

Veles Water Weekly Report:

Droughts Don't Just Dry Up Water - They Drain Livelihoods

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October 2nd 2025

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VelesWater



WATER FUTURES MARKET ANALYSIS

Welcome to ***WATERTALK***

by Joshua Bell

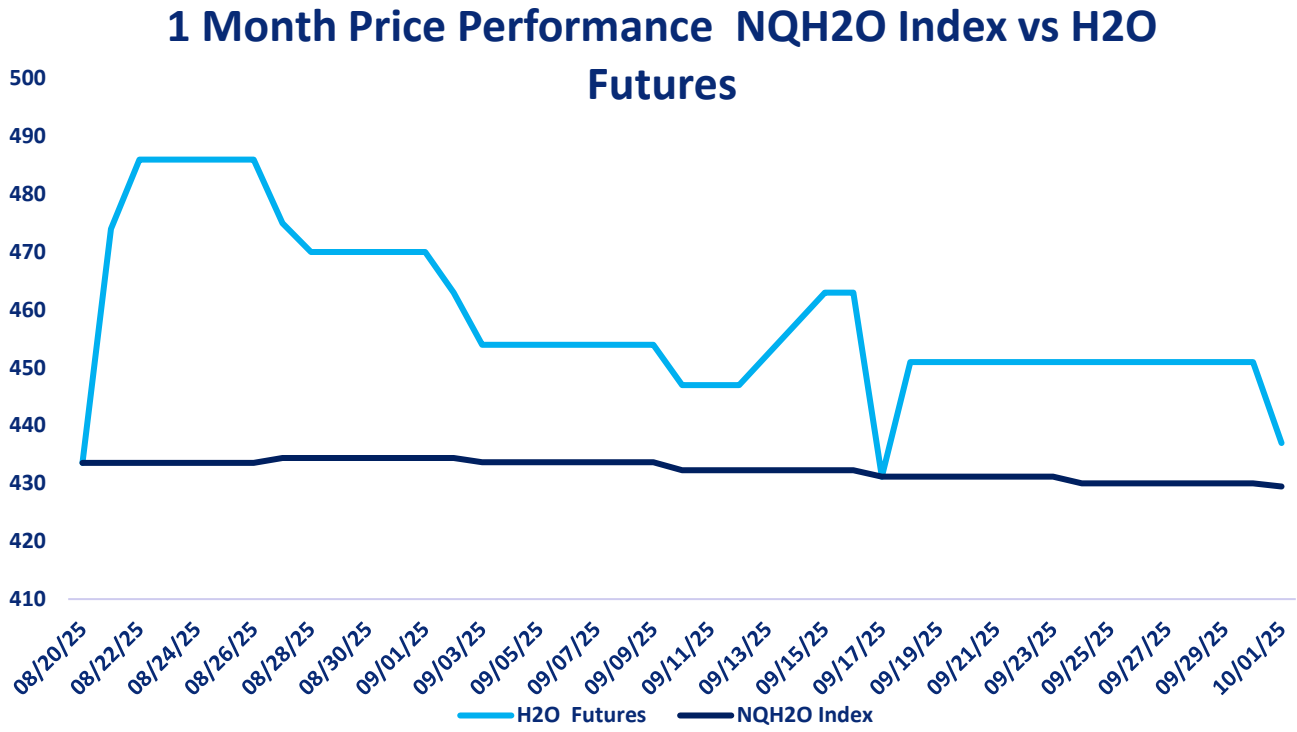
CLICK THE LINK BELOW

"A 2 minute technical analysis video of H2O futures"

<https://vimeo.com/1123795843?share=copy>



NQH2O™ INDEX PRICE vs H2O FUTURES PRICE



Price Chart Based upon Daily Close

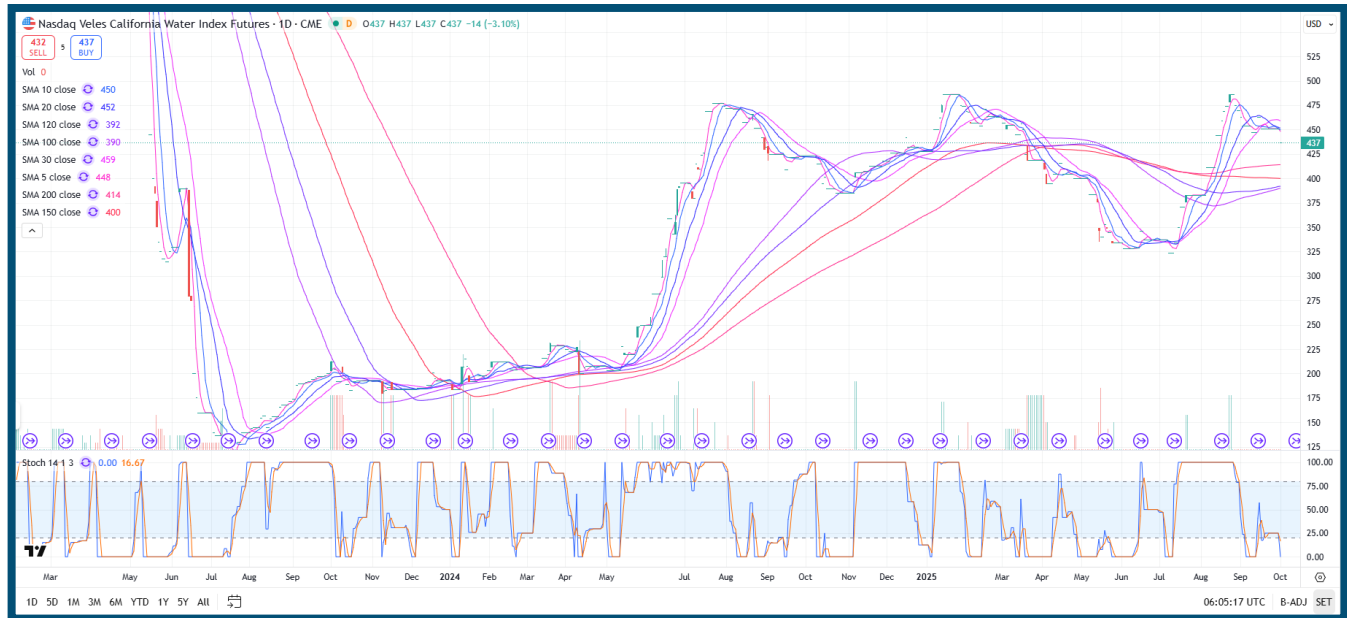
The new NQH2O index level of \$429.47 was published on October 1st, down \$0.55 or 0.13% from the previous week. The October contract is considered the front month. The futures prices closed at a premium of \$7.53 to \$20.98 versus the index over the past week.

Below are the bid offer prices on different expiries being quoted in the market.

Oct 25	432@437
Nov 25	442@467
Dec 25	439@469
June 26	520@570



H2O FUTURES TECHNICAL REPORT



Trend Overview

Current Price: 437 (▼ -3.10%)

Momentum: The uptrend has stalled and reversed. Today's strong red candle and rejection at the short-term SMAs suggests bearish momentum is building.

Moving Averages

Short-Term (SMA 5–30)

- SMA 5: 448
- SMA 10: 450
- SMA 20: 452
- SMA 30: 459

Analysis:

- All short-term SMAs are now *above* the current price and *curling downward*, indicating a short-term downtrend.
- The 5-day SMA has crossed below the 10-day and is leading the decline.
- The cluster between 448 and 459 forms a strong short-term resistance zone.
- Price is decisively below all short-term SMAs, confirming bearish short-term structure.

Long-Term (SMA 100–200)

- SMA 100: 390



VELES WATER WEEKLY REPORT

- SMA 120: 392
- SMA 150: 400
- SMA 200: 414

Analysis:

These longer-term SMAs are still sloping upward, signalling the longer-term uptrend remains intact.

Price is currently hovering above the 150-day and 200-day SMAs, which act as key medium-term support.

However, the proximity of current price to the 200-day SMA should be watched carefully. A close below 414 would represent a meaningful structural breakdown.

Stochastic Oscillator

- %K: 0.00
- %D: 16.67

Analysis:

- The oscillator has moved into oversold territory.
- %K is well below %D, suggesting bearish momentum is dominant but may soon be exhausted.
- This setup implies that while sellers are currently in control, we could see a short-term relief bounce if oversold conditions persist.

Resistance & Support Levels

Resistance Zones

- 448–459: Cluster of SMAs (5 through 30), strong near-term resistance.
- 475: Recent swing high and psychological barrier.
- 500: Major round number resistance, longer-term target for bulls.

Support Zones

- 414–400: The 200-day and 150-day SMAs form the critical support zone. A breach here would signal potential medium-term trend reversal.
- 390–392: The 100/120-day SMAs provide deeper support and represent a key trend-defining floor.

Summary

The Nasdaq Veles California Water Index Futures are undergoing a short-term correction after a strong rally that peaked near 475. The price has now broken below all short-term SMAs and closed the session at 437 with a sharp 3.10% decline.

VELES WATER WEEKLY REPORT



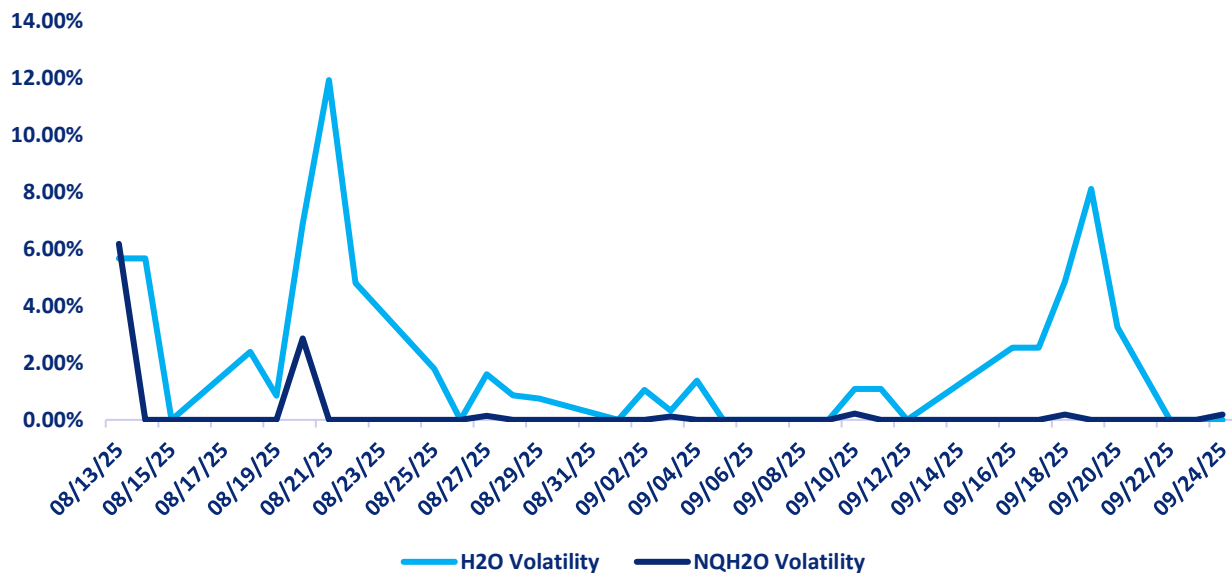
While short-term signals are clearly bearish, long-term structure remains intact with the 100–200 SMAs still rising. The Stochastic Oscillator suggests oversold conditions, which could lead to a relief rally, but confirmation is needed.

If price holds above the 414–400 zone, bulls may look to reassert control. However, a breakdown below 390 would mark a more serious structural change and could target the 350 range next.



H2O FUTURES AND NQH2O INDEX VOLATILITY ANALYSIS

Daily H2O Futures Volatility vs Daily NQH2O Index Volatility



DAILY VOLATILITY

Over the last week the October contract daily future volatility has been 2.20%.

ASSET	1 YEAR (%)	2 MONTH (%)	1 MONTH (%)	1 WEEK (%)
NQH2O INDEX	19.53%	8.86%	0.16%	0.14%
H2O FUTURES	N/A	14.07%	9.71%	4.60%

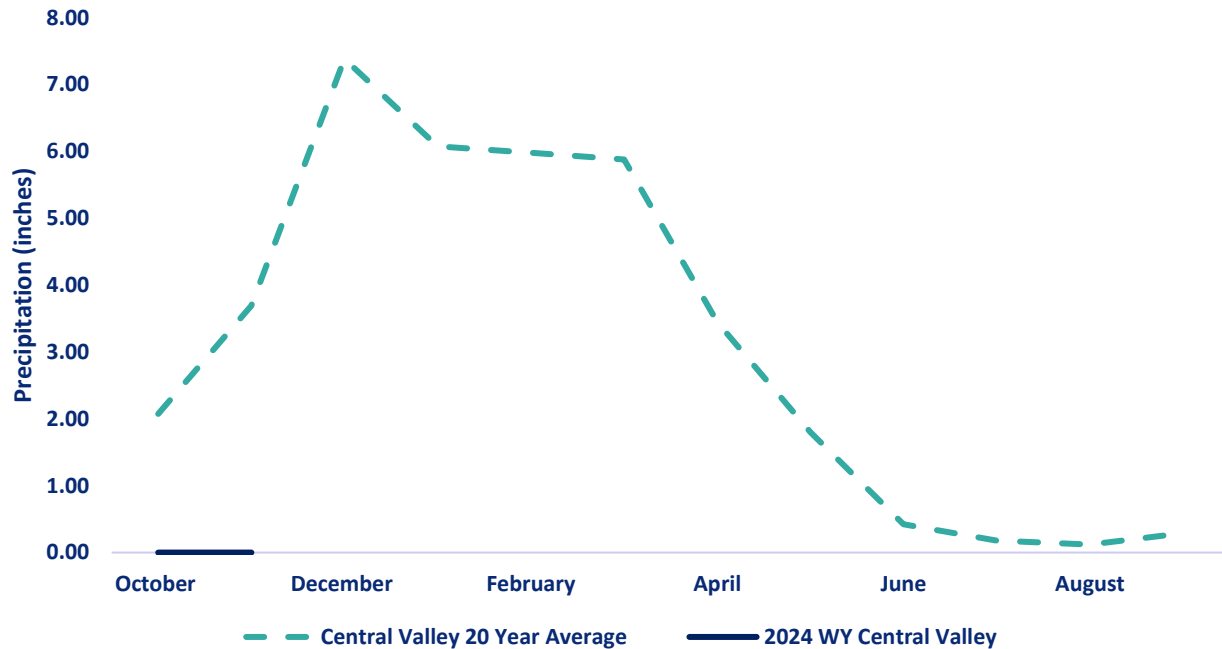
For the week ending on October 1st, the two-month futures volatility is at a premium of 5.21% to the index, down 0.06% from the previous week. The one-month futures volatility is at a premium of 9.56% to the index, down 0.1%. The one-week futures volatility is at a premium of 4.47% to the index volatility.

*The above prices are all **HISTORIC VOLATILITIES**. All readings refer to closing prices as quoted by CME.*



CENTRAL VALLEY PRECIPITATION REPORT

Central Valley Precipitation Index



Central Valley average is calculated using data from 19 weather stations in Central Valley, California.
Data as of 01/10/2025

STATION	MTD (INCHES)	WEEK ON WEEK CHANGE (INCHES)	% OF 20 YEAR AVERAGE MTD	2026 WYTD VS 2025 WYTD %	2026 WY VS 20 YEAR AVERAGE TO DATE %
SAN JOAQUIN 5 STATION (5SI)	0	0	0.00	0	0
TULARE 6 STATION (6SI)	0	0	0.00	0	0
NORTHERN SIERRA 8 STATION (8SI)	0	0	0.00	0	0
CENTRAL VALLEY AVERAGE	0.00	0.00	0.00	0	0

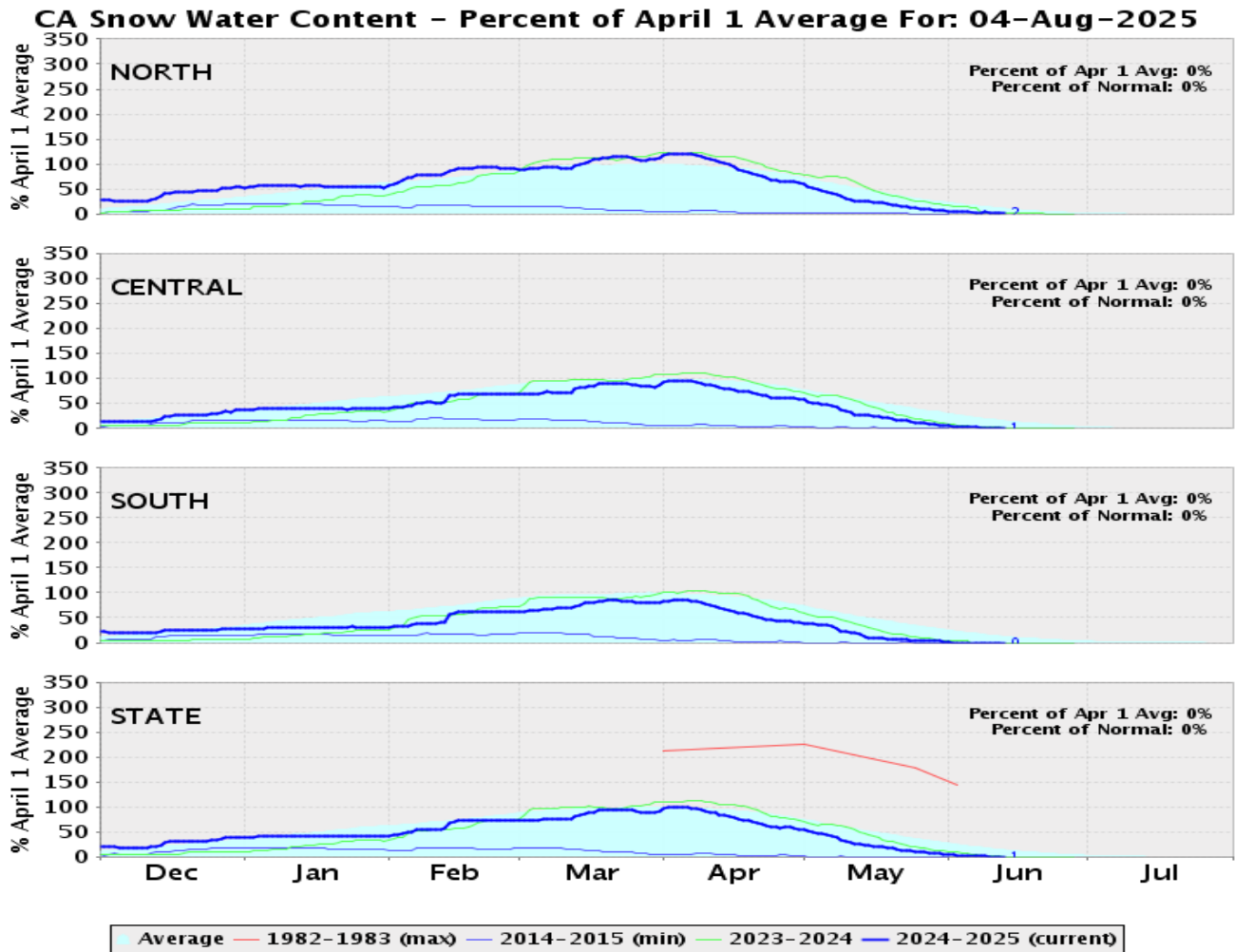
RESERVOIR STORAGE

RESERVOIR	STORAGE (AF)	% CAPACITY	LAST YEAR % CAPACITY	*% HISTORICAL AVERAGE
TRINITY LAKE	1,855,054	76	71	122
SHASTA LAKE	2,717,765	60	62	105
LAKE OROVILLE	2,157,776	63	58	110
SAN LUIS RES	1,005,674	49	51	119

*% Historical Average is based on a daily average that is interpolated from historical monthly averages. The monthly averages are computed using monthly data from water year 1991 to 2024. The monthly averages are updated every 5 years using a sliding 30 year period.
[Reference: California Water Data Exchange](https://www.waterdataexchange.com/)



SNOWPACK WATER CONTENT



REGION	*SNOWPACK WATER EQUIVALENT (INCHES)	WEEK ON WEEK CHANGE (INCHES)	% OF AVERAGE LAST YEAR	% OF 20 YEAR HISTORICAL AVERAGE	% OF HISTORICAL **APRIL 1ST BENCHMARK
NORTHERN SIERRA	0	0	0	0	0
CENTRAL SIERRA	0	0	0	0	0
SOUTHERN SIERRA	0	0	0	0	0
STATEWIDE	0	0	0	0	0

*Snow Water Equivalent, or SWE, is a commonly used measurement used by hydrologists and water managers to gauge the amount of liquid water contained within the snowpack. In other words, it is the amount of water that will be released from the snowpack when it melts. SWE has regional variance.

** April 1st is used as the benchmark as it when the snowpack in California is generally deepest. It has been used the benchmark date since 1941 by DWR and can be used to predict spring river flow.



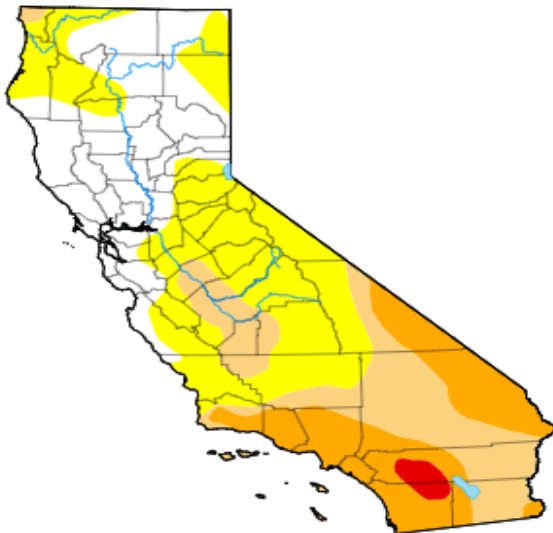
DROUGHT MONITOR

California

[Home](#) / California

Map released: Thurs. September 25, 2025

Data valid: September 23, 2025 at 8 a.m. EDT



Intensity

- None
- D0 (Abnormally Dry)
- D1 (Moderate Drought)
- D2 (Severe Drought)
- D3 (Extreme Drought)
- D4 (Exceptional Drought)
- No Data

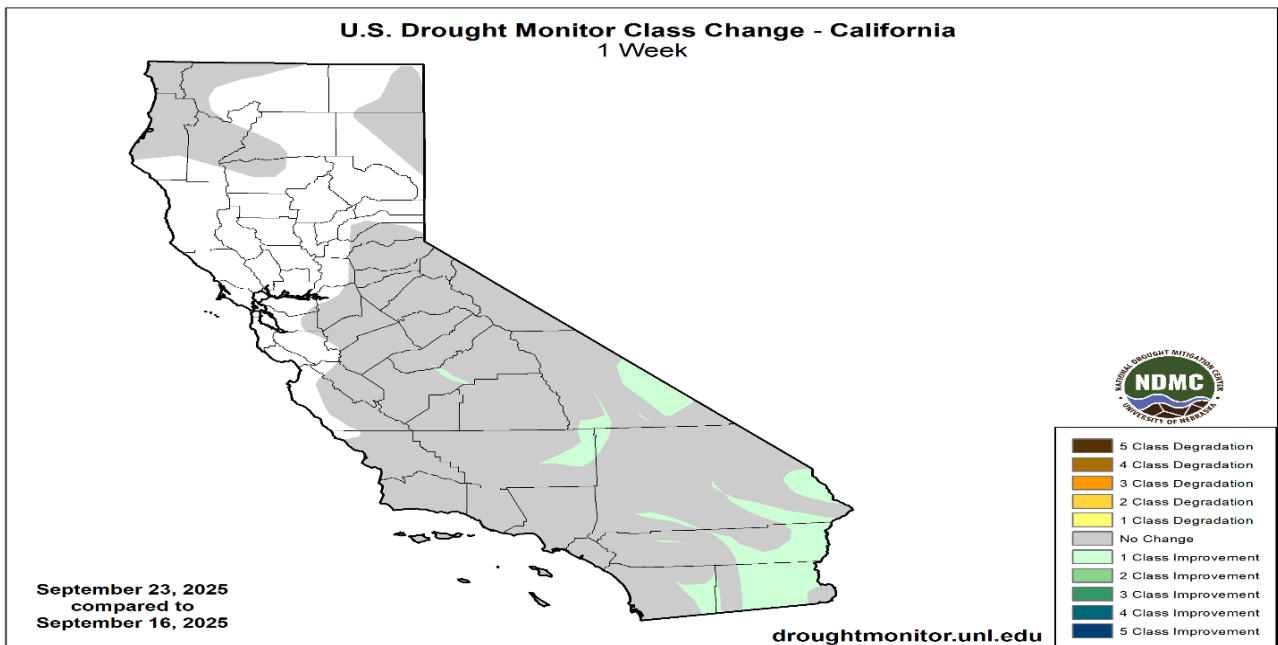
Authors

United States and Puerto Rico Author(s):

[Brad Rippey](#), U.S. Department of Agriculture

Pacific Islands and Virgin Islands Author(s):

[Tsegaye Tadesse](#), National Drought Mitigation Center



Week	Date	None	D0-D4	D1-D4	D2-D4	D3-D4	D4	DSCI
Current	2025-09-23	26.78	73.22	38.52	18.85	1.25	0.00	132
Last Week to Current	2025-09-16	26.78	73.22	39.56	23.00	3.49	0.00	139
3 Months Ago to Current	2025-06-24	32.17	67.83	39.29	22.98	5.91	0.10	136
Start of Calendar Year to Current	2024-12-31	40.90	59.10	31.52	5.70	1.06	0.00	97
Start of Water Year to Current	2024-10-01	28.40	71.60	10.67	0.08	0.00	0.00	82
One Year Ago to Current	2024-09-24	28.59	71.41	10.67	0.08	0.00	0.00	82

The U.S. Drought Monitor is jointly produced by the National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration. Map courtesy of NDMC.



CURRENT SATELLITE IMAGERY

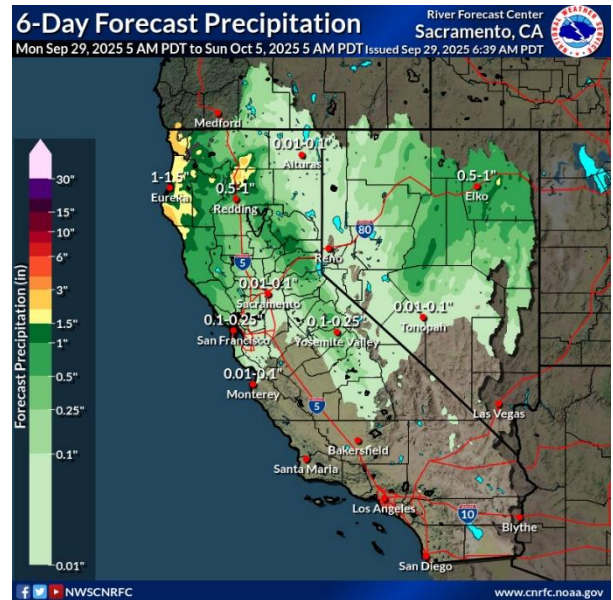
The satellite picture shows a mostly clear continental US with some cloud cover pushing down from Canada in the Midwest. The big action is offshore low-pressure systems on both the west and east coast. The west coast will have wet cold and windy weather till the weekend while the 2 offshore lows in the Atlantic are causing rain along the southeast coast line and Southern Florida has some stormy weather.



10 Day Outlook

In between these lows offshore, high pressure will build and shift towards the coast the rest of the work week as the southwest low hovers near Baja. By Friday afternoon, the ridge will be firmly overhead with 500 mb heights exceeding 590 dm. This will keep dry conditions over the region and bring well above normal (+10 to +20 deg F) afternoon temperatures. Overnight lows will also be well above normal by similar amounts through Saturday. Many locations across CA are already under heat related products (please see local WFO pages for heat risk/alert information). Into Sunday, a trough will move through the PacNW as the ridge shifts further inland. Troughing will dig into nrn CA/NV as well while the low offshore of Baja finally begins to move inland. This will provide some relief across the region with coastal areas back to near/below normal and afternoon temperature anomalies inland down to about +5 to +15 deg F.

Map Ref: Zoom Earth



Reference: National Weather Service / California Nevada RFC / Sacramento CA



WESTERN WEATHER DISCUSSION

Worsening drought in parts of the Northwest contrasted with locally heavy showers farther south. In the Southwest, those showers led to targeted drought improvement, but also resulted in spotty flash flooding in some of the nation's driest locations, including Death Valley, California. Farther north, the U.S. Department of Agriculture reported that statewide topsoil moisture (on September 21) was rated 92% very short to short in Washington, along with 80% in Oregon. Winter wheat planting has been advancing quickly in Washington and was 58% complete by September 21. Any fall-sown Northwestern crops will soon need moisture for proper autumn establishment. Currently, at least 45% of the rangeland and pastures in all Northwestern States were rated very poor to poor, led by Montana (61%).

Reference:

Lindsay Johnson, National Drought Mitigation Center
Richard Tinker, NOAA/NWS/NCEP/CPC



WATER NEWS

CALIFORNIA WATER NEWS

California Water Service Group reports Q2 2025 results: \$119M in infrastructure spending

Author: Company press release

Source: California Water Service Group

Date: 2025-07-31

URL: <https://www.calwatergroup.com/news/press-releases/detail/699/california-water-service-group-reports-second-quarter-2025-results>

Summary: California Water Service Group reported net income of \$42 million in Q2, with revenues of \$265 million. The utility spent \$119 million on infrastructure in the quarter and nearly \$230 million year-to-date, focusing on system resilience and compliance with state mandates.

The strong capital investment signals reliance on debt markets and regulatory mechanisms for recovery. Investors view the utility as a bellwether for how regulators handle cost pass-through in a hotter, drier climate.

California American Water files rate request driven by \$750M infrastructure upgrades

Author: Evan Jacobs

Source: American Water California

Date: 2025-07-01

URL: <https://ir.amwater.com/news-and-events/financial-releases/financial-release-details/2025/California-American-Water-Files-Rate-Request-Driven-by-Approximately-750-Million-in-Infrastructure-Improvements/default.aspx>

Summary: California American Water filed a rate request to support \$750 million of planned system improvements. Projects include replacing old mains, adding advanced treatment, and improving drought resilience. The request highlights the scale of investment needed to modernize water networks.

If approved, the plan will raise customer rates but lower long-term risks of system failure. It also positions the company as a key player in California's transition to more resilient and efficient water systems.

Fitch affirms Los Angeles Dept. of Water & Power water revenue bonds at AA, outlook stable

Author: Fitch Ratings staff

Source: Fitch Ratings



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Date: 2025-09-26

URL: <https://www.fitchratings.com/research/us-public-finance/fitch-affirms-los-angeles-dept-of-water-power-ca-water-revs-at-aa-outlook-stable-26-09-2025>

Summary: Fitch Ratings affirmed LADWP's water revenue bonds at AA with a stable outlook, citing strong liquidity and reliable revenue performance. The rating supports LADWP's capacity to fund capital-intensive drought resilience projects.

For bondholders, the affirmation signals continued security in essential-service debt. For ratepayers, it means access to capital at relatively low cost despite significant infrastructure demands.

City staff deflect blame away from Pure Water ahead of San Diego's rate vote

Author: MacKenzie Elmer

Source: Voice of San Diego

Date: 2025-09-24

URL: <https://voiceofsandiego.org/2025/09/24/city-staff-deflect-blame-away-from-pure-water-before-san-diegos-big-water-rate-vote/>

Summary: San Diego staff emphasized that higher rates are not solely due to the Pure Water project. Imported water costs and inflation also play a role in rising bills. Pure Water is projected to provide nearly half of San Diego's supply by 2035.

For customers, this debate highlights the trade-off between near-term affordability and long-term resilience. For markets, the project is a case study in financing large-scale reuse infrastructure.

State Water Board provides \$2B to advance California's water infrastructure

Author: State Water Resources Control Board press office

Source: California State Water Resources Control Board

Date: 2025-09-16

URL: https://www.waterboards.ca.gov/press_room/press_releases/2025/pr20250915-california-water-infrastructure-fundng.html

Summary: The State Water Board detailed \$2 billion in funding approvals for water and wastewater projects. The program targets both urban systems and disadvantaged communities, blending federal and state sources.

For investors, the consistent funding pipeline reduces risk and supports long-term bond issuance. For utilities, it offers lower-cost borrowing compared to traditional market financing.



US WATER NEWS

Federal Water Tap: Judge allows Flint residents' lawsuit against EPA; Delaware River standards finalized

Author: Brett Walton

Source: Circle of Blue

Date: 2025-09-29

URL: <https://www.circleofblue.org/newsletter/federal-water-tap-september-29-2025-federal-judge-allows-flint-residents-to-continue-lawsuit-against-epa/>

Summary: A federal judge allowed Flint residents' lawsuit against the EPA to continue, holding the agency accountable for oversight failures. Meanwhile, EPA finalized new Delaware River standards that will impact utilities in major urban areas.

These developments highlight the ongoing regulatory and legal exposure for water utilities. Compliance costs will likely require capital investment and affect future rate structures.

USDA outlines plan to rebuild drought-depleted beef herd without direct payments

Author: Leah Douglas

Source: Reuters

Date: 2025-09-25

URL: <https://www.reuters.com/world/us/usda-plan-rebuild-beef-herd-will-not-include-producer-payments-says-farm-2025-09-25/>

Summary: USDA announced a plan to rebuild cattle herds reduced by drought without issuing direct producer payments. Instead, the focus will be on grazing access and risk tools. The strategy aims to rebuild the herd without distorting markets.

This approach keeps prices high for beef, reflecting the continuing impact of water scarcity on agriculture and food markets. It also highlights how drought influences both supply and rural credit markets.

Kapalua golf courses close as Maui drought tightens irrigation restrictions

Author: Doug Ferguson

Source: Associated Press

Date: 2025-09-16

URL: <https://apnews.com/article/kapalua-pga-tour-water-dispute-sentry-322ad0765afd574fe57457c9842830ce>

Summary: Maui's Kapalua golf courses were forced to close due to irrigation bans amid worsening drought. The PGA Tour moved its season opener, citing water restrictions as a key factor.



VELES WATER WEEKLY REPORT

The closures impact tourism revenue, employment, and sponsorships. They demonstrate how water scarcity can cause immediate economic disruption.

Kentucky opens call for SRF water project proposals

Author: Kentucky Infrastructure Authority

Source: Kentucky Infrastructure Authority

Date: 2025-09-25

URL: https://kia.ky.gov/Documents/KY_SRF_Call_For_Projects_FY2027.pdf

Summary: Kentucky invited proposals for its FY2027 SRF funding. The program will evaluate projects based on health and environmental benefits.

For utilities, this call shapes the future project pipeline. For bond markets, it signals expected issuance as projects progress through approval.

Watertown voters approve \$30M bond to pay sewer debt to Waterbury

Author: Steve Bigham

Source: CT Insider

Date: 2025-09-16

URL: <https://www.ctinsider.com/waterbury/article/watertown-water-sewer-dispute-waterbury-bond-vote-21050966.php>

Summary: Watertown voters approved a \$30 million bond to settle debt owed to Waterbury. The financing replaces punitive interest with structured market-rate borrowing.

The settlement stabilizes Watertown's finances and allows repayment through utility surcharges. For bond investors, the essential-service backing reduces credit risk.

Louisville Water Company issues \$233M in bonds

Author: Louisville Water Company press office

Source: Louisville Water Company

Date: 2025-08-21

URL: <https://louisvillewater.com/news/louisville-water-company-issues-233-million-in-bonds/>

Summary: Louisville Water Company issued \$233 million in bonds to modernize drinking water infrastructure. The deal was supported by AAA ratings from Moody's and S&P.

The bond sale ensures capital for multi-year projects while keeping borrowing costs low. It highlights continued demand for essential-service debt in the muni market.



GLOBAL WATER NEWS

EU watchdog warns climate and pollution are straining water and resources

Author: Kate Abnett

Source: Reuters

Date: 2025-09-29

URL: <https://www.reuters.com/sustainability/climate-energy/climate-change-pollution-threaten-europes-resources-eu-warns-2025-09-29/>

Summary: The European Environment Agency reported that climate change and pollution are undermining Europe's natural resource base. Water stress is worsening across agriculture, industry, and energy systems.

The findings emphasize economic risks such as reduced crop yields, power generation challenges, and higher transport costs. Investors may expect stricter regulation and higher adaptation spending.

Germany pledges €13B in climate finance, including drought and flood adaptation

Author: Riham Alkousaa

Source: Reuters

Date: 2025-09-29

URL: <https://www.reuters.com/sustainability/cop/germany-provides-nearly-14-billion-climate-financing-2024-2025-09-29/>

Summary: Germany announced nearly €13 billion in climate financing for 2024–25, including funds for drought and flood adaptation. The money will support both domestic and international projects.

The commitment reflects Europe's recognition of water-related climate risks. It is expected to catalyze further MDB and private financing.

Thames Gateway desalination plant has produced only seven days of water in 15 years

Author: Jasper Jolly

Source: The Guardian

Date: 2025-09-26

URL: <https://www.theguardian.com/business/2025/sep/26/500m-thames-water-desalination-plant-has-provided-just-seven-days-water-over-15-years>

Summary: London's Thames Gateway desalination plant has produced just seven days of supply in 15 years, despite costing more than £500 million. Debt servicing and upkeep dominate operating expenses.

The case highlights the risks of poorly utilized mega-projects. It raises concerns for investors and regulators about cost recovery and project oversight.



World Bank approves \$40M WASH project for Sierra Leone

Author: World Bank press office

Source: World Bank

Date: 2025-09-25

URL: <https://www.worldbank.org/en/news/press-release/2025/09/25/new-world-bank-project-to-deliver-clean-water-and-sanitation-to-five-million-sierra-leoneans>

Summary: The World Bank approved \$40 million in funding for Sierra Leone to expand access to clean water and sanitation. The project is the first phase of a \$180 million program.

The initiative highlights MDB commitment to water resilience. It aims to improve health outcomes and attract additional blended-finance partners.

European farmers face mounting drought losses; inland shipping and energy also hit

Author: Philip Oltermann

Source: The Guardian

Date: 2025-09-28

URL: <https://www.theguardian.com/environment/2025/sep/28/i-couldnt-look-european-farmers-on-losing-crops-as-the-industry-collides-with-worsening-drought>

Summary: Farmers across Europe are facing drought losses of up to 75% in some regions. Many are delaying investment and struggling with debt. Low river levels are disrupting Rhine shipping and raising commodity costs.

The drought also hampers hydropower output and thermal power plant cooling. This amplifies economic shocks across agriculture, energy, and transport sectors.

The Stream: Study pegs European drought costs at \$15B annually if warming persists

Author: Brett Walton

Source: Circle of Blue

Date: 2025-09-30

URL: <https://www.circleofblue.org/newsletter/the-stream-september-30-2025-drought-could-cost-europes-farmers-15-billion-annually-if-global-heating-persists/>

Summary: A new study projects European agriculture will lose \$15 billion annually if drought intensifies with global warming. Irrigation and pumping costs are expected to rise significantly.

The report suggests that drought is now a structural economic challenge, not an isolated event. Sovereigns and utilities may face higher borrowing costs as markets price in water risk.



VELES WATER WEEKLY REPORT

Letter: Wetlands and other ecosystems are investable public assets too

Author: Erik Berglof

Source: Financial Times

Date: 2025-09-23

URL: <https://www.ft.com/content/a7f622de-e449-4724-bdcb-c055505e3910>

Summary: Erik Berglof argues that wetlands and natural systems should be treated as investable assets. He advocates for resilience-linked bonds, debt-for-nature swaps, and biodiversity credits.

This approach reframes ecosystems as infrastructure, making them eligible for mainstream finance. It signals a shift in how capital markets may assess and value water-related assets.

Global water resources under strain, WMO finds

Author: Eco-Business staff

Source: Eco-Business

Date: 2025-09-24

URL: <https://www.eco-business.com/news/global-water-resources-under-strain-wmo-finds-as-extremes-of-scarcity-and-deluge-deepen/>

Summary: The World Meteorological Organization warned that extremes of drought and flood are intensifying worldwide. Billions of people face greater water risk, straining infrastructure and resilience.

For investors, the report highlights systemic risks across sectors reliant on water. It underscores the urgency of adaptation finance and resilient water infrastructure.

Mounting water scarcity: A complex challenge requiring nuanced solutions

Author: Peter Greve

Source: Open Access Government

Date: 2025-09-29

URL: <https://www.openaccessgovernment.org/article/mounting-water-scarcity-a-complex-challenge-requiring-nuanced-solutions/>

Summary: Peter Greve outlines the growing challenge of water scarcity and calls for coordinated solutions. He emphasizes investment in storage, demand management, and institutional reform.

The article reinforces the idea that water scarcity is both a scientific and financial challenge. Failure to act could increase volatility in food, energy, and credit markets.

Global drought escalation since 2014: Insights for resilience and water security

Author: Qianqian Han, Yijian Zeng, Bob Su

Source: arXiv (preprint)



VELES WATER WEEKLY REPORT

Date: 2025-09-24

URL: <https://arxiv.org/abs/2509.20195>

Summary: A new preprint finds droughts have grown more severe and widespread since 2014. The paper uses multivariate analysis to show escalating risks in regions not previously vulnerable.

The findings highlight the need for proactive financing of resilience measures. Markets may see new products such as drought insurance and adaptation bonds to spread risk.

Droughts don't just dry up water - they drain livelihoods

Source: Phys.org / PreventionWeb / The Conversation

Date: 2025-08-26 (published last month)

URL: <https://www.preventionweb.net/news/droughts-dont-just-dry-water-they-drain-livelihoods-and-weaken-local-economies>

Summary:

The piece explores how prolonged droughts can destabilize regional economies by putting pressure on small businesses and local banks. By analyzing bank balance sheets and loan performance, the authors show that droughts lasting two years can mimic the economic impact of a one-percentage-point increase in unemployment.

They argue that droughts strain credit, reduce demand, and increase default risk in affected regions, especially in rural or agriculture-dependent areas. Financial institutions with exposure to such local economies are more vulnerable — the drought shocks propagate from water stress into banking stability.

Nature loss could cut mining, power earnings by a quarter, Barclays finds

Author: Reuters staff

Source: Reuters

Date: 2025-09-25

URL: <https://www.reuters.com/sustainability/boards-policy-regulation/nature-loss-could-cut-mining-power-earnings-by-quarter-barclays-finds-2025-09-25/>

Summary:

Barclays conducted an exploratory stress test of mining and power companies, finding that degradation of natural systems—including water scarcity and ecosystem decline—could reduce earnings by up to 25% over five years in mining, and ~10% in power. The test links physical risks from drought, flooding, and regulation with reduced margins, higher input costs, and operational disruption.

The study underscores that nature-related risks are becoming systemic to core sectors. For water-adjacent markets, this supports the narrative that drought and ecosystem decline are materially relevant to credit risk, capital returns, and investor strategy.



Note the attachment is not an inducement to trade and Ves Water does not give advice on investments.

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