CATALYST Strategic Solutions

Market Overview AND DATA REPORT

NOVEMBER 2016

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2015
ECONOMIC GROWTH				
GDP (QoQ)	Q3	2.9%	1.4%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Oct	161	191	2,650
Private Payrolls (000s)	Oct	142	188	2,551
Unemployment Rate	Oct	4.9%	5.0%	5.0%
Underemployment Rate	Oct	9.5%	9.7%	9.9%
INFLATION				
Wholesale (YoY)	Sep	0.7%	0.0%	-1.0%
Consumer (YoY)	Sep	1.5%	1.1%	0.5%
Core Consumer (YoY)	Sep	2.2%	2.3%	2.0%
INCOME & SPENDING				
Chg in Consumer Credit ($B)	Sep	19.3	26.8	21.4
Personal Income	Sep	0.3%	0.2%	4.4%
Personal Spending	Sep	0.5%	-0.1%	3.4%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Oct	17.9	17.7	17.4
New & Existing Home Sales (M)	Sep	6.06	5.87	5.99
S&P/Case Shiller HPI (YoY)	Aug	5.32%	5.02%	5.43%

Sources:

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Oct-16	Sep-16	Oct-15
MONEY MARKETS			
Effective Fed Funds	0.31%	0.29%	0.07%
Prime Rate	3.50%	3.50%	3.25%
3 month LIBOR	0.88%	0.85%	0.33%
2 year UST	0.84%	0.76%	0.72%
10 year UST	1.83%	1.59%	2.14%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.04%	3.01%	3.28%
CU 30 year Mtg	3.59%	3.53%	3.91%
EQUITY MARKETS			
Dow Jones Industrial Average	18,142.4	18,308.2	17,663.5
NASDAQ Composite	5,190.1	5,312.0	5,053.7
S&P 500	2,126.2	2,168.3	2,079.4
OTHER COMMODITIES			
CRB Index	186.3	186.3	195.6
Crude Oil	46.9	48.2	52.2

Source: Bloomberg; RateWatch

KEY ECONOMIC AND MARKET INDICATORS

161,000 jobs were added during October. The two-month revision added 44,000 jobs for a year-to-date total of 1,806,000 jobs. This pales in comparison to 2015 YTD total of 2,193,000. Wages rose 0.4 percent for the month and 2.8 percent for the year, the highest pace since 2009.

The wholesale and consumer price indices each rose 0.3 percent in September. In both cases, the increase was led by more than five percent jumps in gasoline prices. September was the first in three months the wholesale price index rose. The CPI rate was the highest in five months.

Retail increased 0.6 percent in September, the largest gain in three months. Much of the gain came from higher gasoline prices which boosted sales at gasoline stores by 2.4 percent. Auto sales rebounded, rising 1.1 percent after falling 0.3 percent the prior month. Ten of the 13 categories posted an increase. Core sales were up 0.3 percent.

The economy grew 2.9 percent in the third quarter, more than double the rate in the second quarter. Year-to-date growth is 1.7 percent, the weakest since 2012. A 10 percent surge in exports contributed 1.0 percent to the overall growth. Consumer spending increased 2.1 percent, half the pace in the second quarter. Corporate spending declined.

October can be noted as the month the bond market finally climbed aboard the rate increase train. The 10-year Treasury note yield increased 24 basis points, the largest increase since June 2015. The change was also the largest monthly move in any direction in four months. The global financial markets suddenly became aware of the slight improvement in economies around the world and the ever-so-slight uptick in inflation indices. As developed countries begin to turn from weakness to growth, there will be less need for central banks to continue current stimulus programs. Oil prices appear to have reached a bottom even though OPEC has failed to solidify a concrete plan to limit production. Commodity prices should trend higher and, thus, push inflation levels upwards. With the Federal Reserve poised to increase interest rates in December, financial markets are starting to adjust to an environment where rates may be headed higher rather than lower.

Mortgage rates increased in October. The average 15-year mortgage rate offered by credit unions ended October three basis points higher at 3.04 percent. The average rate for a 30-year mortgage was 3.59 percent, up six basis points. Mortgage rates are lower from a year ago by an average of 28 basis points. The spread between mortgage and Treasury rates decreased 17 basis points due to the increase in Treasury yields during the month.

The key U.S. equity indices closed October in the red with the largest declines since January. October was the third monthly loss for the Dow and the S&P indices. Daily stock trading volumes were the lowest on average for any month since August 2014. The Dow finished the month down 0.9 percent, the S&P 500 was down 1.9 percent and the NASDAQ Composite fell 2.3 percent. The year-to-date returns for the indices remained positive: Dow Jones Industrial Average: +4.1 percent, NASDAQ Composite: +3.6 percent, and S&P 500 Index: +4.0 percent.

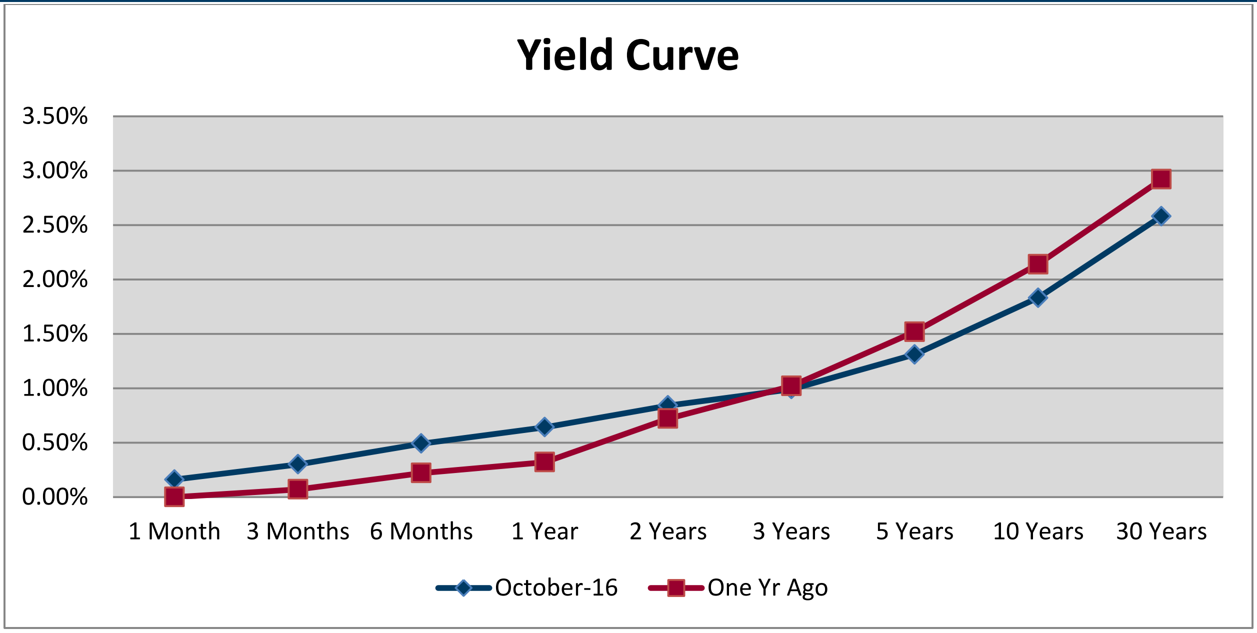
For Credit Unions:

- Consumer spending increased 0.5 percent in September. The data for August was revised lower from unchanged to -0.1 percent. Incomes rose 0.3 percent, an improvement from the 0.2 percent gain in August. PCE core year-over-year remained the same at 1.7 percent. This is one of three key metrics the Fed looks at when gauging inflation. The personal savings rate declined a tenth of a percent to 5.7 percent.

- The housing market continues to advance slowly amid rising prices and declining inventory. Sales of new and existing homes, as well as pending homes, rose in September. First-time home buyers accounted for 34 percent of activity, the highest share in over four years. The national home ownership rate increased to 63.5 percent in the third quarter, up from the lowest rate in over 50 years, 62.9 percent. The increase in sales coupled with a 9.0 percent decline in new home construction shrank inventory levels by a month. Home prices continue to rise, erasing much of the savings from lower mortgage rates.

- Auto sales continue to improve for the second month in row. The seasonally adjusted annualized rate (SAAR) of sales totaled 17.9 million in October, the highest pace since December 2015. Monthly sales of U.S. light vehicles were down 5.7 percent from a year ago. J.D. Power estimates more than 62 percent of vehicles sold at dealerships were pickup trucks or SUVs.

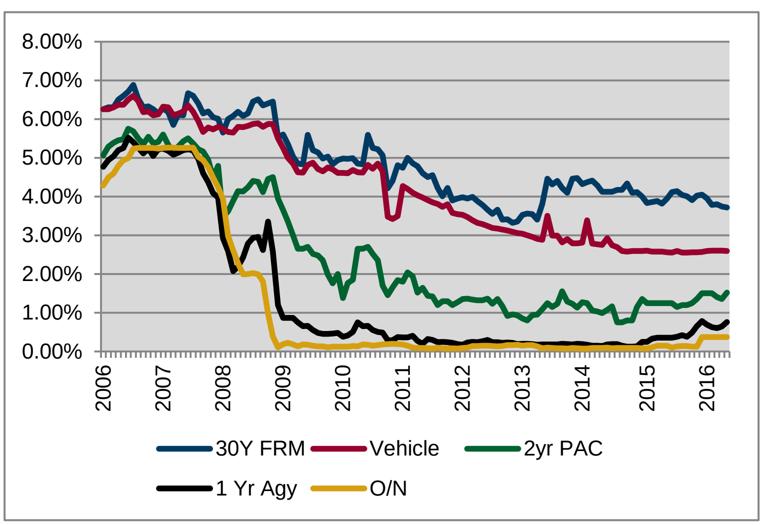
- Non-financial lenders accounted for 51.4 percent of mortgage loans in the third quarter, according to Inside Mortgage Finance. This was the first time in more than 30 years banks and credit unions have fallen below a 50 percent share of the mortgage market. Tighter regulations and an aversion to risk are leading many financial institutions to reduce their activity in mortgage lending.



The yield curve, measured between the two- and 10-year Treasury notes, widened by 16 basis points to 99 basis points in October. The long end of the curve rose the most, as the fear of inflation and an eventual rate increase dominated investor psychology. Compared to a year ago, the yield curve is 42 basis points flatter.

Treasury yields reached the highest levels not seen since early summer. The two-year Treasury note yield ended the month eight basis points higher at 0.84 percent. The yield on the 10-year Treasury note increased 24 basis points to 1.83 percent. The bond briefly touched 1.88 percent in intraday trading, although the highest closing yield was 1.86 percent. Yields on the benchmark 10-year note moved in a 24 basis point range during the month.

Relative Value of Assets and Funding:

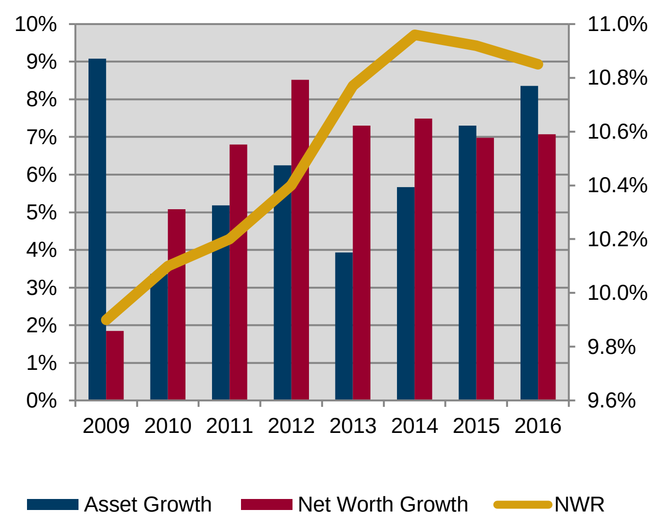


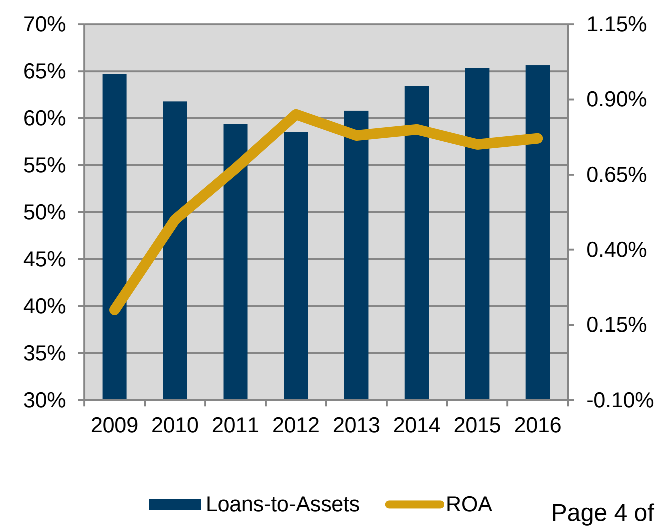
- The spread between core loan rates and investment yields continues to narrow this year. Value remains in core loan assets, but keep asset quality in mind.
- Interest rates are projected to remain low for an extended period. Market conditions are forecasting a 78 percent chance for a rate change in December.
- Credit unions should continue to borrow at historically low rates to fund growing loan demand. The spread between borrowing and lending will narrow over time.

NCUA – June 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%	8.36%
Total Loans	1.20%	4.55%	7.97%	10.42%	10.49%	9.24%
Total Shares	5.21%	6.10%	3.67%	4.47%	6.86%	8.45%
Net Worth	6.81%	8.52%	7.36%	7.49%	6.98%	7.07%
CAPITAL ADEQUACY						
Net Worth Ratio	10.21%	10.43%	10.77%	10.96%	10.92%	10.85%
Equity Capital Ratio	10.19%	10.42%	10.47%	10.78%	10.66%	10.77%
Capital Ratio	11.10%	11.20%	11.10%	11.40%	11.27%	11.37%
BALANCE SHEET COMPOSITION						
Cash & ST Inv to Total Assets	17.30%	17.49%	14.87%	13.64%	13.49%	13.98%
Loans-to-Total Assets	59.42%	58.48%	60.75%	63.48%	65.35%	65.63%
Vehicle-to-Total Loans	28.88%	29.87%	30.80%	32.29%	33.30%	34.03%
Real Estate-to-Total Loans	54.78%	53.58%	52.51%	51.12%	50.41%	49.94%
Delinquency Rate	1.60%	1.16%	1.01%	0.85%	0.81%	0.75%
Net Charge-off Rate	0.91%	0.73%	0.57%	0.50%	0.48%	0.51%
"Misery" Index	2.51%	1.89%	1.58%	1.35%	1.30%	1.26%
EARNINGS						
Gross Asset Yield	4.62%	4.01%	3.65%	3.66%	3.71%	3.76%
Cost of Funds	0.93%	0.73%	0.59%	0.54%	0.52%	0.51%
Gross Interest Margin	3.69%	3.28%	3.06%	3.12%	3.20%	3.24%
Less: Provision Expense	0.50%	0.36%	0.26%	0.28%	0.34%	0.37%
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%	2.48%
Net Income (Return on Assets)	0.67%	0.85%	0.78%	0.80%	0.75%	0.77%

Source: NCUA (June 2016)





NCUA PEER DATA	<$10M	$10-50M	$50-100M	$100-500M	$500M+	Total
NETWORK						
Average Asset Size (000s)	$4,139	$24,823	$71,300	$221,203	$1,856,401	$213,115
Pct of Number of Credit Unions	17%	32%	12%	18%	8%	100%
Pct of Industry Assets	0%	4%	4%	18%	73%	100%
GROWTH RATES						
Total Assets	-8.8%	-5.8%	-1.7%	2.5%	11.4%	8.36%
Total Loans	-13.7%	-6.7%	-2.1%	2.3%	12.3%	9.24%
Total Shares	-8.6%	-5.8%	-1.8%	2.5%	11.7%	8.45%
Net Worth	-9.6%	-6.4%	-2.5%	2.2%	10.0%	7.07%
CAPITAL ADEQUACY						
Net Worth Ratio	15.7%	12.3%	11.4%	10.9%	10.7%	10.85%
Equity Capital Ratio	15.6%	12.2%	11.3%	10.8%	10.6%	10.77%
Capital Ratio	16.4%	12.7%	11.8%	11.3%	11.3%	11.37%
BALANCE SHEET COMPOSITION						
Cash & Investments-to-Total Assets	51.6%	47.0%	40.5%	31.8%	27.6%	29.8%
Loans-to-Total Assets	47.2%	49.7%	55.1%	63.0%	67.8%	65.63%
Vehicle-to-Total Loans	57.5%	44.0%	39.7%	36.5%	32.7%	34.03%
Real Estate-to-Total Loans	8.1%	33.5%	40.3%	46.3%	52.1%	49.94%
Delinquency Rate	2.12%	1.14%	0.97%	0.82%	0.70%	0.75%
Net Charge-off Rate	0.60%	0.44%	0.47%	0.46%	0.53%	0.51%
"Misery" Index	2.71%	1.59%	1.44%	1.28%	1.23%	1.26%
Non-term Shares-to-Total Shares	85.4%	78.4%	75.5%	73.9%	71.6%	72.6%
Net Long-term Assets-to-Total Assets	8.9%	20.6%	26.1%	31.5%	33.6%	32.2%
EARNINGS						
Gross Asset Yield	3.80%	3.41%	3.58%	3.70%	3.80%	3.8%
Cost of Funds	0.32%	0.28%	0.31%	0.37%	0.58%	0.51%
Gross Interest Margin	3.49%	3.13%	3.27%	3.33%	3.22%	3.2%
Less: Provision Expense	0.26%	0.22%	0.25%	0.31%	0.40%	0.37%
Net Interest Margin	3.22%	2.92%	3.02%	3.02%	2.83%	2.9%
Net Operating Expense	3.18%	2.73%	2.82%	2.81%	2.35%	2.48%
Net Income (Return on Assets)	0.06%	0.30%	0.43%	0.54%	0.89%	0.77%
COST EFFICIENCIES						
Avg Loan Balance	$5,857	$8,771	$9,537	$12,329	$15,156	$13,938
Avg Share Per Member	$3,839	$6,851	$7,803	$8,880	$11,096	$10,099
Avg Compensation per FTE	$35,329	$54,110	$57,873	$63,553	$76,994	$70,987
Comp & Benefits-to-Total Assets	0.96%	0.83%	0.88%	0.90%	0.73%	0.77%
Pct of Total Operating Expense	52%	48%	48%	50%	52%	51%
Office Occ & Ops-to-Total Assets	0.52%	0.47%	0.46%	0.47%	0.35%	0.38%
Pct of Total Operating Expense	28%	27%	25%	26%	25%	25%

Source: NCUA (June 2016)

Economic Calendar

NOVEMBER 2016

Monday	Tuesday	Wednesday	Thursday	Friday
	1 Construction spending ISM Manufacturing Auto Sales	**2** FOMC Decision ADP Employment (OCT)	**3** Jobless Claims Factory Orders ISM Services	**4** Non-Farm Payrolls Unemployment Rate Trade Balance
7 Consumer Credit	**8** JOLTS 	**9** Wholesale Inventories	**10** Jobless Claims	**11** 
14	**15** Retail Sales Business Inventories	**16** PPI Industrial Production Capacity Utilization	**17** Jobless Claims CPI Housing Starts Building Permits	**18** Leading Economic Index
21	**22** Existing Home Sales	**23** Jobless Claims New Home Sales Durable Goods Orders FOMC November minutes	**24** 	**25** Trade Balance Wholesale Inventories
28	**29** GDP - 3Q S&P/Case-Shiller HPI Consumer Confidence	**30** Personal Spending Personal Income ADP Employment (NOV) Fed Beige Book		