

Veles Water Weekly Report:

From Drought to Default: Why Water Risk Is Now a Financial Stability Issue

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VelesWater



WATER FUTURES MARKET ANALYSIS

Welcome to ***WATERTALK***

by Joshua Bell

CLICK THE LINK BELOW

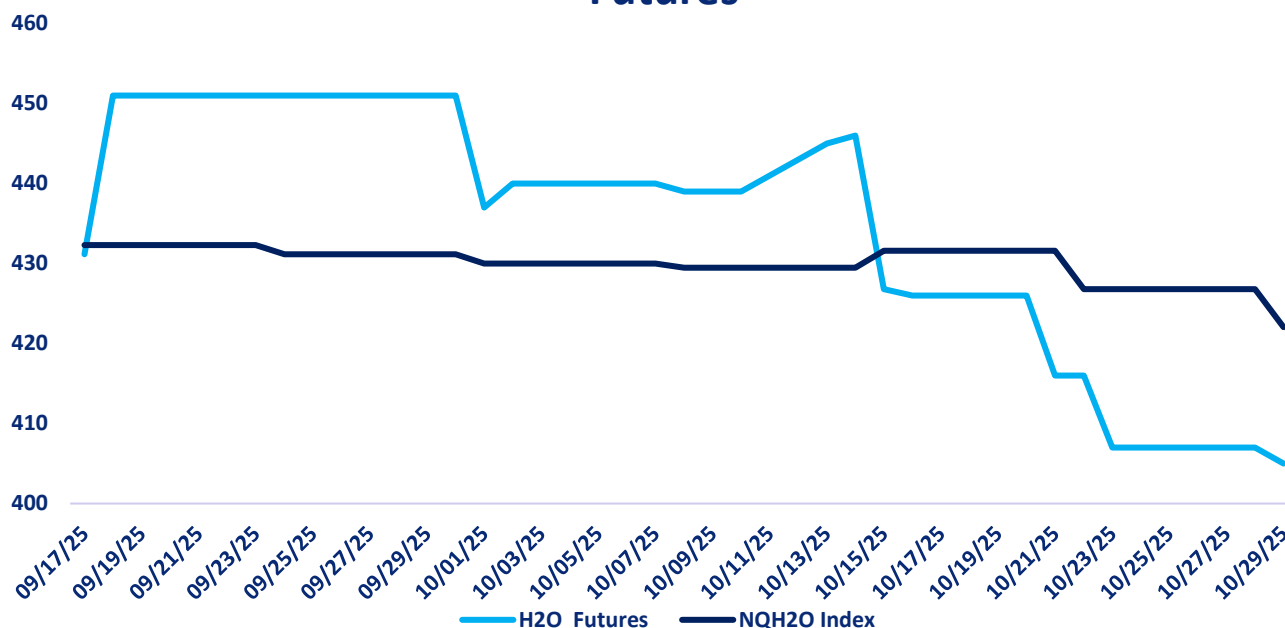
"A 2 minute technical analysis video of H2O futures"

[https://vimeo.com/1131995449?share=copy&fl=sv
&fe=ci](https://vimeo.com/1131995449?share=copy&fl=sv&fe=ci)



NQH2O™ INDEX PRICE vs H2O FUTURES PRICE

1 Month Price Performance NQH2O Index vs H2O Futures



Price Chart Based upon Daily Close

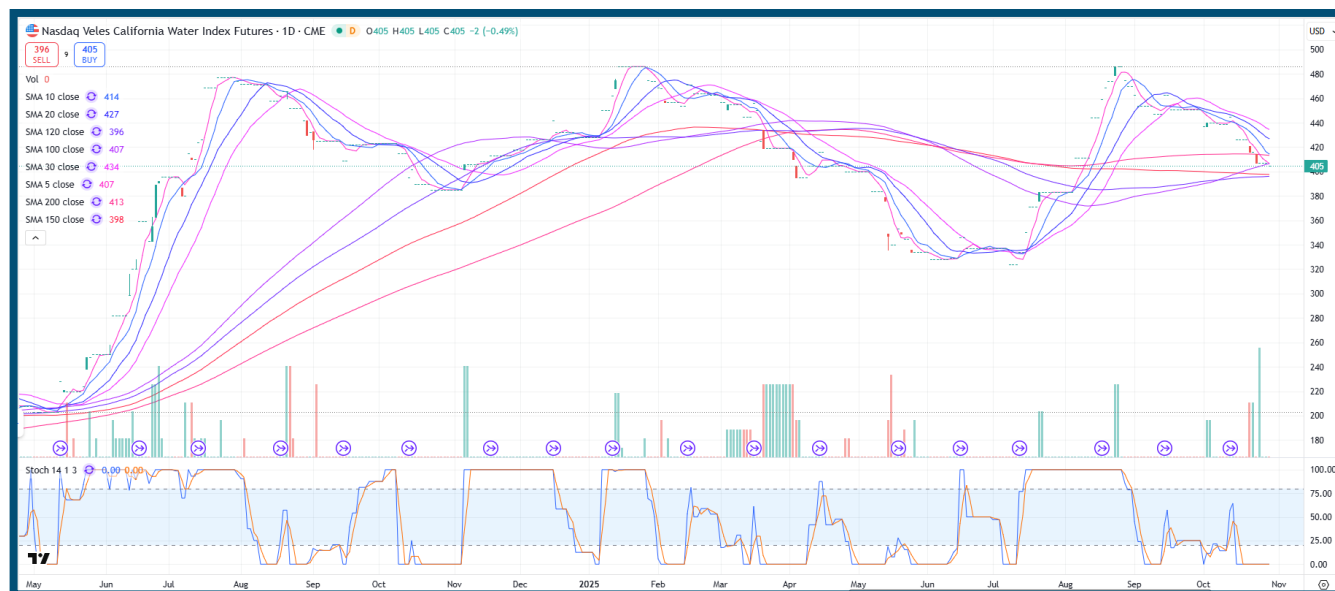
The new NQH2O index level of \$413.80 was published on October 29th, down \$8.25 or 1.95% from the previous week. The November contract is considered the front month. The futures prices closed at a discount of \$8.80 to \$15.05 versus the index over the past week.

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

Nov 25	396@406
Dec 25	372@390
June 26	460@490



H2O FUTURES TECHNICAL REPORT



Trend Overview

Current Price: 405 (▼ -0.49%)

Momentum:

The short-term rally has stalled and price has rolled over. The latest red candle reflects continued downward momentum and a break below key short-term support levels. With both %K and %D of the stochastic oscillator at 0.00, selling pressure is dominant and oversold conditions are confirmed.

Moving Averages

Short-Term (SMA 5–30)

- **SMA 5:** 407
- **SMA 10:** 414
- **SMA 20:** 427
- **SMA 30:** 434

Analysis:

- The current price is now below all short-term SMAs, a clear bearish signal.
- The 5-day and 10-day SMAs are starting to curl downward, suggesting that short-term sellers are gaining control.
- The 20-day and 30-day SMAs have formed a strong resistance cluster between 427–434.
- The price's failure to reclaim the 5 or 10 SMA reinforces the weakness in short-term trend structure.



Long-Term (SMA 100–200)

- **SMA 100:** 407
- **SMA 120:** 396
- **SMA 150:** 398
- **SMA 200:** 413

Analysis:

- The 100-day SMA is currently being tested, with the price hovering around this level.
- The 120 and 150 SMAs are still rising slightly, indicating that medium-term trend structure is intact but weakening.
- The 200-day SMA (413) is now acting as a resistance ceiling, with price closing firmly beneath it.
- If the price fails to reclaim 413, the long-term uptrend will come under pressure.

Stochastic Oscillator

- **%K:** 0.00
- **%D:** 0.00

Analysis:

- Both %K and %D are at zero, indicating extreme oversold conditions.
- This suggests the possibility of a short-term bounce, but such a move would need confirmation from price reclaiming short-term SMAs.
- Current configuration reflects maximum downside momentum, which is unsustainable without a relief rally or consolidation.

Resistance & Support Levels

Resistance Zones

- 407–414: The 5/10/100/200 SMAs all reside here—this is now strong multi-SMA resistance.
- 427–434: The 20/30-day SMA cluster forms secondary resistance, likely capping any short-term rally.

Support Zones

- 396–398: The 120-day and 150-day SMAs converge here. This is the next major support and must hold to avoid a steeper decline.
- 380 (historical): Previous swing low and psychological level, below here, structural damage becomes severe.



Summary

The Nasdaq Veles California Water Index Futures have decisively broken below the 5, 10, 20, 30, 100, and 200-day SMAs, closing at 405. With the stochastic oscillator at zero, the market is oversold, but no bounce has materialised yet.

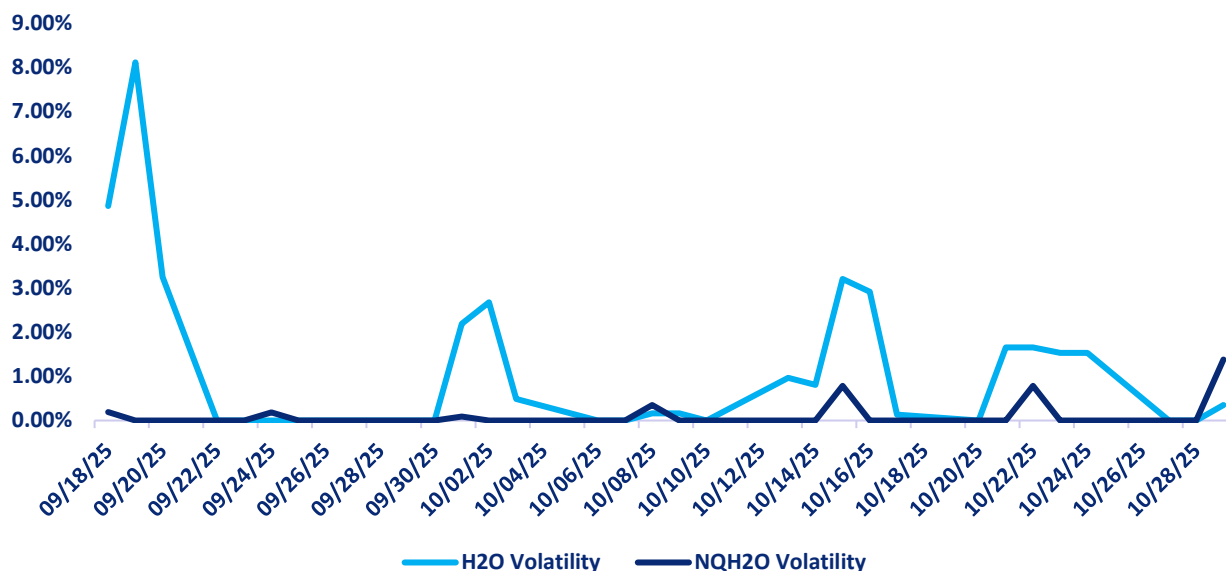
The loss of the 200-day SMA is a critical warning sign. If price does not quickly reclaim 413–414, the index could test deeper support in the 396–398 range. A failure there opens the door to a move toward 380 or lower.

Despite the steep decline, oversold indicators suggest a bounce is possible, but short-term bulls will need to see the price climb back above 407 (SMA cluster) for any meaningful shift in momentum.



H2O FUTURES AND NQH2O INDEX VOLATILITY ANALYSIS

Daily H2O Futures Volatility vs Daily NQH2O Index Volatility



DAILY VOLATILITY

Over the last week the November contract daily future volatility has been 1.66%.

ASSET	1 YEAR (%)	2 MONTH (%)	1 MONTH (%)	1 WEEK (%)
NQH2O INDEX	18.82%	2.05%	0.97%	0.84%
H2O FUTURES	N/A	14.07%	5.50%	2.10%

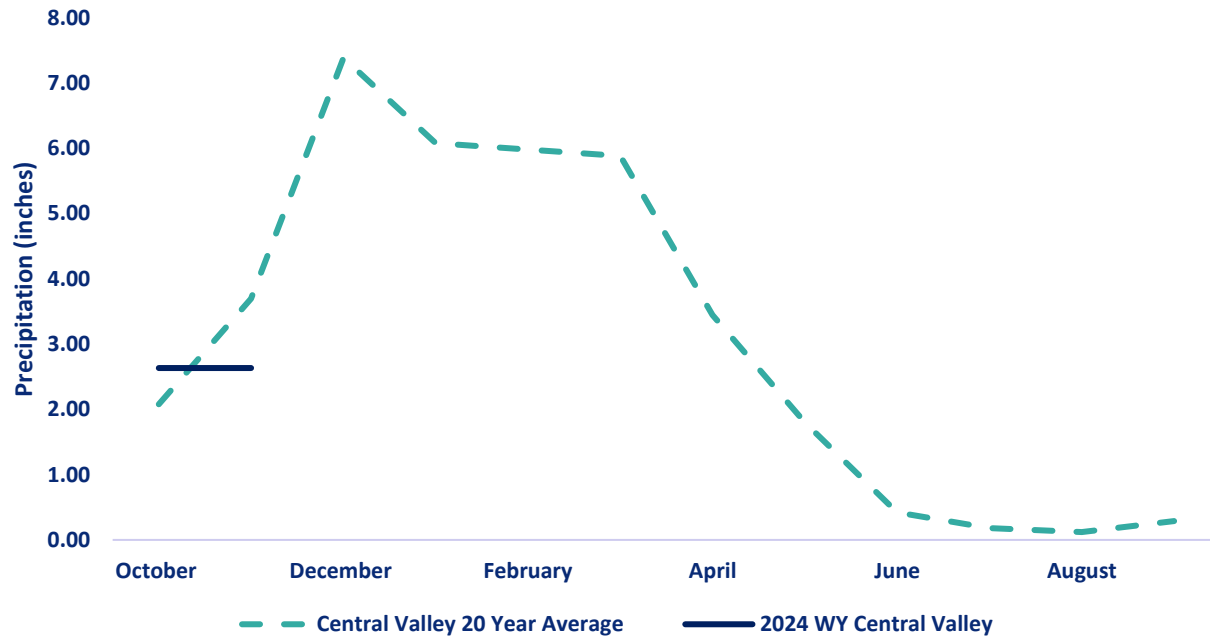
For the week ending on October 29th, the two-month futures volatility is at a premium of 12.02% to the index, up 2.83% from the previous week. The one-month futures volatility is at a premium of 4.04% to the index, up 0.48%. The one-week futures volatility is at a premium of 1.25% to the index volatility.

*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 29/10/2025

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)	2.6	0.23	123.89	5	143
TULARE 6 STATION (6SI)	2.35	0.07	194.44	0	222
NORTHERN SIERRA 8 STATION (8SI)	2.95	1.3	100.88	14	120
CENTRAL VALLEY AVERAGE	2.63	0.53	126.78	6	162

RESERVOIR STORAGE

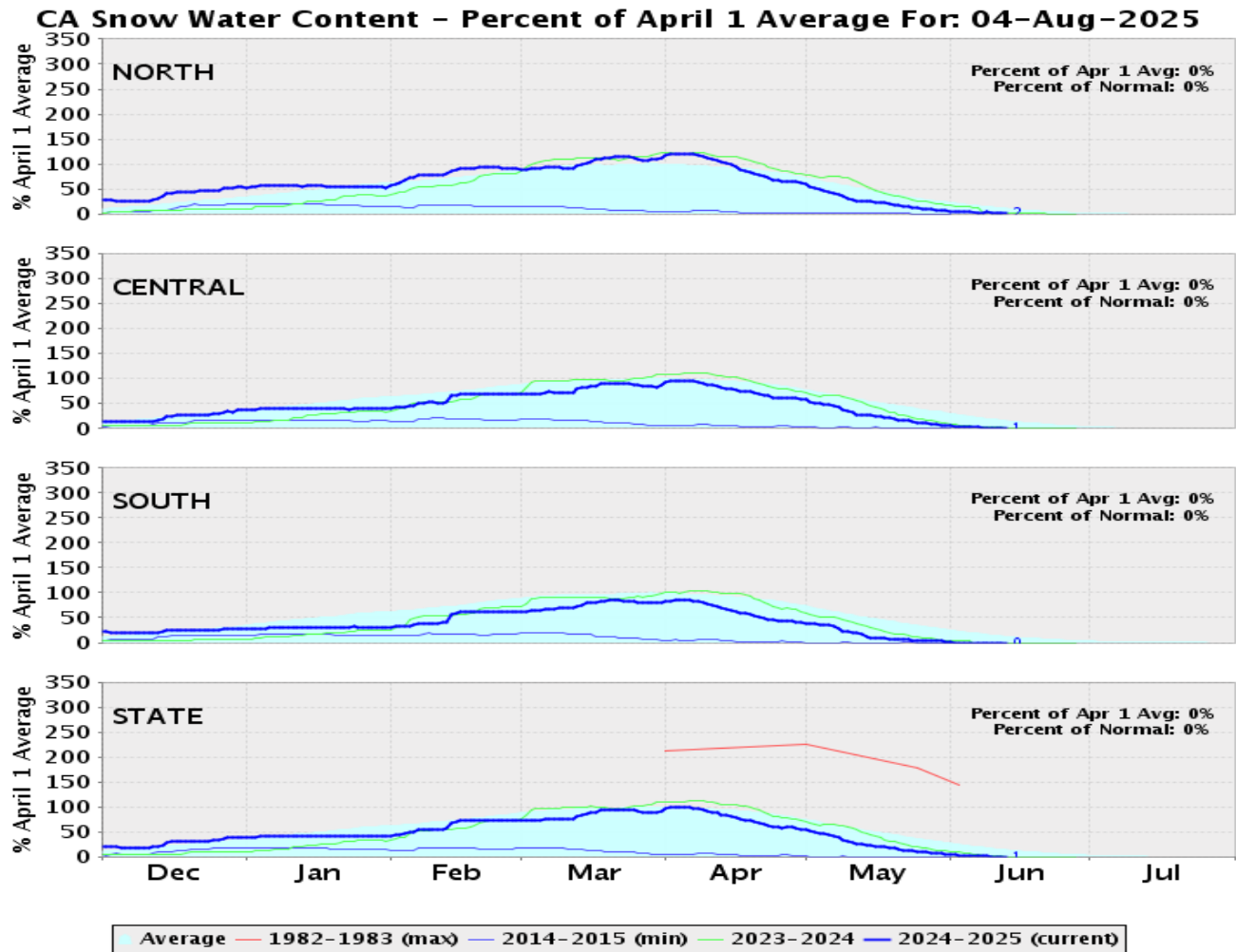
RESERVOIR	STORAGE (AF)	% CAPACITY	LAST YEAR % CAPACITY	*% HISTORICAL AVERAGE
TRINITY LAKE	1,740,857	71	67	122
SHASTA LAKE	2,564,496	56	57	105
LAKE OROVILLE	1,844,693	54	50	101
SAN LUIS RES	1,077,695	53	53	119

*% 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](#)



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	0.5	0.5	18	18	2
CENTRAL SIERRA	0.2	0.2	6	6	1
SOUTHERN SIERRA	0	0	0	0	0
STATEWIDE	0.2	0.2	7	7	1

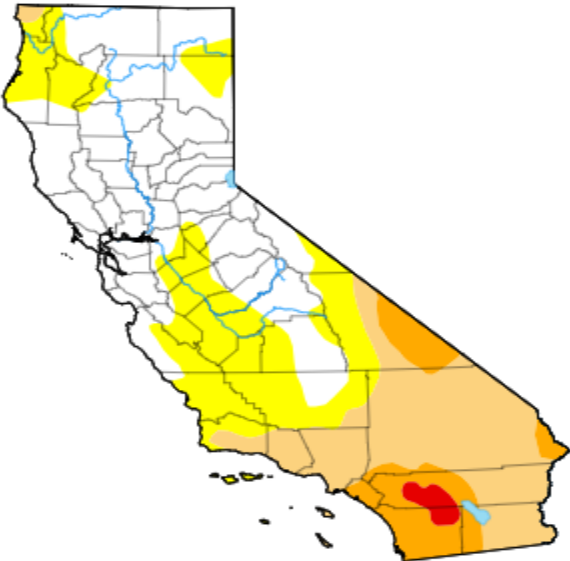
*Snow Water Equivalent, or SWE, is a commonly used measurement used by hydrologists and water managers to gauge the amount of liquid water contained within the snowpack. In other words, it is the amount of water that will be released from the snowpack when it melts. SWE has regional variance.

** 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. October 23, 2025

Data valid: October 21, 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

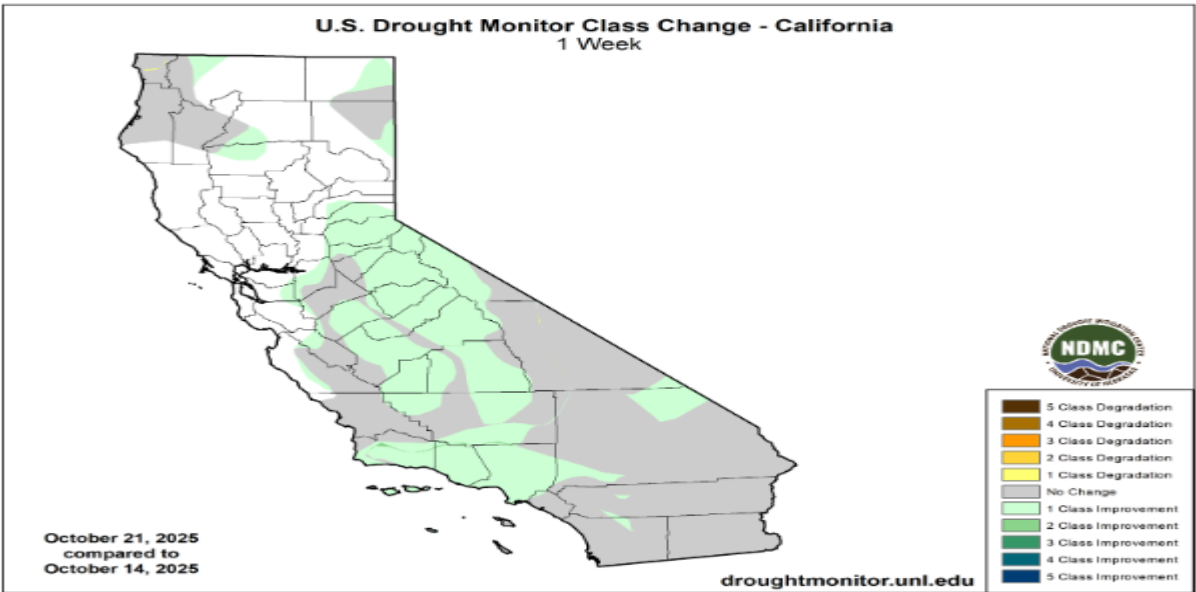
Authors

United States and Puerto Rico Author(s):

[Richard Tinker](#), NOAA/NWS/NCEP/CPC

Pacific Islands and Virgin Islands Author(s):

[Denise Gutzmer](#), National Drought Mitigation Center



Week	Date	None	D0-D4	D1-D4	D2-D4	D3-D4	D4	DSCI
Current	2025-10-21	42.78	57.22	32.14	9.58	1.10	0.00	100
Last Week to Current	2025-10-14	27.30	72.70	38.52	15.64	1.25	0.00	128
3 Months Ago to Current	2025-07-22	23.98	76.02	39.56	23.01	5.90	0.10	145
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	2025-09-30	26.78	73.22	38.52	18.61	1.25	0.00	132
One Year Ago to Current	2024-10-22	24.68	75.32	14.05	4.30	0.00	0.00	94

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 western and central US. Some Pacific storms lurking off the west coast. Some cold air blowing in from Canada over the Minnesota region. East of Chicago has a large storm which stretches from Ottawa in the north stretching across eastwards to New York and as far south of Atlanta. Off the east coast of Florida Hurricane Melissa is moving in a northeasterly direction.



10 Day Outlook

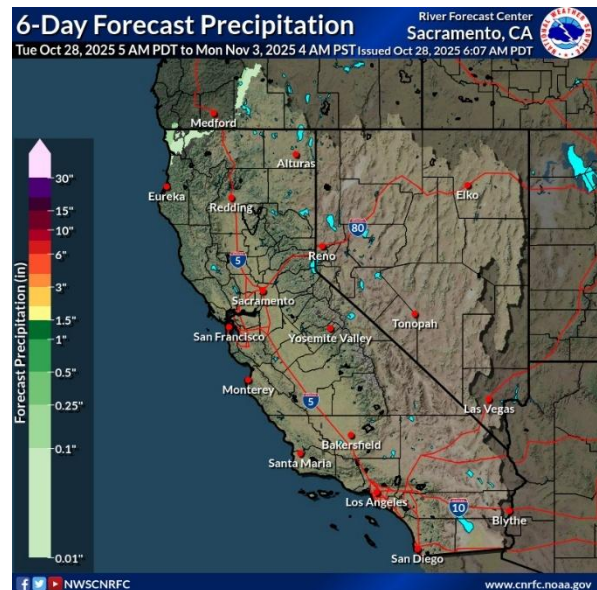
A strong upper ridge currently resides over most of the west coast with a stacked surface/upper low to the northwest over the Gulf of Alaska. Satellite shows tropical moisture being pulled from north of the Hawaiian islands by these two systems. The ridging overhead is blocking the majority of this moisture from reaching the area.

Models have high pressure remaining overhead the rest of the week resulting in dry conditions and above normal temperatures.

Temperature anomalies are expected around +5 to +10 deg F with some locations approaching +15 F. Another large low will

move into the Gulf of Alaska later this week pushing the ridging eastward while sending a cold front towards BC and eventually the PacNW. The ridge will prevent most of this system from impacting CA, but the tail of the front may just scrape the northern regional border resulting in a few showers over the Smith Basin and the crest of the Cascades Saturday into Sunday. Forecast models have trended drier than yesterday with now only about a tenth of an inch or so expected over the Smith Basin and little to none making it south of Del Norte county. Strong ridging will remain the dominant feature the rest of the forecast period.

Map Ref: Zoom Earth





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

WESTERN WEATHER DISCUSSION

Some unusually heavy early-season rain and snow has affected portions of the West, including areas of central and southern California where October so far has been wetter than most such months on record. Large portions of central and upper southern California, the Great Basin, and the western and eastern tiers of Utah saw improvement on this week's Drought Monitor, along with patches of central and eastern Arizona, southwestern Oregon, central and eastern Washington, and parts of eastern, southern, and western Montana. Only a portion of north-central Montana saw any deterioration. The total area covered by any dryness (D0-D4) declined from 80 to a bit over 74 percent this week while the coverage of the more intense drought categories (D2-D4) dropped from 38.5 percent to just over one-third of the Region. D3-D4 was still entrenched over a decent proportion of the Region, but declined from almost 9 percent last week to about 6.5 percent this week. The only remaining area of the most intense category (D4) is in north-central Idaho.

Reference:

Lindsay Johnson, National Drought Mitigation Center

Richard Tinker, NOAA/NWS/NCEP/CPC



WATER NEWS

CALIFORNIA WATER NEWS

California's Groundwater Basins Show Uneven Recovery After Wet Year

Author: Ian James | Los Angeles Times

URL: <https://www.latimes.com/environment/story/2025-10-20/california-groundwater-basins-show-uneven-recovery-after-wet-year>

Summary: Despite above-average precipitation last winter, groundwater levels in many of California's critically overdrafted basins have not fully rebounded. Hydrologists warn that without expanded recharge infrastructure and tighter pumping limits, the state risks losing long-term water security. The findings feed into debates on SGMA enforcement and the state's economic exposure to drought.

Southern California Cities Eye Recycled Water to Offset Shrinking Supplies

Author: Rachel Becker | CalMatters

URL: <https://calmatters.org/environment/2025/10/california-recycled-water-projects-expansion/>

Summary: Metropolitan Water District officials announced plans for a regional recycled-water system capable of providing 150 million gallons per day by 2035. The initiative is seen as a hedge against imported-water volatility and as a financing model for large-scale reuse infrastructure.

California's Snowpack Forecast: La Niña Raises Drought Risk for 2026

Author: Amy Graff | SFGate

URL: <https://www.sfgate.com/weather/article/california-snowpack-outlook-2026-lanina-forecast-2025-10-19>

Summary: The state's early-season snowpack forecast shows below-normal accumulation likely across the Sierra Nevada. Water managers warn of a possible return to drought conditions next summer, with implications for power generation, agriculture, and reservoir management strategies.

State Audit Finds Billions in Delayed Climate-Water Projects

Author: Wes Venteicher | Sacramento Bee

URL: <https://www.sacbee.com/news/politics-government/capitol-alert/article292440454.html>

Summary: A new audit shows nearly \$3 billion in voter-approved climate and water-infrastructure funding remains unspent due to bureaucratic bottlenecks. Economists



VELES WATER WEEKLY REPORT

say this could hamper drought resilience and leave California reliant on emergency transfers and federal aid.

Central Valley Farmers Shift to Solar Leasing as Water Scarcity Grows

Author: Ezra David Romero | KQED

URL: <https://www.kqed.org/science/2015471/california-farmers-solar-leases-water-scarcity>

Summary: Facing groundwater restrictions and rising pumping costs, Central Valley landowners are converting idle fields to solar leases. Analysts frame the trend as a structural change in land-use economics driven by water scarcity and SGMA implementation.

Flood Control Bonds Gain Momentum Ahead of 2026 Ballot

Author: Adam Beam | Associated Press

URL: <https://apnews.com/article/california-flood-control-bonds-2026-ballot-2025-10-18>

Summary: Lawmakers advanced a \$6 billion flood-control and levee-upgrade bond measure for the 2026 ballot. The plan targets “climate resilience dividends,” appealing to both environmental and municipal-finance investors.

US WATER NEWS

Colorado River States Weigh New Tiered Shortage Plan

Author: Alex Hager | KUNC

URL: <https://www.kunc.org/news/2025-10-22/colorado-river-states-weigh-new-tiered-shortage-plan>

Summary: Negotiators are drafting a new “tiered shortage” framework that would formalize deeper cuts to water deliveries once Lake Mead drops below 1,040 feet. The plan is seen as an effort to stabilize agricultural planning and derivative hedging linked to basin supply forecasts.

Phoenix Considers Water-Pricing Reforms Amid Drought Stress

Author: Brandon Loomis | Arizona Republic

URL: <https://www.azcentral.com/story/news/local/arizona-environment/2025/10/19/phoenix-water-pricing-reform-drought/73295153007/>

Summary: Phoenix officials are evaluating dynamic pricing structures that reflect scarcity costs. Economists say variable-rate water tariffs could become a national template for aligning consumer behavior with hydrologic risk.



Moody's: Water Utilities Face 'New Era of Credit Fragmentation'

Author: Moody's Investors Service

URL: https://ratings.moodys.com/research/Moodys-water-utilities-face-new-era-of-credit-fragmentation--PR_475822

Summary: A sector outlook warns that increasing climate volatility and PFAS compliance costs are widening the credit gap between large metropolitan utilities and small rural systems. It predicts more consolidation and private-equity entry into regional markets.

Federal Energy Regulators Tighten Oversight on Hydropower Relicensing

Author: Politico Energy & Environment

URL: <https://subscriber.politicopro.com/article/eenews/2025/10/20/federal-energy-regulators-tighten-oversight-on-hydropower-relicensing-00617845>

Summary: FERC introduced new environmental-performance standards for hydropower operators. The rule links flow management and ecosystem restoration to licensing conditions, potentially affecting valuation of water-linked energy assets.

Mississippi River Barges Face Record-Low Water Levels Again

Author: Associated Press

URL: <https://apnews.com/article/mississippi-river-drought-barges-october-2025-9bcd2a3fdfe4b2b2d71dc6317d2a845c>

Summary: Low river levels are constraining barge traffic for the third consecutive year, disrupting agricultural exports and driving up shipping costs. Analysts estimate logistics losses exceeding \$1 billion, with ripple effects across commodity markets.

Western Governors Advance Water Data-Sharing Compact

Author: Natalie Koch | Circle of Blue

URL: <https://www.circleofblue.org/2025/us-western-governors-advance-water-data-sharing-compact/>

Summary: Western states agreed in principle to a regional data-sharing initiative that would harmonize water-use reporting and drought-risk modeling. Advocates say it could underpin future market mechanisms and cross-state trading schemes.

'This Tech Will Make It Rain': Cloud-Seeding Projects Scale Up in Colorado

Author: Alex Hager | KUNC

URL: <https://coyotegulch.blog/2025/10/13/this-tech-will-make-it-rain-literally-above-colorado-alex-hager-kunc-org/>

Summary: Western water managers are expanding weather-modification programs as



a low-cost hedge against declining snowpack. Cloud seeding is being folded into long-range resource-planning models, with interest from insurers and hydropower operators.

GLOBAL WATER NEWS

EU Finance Ministers Call for Water-Investment Integration in Fiscal Frameworks

Author: Financial Times Brussels Bureau

URL: <https://www.ft.com/content/eu-finance-ministers-water-investment-frameworks-2025-10-21>

Summary: European finance ministers urged the Commission to embed water-resilience spending into fiscal-stability rules. The shift would allow green-bond issuances for drought adaptation to count as “productive investment,” expanding capital access for member states.

World Bank Launches \$2 Billion Water Security and Climate Adaptation Fund

Author: World Bank Press Release

URL: <https://www.worldbank.org/en/news/press-release/2025/10/23/world-bank-launches-water-security-climate-adaptation-fund>

Summary: The World Bank announced a \$2 billion global fund targeting water-infrastructure projects in low- and middle-income countries. Officials describe it as the largest blended-finance facility yet designed specifically for climate-resilient water systems.

UNEP: Groundwater Depletion Could Threaten Global Food Supply by 2050

Author: UN Environment Programme

URL: <https://www.unep.org/news-and-stories/press-release/global-groundwater-depletion-threatens-food-security-2050>

Summary: A new UNEP assessment warns that accelerating aquifer decline in South Asia, North Africa, and the U.S. High Plains could cut global food output 8–10 % by 2050, driving commodity-price inflation and migration pressures.

OECD: Financial Stability Risks from Water Scarcity Now ‘Macro-Critical’

Author: OECD Policy Brief Team

URL: <https://www.oecd.org/environment/financial-stability-risks-from-water-scarcity-macro-critical-2025.htm>

Summary: The OECD formally designates water risk as “macro-critical,” advising central



banks to include hydrologic stress tests in their supervisory frameworks. The move effectively treats water scarcity as systemic financial risk.

Middle East Water Markets Emerge Amid Desalination Boom

Author: Bloomberg Energy and Commodities Team

URL: <https://www.bloomberg.com/news/articles/2025-10-19/middle-east-water-trading-desalination-markets>

Summary: Gulf states are exploring formalized water-trading markets as desalination capacity soars. Analysts compare the effort to early electricity-market liberalization, noting growing institutional-investor participation.

AI Models Predict Drought Hotspots with 90 % Accuracy

Author: Nature Geoscience Editors

URL: <https://www.nature.com/articles/ai-drought-prediction-hotspots-2025>

Summary: A Nature Geoscience study shows AI-driven hydrologic models can forecast regional drought onset months in advance, outperforming traditional climate models. The technology could reshape agricultural planning, insurance, and derivative pricing tied to precipitation risk.

African Development Bank Issues First Blue Bond for Water Resilience

Author: AfDB Press Office

URL: <https://www.afdb.org/en/news-and-events/press-releases/afdb-issues-first-blue-bond-for-water-resilience-2025>

Summary: The African Development Bank issued its inaugural “Blue Bond,” raising \$750 million to finance water-supply and wastewater projects across 13 countries. Investor demand exceeded expectations, underscoring strong appetite for water-linked ESG instruments.

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

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