CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

JUNE 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q1	1.3%	1.1%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	May	339	294	4,814
Private Payrolls (000s)	May	283	253	4,555
Unemployment Rate	May	3.7%	3.4%	3.4%
Avg Hourly Earnings (Y/Y)	May	4.3%	4.4%	4.4%
INFLATION				
Wholesale (Y/Y)	Apr	2.3%	2.7%	6.2%
Consumer (Y/Y)	Apr	4.9%	5.0%	7.1%
PCE Core (Y/Y)	Apr	4.7%	4.6%	4.4%
INCOME & SPENDING				
Retail Sales	Apr	0.4%	-0.7%	9.2%
Personal Income	Apr	0.4%	0.3%	2.1%
Personal Spending	Apr	0.8%	0.1%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	May	15.05	15.91	13.31
New/Existing Home Sales (M/M)	Apr	-2.4%	-1.8%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Mar	0.7%	2.1%	5.8%

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

KEY MARKET INDICATORS	Mth End May-23	Last Mth Apr-23	12 Mth Ago May-22
MONEY MARKETS			
Effective Fed Funds	5.08%	4.83%	0.33%
Prime Rate	8.25%	8.00%	4.00%
3-month LIBOR	5.39%	5.30%	1.61%
2-year UST	4.40%	4.01%	2.56%
10-year UST	3.64%	3.42%	2.84%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	6.29%	6.17%	3.94%
CU 60-mth Auto	6.38%	6.25%	4.04%
CU 15-year Mtg	6.04%	5.86%	4.41%
CU 30-year Mtg	6.62%	6.46%	5.12%
EQUITY MARKETS			
Dow Jones Industrial Average	32,908.3	34,098.2	32,990.1
NASDAQ Composite	12,935.3	12,226.6	12,081.4
S&P 500	4,179.8	4,168.5	4,132.2
OTHER COMMODITIES			
CRB Index	253.9	268.2	316.5
Crude Oil	68.1	76.7	92.3

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 339,000 jobs in May, the largest gain since January. The unemployment rate increased to 3.7%, the highest level since October 2022. All major industries added jobs except manufacturing, which lost 2,000 jobs. Service producing companies added the majority of jobs. There were notable gains in professional and business services, government and health care. Wage growth is stabilizing.

Both consumer and wholesale prices fell enough in April to suggest inflation is continuing on a downward path, albeit at a slow pace. Housing and services inflation remain stubbornly high. Food prices were unchanged for the second month in a row. Wholesale prices are benefitting from better supply chain functions. Year-over-year CPI and PPI are far below the decades-high levels reached last year.

Retail sales rebounded in April after two months of declining activity. Sales rose 0.4% after falling 0.7% the prior month. Seven of the 13 major categories in the index were positive, with the biggest gains in online sales, dining out and general merchandise stores. Auto sales increased for the first time in two months. People are spending more cautiously to compensate for higher prices.

Economic growth in the first quarter was revised higher from 1.1% to 1.3%, driven by resilient consumer spending. Personal consumption was stronger than originally reported, increasing by 3.8%. There were also upward revisions to state and local government spending, private inventory investment and business spending.

May began with a resolution for the second largest bank failure and the tenth rate hike in just over a year. It was announced on the first business day of the month that JPMorgan Chase won the bid to acquire First Republic Bank in a government-led deal. The news was the final peg needed to put to rest the bank turmoil that began in March, even though it actually stirred up more concern for regional banks' stability. The FOMC unanimously voted to raise the benchmark lending rate 25 basis points to a target range of 5.0% to 5.25%. Along with the decision to add additional monetary tightening, the committee sent a strong hint for a forthcoming pause. Most Fed officials are leaning towards a "wait and see" ideology for June, with no committee member suggesting it is time to cut rates. At best, June may be viewed as simply skipping a month before resuming rate hikes. The debt ceiling issue lingered in the background for most of the month as Democrats and Republicans sought to find a compromise before the U.S. defaulted on its debt.

In May, mortgage rates lagged behind the increase in longer dated Treasury yields. The average 15-year mortgage rate, as measured by a variety of financial institutions, closed 18 basis points higher at 6.04%. The similarly-measured 30-year mortgage rate rose 16 basis points to 6.62%. The benchmark Freddie Mac 15-year mortgage rate finished at 6.18%, 47 basis points higher from a month ago and the highest level since 2008. Financial institution auto loan rates were up again in May. The average 48- and 60-month auto loan rates rose 12 basis points to 6.29% and 6.38% respectively. Both auto and mortgage loan rates are at the highest level this year.

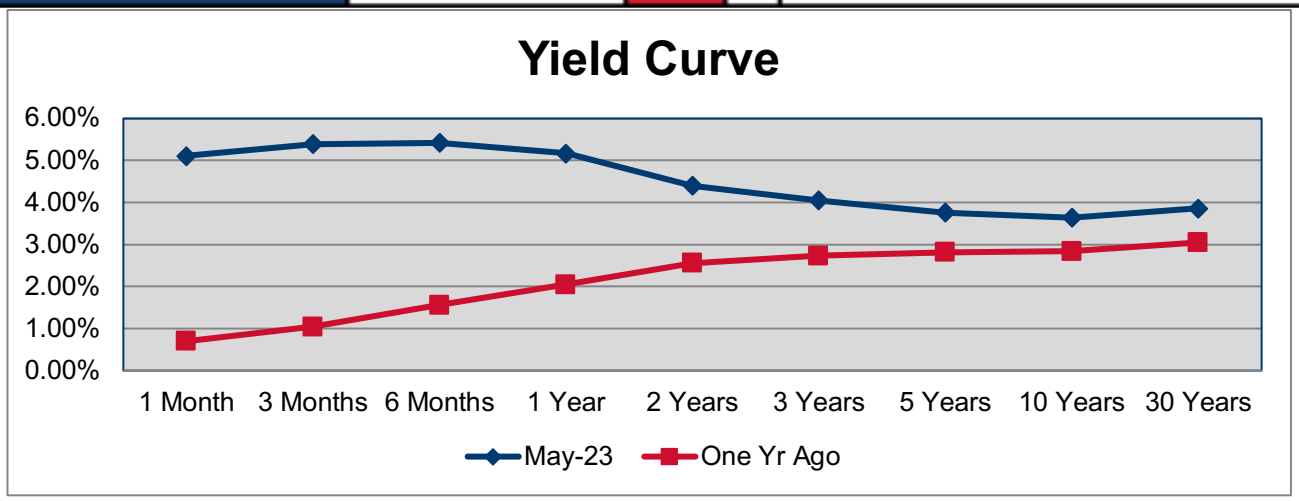
The equity market was all over the board in June. The early month failure of First Republic Bank turned into a short-selling strategy that pulled equity prices lower for several days. Investors shrugged off the looming debt ceiling deadline for most of the month and became less worried about a recession, to the point of beginning to accept it as a reality. The S&P 500 index finally closed above 4200 late in the month for the first time since August 2022. Technology stocks advanced throughout May as companies and investors broadened their exposure to artificial intelligence (AI) products. In a stunning move, Nvidia surged more than 30% in a day, ultimately landing in the $1 trillion market cap club behind Microsoft, Google and Amazon. The optimism in AI technology outweighed the risk of the U.S. defaulting on its debt. The tech-heavy Nasdaq was the winner of the month. The Dow fell 3.5%, the Nasdaq gained 5.8% and the S&P 500 eked out a 0.3% gain. Year-to-date, the Dow is down 0.7%, the Nasdaq is up 23.6% and the S&P 500 is ahead 8.9%.

For Credit Unions:

- The battle between new and existing home sales continued in April. The current measure of existing homes for sale is 2.9 months. The same measure for a new home is 7.6 months. A measure of five months is considered average and anything below is a tight market. Homebuilders are struggling to meet the demand for new homes and in some cases are reducing price incentives. Builder sentiment is at a 10-month high, reflecting optimism about sales expectations. New home prices are 8.2% lower than a year ago.

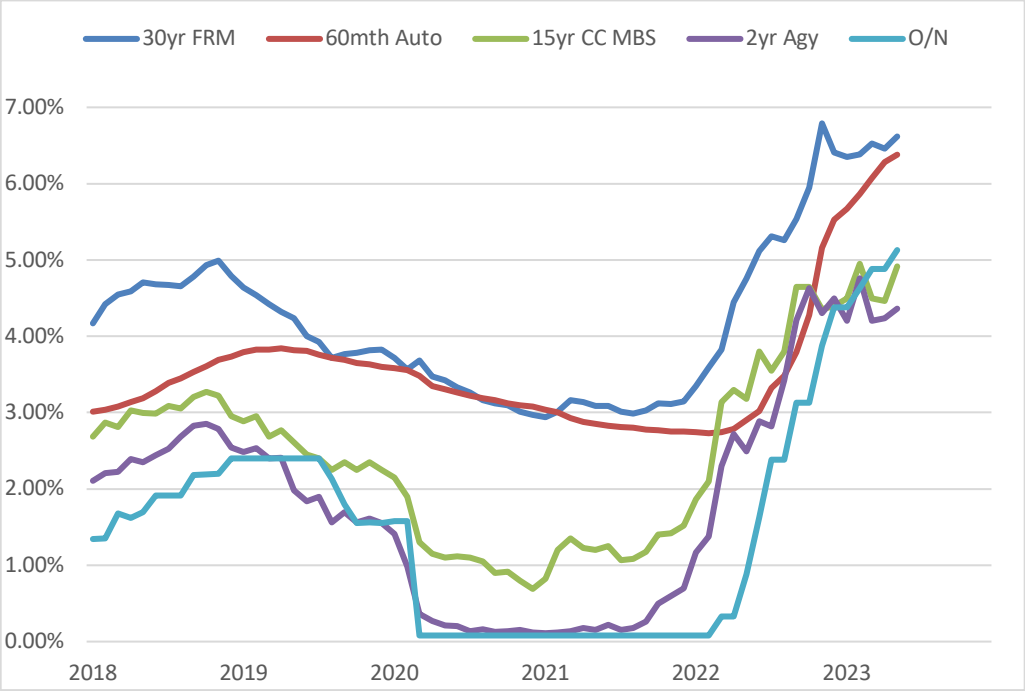
- Economists are refocusing on the U.S. money supply as a forecast of where inflation is headed. M2, which consists of all currency available for spending plus savings and money market accounts, has fallen for five months in a row. Month-over-month declines have happened just a few times since 1959. Less money in circulation suggests slower economic activity and less inflation.

- The personal savings rate fell to 4.1% in April. This is the first decline in two months after standard revisions are taken into account. The average savings rate over the past 50 years, excluding the unusually high levels during the pandemic, is 6.5%.



Treasury yields fell soon after May began, prompted by the idea that the Federal Reserve was near the end of its rate hiking strategy. By mid-month, however, yields turned around after comments from Fed officials reminded market participants that inflation is still too high, and more work needs to be done to bring down prices. Yields surged once the market realized the Fed is not finished with raising the benchmark lending rate. The uncertainty about the debt ceiling limit pushed short-term Treasury Bills 40 basis points higher. Both two and 10-year notes crossed key resistance levels midmonth, 4.0% and 3.50% respectively. The two-year note fluctuated in a 77-basis point range, between 3.79% and 4.56%, before closing at 4.40%. The 10-year note moved in a 47-basis point range, between 3.35% and 3.82%, ending the month at 3.64%. The yield curve ended at -77 basis points, the steepest inversion since March.

Relative Value of Assets and Funding:



- Loan and investment yields narrowed 16 basis points. Loan rates rose 13 basis points. Rates on investments increased 29 basis points.
- The difference between a 60-month auto loan and a 15-year mortgage loan widened by 24 basis points to -34 basis points.
- CD rates increased an average of seven basis points in April, with one-year rates increasing the most. Rates are 112 basis points higher than a year ago.

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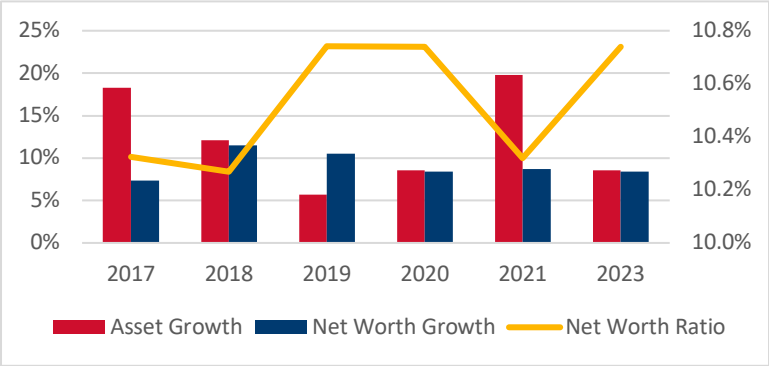
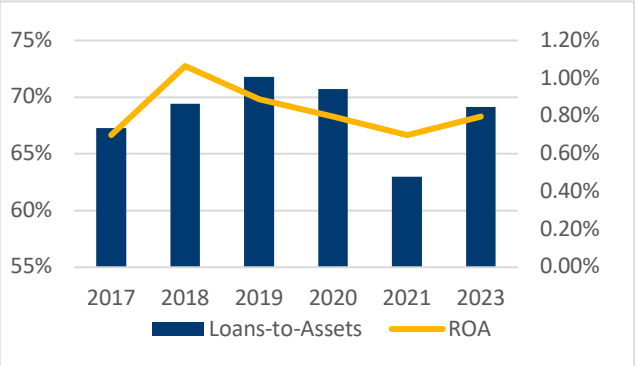
NCUA – March 2023

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%





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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%

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Economic Calendar

JUNE 2023

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Jobless Claims ADP Employment ISM Manufacturing Construction Spending Auto Sales	**2** Nonfarm Payrolls Unemployment Rate
5 Factory Orders ISM Services	**6**	**7** Trade Balance Consumer Credit	**8** Jobless Claims	**9**
12	**13** CPI	**14** PPI FOMC Decision	**15** Jobless Claims Retail Sales Industrial Production Business Inventories Empire Manufacturing	**16** U. of Mich. Sentiment (P)
19	**20** Housing Starts Building Permits	**21**	**22** Jobless Claims Existing Home Sales Leading Index	**23**
26	**27** S&P CL Home Prices Consumer Confidence New Home Sales Durable Goods (May-P)	**28**	**29** Jobless Claims Pending Home Sales GDP 1Q23 (revision)	**30** Personal Income Personal Spending PCE Core Y/Y U. of Mich. Sentiment (F)