

KEY ECONOMIC AND MARKET INDICATORS

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2016
ECONOMIC GROWTH				
GDP (QoQ)	Q2	3.0%	2.6%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Aug	156	189	2,242
Private Payrolls (000s)	Aug	165	202	2,054
Unemployment Rate	Aug	4.4%	4.3%	4.7%
Underemployment Rate	Aug	8.6%	8.6%	9.2%
INFLATION				
Wholesale (YoY)	Jul	1.9%	2.0%	1.6%
Consumer (YoY)	Jul	1.7%	1.6%	2.1%
Core Consumer (YoY)	Jul	1.7%	1.7%	2.1%
INCOME & SPENDING				
Chg in Consumer Credit (\$B)	Jul	18.5	11.8	6.4%
Personal Income	Jul	0.4%	0.0%	3.5%
Personal Spending	Jul	0.3%	0.2%	2.7%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Aug	16.0	16.7	18.3
New & Existing Home Sales (M)	Jul	6.01	6.14	6.03
S&P/Case Shiller HPI (YoY)	Jun	5.77%	5.69%	5.61%

Sources:

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Aug-17	Jul-17	Aug-16
MONEY MARKETS			
Effective Fed Funds	1.07%	1.07%	0.25%
Prime Rate	4.25%	4.25%	3.50%
3 month LIBOR	1.32%	1.31%	0.84%
2 year UST	1.33%	1.35%	0.81%
10 year UST	2.12%	2.29%	1.58%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.39%	3.43%	3.02%
CU 30 year Mtg	3.99%	4.06%	3.54%
EQUITY MARKETS			
Dow Jones Industrial Average	21,948.1	21,891.1	18,400.9
NASDAQ Composite	6,428.7	6,348.1	5,213.2
S&P 500	2,471.7	2,470.3	2,170.9
OTHER COMMODITIES			
CRB Index	180.9	182.6	180.2
Crude Oil	47.2	50.2	49.3

Source: Bloomberg; RateWatch

The pace of job growth declined for the third consecutive month. Employers added 156,000 jobs in August, and the unemployment rate inched up to 4.4 percent. Wage growth was stunted mainly by declines in manufacturing and mining, leaving year-over-year growth at 2.5 percent. All but two industries posted increases in jobs. Most analysts considered the report benign, as many of the underlying components were lower or unchanged.

Inflation appears to be plateauing rather than increasing. Both PPI and CPI year-over-year rates are moving away from the recent two percent peak. Prices continue to increase for medical care and rent, but to decline for hotel/motels, autos and energy. There is little price pressure at the wholesale level, allowing consumer prices to remain low.

Retail sales increased the most this year during July. Steep price reductions created the biggest monthly increase in auto sales this year. Internet shopping jumped 1.3 percent due to Amazon's Prime shopping promotion. Ten of the 13 major categories posted gains.

The economy grew at a three percent rate in the second quarter, the fastest pace in over two years. The revised estimate puts the growth rate for the first half of 2017 at 2.1 percent, in line with the average pace of growth since 2009. Stronger consumer spending and business investment were key factors in the higher revision. Housing, however, remains a drag on the economy, falling 6.5 percent.

The financial markets faced issue after issue in August, each creating turmoil and uncertainty. The month began with sparring words and threats of retaliation between the U.S. and North Korea. Just as that scenario was calming down, the demonstrations in Charlottesville sparked conflict between the business and political worlds. In the aftermath, two key presidential advisory groups disbanded. The continued conflict was too much for the financial markets to absorb. Investors threw in the towel and ran for cover into Treasury securities and the U.S. dollar, remaining there for most of the month. At the end of the month, as political strife was subsiding, attention turned to the devastating effects of Hurricane Harvey and the impact on the economy. As the calendar turned to September, focus once again turned to Washington and the key issues to be resolved – the debt ceiling, tax reform and the upcoming quarterly FOMC meeting.

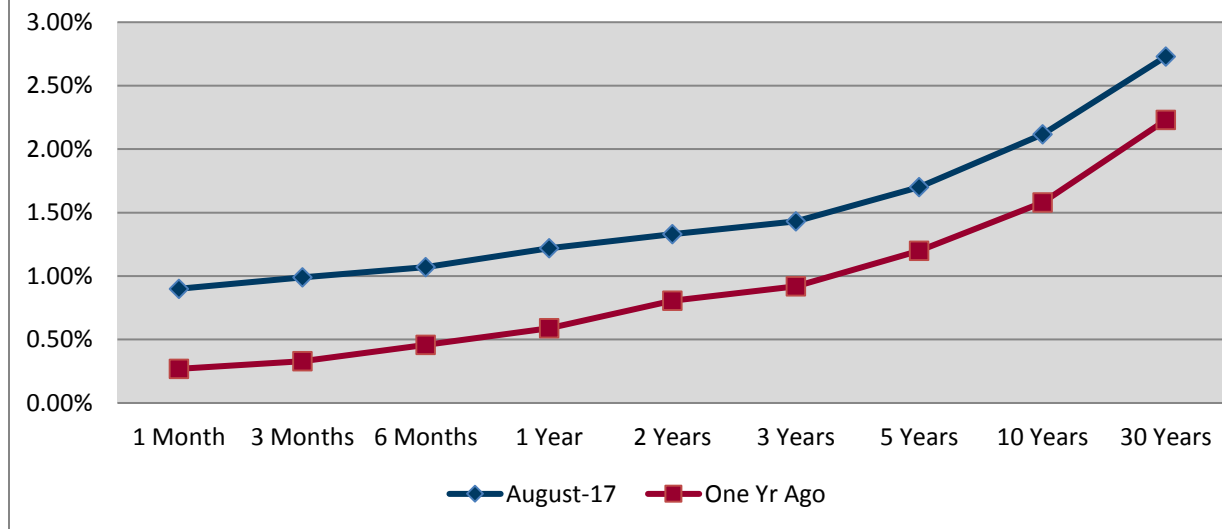
Mortgage rates declined in August. The average 15-year mortgage rate offered by credit unions decreased four basis points to 3.39 percent. The average rate for a 30-year mortgage declined seven basis points to 3.99 percent. This was the first time the 30-year rate fell below 4.00 percent since October 2016. The spread over Treasury yields widened due to the large decline in long-term Treasury yields. Auto loan rates increased one basis point. The average four-year auto loan rate is 2.77 percent.

The stock market had a wild ride in August. August is typically a quiet month for stock trading, as many investors and traders take vacation. The up and down moves in the market were exacerbated due to low volume on many days. Much of the action was in response to cabinet changes and political rifts in Washington, mixed with weak quarterly earnings in the retail sector. The three major indices managed to reach new high levels at some point in the month, despite having multiple days of more than one percent changes in both directions. Tech and utility stocks were two of the best performing sectors. For the month, the Dow was up 0.26 percent, the S&P 500 up 0.05 percent and the NASDAQ closed up 1.27 percent. Year-to-date returns hit double digits for the group: Dow up 11.06 percent, S&P 500 up 10.4 percent and the NASDAQ up 19.42 percent.

For Credit Unions:

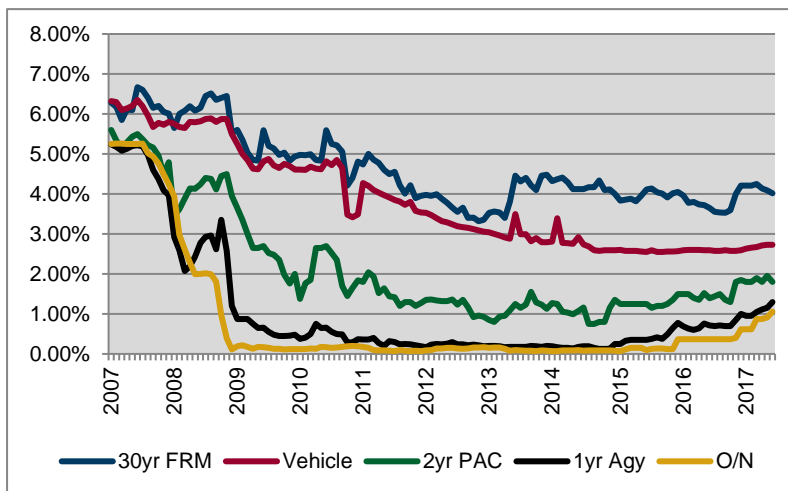
- Home prices continue to increase. The S&P CoreLogic Case-Shiller home price index increased 5.8 percent in June from a year ago. This is the largest jump since May 2014. Almost half of the homes for sale in July were considered overvalued, adding even more pressure to home affordability. Lack of inventory is pushing prices higher and threatens to derail the housing industry. The number of existing homes on the market fell to an 11-month low. Sales for new and existing homes, as well as construction on new homes, declined in July.
- U.S auto dealers sold 16 million vehicles at a seasonally adjusted, annualized rate in August, down 6.4 percent from a year ago. After experiencing seven straight years of growth, the auto industry has been hit hard in 2017, as consumers appear to have fulfilled their itch for new cars. Dealers are scrambling to sell a backlog of current year models to make room for 2018 product. According to J.D. Power, 91 percent of vehicles sold in early August were 2017 models, unusually high at this time of the year. Hurricane Harvey may provide the auto industry with a boost in sales in September. An estimated 300,000 to 500,000 cars were either badly damaged or totaled during the devastating storm.
- Consumer credit increased \$18.5 billion in July. The 5.5 percent rise was the largest gain in five months. Non-revolving debt accounted for the bulk of the increase, rising by \$15.8 billion, the most in nine months. Credit card debt took a breather, increasing by the least amount in three months.

Yield Curve



August was another quiet month for the bond market, despite the 10-year note yield reaching the lowest level in nine months. The 10-year note collapsed mid-month in a flight to safety move brought on by threats from North Korea, disruptions in Washington and a possible change in tone from the Federal Reserve. The Federal Reserve continues to struggle with inflation remaining below their target of two percent. Various comments from Fed members and the minutes of the July FOMC meeting began to take on a more dovish “wait and see” tone than in the past. The two-year note closed at 1.33 percent, two basis points below July’s close. The 10-year note finished 17 basis points lower at 2.12 percent. The yield curve flattened to 79 basis points.

Relative Value of Assets and Funding:

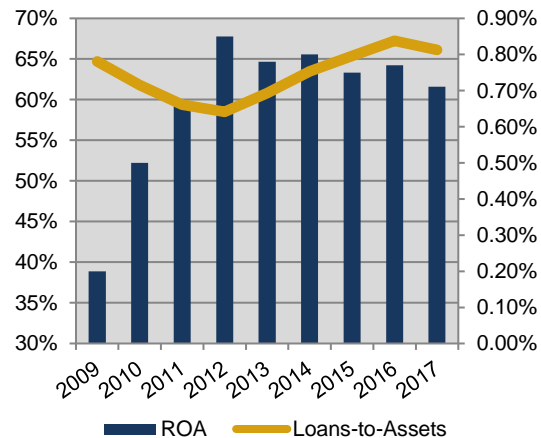
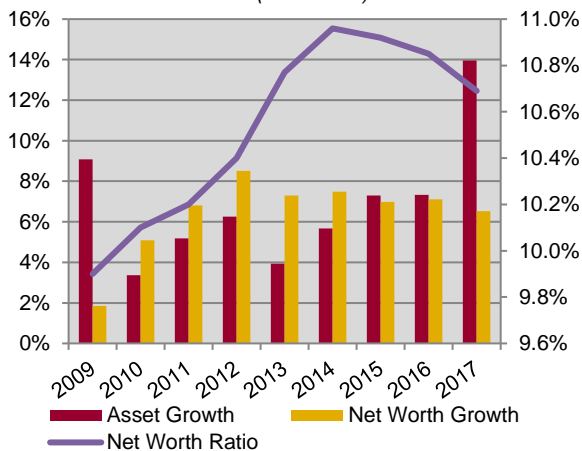


- Credit unions should continue to monitor the difference between the yields on loans and investments. Rising delinquencies on used vehicle loans could strip away the additional yield value of your loans.
- Credit unions have been able to keep deposit rates low despite two rate increases this year. This trend should continue.
- There is no guarantee the Fed will raise rates again this year. Staying invested will add more to ROA in the long term.

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%
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%
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%
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	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)	\$890	\$5,619	\$24,829	\$71,296	\$222,983	\$1,931,609	\$233,157
Pct of Number of Credit Unions	9%	19%	32%	13%	18%	9%	100%
Pct of Industry Assets	0%	0%	3%	4%	18%	75%	100%
GROWTH RATES							
Total Assets	-17.8%	-9.5%	-3.7%	4.7%	1.9%	18.4%	13.96%
Total Loans	-33.4%	-22.6%	-15.9%	-8.9%	-8.0%	12.2%	7.12%
Total Shares	-16.7%	-8.4%	-2.2%	6.5%	4.4%	21.4%	16.62%
Net Worth	-19.6%	-14.7%	-11.2%	-5.0%	-7.4%	11.8%	6.52%
CAPITAL ADEQUACY							
Net Worth Ratio	17.8%	14.8%	12.1%	11.2%	10.7%	10.6%	10.69%
Equity Capital Ratio	17.7%	14.7%	12.0%	11.0%	10.4%	10.3%	10.42%
Capital Ratio	18.9%	15.3%	12.4%	11.5%	10.9%	10.9%	11.01%
BALANCE SHEET COMPOSITION							
Cash & ST Investments-to-Total Assets	41.2%	30.9%	25.6%	21.4%	16.4%	13.5%	14.8%
Loans-to-Total Assets	45.6%	47.5%	48.8%	54.2%	62.6%	68.5%	66.13%
Vehicle-to-Total Loans	57.8%	59.1%	45.2%	40.0%	37.7%	33.4%	34.69%
Real Estate-to-Total Loans	1.8%	10.1%	32.6%	40.3%	45.5%	51.6%	49.62%
Delinquency Rate	3.17%	1.62%	1.05%	0.92%	0.76%	0.65%	0.69%
Net Charge-off Rate	0.85%	0.61%	0.46%	0.49%	0.52%	0.60%	0.58%
"Misery" Index	4.02%	2.23%	1.50%	1.41%	1.28%	1.25%	1.27%
Non-term Shares-to-Total Shares	90.5%	84.3%	79.6%	77.5%	75.3%	72.7%	73.7%
Net Long-term Assets-to-Total Assets	4.8%	9.8%	19.7%	25.6%	31.4%	34.7%	33.1%
EARNINGS							
Gross Asset Yield	4.10%	3.84%	3.40%	3.54%	3.68%	3.91%	3.8%
Cost of Funds	0.37%	0.30%	0.27%	0.30%	0.37%	0.58%	0.52%
Gross Interest Margin	3.73%	3.54%	3.12%	3.24%	3.32%	3.33%	3.3%
Less: Provision Expense	0.38%	0.31%	0.20%	0.25%	0.33%	0.47%	0.43%
Net Interest Margin	3.34%	3.23%	2.92%	2.99%	2.99%	2.86%	2.9%
Net Operating Expense	3.61%	3.10%	2.77%	2.81%	2.78%	2.32%	2.44%
Net Income (Return on Assets)	0.08%	0.05%	0.27%	0.39%	0.47%	0.81%	0.71%
Return on Equity	0.1%	0.1%	0.6%	0.9%	1.1%	1.9%	1.7%
COST EFFICIENCIES							
Avg Loan Balance	\$4,340	\$6,696	\$8,853	\$10,006	\$12,563	\$15,722	\$14,497
Avg Share Per Member	\$2,316	\$4,670	\$7,123	\$8,139	\$9,212	\$11,492	\$10,536
Avg Compensation per FTE	\$18,373	\$44,494	\$56,028	\$59,524	\$65,765	\$80,382	\$74,278
Comp & Benefits-to-Total Assets	0.47%	0.48%	0.41%	0.43%	0.45%	0.37%	0.39%
Pct of Total Operating Expense	47%	53%	48%	49%	51%	53%	52%
Office Occ & Ops-to-Total Assets	0.31%	0.24%	0.23%	0.22%	0.23%	0.17%	0.19%
Pct of Total Operating Expense	31%	27%	27%	25%	26%	25%	25%

Source: NCUA (June 2017)

Economic Calendar

SEPTEMBER 2017

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Non-Farm Payrolls Unemployment Rate ISM Manufacturing Auto Sales Construction Spending
4 	5 Factory Orders Durable Goods (JUL final)	6 Trade Balance ISM Services Beige Book	7 Jobless Claims	8 Wholesale Inventories Consumer Credit
11	12 JOLTS	13 PPI	14 Jobless Claims CPI Leading Index	15 Retail Sales Industrial Production Capacity Utilization Empire Manufacturing Business Inventories
18	19 Housing Starts Building Permits	20 Existing Home Sales FOMC Press Release	21 Jobless Claims Leading Index	22
25	26 New Home Sales Consumer Confidence S&P CoreLogic Price Index	27 Durable Goods (AUG) Pending Home Sales	28 Jobless Claims GDP 2Q17 Pending Home Sales Trade Balance	29 Personal Income Personal Spending PCE Core Y/Y