CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

MARCH 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q4	2.7%	3.2%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Feb	311	504	4,814
Private Payrolls (000s)	Feb	265	386	4,555
Unemployment Rate	Feb	3.6%	3.4%	3.4%
Avg Hourly Earnings (Y/Y)	Feb	4.6%	4.4%	4.4%
INFLATION				
Wholesale (Y/Y)	Jan	6.0%	6.5%	6.2%
Consumer (Y/Y)	Jan	6.4%	6.5%	7.1%
PCE Core (Y/Y)	Jan	4.7%	4.6%	4.4%
INCOME & SPENDING				
Retail Sales	Jan	3.0%	-1.1%	9.2%
Personal Income	Jan	0.6%	0.3%	2.1%
Personal Spending	Jan	1.8%	-0.1%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Feb	14.89	15.74	13.31
New/Existing Home Sales (M/M)	Jan	0.3%	-1.0%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Dec	5.8%	7.6%	5.8%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Feb-23	Jan-23	Feb-22
MONEY MARKETS			
Effective Fed Funds	4.57%	4.33%	0.08%
Prime Rate	7.75%	7.50%	3.25%
3-month LIBOR	4.97%	4.81%	0.50%
2-year UST	4.82%	4.20%	1.43%
10-year UST	3.92%	3.51%	1.83%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	5.77%	5.57%	3.70%
CU 60-mth Auto	5.86%	5.67%	3.79%
CU 15-year Mtg	5.73%	5.68%	2.97%
CU 30-year Mtg	6.38%	6.35%	3.66%
EQUITY MARKETS			
Dow Jones Industrial Average	32,626.7	34,086.0	33,892.6
NASDAQ Composite	11,455.5	11,584.6	13,751.4
S&P 500	3,970.2	4,076.6	4,373.9
OTHER COMMODITIES			
CRB Index	269.8	278.1	269.1
Crude Oil	76.9	78.9	79.7

Source: Bloomberg; S&P Global Market Intelligence

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 311,000 jobs in February, more than expected but a reprieve from January's unusually strong increase. The unemployment rate increased to 3.6%, and the labor force participation rate rose to the highest level in three years. Monthly wages advanced 0.2%, the slowest monthly pace in a year. The labor market is beginning to show signs of softening.

The three key measures of inflation reversed course in January, increasing at the highest pace in months. Year-over-year CPI, PPI and core PCE rates continued to fall from the peak levels reached in 2022. Core goods prices rose after falling for three months. Core services prices remain elevated due to stubbornly high shelter prices. The disinflationary trend stalled in January.

Retail sales surged 3.0% in January, the most in two years, more than making up for the weakness in sales at the end of 2022. All 13 categories grew, a notable occurrence given the recent switch from goods to services consumption. The only non-goods category in the index, restaurants and bars, increased 7.2%, the most since March 2021. Auto sales rose 5.9%, clothing sales were up 2.5% and electronics stores increased 3.5%

Fourth quarter 2022 GDP was revised lower from 2.9% to 2.7%. Spending increased 1.4%, a sharp decline from the original estimate of 2.1%. Business investment, on the other hand, was revised higher from 0.7% to 3.3%.

February began with the Federal Reserve increasing the fed funds rate by 25 basis points to a range of 4.50% to 4.75%. This was the eighth rate increase in less than a year and the smallest move in the series. The reaction to the move was a rollercoaster. The financial markets were initially pleased with the decline in the pace of rate moves, believing the Fed would pull back on its aggressive monetary policy and be forced to lower rates in the second half of the year. Disinflation became the new word Fed officials began to toss around. Federal Reserve Chair Jerome Powell mentioned the word 11 times in his post-meeting press conference. However, higher than expected inflation data and more hawkish post-meeting Fed talk forced the markets to face the reality of higher rates to come. The majority of Fed officials began touting the need for a higher terminal rate to control inflation with no rate cuts planned for 2023. The markets finally started listening to what Fed officials have been saying loudly for some time – rates will stay high for longer. The fed funds future market soon aligned with the Fed, closing the gap from 80 basis points to less than 10 basis points between what the market and the Fed believe the peak funds rates would be. By the end of the month, Treasury yields surged and key stock indices fell.

Mortgage rates turned around in February after a brief respite in January, once again following the path of the Treasury yields. The benchmark Freddie Mac 30-year mortgage rate closed the month 56 basis points higher from January. The average 30-year mortgage rate offered by a variety of financial institutions rose just three basis points to 6.38%. The average 15-year rate was five basis points higher at 5.73%. Financial institution auto loan rates also rose in January after the eighth interest rate increase from the Federal Reserve, early in the month. The average 48-month auto loan rate closed the month 20 basis points higher at 5.77%. The average 60-month auto loan rate was 19 basis points higher at 5.86%.

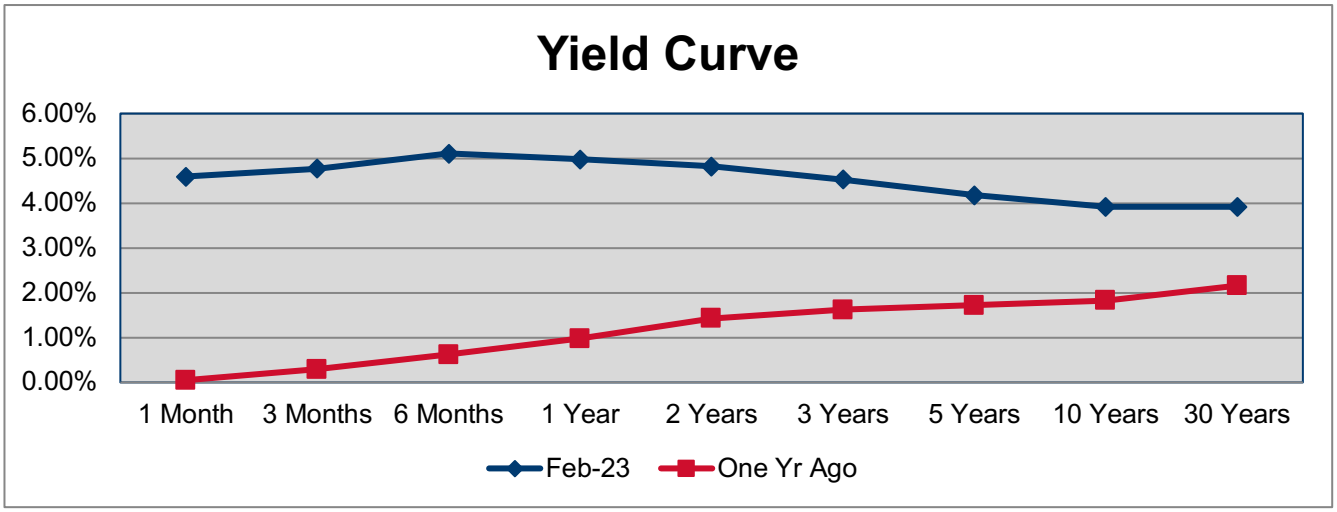
The equity market struggled to gain momentum in February. The Federal Reserve's insistence on higher interest rates, weak corporate earnings forecasts and more technology industry layoffs combined to push stocks lower for most of the month. Continued uncertainty about the impact higher rates could have on the economy created a "risk on, risk off" tug-of-war. The three major indices posted their worst weekly drop in 2023, falling more than 2%. The S&P 500, after finally topping the 4000 level for the first time in three months, quickly fell back below the pivotal level. Near-5% yields on short term Treasuries drew money out of stocks into safer, guaranteed returns. After a strong start to the year, the three indices closed February in the red. The Dow fell 4.2%, the Nasdaq was lower by 1.1% and the S&P 500 was down 2.6%. Only two of the three indices remained ahead for the year: the Dow is down 1.5% YTD; the Nasdaq is up 9.5% and the S&P 500 is ahead 3.6%.

For Credit Unions:

- The temporary dip in mortgage rates during January pushed contract signings up by the most since mid-2020. This bodes well for existing home sales during February, when contracts are finalized. Other than that, sales of existing homes remain weak and fell in January for the 12th consecutive month. Prices are 1.3% higher from a year ago. The housing market continues to be tight due to limited supply.

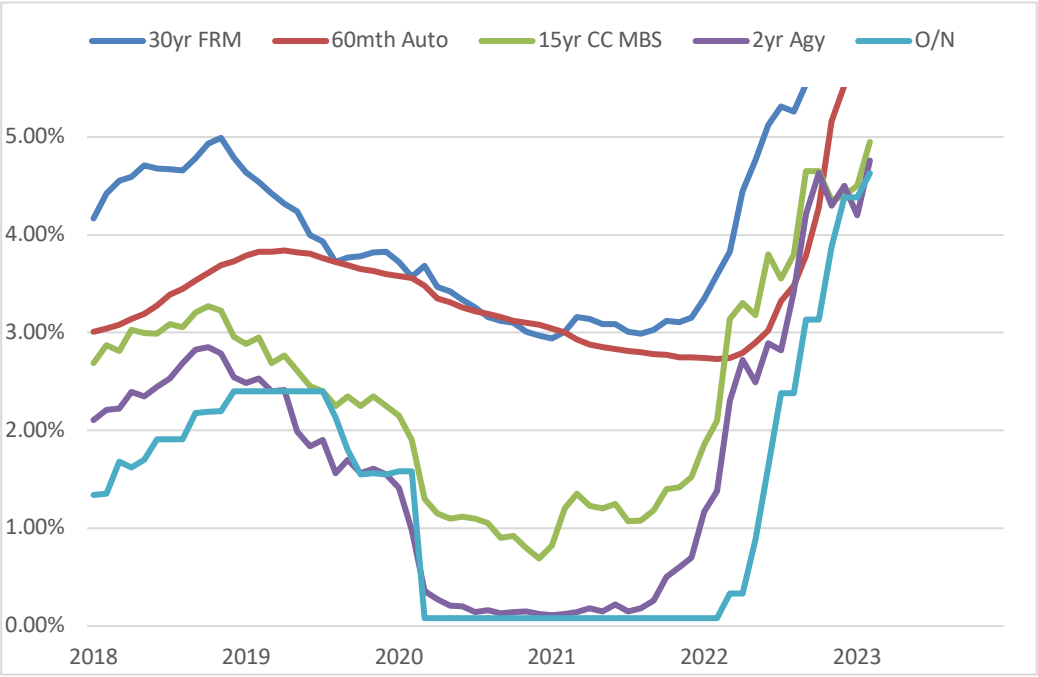
- The services sector continues to be the strong arm of the economy. The February ISM services survey followed the January report into expansionary territory after a brief contraction in December. The newest report revealed falling prices, higher employment, an increase in new orders and shorter delivery times.

- Credit card delinquency is on the rise and is expected to reach levels not seen since 2010. TransUnion predicts delinquencies will rise to 2.6% by the end of 2023, up from 2.1% in 2022. The most at risk are new-to-credit (NTC) consumers. The credit card delinquency rate for near-prime NTC consumers was 3.4% last year, compared to 2.2% for near-prime customers with established credit. An estimated more than 8.5 million people opened their first credit card in the past two years.



Treasury yields fell, then surged, within the first weeks of February in reaction to the Federal Reserve's eighth fed funds rate increase. The confusion created by a smaller-than-expected Fed move and more aggressive talk from Fed officials created a swing of more than 35 basis points within one week. The volatility continued throughout the month, pushing the two-year yield to 4.82, its highest level since 2007, and the 10-year yield to 3.96%, its highest mark in three months. The traditional 2-to-10-year yield curve became the most inverted since 1981 as investors continued to expect the tight Fed policy to push the economy into a recession. By the end of the month, the two-year Treasury yield had swung 71 basis points, closing at its high mark, up 62 basis points from January. The 10-year Treasury yield moved 56 basis points within the month, closing at 3.93%, 42 basis points higher from January.

Relative Value of Assets and Funding:



- The spread between loans and investments narrowed by 40 basis points. Loan rates rose 11 basis points. Rates on investments were up 51 basis points.

- The difference between a 60-month auto loan and a 15-year mortgage loan fell 14 basis points to minus 13. This was the first inverted spread in 12 months.

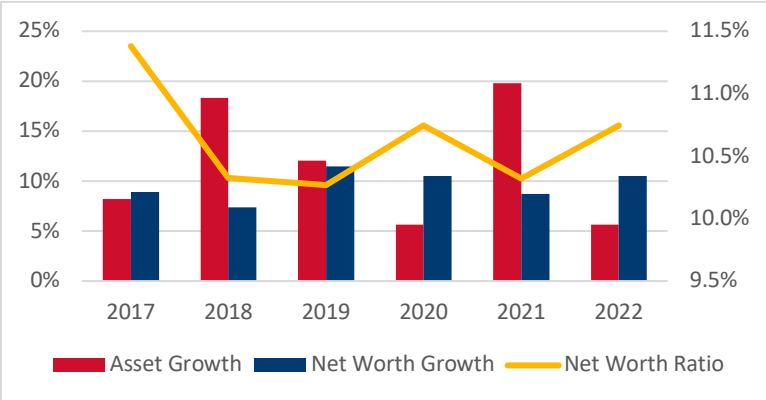
- CD rates increased 14 basis points on average in February. Rates are 97 basis points higher than a year ago.

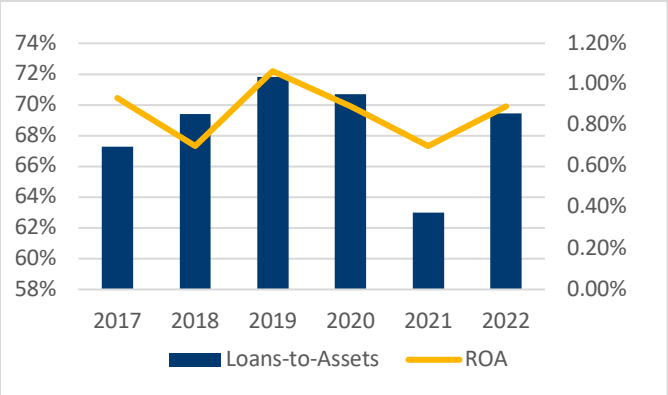
CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

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%





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%
1st Mtg Loans/Net Loans	0.62%	5.27%	24.48%	32.50%	35.36%	40.07%	39.22%
Commercial Loans/Net Loans	0.02%	0.25%	1.38%	3.39%	7.30%	9.88%	9.39%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	45.07%	30.62%	22.83%	17.85%	12.29%	9.35%	10.14%
Borr. & NM Deposits/Shares & Liab.	1.13%	1.23%	1.02%	1.57%	2.92%	6.70%	6.05%
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%

CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

Economic Calendar

MARCH 2023

Monday	Tuesday	Wednesday	Thursday	Friday
		1 ISM Manufacturing Auto Sales Construction Spending	**2** Jobless Claims	**3** ISM Services
6 Factory Orders	**7** Consumer Credit	**8** ADP Employment JOLTS Trade Balance	**9** Jobless Claims	**10** Nonfarm Payrolls Unemployment Rate
13 ***MARCH 12***  Daylight Savings Time Begins	**14** CPI	**15** PPI Empire Manufacturing Retail Sales	**16** Jobless Claims Housing Starts Building Permits	**17** Leading Indicators Industrial Production Capacity Utilization U. of U. of Mich. Sentiment (P) 
20	**21** Existing Home Sales	**22** FOMC Rate Decision	**23** Jobless Claims New Home Sales	**24** Durable Goods (Feb)
27	**28** Consumer Confidence S&P CL Home Prices	**29** Pending Home Sales	**30** GDP 4Q22	**31** Personal Income Personal Spending PCE Core Y/Y