CATALYST Strategic Solutions

Market Overview AND DATA REPORT

APRIL 2017

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2016
ECONOMIC GROWTH				
GDP (QoQ)	Q4	2.1%	1.9%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Mar	98	219	2,242
Private Payrolls (000s)	Mar	89	221	2,054
Unemployment Rate	Mar	4.5%	4.7%	4.7%
Underemployment Rate	Mar	8.9%	9.2%	9.2%
INFLATION				
Wholesale (YoY)	Feb	2.2%	1.6%	1.6%
Consumer (YoY)	Feb	2.7%	2.5%	2.1%
Core Consumer (YoY)	Feb	2.2%	2.3%	2.1%
INCOME & SPENDING				
Chg in Consumer Credit ($B)	Feb	15.2	10.9	6.4%
Personal Income	Feb	0.4%	0.5%	3.5%
Personal Spending	Feb	0.1%	0.2%	2.7%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Mar	16.5	17.5	18.3
New & Existing Home Sales (M)	Feb	6.07	6.25	6.03
S&P/Case Shiller HPI (YoY)	Jan	5.87%	5.66%	5.61%

Sources:
US Labor Dept; US Commerce Dept; National Association of Realtors; Bloomberg

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Mar-17	Feb-17	Mar-16
MONEY MARKETS			
Effective Fed Funds	0.82%	0.57%	0.25%
Prime Rate	3.75%	3.75%	3.50%
3 month LIBOR	1.15%	1.06%	0.63%
2 year UST	1.25%	1.26%	0.72%
10 year UST	2.39%	2.39%	1.77%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.57%	3.51%	3.21%
CU 30 year Mtg	4.25%	4.21%	3.80%
EQUITY MARKETS			
Dow Jones Industrial Average	20,663.2	20,812.2	17,685.1
NASDAQ Composite	5,911.7	5,825.4	4,891.8
S&P 500	2,362.7	2,363.6	2,059.7
OTHER COMMODITIES			
CRB Index	184.9	190.6	170.5
Crude Oil	50.6	54.0	44.3

Source: Bloomberg; RateWatch

KEY ECONOMIC AND MARKET INDICATORS

The sharp decline in the number of jobs added in March is being blamed on unseasonably harsh weather and a struggling retail sector. The reduced unemployment rate reflects over 400,000 people added to the workforce to a record total of 153 million. Wage growth remains positive and near the highest year-over-year increase since 2009.

The key measures of Inflation were on the rise in February. Both consumer and wholesale price indices rose over two percent from a year ago. Costs for services and food are increasing, while gasoline costs remain low. The core PCE year-over-year rate, a key index monitored by the Federal Reserve, topped 2.0 percent for the first time in five years.

The housing market was strong in February, as warmer-than-usual weather brought out buyers and boosted construction activity. All sectors of the market advanced more than normal, except existing home sales. Sales for previously owned homes remain constrained due to a lack of inventory.

Fourth quarter GDP was revised to 2.1 percent from 1.9 percent. The gains came from stronger consumer spending and corporate profits. Trade continues to be a drag on the economy, as imports increased more than exports. The economy grew 2.0 percent in 2016, slightly better than the 1.9 percent in 2015.

March was a busy month for the financial markets, with both stocks and bonds posting historical markers. Yet, despite the volatility, the month ended relatively unchanged from where it began. March started off anticipating the first rate increase this year by the Federal Reserve, which became a reality mid-month. But just as soon as the news came, bond yields started moving in the opposite direction. Yields ultimately fell 25 basis points in 15 days. The market seemed relieved the Fed was sticking to its plan of just three rate moves in 2017, rather than a more aggressive tightening schedule. On top of this was the failed health care bill. The failure to pass one of Trump's key promises derailed the markets from a powerful Trump Train to a possible Trump Slump. In the end, bond yields closed unchanged for the month, and stock indices finished in the red or just barely positive.

Mortgage rates inched higher in March. The average 15-year mortgage rate offered by credit unions rose six basis points to 3.57 percent. The average rate for a 30-year mortgage increased four basis points to 4.25 percent. This was the highest 30-year rate since August 2014. The spread between the 30-year mortgage and Treasury rates was unchanged at 186 basis points. Mortgage applications were up 2.9 percent during the month.

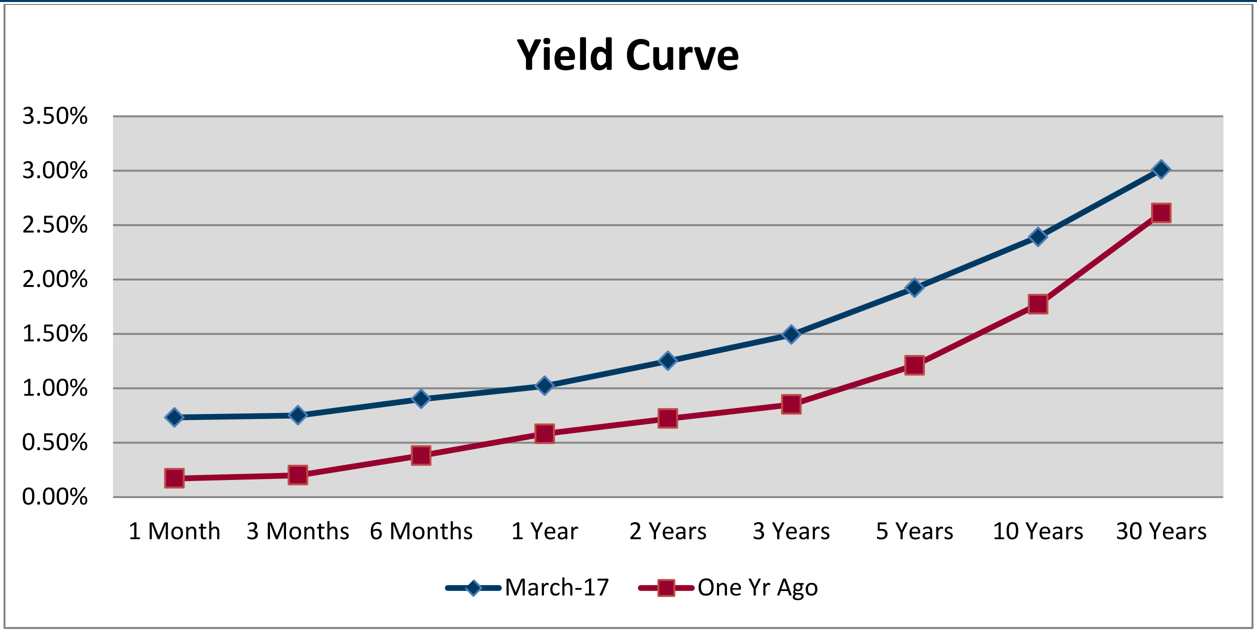
Two of the three key U.S. equity indices managed to end the first quarter of the year with the best returns in over a year, despite a less-than-stellar performance during March. Investors adjusted holdings in an attempt to benefit the most from changes brought on by the new presidential regime. The tech sector was the biggest benefactor of the moves, pushing the tech-oriented Nasdaq index up 9.8 percent for the quarter – the best quarterly performance since 2013 and the only index to close with a monthly gain in March, up 1.48 percent. The S&P 500 Index finished the first quarter up 5.5 percent, the best performance in over a year. The Dow was the weakest of the three indices, with a 4.5 percent gain for the first three months of the year. The Dow experienced eight consecutive down days, the longest losing streak since 2011. Both the S&P and Dow closed March in the red, down 0.04 and 0.7 percent.

For Credit Unions:

- Consumers remain confident about their current and future financial situation. The latest Conference Board index rose to 125.6 percent, the highest level since December 2000. The share of people expecting better business conditions over the next six months was 27.1 percent, the largest share in over 13 years. Over 21 percent of people expect their incomes to rise in coming months. Autos and major appliances were higher on the list of potential purchases, while appetites for home buying were lower.

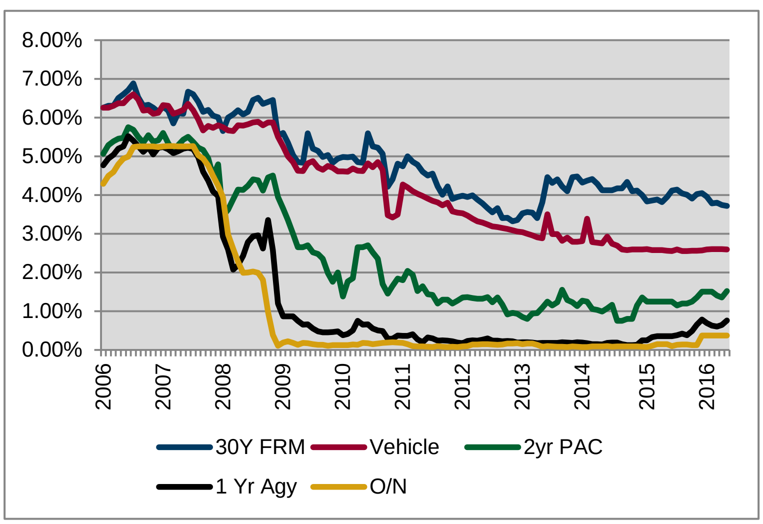
- Auto sales for March were a disappointment. Sales totaled 16.5 million on an annualized basis, less than February's 17.5 million total. This was the fourth month in a row of declining sales and the first month below 17 million since August 2016. Auto dealers are concerned the years of record auto sales may have reached a peak. Sales were low, despite dealers continuing to offer incentives and more favorable loan terms. Quicker-than-expected shift in demand from sedans to SUVs and crossovers put pressure on dealer inventory and margins.

- Consumers have slowed the pace of spending during the beginning of 2017 after strong activity in the fourth quarter 2016. Consumption is expected to edge closer to 2.5 percent for the first quarter. Purchases of durable goods fell 0.1 percent in February after declining 1.1 percent in January. Spending on services also declined for two months in a row. Incomes continue to improve, rising 4.6 percent year-over-year. With the savings rate jumping to 5.6 in February, it appears more income is going to savings than to spending.



The 10-year Treasury note reached the highest yield, 2.63 percent, since September 2014, just days before the Federal Reserve voted to increase the benchmark lending rate by 25 basis points. From there, it was a continuous slide down, as the yield eventually dipped below a key technical trading level of 2.40 percent. Both the two- and 10-year notes posted the widest trading ranges of the year. The two-year note moved in a 15 basis point range and the 10-year note fluctuated within 25 basis points. The two- to 10-year yield curve ended just one basis point wider, at 114 basis points, due to the two-year note yield closing lower by one basis point.

Relative Value of Assets and Funding:

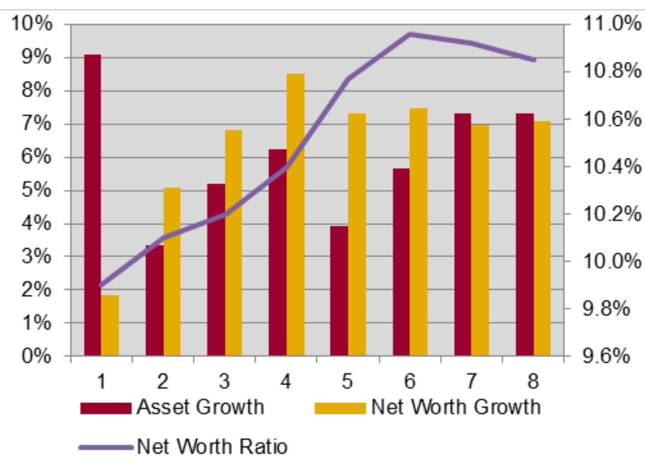


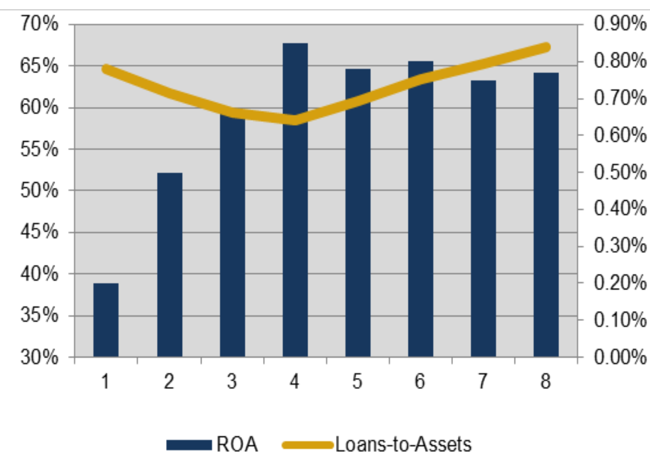
- The spread between loan and investment rates continues to narrow. Credit unions should stay focused on credit quality and delinquency rates to maintain the proper balance of value in their balance sheet.
- Interest rates are expected to move higher throughout 2017, with most Federal Reserve members comfortable with more rate moves.
- Credit unions should be able to delay increasing deposit rates until additional Federal Reserve rate moves are completed.

NCUA – December 2016

KEY CREDIT UNION DATA	2011	2012	2013	2014	2015	2016
GROWTH RATES						
Total Assets	5.18%	6.25%	3.93%	5.66%	7.33%	7.33%
Total Loans	1.20%	4.55%	7.97%	10.42%	10.49%	10.43%
Total Shares	5.21%	6.10%	3.67%	4.47%	6.86%	7.54%
Net Worth	6.81%	8.52%	7.36%	7.48%	6.92%	7.06%
CAPITAL ADEQUACY						
Net Worth Ratio	10.21%	10.43%	10.77%	10.96%	10.92%	10.89%
Equity Capital Ratio	10.19%	10.42%	10.47%	10.78%	10.66%	10.58%
Capital Ratio	11.10%	11.20%	11.10%	11.40%	11.27%	11.19%
BALANCE SHEET COMPOSITION						
Cash & ST Inv to Total Assets	17.30%	17.49%	14.87%	13.65%	13.47%	13.41%
Loans-to-Total Assets	59.42%	58.48%	60.75%	63.48%	65.35%	67.24%
Vehicle-to-Total Loans	28.88%	29.87%	30.80%	32.29%	33.29%	34.37%
Real Estate-to-Total Loans	54.78%	53.58%	52.51%	51.13%	50.41%	49.60%
Delinquency Rate	1.60%	1.16%	1.01%	0.85%	0.81%	0.83%
Net Charge-off Rate	0.91%	0.73%	0.57%	0.50%	0.48%	0.55%
"Misery" Index	2.51%	1.89%	1.58%	1.35%	1.30%	1.38%
EARNINGS						
Gross Asset Yield	4.62%	4.01%	3.65%	3.66%	3.72%	3.82%
Cost of Funds	0.93%	0.73%	0.59%	0.54%	0.52%	0.53%
Gross Interest Margin	3.69%	3.28%	3.06%	3.12%	3.20%	3.29%
Less: Provision Expense	0.50%	0.36%	0.26%	0.28%	0.35%	0.41%
Net Interest Margin	3.19%	2.92%	2.80%	2.84%	2.85%	2.88%
Net Operating Expense	2.52%	2.44%	2.45%	2.45%	2.47%	2.46%
Net Income (Return on Assets)	0.67%	0.85%	0.78%	0.80%	0.75%	0.77%
Return on Equity	6.4%	8.0%	7.3%	7.2%	6.8%	7.0%

Source: NCUA (December 2016)





NCUA PEER DATA	<$2M	$2-10M	$10-50M	$50-100M	$100-500M	$500M+	Total
NETWORK							
Average Asset Size (000s)	$896	$5,600	$24,748	$71,151	$222,552	$1,905,558	$223,429
Pct of Number of Credit Unions	9%	20%	32%	13%	18%	9%	100%
Pct of Industry Assets	0%	0%	4%	4%	18%	74%	100%
GROWTH RATES							
Total Assets	-9.3%	-7.1%	-5.7%	-0.6%	2.1%	10.1%	7.33%
Total Loans	-9.7%	-6.3%	-5.1%	0.9%	3.9%	13.3%	10.43%
Total Shares	-9.3%	-7.2%	-5.7%	-0.6%	2.1%	10.5%	7.54%
Net Worth	-8.4%	-6.5%	-5.7%	-0.2%	2.0%	9.8%	7.06%
CAPITAL ADEQUACY							
Net Worth Ratio	17.8%	15.0%	12.3%	11.5%	10.9%	10.8%	10.89%
Equity Capital Ratio	17.8%	14.9%	12.2%	11.3%	10.6%	10.4%	10.58%
Capital Ratio	19.0%	15.5%	12.7%	11.8%	11.2%	11.1%	11.19%
BALANCE SHEET COMPOSITION							
Cash & ST Investments-to-Total Assets	39.4%	29.3%	23.9%	19.3%	14.8%	12.1%	13.4%
Loans-to-Total Assets	47.6%	49.1%	50.3%	56.1%	64.2%	69.5%	67.24%
Vehicle-to-Total Loans	56.7%	58.1%	44.5%	39.8%	37.1%	33.0%	34.37%
Real Estate-to-Total Loans	1.9%	10.5%	32.9%	40.0%	45.7%	51.7%	49.60%
Delinquency Rate	3.23%	1.89%	1.22%	1.09%	0.91%	0.78%	0.83%
Net Charge-off Rate	0.62%	0.65%	0.50%	0.52%	0.49%	0.57%	0.55%
"Misery" Index	3.85%	2.54%	1.72%	1.61%	1.40%	1.35%	1.38%
Non-term Shares-to-Total Shares	90.3%	83.9%	78.8%	76.2%	74.4%	72.0%	72.9%
Net Long-term Assets-to-Total Assets	4.9%	9.9%	20.0%	25.7%	31.4%	34.5%	33.0%
EARNINGS							
Gross Asset Yield	3.98%	3.82%	3.43%	3.64%	3.75%	3.86%	3.8%
Cost of Funds	0.39%	0.30%	0.28%	0.31%	0.38%	0.59%	0.53%
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Net Interest Margin	3.29%	3.20%	2.89%	3.03%	3.01%	2.84%	2.9%
Net Operating Expense	3.39%	3.02%	2.69%	2.80%	2.77%	2.35%	2.46%
Net Income (Return on Assets)	-0.05%	0.05%	0.25%	0.38%	0.52%	0.89%	0.77%
Return on Equity	-0.3%	0.4%	2.1%	3.4%	4.8%	8.1%	7.0%
COST EFFICIENCIES							
Avg Loan Balance	$4,230	$6,582	$8,766	$9,778	$12,418	$15,504	$14,246
Avg Share Per Member	$2,257	$4,553	$6,884	$7,889	$8,952	$11,203	$10,225
Avg Compensation per FTE	$18,513	$43,931	$55,062	$58,278	$63,836	$76,488	$70,977
Comp & Benefits-to-Total Assets	2.00%	1.95%	1.67%	1.74%	1.79%	1.44%	1.52%
Pct of Total Operating Expense	49%	53%	48%	48%	50%	51%	51%
Office Occ & Ops-to-Total Assets	1.28%	0.98%	0.94%	0.92%	0.94%	0.70%	0.76%
Pct of Total Operating Expense	31%	27%	27%	25%	26%	25%	25%

Source: NCUA (December 2016)

Economic Calendar

APRIL 2017

Monday	Tuesday	Wednesday	Thursday	Friday
3 Auto Sales ISM Manufacturing Construction Spending	**4** Factory Orders Trade Balance	**5** ADP Employment ISM Services FOMC March Minutes	**6** Jobless Claims	**7** Non-Farm Payrolls Unemployment Rate Consumer Credit Wholesale Inventories
10	**11** JOLTS	**12** Import Prices	**13** Jobless Claims PPI	**14** CPI Retail Sales Business Inventories
17	**18** Housing Starts Building Permits Industrial Production Capacity Utilization	**19** Existing Home Sales Beige Book	**20** Jobless Claims New Home Sales	**21** Existing Home Sales Leading Indicators
24	**25** S&P/Case-Shiller HPI New Home Sales	**26**	**27** Jobless Claims Pending Home Sales Durable Goods Orders	**28** GDP 4Q16, Final