CATALYST Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

DECEMBER 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q3	5.2%	2.1%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Nov	199	150	4,814
Private Payrolls (000s)	Nov	150	85	4,555
Unemployment Rate	Nov	3.7%	3.9%	3.4%
Avg Hourly Earnings (Y/Y)	Nov	4.0%	4.0%	4.4%
INFLATION				
Wholesale (Y/Y)	Oct	1.3%	2.2%	6.2%
Consumer (Y/Y)	Oct	3.2%	3.7%	7.1%
PCE Core (Y/Y)	Oct	3.5%	3.7%	4.4%
INCOME & SPENDING				
Retail Sales	Oct	-0.1%	0.9%	9.2%
Personal Income	Oct	0.2%	0.4%	2.1%
Personal Spending	Oct	0.2%	0.7%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Nov	15.32	15.50	13.31
New/Existing Home Sales (M/M)	Oct	-4.3%	-0.7%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Sep	3.9%	2.5%	5.8%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Nov-23	Oct-23	Nov-22
MONEY MARKETS			
Effective Fed Funds	5.33%	5.33%	3.83%
Prime Rate	8.50%	8.50%	7.00%
3-month LIBOR	5.33%	5.32%	3.09%
2-year UST	4.68%	5.09%	4.31%
10-year UST	4.33%	4.93%	3.61%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	6.94%	6.83%	5.29%
CU 60-mth Auto	7.03%	6.92%	5.39%
CU 15-year Mtg	6.81%	7.00%	6.03%
CU 30-year Mtg	7.37%	7.59%	6.64%
EQUITY MARKETS			
Dow Jones Industrial Average	35,950.9	33,052.9	34,589.8
NASDAQ Composite	14,226.2	12,851.2	11,468.0
S&P 500	4,567.8	4,193.8	4,080.1
OTHER COMMODITIES			
CRB Index	273.6	281.2	279.8
Crude Oil	76.0	81.0	77.9

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 199,000 jobs in November and the unemployment rate fell two-tenths to 3.7%. Both numbers were better than expected and portray a stabilizing labor market. Labor force participation increased to 62.8, the highest level in almost four years. Health care added the most jobs, followed by government and leisure & hospitality. Retail sales lost the most jobs, followed by trade & transport.

Both consumer and wholesale price indices fell sharply in October. Headline CPI was flat for the month, the slowest monthly pace of change in 15 months. Headline PPI fell 0.5% in October, the biggest drop in over three years. Significant improvements in the price indices included a slowing in the rise of shelter costs, falling used and new auto prices and a drop in gasoline prices.

Retail sales fell 0.1% in October, the first decline in seven months. Seven of the 13 major categories in the index posted negative sales. The biggest declines were in the automobile and furniture sectors. Sales at personal goods and grocery stores increased the most, while internet sales rose just 0.2% after a 1.4% gain in September.

Economic growth in the third quarter was stronger than estimated at first glance. GDP was revised from 4.9% to 5.2% on greater business investment and government spending. Consumer spending, which accounts for the majority of economic growth, was revised lower from 4.0% to 3.6%.

November began on day one with the Federal Reserve voting to keep the benchmark lending rate unchanged for the third time in a row. Comments immediately after the meeting, and in the weeks that followed, have been described as both dovish and hawkish, depending on what part of the decision the focus was on. While maintaining the number one goal remains bringing inflation back to 2% and keeping it there, Fed officials also agree now is the time to slow down, evaluate the progress made and proceed carefully from here. Financial markets treated the news and additional comments throughout the month as signs the next Fed move will be a rate cut, not an increase. Incoming data revealed lower inflation rates and slowing consumer spending, key metrics that support the end of rates hikes. In other news, the price of oil fell to the lowest level in four months as the markets discounted any fallout from the war raging in the Middle East and focused instead on indicators of weakening global demand and ample supply. Congress passed a stop-gap funding bill to stave off an imminent shutdown and fund the government until January 19.

Mortgage rates fell for the first time since April, taking the lead from falling Treasury yields. The average 30-year mortgage rate declined more than 20 basis points in the first full week of November, the biggest weekly drop in over a year. After topping 8% during the month of October, the FHLMC benchmark 30-year mortgage rate fell to 7.22% at the end of November for the largest monthly decline in a year. The average 15-year and 30-year mortgage rates, as measured by a variety of financial institutions, closed an average of 21 basis points lower from a month ago at 6.81% and 7.37% respectively. The average 48- and 60-month auto loan rates increased 11 basis points to 6.94% and 7.03% respectively. Auto loan rates are 164 basis points higher from a year ago.

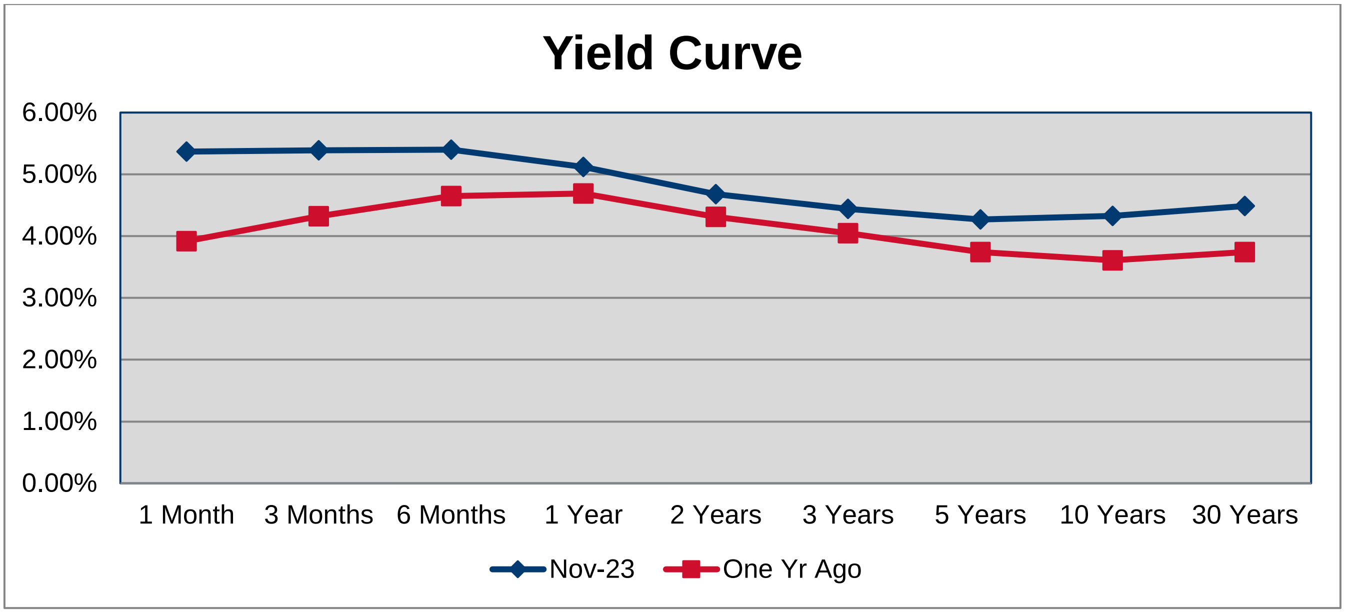
After a tumultuous October, it was a November to remember for stock investors. Stocks regained their positive momentum from day one on hopes the Federal Reserve may soon be finished raising rates. Right off the bat, the three key indices posted the best weekly performance in a year, rising almost 5%, followed by the longest daily winning streak since 2021 (7 days). By the end of the month the three indices posted the best monthly return in over a year. The surge was initially led by the technology sector as investors were buoyed by a strong job report and lower inflation data, all of which hinted at lower interest rates to come. The real estate and financial sectors rounded out the top performers while energy, staples and utilities companies fell behind. The Dow closed the month at the highest price in a year while the S&P 500 closed just shy of its all-time high. For the month, the Dow rose 8.8%, the Nasdaq was up 10.7% and the S&P 500 gained 8.9%. Year-to-date, the Dow is up 8.5%, the Nasdaq is ahead 35.9% and the S&P 500 is 18.9% higher.

For Credit Unions:

- High prices and high interest rates continue to dampen the housing market. Sales of existing and new homes fell again in November, as did the number of contracts for existing homes. The median price of previously owned homes is the highest since 1999, while the price for a new home is above pre-pandemic levels. The number of first time home buyers fell to 28%, an historic low.

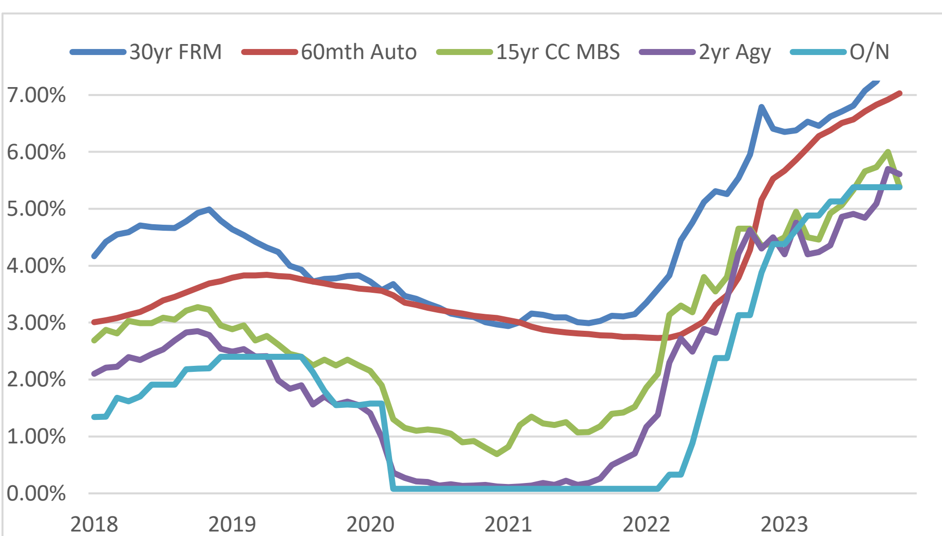
- Consumer credit increased 1.2%, or $5.13 billion, in October, compared to the $12.2 billion surge in September. Consumers cut back on credit card usage to the smallest level in four months, rising just $2.9 billion versus $4.4 billion the prior month. Credit card debt currently totals $1.2 trillion. Non-revolving credit was also lower, rising 0.7% versus a previous increase of 2.5%, mostly due to softer auto sales

- Both personal spending and incomes rose 0.2% in October. The savings rate inched up from 3.4% to 3.8%, suggesting consumers are becoming more cautious in spending. The historic average is above 5%. The recent Federal Reserve Beige book noted that consumers have been pulling back on discretionary spending. Declines were noted in clothing and restaurant sales.



The Treasury market reversed course as soon as the calendar page was turned from October to November. Yields plummeted 14 to 31 basis points within days, on hopes the Federal Reserve may end the current rate hiking cycle sooner than it forecasts. The not-so-hawkish talk at the November FOMC meeting and a Fed-centric job report led investors to believe rate cuts may be the next move from the Fed. According to the *Financial Times*, October was the best month for the bond market since 1985. Companies took advantage of the drop in yields by rushing to sell investment-grade bonds beginning with $40 billion in the first week. The two-year Treasury yield traded in a range from 4.65% to 5.06% before finishing the month at 4.68%, 41 basis points lower from October. This was the biggest drop in five months. The 10-year note closed at 4.33%, 60 basis points lower from October and the biggest one-month drop in almost 15 years. The yield curve deepened its inversion to -35 basis points from -16 basis points.

Relative Value of Assets and Funding:



- The difference between loan and investment yields widened by 29 basis points. Loan rates fell six basis points. Rates on investments declined 35 basis points.
- The spread between a 60-month auto loan and a 15-year mortgage loan returned to negative 22 basis points.
- CD rates increased an average of two basis points in October. Rates are 89 basis points higher than a year ago. Rates increased the most on one year and shorter CDs.

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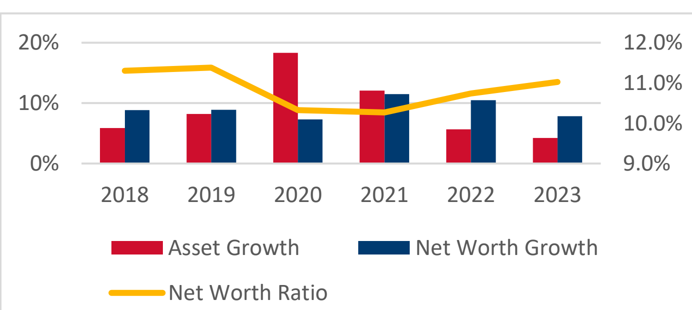
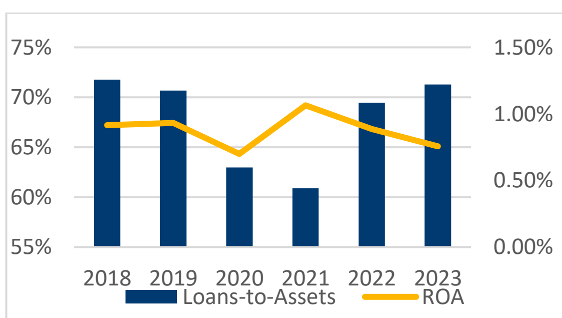
MARKET OVERVIEW & DATA REPORT

NCUA – September 2023

KEY CREDIT UNION DATA	2018	2019	2020	2021	2022	2023
GROWTH RATES						
Total Assets	5.85%	8.20%	18.31%	12.07%	5.67%	4.22%
Total Loans	9.51%	6.58%	5.44%	8.24%	20.53%	7.77%
Total Shares	5.68%	8.61%	20.89%	13.03%	3.88%	2.28%
Net Worth	8.85%	8.91%	7.33%	11.48%	10.51%	7.83%
CAPITAL ADEQUACY						
Net Worth Ratio	11.31%	11.38%	10.32%	10.27%	10.74%	11.02%
Equity Capital Ratio	10.92%	11.24%	10.34%	9.99%	8.77%	8.70%
Capital Ratio	11.55%	11.85%	11.04%	10.52%	9.30%	9.55%
BALANCE SHEET COMPOSITION						
Loans/Assets	71.76%	70.69%	62.99%	60.88%	69.45%	71.26%
Vehicle Loans/Net Loans	35.35%	34.12%	33.04%	32.50%	32.49%	31.92%
RE Loans/Net Loans	49.80%	50.86%	52.25%	52.80%	44.22%	44.62%
1st Mtg Loans/Net Loans	41.27%	42.55%	44.90%	45.97%	39.21%	39.21%
Commercial Loans/Net Loans	6.96%	7.54%	8.29%	9.07%	9.37%	9.81%
LIQUIDITY POSITION						
Cash & Short-Term Invs/Assets	11.37%	12.85%	18.44%	17.16%	10.17%	10.95%
Borr. & NM Deposits/Shares & Liab.	5.46%	4.75%	3.39%	2.97%	6.06%	7.62%
Net Liquid Assets/Shares & Liab.	20.68%	22.15%	30.36%	33.08%	23.82%	21.68%
Net Long-term Assets/Assets	34.49%	34.40%	34.65%	39.44%	51.46%	51.30%
LOAN QUALITY						
Delinquency Rate	0.74%	0.72%	0.62%	0.51%	0.67%	0.74%
Net Charge-off Rate	0.41%	0.40%	0.30%	0.16%	0.22%	0.39%
EARNINGS						
Investment Yield	2.04%	2.37%	1.35%	0.89%	1.63%	3.00%
Loan Yield	4.69%	4.90%	4.71%	4.37%	4.44%	5.12%
Asset Yield	3.82%	4.06%	3.53%	3.02%	3.38%	4.34%
Cost of Funds	0.69%	0.89%	0.70%	0.43%	0.52%	1.31%
Gross Net Margin	3.13%	3.17%	2.83%	2.59%	2.87%	3.03%
Provision Expense	-0.46%	-0.43%	-0.50%	-0.06%	-0.25%	-0.45%
Net Interest Margin	2.67%	2.74%	2.33%	2.53%	2.61%	2.58%
Net Operating Expense	1.76%	1.81%	1.63%	1.47%	1.73%	1.82%
Net Income (Return on Assets)	0.92%	0.93%	0.70%	1.06%	0.89%	0.76%





Peer Statistics

	<$2M	$2-10M	$10-50M	$50-100M	$100-500M	$500M+	Total
Industry Statistics							
Average Asset Size (000s)	$910	$5,706	$26,331	$72,537	$229,505	$2,655,040	$351,374
Pct of Number of Credit Unions	6.15%	13.95%	27.78%	13.87%	23.06%	15.19%	100.00%
Pct of Industry Assets	0.03%	0.17%	0.79%	2.19%	7.09%	88.31%	100.00%
GROWTH RATES							
Total Assets	-4.65%	-4.56%	-2.63%	-0.94%	1.29%	4.90%	4.22%
Total Loans	6.94%	8.56%	8.36%	8.13%	6.33%	7.93%	7.77%
Total Shares	-6.51%	-6.40%	-4.00%	-2.34%	-0.15%	2.89%	2.28%
Net Worth	3.75%	4.01%	5.99%	7.48%	7.54%	7.93%	7.83%
CAPITAL ADEQUACY							
Net Worth Ratio	19.61%	17.20%	12.90%	12.50%	11.28%	10.91%	11.31%
Equity Capital Ratio	19.60%	16.94%	12.34%	11.36%	9.35%	8.47%	10.92%
Capital Ratio	20.83%	17.54%	12.79%	11.81%	9.84%	9.38%	11.55%
BALANCE SHEET COMPOSITION							
Loans/Assets	46.33%	52.14%	52.54%	56.26%	65.74%	72.74%	71.26%
Vehicle Loans/Net Loans	64.52%	68.99%	53.03%	45.62%	39.29%	30.45%	31.92%
RE Loans/Net Loans	1.04%	6.07%	27.70%	36.47%	40.30%	45.58%	44.62%
1st Mtg Loans/Net Loans	0.91%	5.09%	24.49%	31.45%	34.81%	40.13%	39.21%
Commercial Loans/Net Loans	0.30%	0.31%	1.41%	3.45%	7.34%	10.36%	9.81%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	41.95%	29.46%	22.40%	18.28%	12.60%	10.30%	10.95%
Borr. & NM Deposits/Shares & Liab.	1.57%	1.65%	1.58%	2.13%	3.95%	8.34%	7.62%
Net Liquid Assets/Shares & Liab.	53.02%	45.40%	40.34%	39.84%	30.07%	19.78%	21.68%
Net Long-term Assets/Assets	4.05%	8.76%	26.06%	35.54%	46.65%	52.85%	51.30%
LOAN QUALITY	3.27%	1.54%	1.14%	0.99%	0.87%	1.17%	1.13%
Delinquency Rate	2.97%	1.35%	0.95%	0.79%	0.64%	0.74%	0.74%
Net Charge-off Rate	0.30%	0.19%	0.18%	0.20%	0.23%	0.42%	0.39%
EARNINGS							
Investment Yield	1.95%	2.32%	2.30%	2.32%	2.54%	3.14%	3.00%
Loan Yield	6.89%	5.95%	5.43%	5.24%	5.08%	5.12%	5.12%
Asset Yield	4.15%	4.09%	3.79%	3.79%	4.02%	4.41%	4.34%
Cost of Funds	0.38%	0.53%	0.53%	0.58%	0.85%	1.41%	1.31%
Gross Net Margin	3.78%	3.56%	3.26%	3.21%	3.17%	3.00%	3.03%
Provision Expense	-0.39%	-0.19%	-0.17%	-0.19%	-0.24%	-0.49%	-0.45%
Net Interest Margin	3.39%	3.36%	3.08%	3.02%	2.93%	2.51%	2.58%
Net Operating Expense	3.09%	2.87%	2.40%	2.24%	2.19%	1.75%	1.82%
Net Income (Return on Assets)	0.30%	0.49%	0.69%	0.78%	0.74%	0.76%	0.76%
EFFICIENCY METRICS							
Avg Loan Balance	$5,614	$9,162	$3,937	$6,676	$10,917	$20,909	$17,711
Avg Share Per Member	$2,340	$5,497	$9,044	$10,442	$12,175	$14,017	$13,519
Avg Compensation per FTE	$17,950	$28,907	$50,329	$54,444	$60,290	$76,348	$72,392
Comp & Benefits-to-Total Assets	1.96%	1.84%	1.54%	1.58%	1.71%	1.50%	1.53%
Pct of Total Operating Expense	65.12%	69.78%	68.58%	70.43%	72.64%	74.67%	74.19%
Office Occ & Ops-to-Total Assets	0.21%	0.16%	0.20%	0.21%	0.22%	0.17%	0.17%
Pct of Total Operating Expense	16.50%	16.46%	21.94%	24.38%	25.37%	24.63%	24.65%

MARKET OVERVIEW & DATA REPORT

Economic Calendar
DECEMBER 2023

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Construction Spending ISM Manufacturing Auto Sales
4 Factory Orders Durable Goods (Oct-F)	**5** JOLTS ISM Services	**6** ADP Employment Trade Balance	**7** Consumer Credit 	**8** Nonfarm Payrolls Unemployment Rate U. of Mich. Sentiment (P)
11	**12** CPI	**13** PPI FOMC Rate Decision	**14** Jobless Claims Retail Sales Business Inventories	**15** Empire Manufacturing Industrial Production
18	**19** Housing Starts Building Permits	**20** Existing Home Sales Consumer Confidence	**21** Jobless Claims GDP 3Q23 Leading Indicators	**22** Personal Income Personal Spending PCE Core Y/Y Durable Goods (Nov- P) New Home Sales U. of Mich. Sentiment (F)
25 	**26** S&P CL Home Prices 	**27**	**29** Jobless Claims Pending Home Sales	**29**