CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

JULY 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q1	2.0%	1.3%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Jun	209	306	4,814
Private Payrolls (000s)	Jun	149	259	4,555
Unemployment Rate	Jun	3.6%	3.7%	3.4%
Avg Hourly Earnings (Y/Y)	Jun	4.4%	4.4%	4.4%
INFLATION				
Wholesale (Y/Y)	May	1.1%	2.3%	6.2%
Consumer (Y/Y)	May	4.0%	4.9%	7.1%
PCE Core (Y/Y)	May	4.6%	4.7%	4.4%
INCOME & SPENDING				
Retail Sales	May	0.3%	0.4%	9.2%
Personal Income	May	0.4%	0.3%	2.1%
Personal Spending	May	0.1%	0.6%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Jun	15.68	15.05	13.31
New/Existing Home Sales (M/M)	May	1.9%	-2.3%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Apr	-0.2%	0.7%	5.8%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Jun-23	May-23	Jun-23
MONEY MARKETS			
Effective Fed Funds	5.08%	5.08%	0.83%
Prime Rate	8.25%	8.25%	4.75%
3-month LIBOR	5.54%	5.39%	2.29%
2-year UST	4.90%	4.40%	2.95%
10-year UST	3.84%	3.64%	3.01%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	6.41%	6.29%	4.16%
CU 60-mth Auto	6.51%	6.38%	4.26%
CU 15-year Mtg	6.16%	6.04%	4.78%
CU 30-year Mtg	6.71%	6.62%	4.51%
EQUITY MARKETS			
Dow Jones Industrial Average	34,407.6	32,908.3	30,775.4
NASDAQ Composite	13,787.9	12,935.3	11,028.7
S&P 500	4,450.4	4,179.8	3,785.4
OTHER COMMODITIES			
CRB Index	261.9	253.9	291.2
Crude Oil	70.5	68.1	86.8

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 209,000 jobs in June, much less than expected and the lowest monthly job gain since December 2020. The bulk of jobs added was in the service sector, as has been the case for some time. Hiring was concentrated in health care, government and construction. Wage growth remained at a similar pace as the past couple of months.

Inflation levels continue to improve but at a slower pace. Both the headline and core measures of CPI fell to the lowest year-over-year rates since 2021. In particular, headline CPI in May was more than five points lower from the 2022 peak. Monthly price changes fluctuate but are for the most part showing some signs of falling. The trouble spots continue to be housing and auto prices.

Retail sales increased for the second month in a row. Ten of the 13 major categories advanced in May, partly due to an unexpected jump in auto sales. Building and garden materials led the gain with a 2.2% increase. Gasoline station sales fell 2.6% as a result of falling gasoline prices. Consumers are still spending but appear to be feeling some of the weight of higher prices.

The U.S. economy was stronger in the first quarter than previously estimated. GDP was revised up from 1.3% to 2% in the final calculation due to stronger consumer spending and exports. Spending rose 4.2% and exports surged 7.8%. Residential investment remained negative but to a lesser degree.

June began with the big unknown finally being resolved – politicians passed a referendum on the debt ceiling just before the deadline was reached. Financial markets and the country breathed a sigh of relief with the threat of a U.S. default off the table. Attention was quickly turned back to the Federal Reserve's inflation fight and aggressive monetary policy. The first couple of weeks of June were spent with economists and market participants debating whether the Federal Reserve would take the opportunity to refrain from another rate hike, either temporarily or permanently, due to recent declines in the inflation rate. The FOMC did not disappoint at its June meeting and in fact, gave the market more then it bargained for. The Fed decided to pause from raising the benchmark fed funds rate to allow time to adequately assess the impact past rate hikes are having on the economy. Post-meeting comments and the quarterly Summary of Economic Projections emphasized the committee's intentions to continue raising rates this year but at a slower pace than in the past.

In May, for the second month in a row, mortgage rates lagged behind the increase in June's 10-year Treasury yield. The average 15-year mortgage rate, as measured by a variety of financial institutions, closed 12 basis points higher at 6.16%. The similarly-measured 30-year mortgage rate rose nine basis points to 6.71%. The benchmark Freddie Mac 15-year mortgage rate finished at 6.06%, 12 basis points lower from a month ago. Financial institution auto loan rates were up again in June. The average 48- and 60-month auto loan rates rose 12 basis points to 6.41% and 6.51%, respectively. Both auto and mortgage loan rates are at the highest level this year.

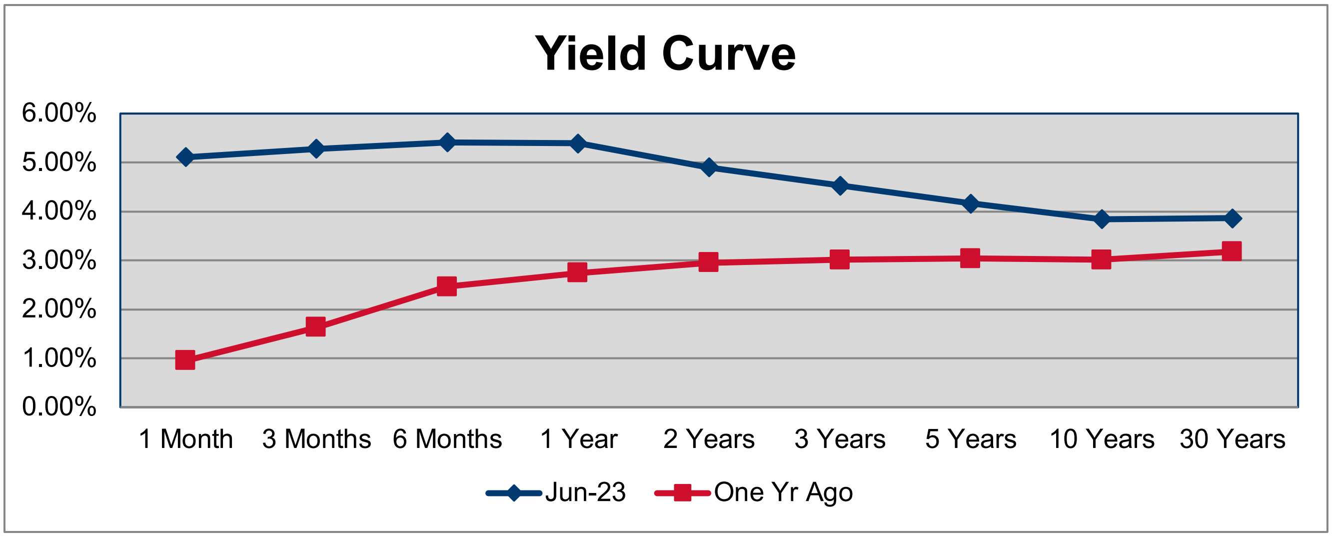
The stock market continued its winning streak in June. The tech-heavy Nasdaq started the month strong, clinching its sixth-straight winning week, its longest weekly win streak since 2020. The S&P 500 entered a bull market after exiting the longest bear market since 1948. All eleven sectors of the index gained ground in June. The continued stock market rally was fueled by expectations of a pause in interest-rate hikes and resilient company earnings, which for now are offsetting sticky inflation and faltering economic growth. Apple Inc. made Wall Street history as the first company to reach a market value over $3 trillion. The aftershock of the June FOMC pause renewed concern of a global recession and pushed key indices lower for the worst week in three months. The setback was temporary as the key indices managed to close June with the best monthly performance this year. The Dow increased 4.6%, the Nasdaq gained 6.6% and the S&P 500 rose 6.5%. Year-to-date, the Dow is up 3.8%, the Nasdaq is ahead 31.2% (the best first half year performance in 40 years) and the S&P 500 is up 15.9%.

For Credit Unions:

- The housing market remains a tale of opposite forces. Housing starts surged 21.7% in May, a strong rebound from two months of negative activity. Builders are working hard to feed the housing demand even as interest rates continue to rise. New home sales rose 12.2% in May as prices declined 7.6% from a year ago. The demand for new homes is intensifying as listings for existing homes fall to record levels. Active listings were down 39% from pre-pandemic levels as of May. Sales of existing homes rose just 0.2%.

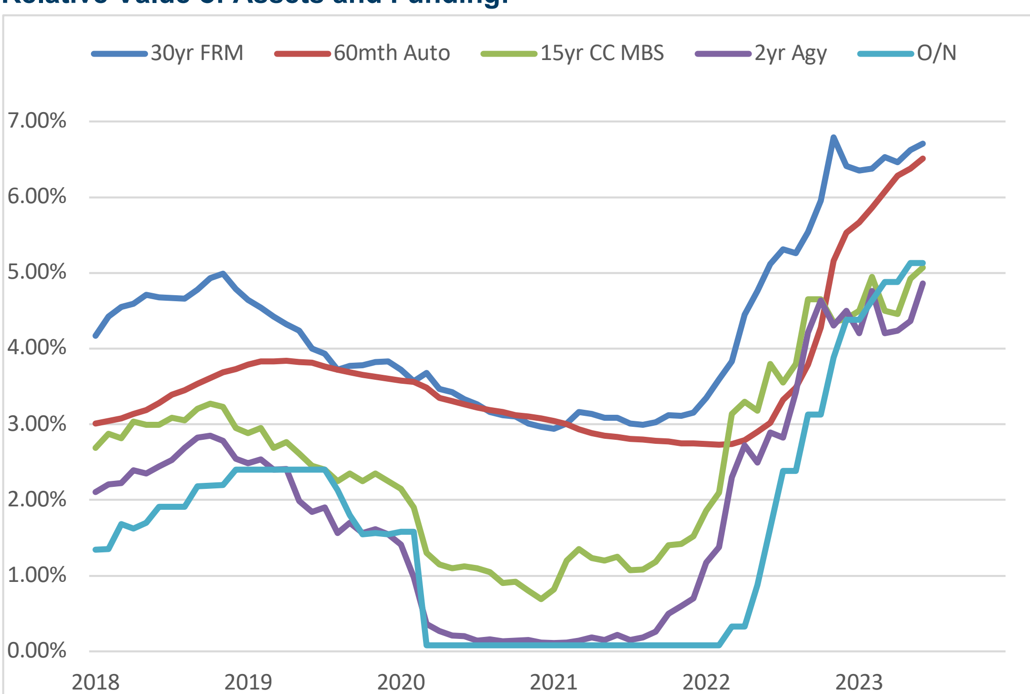
- New auto sales rebounded in June at 15.7 million on a seasonally adjusted annual rate. Sales are up 20% from a year ago despite prices rising 3% in the first six months of the year. Dealer inventory is 52% higher than last summer, almost half the pre-pandemic level. Recent data from Cox Automotive showed wholesale used-vehicle prices fell 2.7% in May, with sales down 11% from a year ago.

- Consumer confidence surged more than seven points in June to the highest level in 18 months. The gauge of current conditions jumped to the highest in two years. Confidence levels were higher among people under the age of 35. More respondents said jobs were "plentiful" in June. Plans to buy large ticket items slowed, likely due to higher borrowing costs.



Treasury yields steadily moved higher from the first day of June with no looking back. Not even a pause after ten consecutive rate hikes was enough to bring interest rates down. The Federal Reserve managed to finally erase naysayers' doubts and convince the bond market that additional rate hikes are in the cards. Despite 500 basis points of rate increases, the labor market remains tight, and inflation is only slowly moving lower. These two factors provide the Fed enough ammunition to continue its aggressive rate policy. The two-year Treasury note yield closed June 50 basis points higher than May, ending the month at 4.90%. The 10-year Treasury note yields closed at 3.84%, 20 basis points higher than May. Both benchmark yields are the highest in three months. The yield curve closed at -106 basis points. This marks only the third time in history more than a 100 basis point inversion.

Relative Value of Assets and Funding:



- Loan and investment yields narrowed 22 basis points. Loan rates rose 11 basis points. Rates on investments increased 22 basis points.
- The difference between a 60-month auto loan and a 15-year mortgage loan widened by one basis point to -35 basis points.
- CD rates increased an average of three basis points in April, with one-year rates increasing the most. Rates are 110 basis points higher than a year ago.

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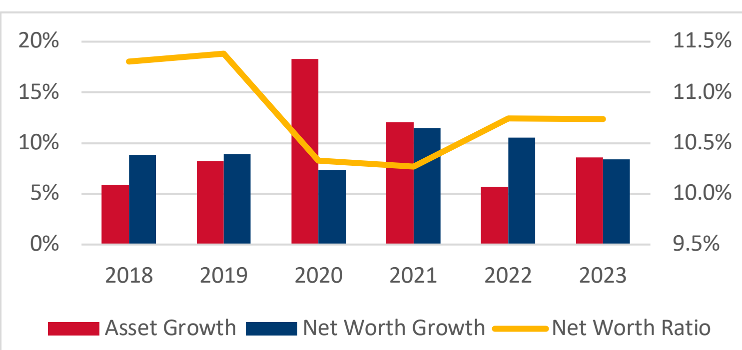
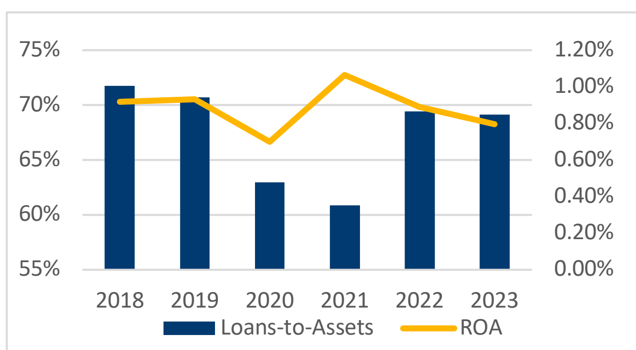
MARKET OVERVIEW & DATA REPORT

NCUA – March 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%	8.56%
Total Loans	9.51%	6.58%	5.44%	8.24%	20.53%	6.78%
Total Shares	5.68%	8.61%	20.89%	13.03%	3.88%	9.08%
Net Worth	8.85%	8.91%	7.33%	11.48%	10.53%	8.40%
CAPITAL ADEQUACY						
Net Worth Ratio	11.31%	11.38%	10.32%	10.27%	10.74%	10.74%
Equity Capital Ratio	10.92%	11.24%	10.34%	9.99%	8.77%	8.75%
Capital Ratio	11.55%	11.85%	11.04%	10.52%	9.31%	9.53%
BALANCE SHEET COMPOSITION						
Loans/Assets	71.76%	70.69%	62.99%	60.88%	69.45%	69.15%
Vehicle Loans/Net Loans	35.35%	34.12%	33.04%	32.50%	32.49%	32.61%
RE Loans/Net Loans	49.80%	50.86%	52.25%	52.80%	44.21%	44.35%
1st Mtg Loans/Net Loans	41.27%	42.55%	44.90%	45.98%	39.21%	39.22%
Commercial Loans/Net Loans	6.96%	7.54%	8.29%	9.07%	9.38%	9.57%
LIQUIDITY POSITION						
Cash & Short-Term Invs/Assets	11.37%	12.85%	18.44%	17.16%	10.14%	11.41%
Borr. & NM Deposits/Shares & Liab.	5.46%	4.75%	3.39%	2.97%	6.06%	6.26%
Net Liquid Assets/Shares & Liab.	20.68%	22.15%	30.36%	33.08%	23.82%	25.02%
Net Long-term Assets/Assets	34.49%	34.40%	34.65%	39.44%	51.43%	50.96%
LOAN QUALITY						
Delinquency Rate	0.74%	0.72%	0.62%	0.51%	0.67%	0.53%
Net Charge-off Rate	0.41%	0.40%	0.30%	0.16%	0.22%	0.36%
EARNINGS						
Investment Yield	2.04%	2.37%	1.35%	0.89%	1.63%	2.68%
Loan Yield	4.69%	4.90%	4.71%	4.37%	4.44%	4.88%
Asset Yield	3.82%	4.06%	3.53%	3.02%	3.39%	4.07%
Cost of Funds	0.69%	0.89%	0.70%	0.43%	0.52%	1.05%
Gross Net Margin	3.13%	3.17%	2.83%	2.59%	2.87%	3.01%
Provision Expense	-0.46%	-0.43%	-0.50%	-0.06%	-0.25%	-0.40%
Net Interest Margin	2.67%	2.74%	2.33%	2.53%	2.62%	2.61%
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%	0.80%





Peer Statistics

	<$2M	$2-10M	$10-50M	$50-100M	$100-500M	$500M+	Total
Industry Statistics							
Average Asset Size (000s)	$908	$5,672	$26,402	$73,020	$230,339	$2,616,170	$341,486
Pct of Number of Credit Unions	6.15%	13.91%	28.12%	13.91%	22.89%	15.02%	100.00%
Pct of Industry Assets	0.03%	0.17%	0.80%	2.24%	7.23%	88.45%	100.00%
GROWTH RATES							
Total Assets	-3.04%	-2.45%	1.34%	3.81%	6.77%	9.09%	8.56%
Total Loans	5.23%	6.99%	7.48%	6.46%	5.90%	6.88%	6.78%
Total Shares	-3.30%	-2.91%	1.49%	3.92%	7.27%	9.65%	9.08%
Net Worth	6.31%	1.74%	4.88%	6.81%	8.09%	8.58%	8.40%
CAPITAL ADEQUACY							
Net Worth Ratio	18.82%	16.26%	12.30%	11.73%	10.84%	10.66%	11.31%
Equity Capital Ratio	18.75%	16.07%	11.83%	10.80%	9.20%	8.56%	10.92%
Capital Ratio	19.92%	16.64%	12.26%	11.22%	9.66%	9.40%	11.55%
BALANCE SHEET COMPOSITION							
Loans/Assets	43.77%	48.54%	49.12%	54.31%	63.00%	70.79%	69.15%
Vehicle Loans/Net Loans	65.31%	68.52%	52.95%	45.14%	39.64%	31.19%	32.61%
RE Loans/Net Loans	1.14%	6.15%	27.81%	37.17%	40.14%	45.27%	44.35%
1st Mtg Loans/Net Loans	1.03%	4.97%	24.49%	32.27%	34.97%	40.11%	39.22%
Commercial Loans/Net Loans	0.44%	0.31%	1.37%	3.39%	7.28%	10.09%	9.57%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	43.63%	30.64%	23.18%	18.64%	13.31%	10.70%	11.41%
Borr. & NM Deposits/Shares & Liab.	1.00%	1.23%	1.07%	1.67%	2.89%	6.93%	6.26%
Net Liquid Assets/Shares & Liab.	52.94%	45.34%	42.10%	40.84%	33.62%	23.13%	25.02%
Net Long-term Assets/Assets	4.60%	9.29%	26.30%	50.21%	46.04%	52.20%	50.96%
LOAN QUALITY	2.72%	1.31%	0.97%	0.77%	0.68%	0.92%	0.89%
Delinquency Rate	2.45%	1.15%	0.79%	0.59%	0.48%	0.53%	0.53%
Net Charge-off Rate	0.27%	0.15%	0.17%	0.18%	0.20%	0.39%	0.36%
EARNINGS							
Investment Yield	1.58%	1.94%	2.09%	2.09%	2.30%	2.80%	2.68%
Loan Yield	6.70%	5.88%	5.25%	5.02%	4.84%	4.87%	4.88%
Asset Yield	3.79%	3.80%	3.55%	3.57%	3.76%	4.13%	4.07%
Cost of Funds	0.34%	0.42%	0.42%	0.47%	0.65%	1.14%	1.05%
Gross Net Margin	3.45%	3.38%	3.13%	3.09%	3.11%	3.00%	3.01%
Provision Expense	-0.20%	-0.20%	-0.38%	-0.18%	-0.20%	-0.43%	-0.40%
Net Interest Margin	3.25%	3.19%	2.75%	2.91%	2.91%	2.56%	2.61%
Net Operating Expense	2.85%	3.05%	2.69%	2.30%	2.19%	1.73%	1.82%
Net Income (Return on Assets)	0.40%	0.14%	0.06%	0.61%	0.72%	0.83%	0.80%
EFFICIENCY METRICS							
Avg Loan Balance	$5,566	$8,630	$3,707	$6,515	$10,507	$20,428	$17,201
Avg Share Per Member	$2,550	$5,587	$9,271	$10,782	$12,479	$14,352	$13,837
Avg Compensation per FTE	$5,548	$12,175	$16,728	$18,079	$20,065	$25,570	$24,236
Comp & Benefits-to-Total Assets	1.67%	1.83%	1.51%	1.56%	1.69%	1.50%	1.53%
Pct of Total Operating Expense	63.83%	70.18%	68.35%	71.05%	73.05%	74.97%	74.50%
Office Occ & Ops-to-Total Assets	0.25%	0.16%	0.19%	0.21%	0.22%	0.17%	0.17%
Pct of Total Operating Expense	20.74%	17.49%	21.69%	25.05%	26.01%	24.98%	25.03%

Economic Calendar
JULY 2023

Monday	Tuesday	Wednesday	Thursday	Friday
3 ISM Manufacturing Construction Spending	**4** 	**5** Auto Sales Factory Orders FOMC June minutes	**6** Jobless Claims ADP Employment Trade Balance ISM Services JOLTS	**7** Nonfarm Payrolls Unemployment Rate
10 Consumer Credit	**11**	**12** CPI Fed Beige Book	**13** Jobless Claims PPI	**14** U. of Mich. Sentiment (P)
17 Empire Manufacturing	**18** Retail Sales Industrial Production Business Inventories	**19** Housing Starts Building Permits	**20** Jobless Claims Existing Home Sales Leading Index	**21**
24	**25** S&P CL Home Prices	**26** FOMC Decision New Home Sales	**27** Jobless Claims GDP 2Q23 preliminary Durable Goods (June-P) Pending Home Sales	**28** Personal Income Personal Spending PCE Core Y/Y U. of Mich. Sentiment (F)
31				