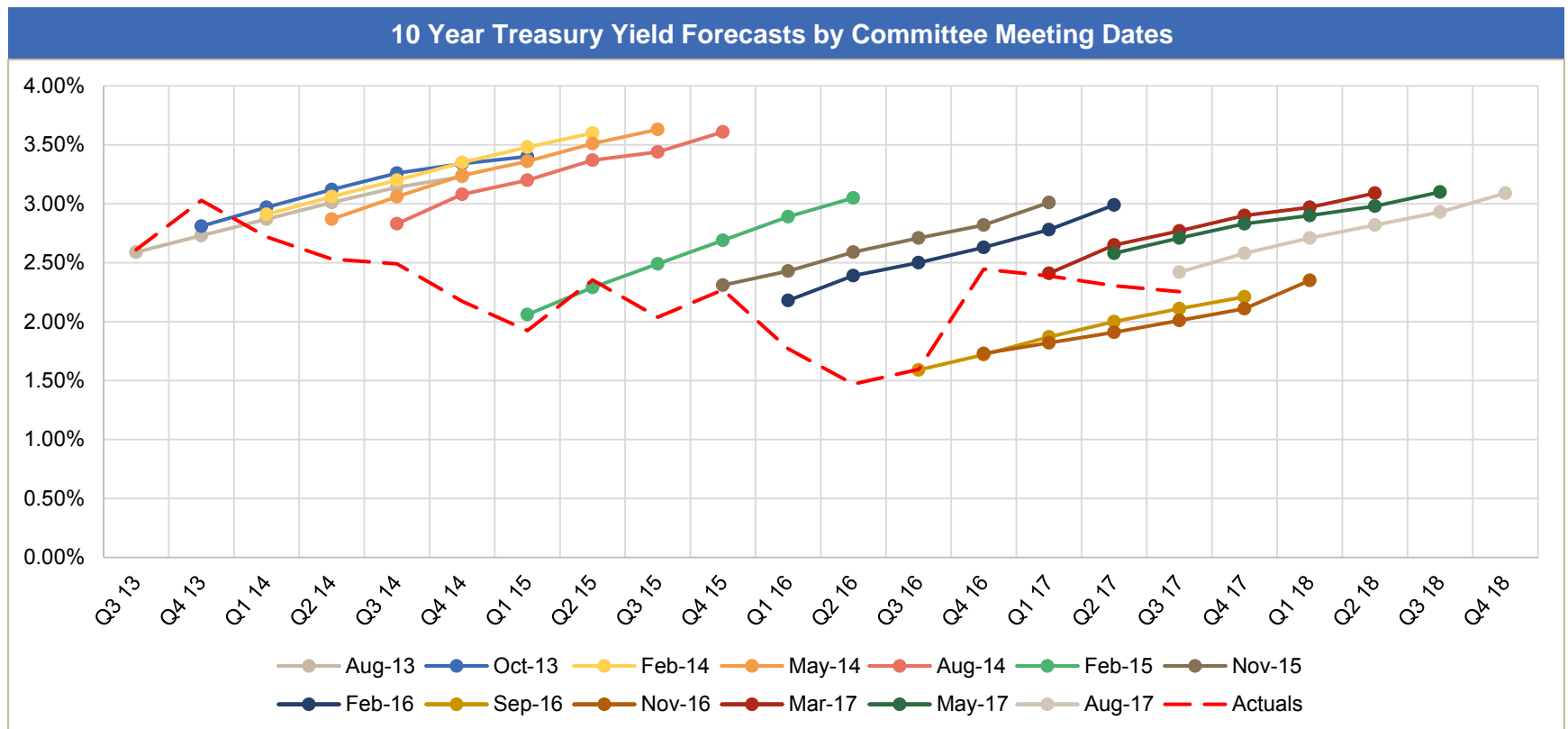


Source: Bloomberg



## 10 Year Treasury Yield

- Each line in the graph below represents the 10 year treasury forecasts from historical finance committee meeting dates
- The data shows that the street has continually projected modest increases in the 10 year rate while the actual rate fluctuated, even edging lower

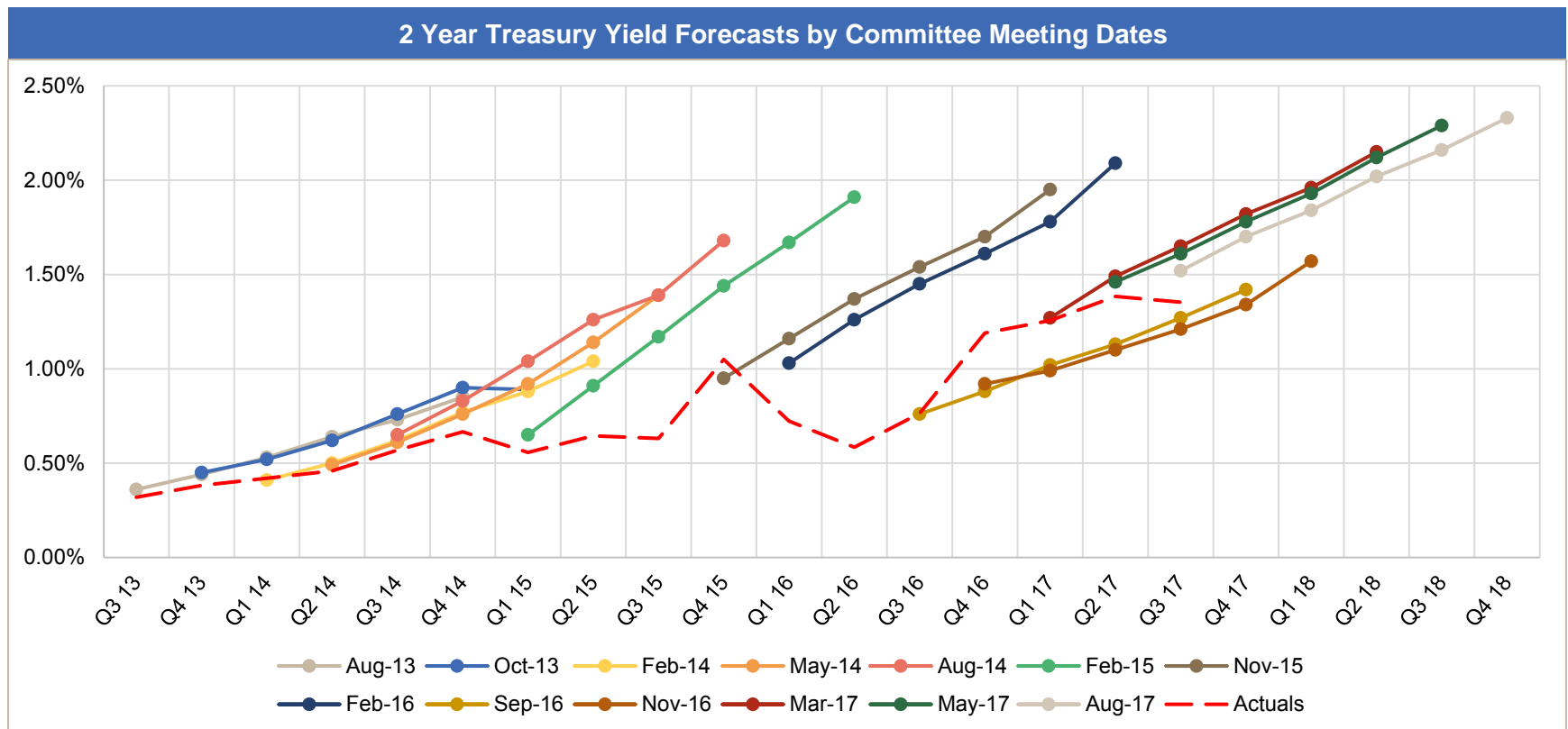


Source: Bloomberg



## 2 Year Treasury Yield

- Each line in the graph below represents the 2 year treasury forecasts from historical finance committee meeting dates
- The data shows that the street has continually projected steep increases in the 2 year rate, generally in line with the longer term look, yet failed to account for declining rates

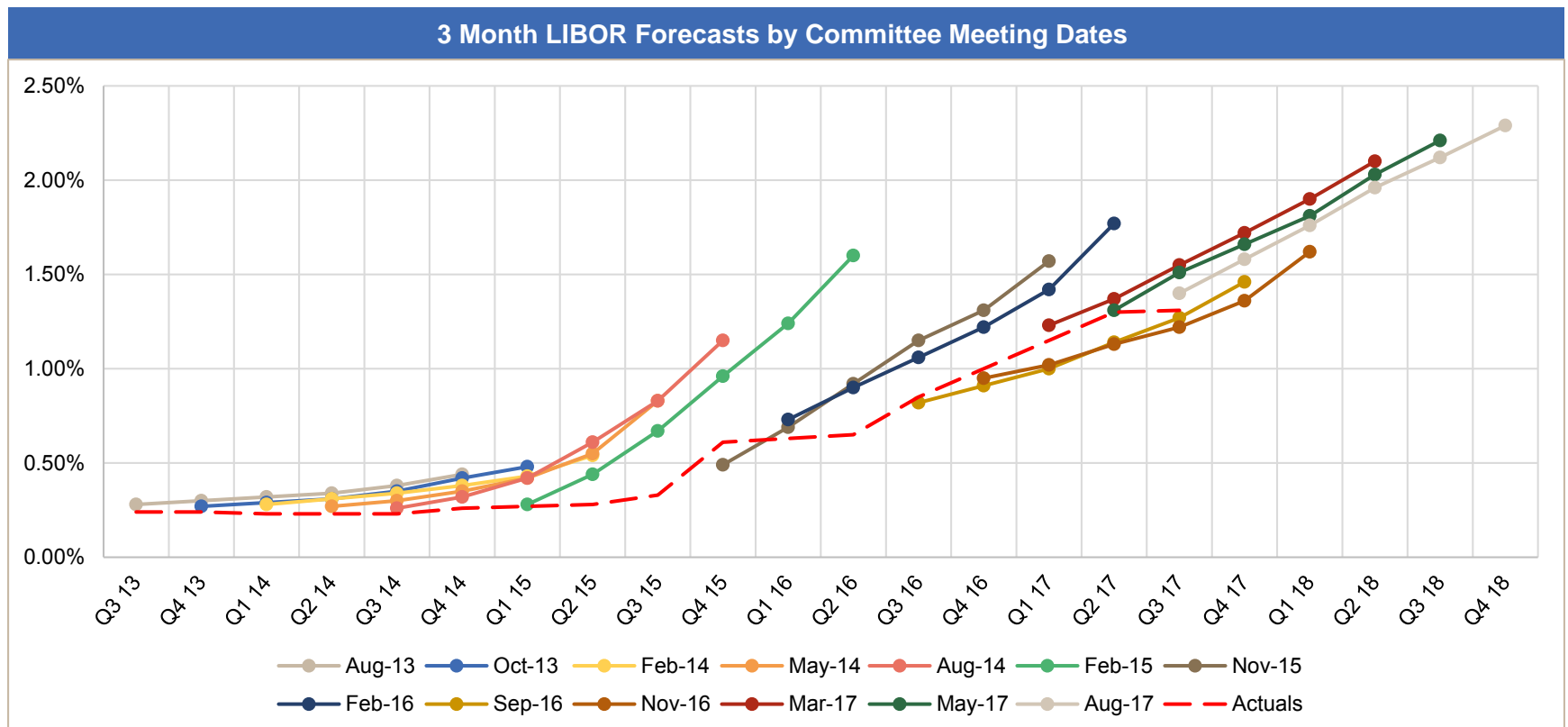


Source: Bloomberg



## 3 Month LIBOR

- Each line in the graph below represents the 3 Month LIBOR forecasts from historical finance committee meeting dates
- The data below shows that the street began to project steep increases in LIBOR beginning in late 2014-early 2015, generally in line with the actual rate progression

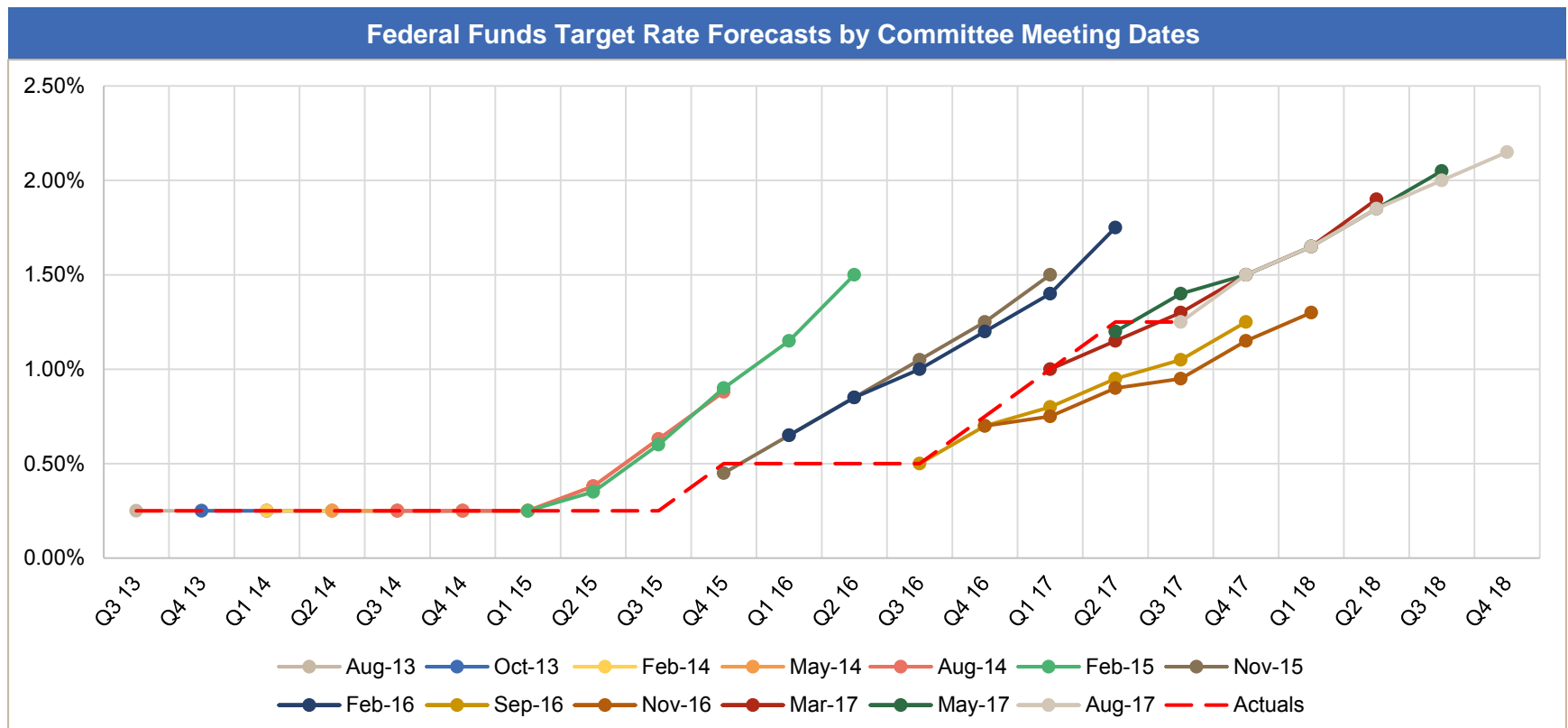


Source: Bloomberg



## Federal Funds Target Rate

- Each line in the graph below represents the Federal Funds Target Rate forecasts from historical finance committee meeting dates
- The data shows that the street began to project the fed to start increasing rates in the 2<sup>nd</sup> quarter of 2015 (slightly preemptive), and has expected gradual increases from that point forward, generally in line with the actual progression



Source: Bloomberg