CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

FEBRUARY 2024

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2023
ECONOMIC GROWTH				
GDP	Q4	3.3%	4.9%	2.5%
EMPLOYMENT				
Non-farm Payrolls (000s)	Jan	353	333	2,697
Private Payrolls (000s)	Jan	317	278	2,025
Unemployment Rate	Jan	3.7%	3.7%	3.7%
Avg Hourly Earnings (Y/Y)	Jan	4.5%	4.3%	4.1%
INFLATION				
Wholesale (Y/Y)	Dec	1.0%	0.8%	1.0%
Consumer (Y/Y)	Dec	3.4%	3.1%	3.4%
PCE Core (Y/Y)	Dec	2.9%	3.2%	3.2%
INCOME & SPENDING				
Retail Sales	Dec	0.6%	0.3%	5.6%
Personal Income	Dec	0.3%	0.4%	4.2%
Personal Spending	Dec	0.7%	0.4%	3.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Jan	15.00	15.83	15.83
New/Existing Home Sales (M/M)	Dec	0.2%	-0.7%	-4.8%
S&P/Case Shiller HPI (Y/Y)	Nov	5.1%	4.7%	5.8%

Sources:

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Jan-24	Dec-23	Jan-23
MONEY MARKETS			
Effective Fed Funds	5.33%	5.33%	4.33%
Prime Rate	8.50%	8.50%	7.50%
3-month LIBOR	5.33%	5.34%	4.31%
2-year UST	4.22%	4.25%	4.20%
10-year UST	3.92%	3.88%	3.51%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	7.00%	6.96%	5.64%
CU 60-mth Auto	7.08%	7.05%	5.73%
CU 15-year Mtg	6.23%	6.37%	5.63%
CU 30-year Mtg	6.82%	6.94%	6.32%
EQUITY MARKETS			
Dow Jones Industrial Average	38,150.3	37,689.5	34,086.0
NASDAQ Composite	15,164.0	15,011.4	11,584.6
S&P 500	4,845.7	4,769.4	4,076.6
OTHER COMMODITIES			
CRB Index	272.4	263.8	278.1
Crude Oil	75.7	71.7	75.7

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 353,000 jobs in January, almost twice the amount expected. December's job gains were revised upward by 117,000. Nearly all sectors saw an increase in January, led by professional & business services, retail and health care. Unemployment remained at 3.7% for the third month. Wages increased the most in two years.

Wholesale prices fell more than consumer prices in December, leading economists to believe the decline will soon trickle down to the consumer level. The increase in CPI was fueled by stubbornly high services and housing costs. Inflation rates are six to 11 points lower from the peak rates in 2022. The Fed's key inflation indicator, core PCE Y/Y, fell to 2.9% in December, down from a peak rate of 5.6% in February 2022.

Retail sales rose 0.6% in December, stronger than expected and the best pace in three months. Nine of the 13 major categories posted increases, with the biggest gains in e-commerce, clothing and general merchandise stores. Motor-vehicle sales rose 1.1%, matching the biggest increase since May. Total sales for 2023 rose 3.2%.

The economy grew 3.3% in the fourth quarter of 2023, exceeding expectations. Consumption rose 2.8% as spending on both services and goods rose. Most of the spending was in discretionary categories, including restaurants, accommodations and vehicles. The economy expanded 2.5% in 2023 compared to 1.9% in 2022.

The financial markets relinquished some of the hope for multiple and quick rate cuts as soon as the new year began. Continued talk-back from Federal Reserve officials about the need to wait longer to cut interest rates, the December FOMC meeting minutes and a strong year-end job report converged to give the markets second thoughts about imminent rate cuts. That did not keep traders from secretly hoping the Fed might begin its easing program as soon as March, at least until the last day of January. That is when Federal Reserve Chair Jerome Powell shuttered any hope with just few words. The January FOMC meeting press release removed the bias for future rate increases while suggesting a change in rates may be coming. During the Q&A portion of Powell's press conference, however, Powell pointedly said he doesn't "think it's likely that the committee will reach a level of confidence by the time of the March meeting" to justify a rate cut. The comment was off-the-cuff and not part of the Fed's normal perfectly worded script, but the damage was done. Stocks plummeted immediately and the swaps market took the chance for a March cut from 60% to 35%. The Fed, in trying to avoid a mistake of easing too soon, ala the 1970's, wants to be 100% confident inflation is on a sustainable path to 2%.

Mortgage rates fell again in January. The average 30-year fixed loan rate remained below 7% for the second month in a row. The average 15-year and 30-year mortgage rates, as measured by a variety of financial institutions, closed an average of 14 basis points lower from a month ago at 6.23% and 6.82% respectively. Mortgage rates are 55 basis points lower from a year ago. The FHLMC benchmark 30-year mortgage rate was essentially flat at the end of January at 6.63%. The spread between FHLMC's 30-year mortgage rate and the 10-year Treasury narrowed five basis points to 271. The average 48- and 60-month auto loan rates, on the other hand, increased about four basis points to 7% and 7.08% respectively. The increase was more of a reflection to weakening credit conditions rather than moves in the Treasury yields. Auto loan rates are 135 basis points higher from a year ago.

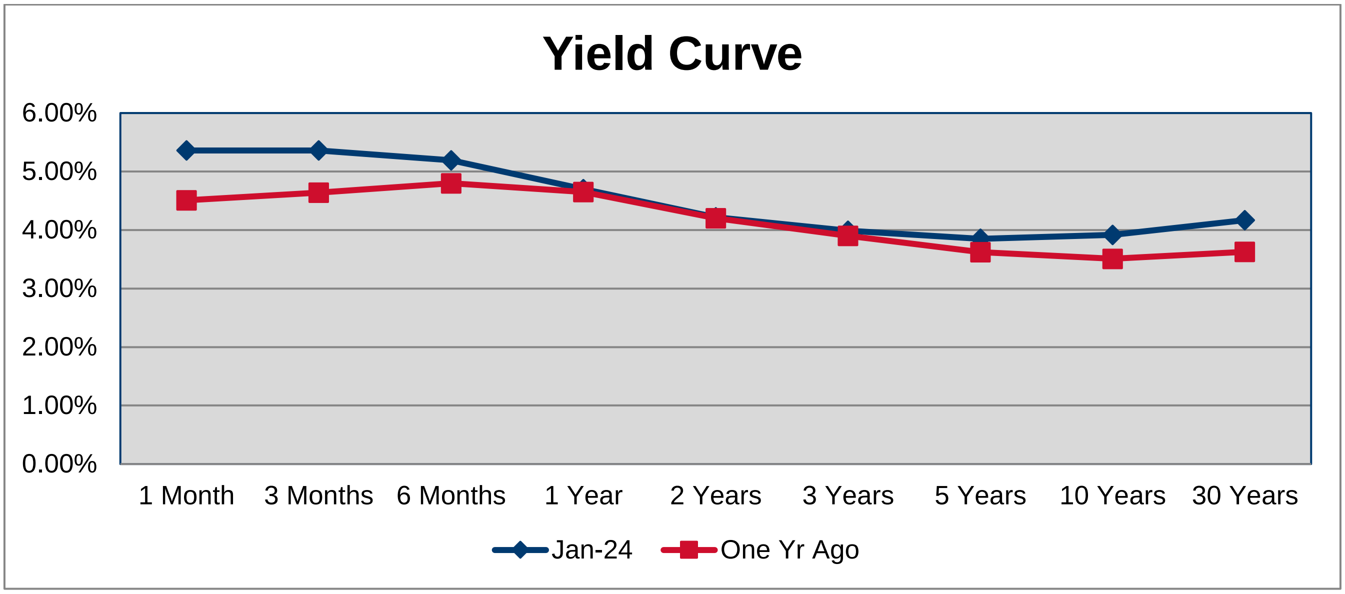
The equity markets started the new year with a hangover from the highs of 2023. After posting the best annual return in more than two years, stocks had their worst start in 21 years as the key indices closed in the red for two days. The pullback was seen more as a profit taking move rather than a change in the bullish tone from investors. While still betting on rate cuts this year, investors were caught off guard by Fed comments that rate cuts were not a certainty. The pushback on rate cuts wasn't enough to dampen the outlook for stocks for most of the month, however. Strong consumer spending and confidence pulled stocks higher again. Technology and communications stocks re-emerged as the favorite sectors, pushing the S&P 500 index to multiple record highs. The Dow closed January 1.2% higher, the Nasdaq was up 1.02% and the S&P 500 gained 1.6%.

For Credit Unions:

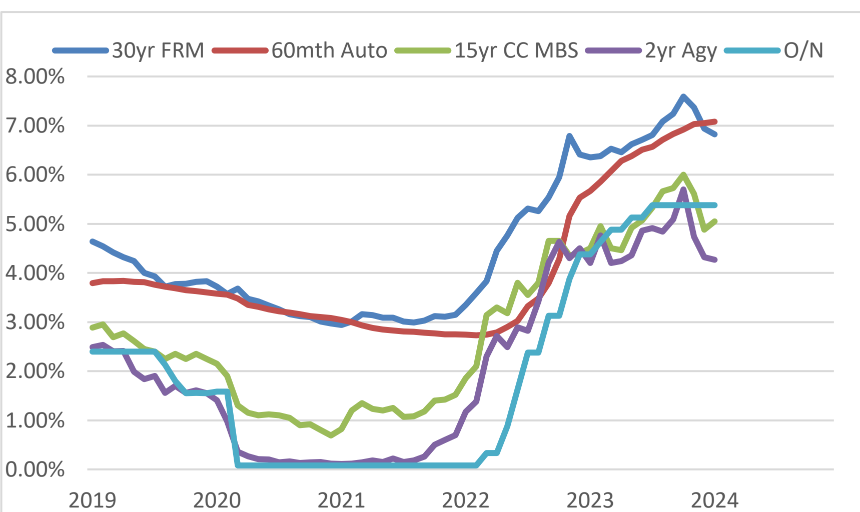
- The new home market currently makes up about one-third of all homes sold in the U.S. Historically, new home sales accounted for just 10% of sales. Lower prices and more availability contributed to the increase. The National Association of Realtors predicts that new-home sales will rise 13.9% in 2024 as builders ramp up construction and offer more incentives to attract buyers.

- Auto sales fell 5.2% in January to the lowest level since March 2023. Dealers are blaming unusually cold weather across the country and still rising auto loan rates. January is typically the slowest month for auto sales but January 2024 was the weakest January in 12 years. Prices of used autos are beginning to fall which should help rebuild dealers' inventories.

- Consumer confidence increased in January to the highest level in over two years. Consumers are feeling more upbeat about the job market and the prospect of lower interest rates this year. The increase in the Conference Board's survey of sentiment was the third rise in a row. However, the percentage of people considering making a large purchase in coming months fell.



The rally in Treasury yields at the end of 2023 ended abruptly as soon as 2024 began. The initial change in yields came from a spate of corporate bond offerings (underwriters sell Treasury securities as a hedge) and news that the Fed may wait a few months to begin its rate cutting phase. Fortunately, the slide was controlled as large money center banks began to step up their bond holdings in anticipation of falling interest rates this year. After a roller coaster month of yields moving around, Treasury yields closed the month uneven and relatively unchanged. The two-year finished January at 4.22%, three basis points lower from December. The 10-year note closed the month at 3.92%, four basis points higher. The yield curve moved in a 25 basis points range, reaching the narrowest inversion, -16 basis points, in three months.

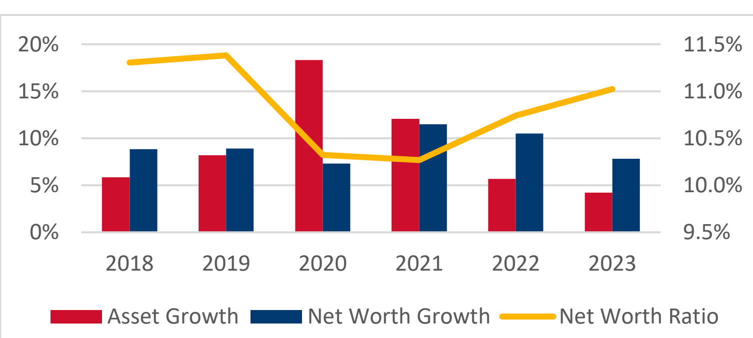


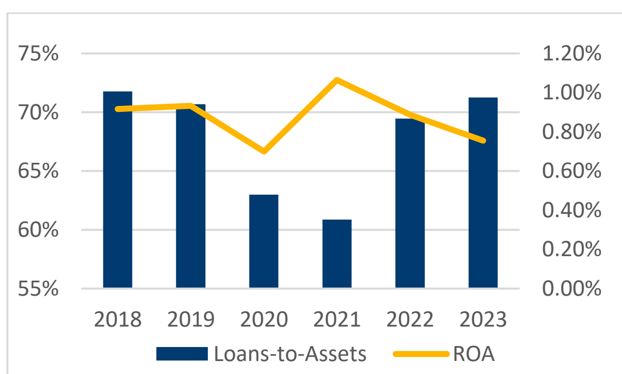
Relative Value of Assets and Funding:

- The difference between loan and investment yields narrowed 11 basis points. Loan rates increased six basis points. Rates on investments fell five basis points.
- The spread between a 60-month auto loan and a 15-year mortgage loan widened to -85 basis points.
- Average CD rates increased five basis points for 6-month CDs and fell six basis points for a 3-year CD. Rates are 64 basis points higher than a year ago.

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%

Economic Calendar
FEBRUARY 2024

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Jobless Claims ISM Manufacturing Auto Sales Construction Spending	**2** Nonfarm Payrolls Unemployment Rate U. of Mich Sentiment (F) Factory Orders 
5 ISM Services	**6**	**7** Consumer Credit Trade Balance	**8** Jobless Claims	**9**
12	**13** CPI	**14** 	**15** Jobless Claims Retail Sales Business Inventories Industrial Production	**16** PPI U. of Mich. Sentiment (P) Housing Starts Building Permits
19 	**20** Leading Index	**21** FOMC minutes	**22** Jobless Claims Existing Home Sales	**23** U. of Mich. Sentiment (F) Pending Home Sales
26 New Home Sales	**27** Durable Goods (Jan- P) S&P CL Home Prices Conf. Board Confidence	**28** GDP 4Q23	**29** Personal Income Personal Spending PCE Core Y/Y Pending Home Sales 	

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