CATALYST Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

APRIL 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q4	2.6%	3.2%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Mar	236	326	4,814
Private Payrolls (000s)	Mar	189	266	4,555
Unemployment Rate	Mar	3.5%	3.6%	3.4%
Avg Hourly Earnings (Y/Y)	Mar	4.2%	4.6%	4.4%
INFLATION				
Wholesale (Y/Y)	Feb	4.6%	5.7%	6.2%
Consumer (Y/Y)	Feb	6.0%	6.4%	7.1%
PCE Core (Y/Y)	Feb	4.6%	4.7%	4.4%
INCOME & SPENDING				
Retail Sales	Feb	3.0%	-1.1%	9.2%
Personal Income	Feb	0.3%	0.6%	2.1%
Personal Spending	Feb	0.2%	2.0%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Mar	14.82	14.89	13.31
New/Existing Home Sales (M/M)	Feb	12.7%	-0.4%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Jan	3.8%	5.6%	5.8%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Mar-23	Feb-23	Mar-22
MONEY MARKETS			
Effective Fed Funds	4.83%	4.57%	0.33%
Prime Rate	8.00%	7.75%	3.50%
3-month LIBOR	5.19%	4.97%	0.96%
2-year UST	4.03%	4.82%	2.34%
10-year UST	3.47%	3.92%	2.34%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	5.97%	5.77%	3.71%
CU 60-mth Auto	6.07%	5.86%	3.80%
CU 15-year Mtg	5.91%	5.73%	3.55%
CU 30-year Mtg	6.53%	6.38%	4.26%
EQUITY MARKETS			
Dow Jones Industrial Average	33,274.2	32,626.7	34,678.3
NASDAQ Composite	12,221.9	11,455.5	14,220.5
S&P 500	4,109.3	3,970.2	4,530.4
OTHER COMMODITIES			
CRB Index	267.7	269.8	295.2
Crude Oil	75.7	76.9	86.1

Source: Bloomberg; S&P Global Market Intelligence

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 236,000 jobs in March, about as many as expected. While February's gains were revised higher by 15,000, the net two-month revision subtracted 17,000 in total. The unemployment rate fell by a tenth of a percent. Hourly earnings were up 4.2% year-over-year, the lowest level since June 2021. The labor participation rate increased to 62.6%, the highest post-pandemic level.

February consumer prices rose at the fastest pace in five months due to continued high shelter and services costs. Shelter accounts for 70% of the consumer price index. Food and gasoline prices increased at a slower pace from the month before. The year-over-year measure of inflation fell to the lowest level since 2021. Wholesale prices fell more than expected, with 80% of the drop in goods prices due to falling egg prices.

Retail sales reversed course and fell 0.4% in February after a 3.2% gain the prior month. Eight of the 13 major categories declined, led by department and furniture stores. Auto sales were down for the third month out of four, falling 1.8%. Restaurant and bar sales fell the most in over a year and was the worst performing sector in the index. The third estimate of economic growth in the fourth quarter of 2022 was revised lower from 2.7% to 2.6%. Personal consumption was slower than previously estimated, coming in at 1% instead of 1.4%. The decline in spending came from almost a one percentage point drop in services spending.

March madness wasn't just for basketball this year as the financial markets played its own version of madness. First, the markets were stunned by Federal Reserve Chair Jerome Powell's suggestion that the Federal Open Market Committee (FOMC) was likely to raise interest rates by 50 basis points at the March FOMC meeting. "Higher, faster, for longer," were words the Chair used to describe the future path for rate moves. Then came the second and third biggest bank failures in history creating a flight to safety wave as investors struggled to understand if this was a one-off situation or the beginning of bank failure contagion. Immediately on the heels of these two events was news of a Russian fighter jet colliding with a U.S. drone in international air space, leaving markets briefly unsettled. This was followed by news of a global bank kept from default at the last minute by a cash infusion from a group of large banks. As the markets were debating if the Fed would stall or raise rates at the upcoming FOMC meeting, the committee took a neutral stand and raised rates by 25 basis points, while hinting this could be the last rate increase. The move was perceived as a dovish hike and in line with other central banks that recently raised rates. By the end of the month, the fed funds futures market adjusted expectations for the peak funds rate from 5.46% to 4.92%.

Mortgage rates began moving higher in March, but then retreated mid-month following the downward trend of the 10-year Treasury yield. The benchmark Freddie Mac 30-year mortgage rate closed the month at 6.32%, 33 basis points lower than in February. The average 30-year mortgage rate, as measured by a variety of financial institutions, moved the other way and rose 15 basis points to 6.53%. The average 15-year rate closed 18 basis points higher at 5.91%. Financial institution auto loan rates also rose in March after a year of Fed-orchestrated interest rate increases. The average 48-month auto loan rate closed the month 20 basis points higher at 5.97%. The average 60-month auto loan rate was 21 basis points higher at 6.07%.

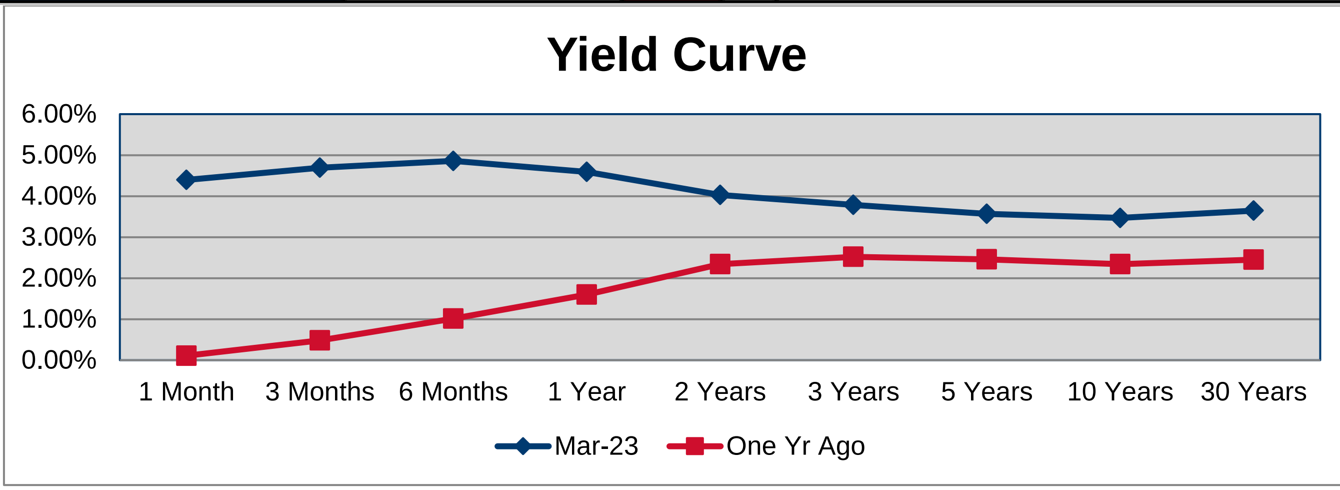
The equity market faced numerous hurdles during March. Aggressive rate talk from the Federal Reserve Chair, short-term Treasury yields soaring to the highest level in decades, and the failure of Silicon Valley Bank had investors pulling money out of stocks into the safety of money market funds and short-term Treasury securities. Investors lost confidence in the future value of owning equity, causing prices to fall and pushing the S&P 500 Index below 4000 once again. As sharp as the downturn was, the reversal was just as quick. Stocks regained momentum late in the month when the Fed hinted at the possibility of pausing rate hikes this year and inflation gauges showed marked improvement. The three indices finished March in the black. The Dow rose 1.9%, the Nasdaq was higher by 6.7% and the S&P 500 was up 3.5%. For the quarter and year-to-date, the Dow rose 0.4%, the Nasdaq is up 16.8% and the S&P 500 is ahead 7.0%.

For Credit Unions:

- Housing market activity has become dependent on mortgage rates this year. Housing got a boost in February from the drop in mortgage rates in January. Existing home sales, which are the result of contracts signed in the prior month when rates were lower, surged 14.5% in February. However, housing sales are expected to fall in March due to mortgage rates moving higher and a reduced number of signed contracts.

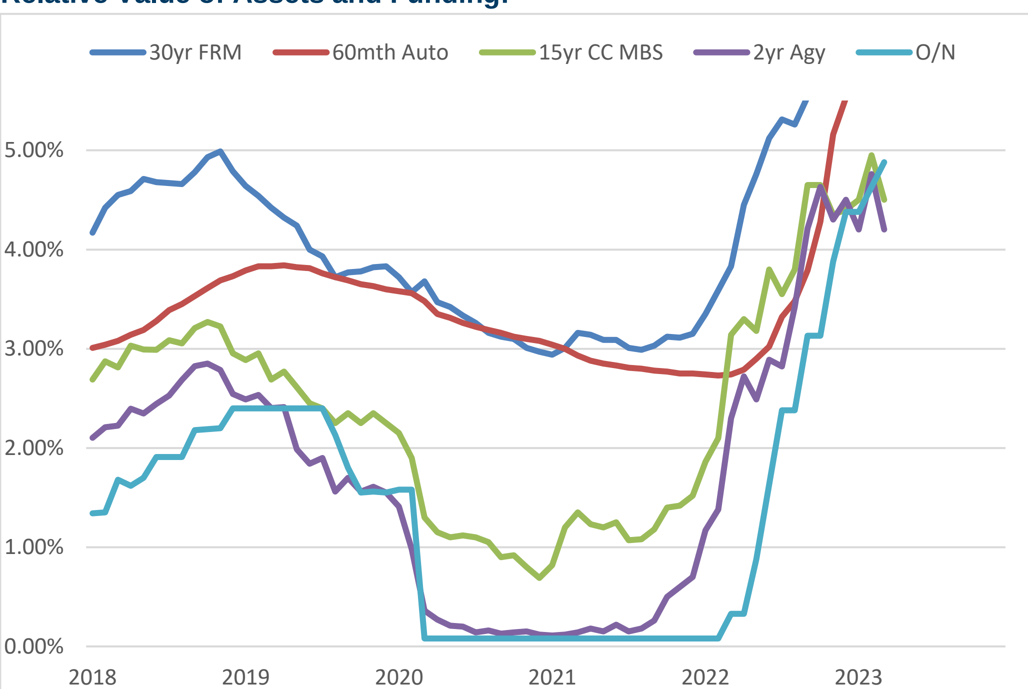
- Auto sales increased over 11% in the first quarter of the year as dealer inventory improved. Unfortunately, the rejection for auto credit climbed 9.1% in February, the highest rate in six years. Higher auto prices and interest rates are forcing financial institutions to tighten lending standards.

- The collapse of several large banks triggered a re-allocation of funds in March. Deposits at commercial banks fell $320 billion since the end of February. Deposits at the 25 largest institutions dropped, while those at small banks increased. Small commercial banks gained $6 billion. Money market accounts increased over $300 billion in three weeks.



The Treasury market was whipsawed from the very beginning of March. Federal Reserve Chair Jerome Powell's aggressive rate talk pushed the two-year Treasury yield to 5.08%, the highest level since 2007, and the 10-year yield above 4% for the first time since November. The yield curve inverted by 108 basis points, the deepest inversion since 1981. Within days, the biggest bank failure since the financial crisis turned the rate surge into a flight-to-quality trade. Yields fell 30 to 50 basis points across the curve for several days as investors grew anxious about the impact rising rates were having on the financial sector and the potential for more bank failures. The two-year Treasury yield fluctuated 131 basis points throughout the month to close at 4.03%, 79 basis points lower than February. This was the largest one-month drop since 2008. The 10-year Treasury yield closed the month at 3.47%, 45 basis points below the February close. The yield curve finished the month at -56 basis points.

Relative Value of Assets and Funding:



- The spread between loans and investments widened by 68 basis points. Loan rates rose 18 basis points. Rates on investments fell 51 basis points.

- The difference between a 60-month auto loan and a 15-year mortgage loan is -15 basis points. This was the second month of inversion.

- CD rates increased seven basis points on average in February. Rates are 96 basis points higher than a year ago.

CATALYST
Corporate Federal Credit Union

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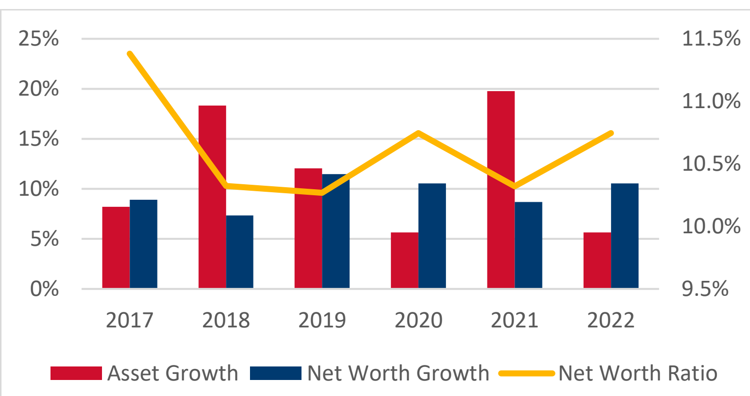
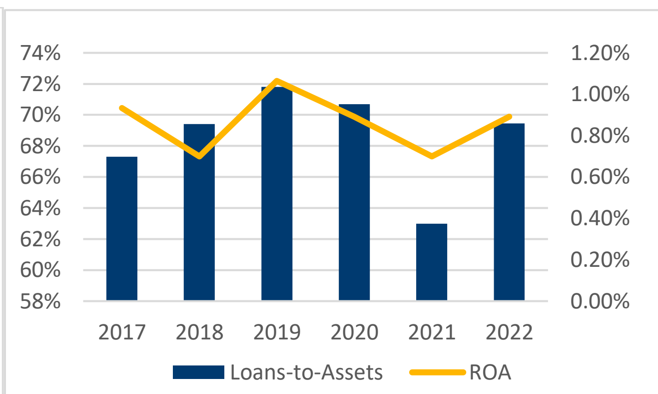
NCUA – December 2022

KEY CREDIT UNION DATA	2017	2018	2019	2020	2021	2022
GROWTH RATES						
Total Assets	7.17%	5.85%	8.22%	18.33%	12.07%	5.64%
Total Loans	10.56%	9.51%	6.59%	5.46%	8.24%	20.48%
Total Shares	6.62%	5.68%	8.63%	20.91%	13.03%	3.84%
Net Worth	7.79%	8.85%	8.92%	7.35%	11.48%	10.54%
CAPITAL ADEQUACY						
Net Worth Ratio	10.96%	11.31%	11.38%	10.32%	10.27%	10.75%
Equity Capital Ratio	10.67%	10.92%	11.24%	10.34%	9.99%	8.78%
Capital Ratio	11.30%	11.55%	11.85%	11.04%	10.52%	9.31%
BALANCE SHEET COMPOSITION						
Loans/Assets	69.37%	71.76%	70.69%	62.99%	60.88%	69.44%
Vehicle Loans/Net Loans	35.02%	35.35%	34.12%	33.04%	32.50%	32.48%
RE Loans/Net Loans	49.92%	49.80%	50.86%	52.25%	52.80%	44.22%
1st Mtg Loans/Net Loans	41.30%	41.27%	42.55%	44.90%	45.98%	39.22%
Commercial Loans/Net Loans	6.78%	6.96%	7.54%	8.29%	9.07%	9.39%
LIQUIDITY POSITION						
Cash & Short-Term Invs/Assets	12.46%	11.37%	12.85%	18.44%	17.16%	10.14%
Borr. & NM Deposits/Shares & Liab.	5.32%	5.46%	4.75%	3.39%	2.97%	6.05%
Net Liquid Assets/Shares & Liab.	22.74%	20.68%	22.15%	30.36%	33.08%	23.82%
Net Long-term Assets/Assets	34.29%	34.50%	34.40%	34.65%	39.45%	51.45%
LOAN QUALITY						
Delinquency Rate	0.85%	0.74%	0.72%	0.62%	0.51%	0.67%
Net Charge-off Rate	0.41%	0.41%	0.40%	0.30%	0.16%	0.22%
EARNINGS						
Investment Yield	1.66%	2.04%	2.37%	1.35%	0.89%	1.63%
Loan Yield	4.54%	4.69%	4.90%	4.71%	4.37%	4.44%
Asset Yield	3.56%	3.82%	4.06%	3.53%	3.02%	3.38%
Cost of Funds	0.56%	0.69%	0.89%	0.70%	0.43%	0.52%
Gross Net Margin	3.00%	3.13%	3.17%	2.83%	2.59%	2.87%
Provision Expense	-0.48%	-0.46%	-0.43%	-0.50%	-0.06%	-0.25%
Net Interest Margin	2.51%	2.67%	2.74%	2.33%	2.53%	2.62%
Net Operating Expense	1.74%	1.76%	1.81%	1.63%	1.47%	1.73%
Net Income (Return on Assets)	0.78%	0.92%	0.93%	0.70%	1.06%	0.89%





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Peer Statistics

	<$2M	$2-10M	$10-50M	$50-100M	$100-500M	$500M+	Total
Industry Statistics							
Average Asset Size (000s)	$906	$5,671	$26,392	$72,786	$227,820	$2,575,772	$318,067
Pct of Number of Credit Unions	6.14%	13.83%	28.51%	13.87%	22.82%	14.82%	100.00%
Pct of Industry Assets	0.03%	0.18%	0.82%	2.28%	7.30%	89.01%	100.00%
GROWTH RATES							
Total Assets	-3.08%	-1.54%	0.90%	1.95%	3.25%	6.19%	5.64%
Total Loans	6.78%	9.58%	12.16%	14.27%	16.06%	21.30%	20.48%
Total Shares	-4.05%	-2.03%	0.54%	1.72%	2.76%	4.14%	3.84%
Net Worth	0.94%	0.90%	3.92%	6.66%	8.33%	11.16%	10.54%
CAPITAL ADEQUACY							
Net Worth Ratio	18.67%	16.07%	12.17%	11.61%	10.76%	10.68%	10.96%
Equity Capital Ratio	18.68%	15.89%	11.79%	10.66%	9.04%	8.61%	10.67%
Capital Ratio	19.90%	16.45%	12.16%	11.02%	9.42%	9.17%	11.30%
BALANCE SHEET COMPOSITION							
Loans/Assets	43.25%	47.60%	48.68%	53.91%	63.24%	71.16%	69.44%
Vehicle Loans/Net Loans	65.11%	67.46%	52.27%	44.39%	39.26%	31.11%	32.48%
RE Loans/Net Loans	0.68%	6.45%	27.80%	37.34%	40.37%	45.10%	44.22%
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Net Liquid Assets/Shares & Liab.	52.11%	45.13%	41.80%	40.41%	32.77%	21.79%	23.82%
Net Long-term Assets/Assets	3.64%	9.88%	26.62%	37.21%	47.18%	52.99%	51.45%
LOAN QUALITY	2.92%	1.55%	1.08%	0.87%	0.73%	0.91%	0.89%
Delinquency Rate	2.66%	1.39%	0.96%	0.74%	0.59%	0.67%	0.67%
Net Charge-off Rate	0.26%	0.16%	0.12%	0.13%	0.14%	0.24%	0.22%
EARNINGS							
Investment Yield	0.73%	1.00%	1.17%	1.28%	1.42%	1.69%	1.63%
Loan Yield	6.63%	5.79%	5.09%	4.78%	4.51%	4.41%	4.44%
Asset Yield	3.17%	3.15%	2.94%	3.00%	3.18%	3.43%	3.38%
Cost of Funds	0.52%	0.31%	0.24%	0.25%	0.33%	0.55%	0.52%
Gross Net Margin	2.65%	2.85%	2.70%	2.75%	2.85%	2.88%	2.87%
Provision Expense	-0.18%	-0.16%	-0.16%	-0.13%	-0.15%	-0.27%	-0.25%
Net Interest Margin	2.47%	2.68%	2.54%	2.61%	2.70%	2.61%	2.62%
Net Operating Expense	2.63%	2.54%	2.16%	1.99%	1.97%	1.68%	1.73%
Net Income (Return on Assets)	-0.16%	0.14%	0.38%	0.62%	0.73%	0.93%	0.89%
EFFICIENCY METRICS							
Avg Loan Balance	$5,099	$8,120	$3,774	$6,436	$10,612	$20,129	$17,011
Avg Share Per Member	$2,460	$5,607	$9,205	$10,705	$12,395	$14,194	$13,686
Avg Compensation per FTE	$22,144	$46,787	$65,099	$70,048	$76,485	$96,455	$91,581
Comp & Benefits-to-Total Assets	1.70%	1.75%	1.48%	1.50%	1.63%	1.45%	1.48%
Pct of Total Operating Expense	63.29%	70.32%	68.95%	70.50%	72.64%	74.49%	74.04%
Office Occ & Ops-to-Total Assets	0.21%	0.15%	0.19%	0.21%	0.21%	0.17%	0.17%
Pct of Total Operating Expense	17.91%	16.64%	21.87%	24.83%	25.51%	24.99%	24.97%

Economic Calendar
APRIL 2023

Monday	Tuesday	Wednesday	Thursday	Friday
3 ISM Manufacturing Auto Sales Construction Spending	**4** JOLTS Factory Orders Durable Goods (Feb F)	**5** ADP Employment Trade Balance ISM Services	**6** Jobless Claims	**7** Nonfarm Payrolls Unemployment Rate **NYSE Closed** **Bond Mkt closes noon** **Catalyst Open**
10 Consumer Credit	**11**	**12** CPI FOMC meeting minutes Qrtly SEP released	**13** Jobless Claims PPI	**14** Retail Sales Industrial Production Business Inventories U. of Mich. Sentiment (P)
17 Empire Manufacturing	**18** Housing Starts Building Permits Taxes Due	**19** Fed Beige Book	**20** Jobless Claims Leading Indicators Existing Home Sales	**21**
24	**25** S&P CL Home Prices New Home Sales Consumer Confidence (Apr)	**26** Durable Goods (Mar - P)	**27** Jobless Claims GDP 1Q23 Pending Home Sales	**28** Personal Income Personal Spending PCE Core Y/Y