

KEY ECONOMIC AND MARKET INDICATORS

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2016
ECONOMIC GROWTH				
GDP (QoQ)	Q3	3.0%	3.1%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Sep	261	18	2,242
Private Payrolls (000s)	Sep	252	15	2,054
Unemployment Rate	Sep	4.1%	4.2%	4.7%
Underemployment Rate	Sep	7.9%	8.3%	9.2%
INFLATION				
Wholesale (YoY)	Sep	2.6%	2.4%	1.6%
Consumer (YoY)	Sep	2.2%	1.9%	2.1%
Core Consumer (YoY)	Sep	1.7%	1.7%	2.1%
INCOME & SPENDING				
Chg in Consumer Credit (\$B)	Sep	20.8	13.1	6.4%
Personal Income	Sep	0.4%	0.2%	3.5%
Personal Spending	Sep	1.0%	0.1%	2.7%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Oct	18.0	18.5	18.3
New & Existing Home Sales (M)	Sep	6.06	5.91	6.03
S&P/Case Shiller HPI (YoY)	Aug	6.07%	5.94%	5.61%

The rebound in jobs in October proved the disruption from the hurricanes was temporary. The unemployment rate fell to the lowest level in 17 years as more people left the labor force than entered it. Wages were flat for the month and are at a 17-year low on a year-over-year basis. The U.S. has added an average of 168,000 jobs in 2017.

Surging gasoline prices in the aftermath of the hurricanes elevated the producer and consumer price indices in September. Both PPI and CPI headline numbers were among the highest this year. The consumer core rate, which strips out the volatile effects of energy, was more subdued at up 0.1 percent. Overall consumer inflation remained muted with lower than normal increases in shelter, medical and autos during September.

Retail sales surged in September as consumers rushed to replace autos damaged from the hurricanes. Sales rose 1.6 percent, the largest gain in more than two years. Auto sales rose 3.6 percent, the most since March 2015, and sales at gasoline stores increased 5.8 percent. Sales at building material stores and restaurants jumped the most in months.

The economy grew at 3.0 percent in the third quarter. This was the first back-to-back quarters of three percent growth since 2014. Business investment continues to grow, adding support to the economy beyond the consumer. Consumer spending increased 2.4 percent, and business spending was up 3.9 percent. Housing fell six percent.

Sources:

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Oct-17	Sep-17	Oct-16
MONEY MARKETS			
Effective Fed Funds	1.07%	1.06%	0.31%
Prime Rate	4.25%	4.25%	3.50%
3 month LIBOR	1.38%	1.33%	0.88%
2 year UST	1.60%	1.48%	0.84%
10 year UST	2.38%	2.33%	1.83%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.44%	3.35%	3.04%
CU 30 year Mtg	4.02%	3.94%	3.59%
EQUITY MARKETS			
Dow Jones Industrial Average	23,377.2	22,405.1	18,142.4
NASDAQ Composite	6,727.7	6,495.9	5,189.1
S&P 500	2,575.3	2,519.4	2,123.2
OTHER COMMODITIES			
CRB Index	187.6	183.1	186.3
Crude Oil	54.4	51.7	51.2

Source: Bloomberg; RateWatch

October was full of new events. The Federal Reserve quietly began trimming its balance sheet by allowing \$6 billion in Treasury securities to mature without reinvestment. The European Central Bank announced it would follow the U.S.'s lead and begin paring back its balance sheet in January. Washington made progress on their promises by taking the first step to revise the Affordable Care Act. Just as the month ended, an outline was given of the first tax overhaul in 30 years. The minutes from the September FOMC meeting (released in October) reinforced to investors that the Fed remains on track to raise interest rates, despite any economic disruptions from the hurricanes. And, last but not least, we began November looking forward to a new era of the FOMC, as Jerome Powell takes the helm as Chair of the Federal Reserve.

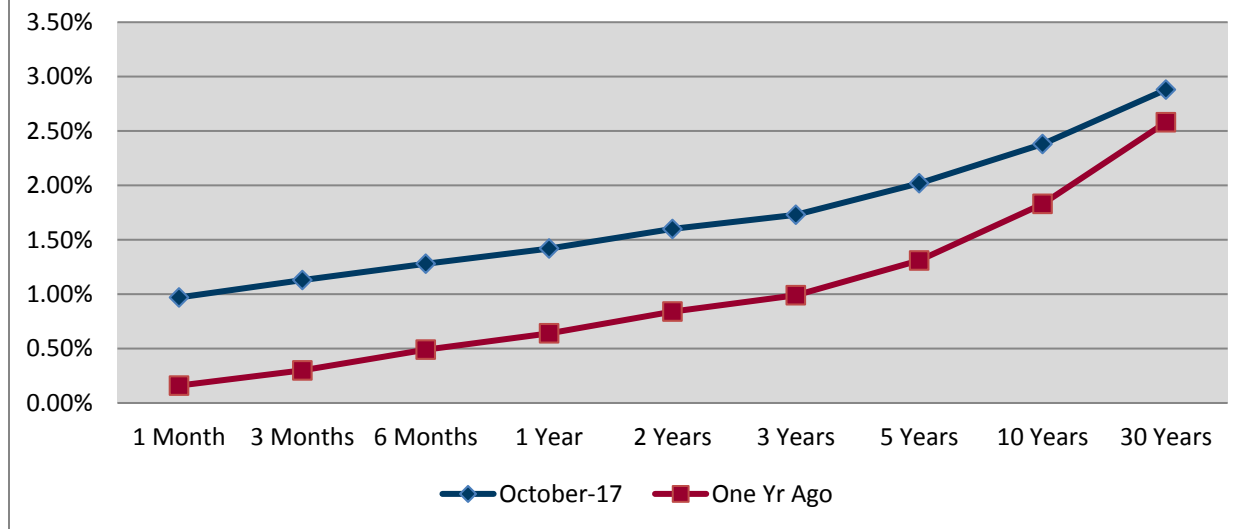
Mortgage rates changed direction in October, as credit unions took advantage of a mid-month pop in Treasury yields. The average 15-year mortgage rate offered by credit unions increased nine basis points to 3.44 percent. The average rate for a 30-year mortgage increased eight basis points to 4.02 percent. The spread over Treasury yields widened by three basis points. Mortgage rates are an average of 42 basis points higher than a year ago.

Stocks were driven higher in October by hopes of tax reform, strong quarterly earnings and a lack of better places to invest for a good return. October was the seventh monthly increase for the Dow and S&P Indices and the fourth positive month for the NASDAQ. The Dow broke through its fourth milestone this year, crossing the 23,000 mark. The technology sector accounted for most of the gains in the stock market, surging 7.7 percent. For the month, the Dow was up 4.3 percent, the S&P 500 was up 2.2 percent and the NASDAQ closed up 3.6 percent. Year-to-date returns hit double digits for the group: Dow up 18.3 percent, S&P 500 up 15 percent and the NASDAQ up 25 percent.

For Credit Unions:

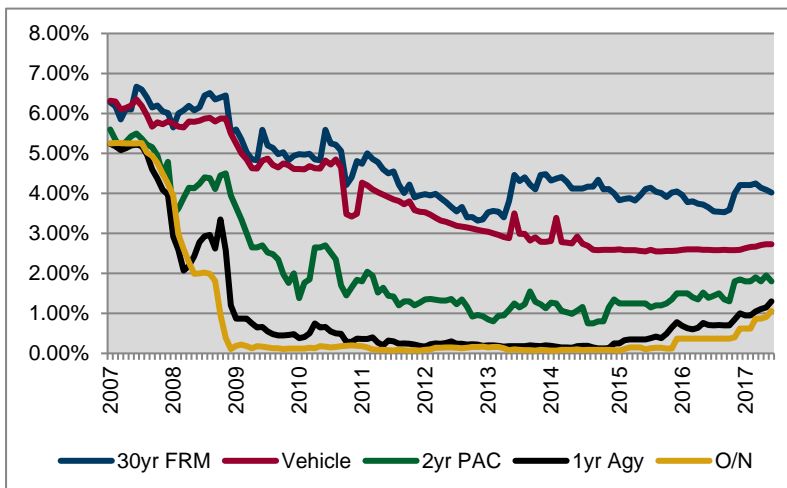
- The data on the housing market continues to be distorted from the hurricanes. Pending home sales fell to the lowest level in almost three years in September, while new home sales surged to the fastest pace in a decade. The increase in new home sales was mainly due to a rebound in housing completions after a plunge the month before. Sales of existing homes increased 0.7 percent in September, but are down 1.7 percent from a year ago. Almost half the homes sold in September sold in less than a month. The average price of a home rose 6.1 percent from a year ago.
- Auto sales have picked up in the months following the late summer storms. Replacement sales and inventory clear-out discounts boosted sales to 18 million SAAR. The daily sales rate at U.S. automakers' dealerships hit a 15-year high. Used car sales forecasts indicate the annual pace has increased to nearly 39 million units. Compared to a year ago, used car sales are up two percent.
- Credit union lending increased in all categories in the second quarter of 2017, compared with a year ago. The average loan-to-share ratio rose to 79.7 percent from 77.8 percent in 2016. Auto loans increased 13.6 percent, with new auto loans improving the most with a gain of 16.3 percent. Real estate loans rose just under 10 percent. Member loan balances saw an increase of 17.4 percent.
- The latest measure of consumer confidence rose to the highest level in 17 years. The surge in confidence was driven by expectations of tax reform, a positive outlook on jobs, and a non-stop stock market. Confidence was highest for those between 35 and 54 years old.

Yield Curve



The yield curve fluctuated 11 basis points during the month of October, a reflection of some confusion in the minds of investors. Yields at the short end of the curve increased as investors became increasingly confident the Federal Reserve remained on track to raise interest rates in December. As other central banks announced plans to end years of monetary stimulus, the 10-year Treasury yield broke through the technical resistance level of 2.40 percent. However, by the end of the month, the long end of the curve became weighed down by back and forth action on healthcare and tax reform, and yields declined. The curve touched 72 basis points in intraday trading, the flattest spread in 10 years. In the end, the curve settled in at 78 basis points, seven basis points flatter than September. The two-year Treasury note closed October 12 basis points higher at 1.60 percent, and the 10-year Treasury note was five basis points higher at 2.38 percent.

Relative Value of Assets and Funding:

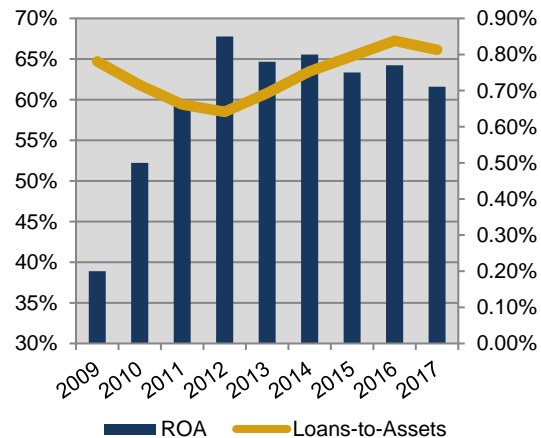
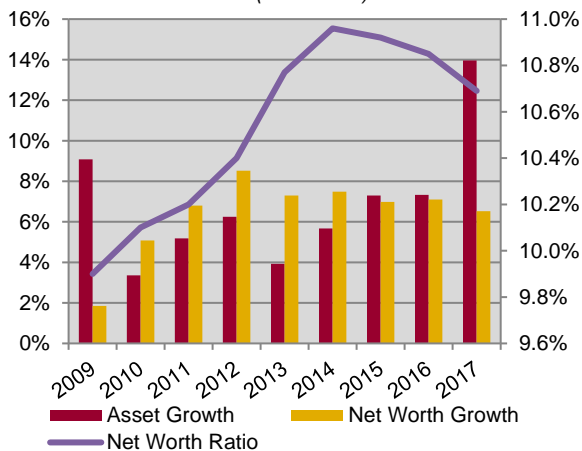


- The difference between loan and investment rates widened in October, but still remains historically narrow.
- Share deposit rates continue to increase slowly, despite the benchmark funds rates increasing 50 basis points over the past 12 months.
- The fed funds futures market predicts a 94 percent chance of an interest rate increase in December.

NCUA – June 2017

KEY CREDIT UNION DATA	2012	2013	2014	2015	2016	2017
GROWTH RATES						
Total Assets	6.25%	3.93%	5.66%	7.33%	7.33%	9.01%
Total Loans	4.55%	7.97%	10.42%	10.49%	10.43%	10.11%
Total Shares	6.10%	3.67%	4.47%	6.86%	7.54%	9.70%
Net Worth	8.52%	7.36%	7.48%	6.92%	7.05%	7.20%
CAPITAL ADEQUACY						
Net Worth Ratio	10.43%	10.77%	10.96%	10.92%	10.89%	10.80%
Equity Capital Ratio	10.42%	10.47%	10.78%	10.66%	10.58%	10.56%
Capital Ratio	11.20%	11.10%	11.40%	11.27%	11.18%	11.17%
BALANCE SHEET COMPOSITION						
Cash & ST Inv to Total Assets	17.49%	14.87%	13.65%	13.47%	13.41%	13.48%
Loans-to-Total Assets	58.48%	60.75%	63.48%	65.35%	67.24%	67.60%
Vehicle-to-Total Loans	29.87%	30.80%	32.29%	33.29%	34.37%	34.85%
Real Estate-to-Total Loans	53.58%	52.51%	51.13%	50.41%	49.60%	49.40%
DELINQUENCY & CHARGE-OFF						
Delinquency Rate	1.16%	1.01%	0.85%	0.81%	0.83%	0.75%
Net Charge-off Rate	0.73%	0.57%	0.50%	0.48%	0.55%	0.57%
"Misery" Index	1.89%	1.58%	1.35%	1.30%	1.38%	1.32%
EARNINGS						
Gross Asset Yield	4.01%	3.65%	3.66%	3.72%	3.82%	3.90%
Cost of Funds	0.73%	0.59%	0.54%	0.52%	0.53%	0.53%
Gross Interest Margin	3.28%	3.06%	3.12%	3.20%	3.29%	3.36%
PROVISION EXPENSE						
Less: Provision Expense	0.36%	0.26%	0.28%	0.35%	0.41%	0.43%
Net Interest Margin	2.92%	2.80%	2.84%	2.85%	2.88%	2.93%
OPERATING EXPENSES						
Net Operating Expense	2.44%	2.45%	2.45%	2.47%	2.46%	2.44%
Net Income (Return on Assets)	0.85%	0.78%	0.80%	0.75%	0.77%	0.77%
RETURN ON EQUITY						
Return on Equity	8.0%	7.3%	7.2%	6.8%	7.0%	3.6%

Source: NCUA (June 2017)



NCUA PEER DATA	<\$2M	\$2-10M	\$10-50M	\$50-100M	\$100-500M	\$500M+	Total
NETWORK							
Average Asset Size (000s)	\$902	\$5,622	\$24,871	\$71,343	\$223,907	\$1,947,345	\$237,132
Pct of Number of Credit Unions	9%	19%	32%	13%	18%	9%	100%
Pct of Industry Assets	0%	0%	3%	4%	17%	75%	100%
GROWTH RATES							
Total Assets	-6.7%	-8.5%	-3.1%	2.8%	9.0%	12.1%	9.01%
Total Loans	-12.0%	-12.6%	-5.6%	1.0%	10.1%	13.5%	10.11%
Total Shares	-6.5%	-8.4%	-2.6%	3.3%	9.7%	13.1%	9.70%
Net Worth	-7.2%	-8.8%	-5.9%	-1.3%	7.2%	10.8%	7.20%
CAPITAL ADEQUACY							
Net Worth Ratio	17.8%	14.9%	12.2%	11.3%	10.8%	10.7%	10.80%
Equity Capital Ratio	17.7%	14.9%	12.0%	11.1%	10.6%	10.4%	10.56%
Capital Ratio	19.0%	15.5%	12.5%	11.6%	11.2%	11.1%	11.17%
BALANCE SHEET COMPOSITION							
Cash & ST Investments-to-Total Assets	40.0%	30.2%	24.6%	20.2%	13.5%	12.2%	13.5%
Loans-to-Total Assets	46.3%	48.1%	49.7%	55.6%	64.0%	70.0%	67.60%
Vehicle-to-Total Loans	57.1%	59.0%	45.7%	40.8%	34.9%	33.5%	34.85%
Real Estate-to-Total Loans	1.5%	9.7%	32.0%	39.6%	49.4%	51.4%	49.40%
Delinquency Rate	3.25%	1.68%	1.12%	1.00%	0.75%	0.71%	0.75%
Net Charge-off Rate	0.78%	0.58%	0.49%	0.53%	0.57%	0.58%	0.57%
"Misery" Index	4.02%	2.26%	1.61%	1.53%	1.32%	1.29%	1.32%
Non-term Shares-to-Total Shares	90.5%	84.2%	79.8%	77.5%	73.5%	72.6%	73.5%
Net Long-term Assets-to-Total Assets	5.0%	9.8%	20.2%	25.9%	33.4%	34.9%	33.4%
EARNINGS							
Gross Asset Yield	4.21%	3.79%	3.46%	3.65%	3.90%	3.96%	3.9%
Cost of Funds	0.29%	0.33%	0.29%	0.30%	0.53%	0.60%	0.53%
Gross Interest Margin	3.92%	3.46%	3.17%	3.35%	3.36%	3.37%	3.4%
Less: Provision Expense	0.46%	0.28%	0.24%	0.31%	0.43%	0.47%	0.43%
Net Interest Margin	3.46%	3.18%	2.93%	3.04%	2.93%	2.90%	2.9%
Net Operating Expense	3.65%	3.05%	2.74%	2.82%	2.44%	2.33%	2.44%
Net Income (Return on Assets)	-0.21%	0.05%	0.27%	0.31%	0.77%	0.88%	0.77%
Return on Equity	-0.6%	0.2%	1.1%	1.4%	0.4%	4.1%	3.6%
COST EFFICIENCIES							
Avg Loan Balance	\$4,318	\$6,779	\$8,859	\$10,033	\$14,613	\$15,820	\$14,613
Avg Share Per Member	\$2,316	\$4,681	\$7,110	\$8,077	\$10,481	\$11,408	\$10,481
Avg Compensation per FTE	\$18,359	\$44,168	\$55,849	\$58,754	\$73,383	\$79,146	\$73,383
Comp & Benefits-to-Total Assets	0.95%	0.96%	0.82%	0.86%	0.90%	0.73%	0.77%
Pct of Total Operating Expense	47%	53%	48%	48%	51%	52%	52%
Office Occ & Ops-to-Total Assets	0.63%	0.48%	0.46%	0.45%	2.16%	0.35%	0.37%
Pct of Total Operating Expense	31%	27%	27%	25%	25%	25%	25%

Source: NCUA (June 2017)

Economic Calendar

NOVEMBER 2017

Monday	Tuesday	Wednesday	Thursday	Friday
		1 Auto Sales ADP Employment ISM Manufacturing Construction Spending FOMC Meeting	2 Jobless Claims	3 Non-Farm Payrolls Unemployment Rate ISM Services Factory Orders
6	7 JOLTS Consumer Credit	8	9 Jobless Claims	10 Consumer Sentiment  VETERANS DAY REMEMBER ALL WHO SERVED 11TH NOVEMBER
13	14 PPI	15 CPI Retail Sales Business Inventories Empire Manufacturing	16 Jobless Claims Industrial Production Capacity Utilization	17 Housing Starts Building Permits
20 Leading Indicators	21 Existing Home Sales	22 Jobless Claims Durable Goods Orders FOMC Minutes	23 	24 
27 New Home Sales	28 Consumer Confidence S&P CoreLogic Price Index	29 Pending Home Sales GDP 3Q17 Fed Beige Book	30 Jobless Claims Personal Income Personal Spending	