

# Market Overview & Data Report



MARCH 2024

## KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 275,000 jobs in February, more than expected and higher than a downwardly revised January tally. The unemployment rate increased to the highest level in two years and was the first increase since August 2023. Both monthly and year-over-year wages grew at a slower pace while hours worked increased. Job growth was led by service producing sectors, with health care adding the most.

Both consumer and producer prices reaccelerated in January, rising more than expected. The bulk of the increase at both levels was in services inflation, while goods prices fell. Lower energy and gasoline prices are containing changes in goods inflation. Year-over-year core PCE rose 2.8%, the smallest increase in almost a year. Monthly PCE indices rose at the fastest pace in months but could be due to anomalies at the beginning of the year.

Retail sales fell in January by the largest amount in almost a year. Consumers pulled back spending in almost all major categories. Auto sales were the lowest in almost a year and internet shopping was the weakest in 14 months. The usual post-holiday slump and harsh winter weather are being blamed for the pull back.

Fourth quarter 2023 was revised a tenth of a percent lower to 3.2%. Consumption was revised higher two-tenths to 3.0%. Inventories, which add to GDP, were revised lower as calculations were fine-tuned. Early estimates for first quarter GDP range between 2.2% and 3.0%.

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2023
<b>ECONOMIC GROWTH</b>				
GDP	Q4	3.2%	3.3%	2.5%
<b>EMPLOYMENT</b>				
Non-farm Payrolls (000s)	Feb	275	229	2,697
Private Payrolls (000s)	Feb	223	177	2,025
Unemployment Rate	Feb	3.9%	3.7%	3.7%
Avg Hourly Earnings (Y/Y)	Feb	4.3%	4.4%	4.1%
<b>INFLATION</b>				
Wholesale (Y/Y)	Jan	0.9%	1.0%	1.0%
Consumer (Y/Y)	Jan	3.1%	3.4%	3.4%
PCE Core (Y/Y)	Jan	2.8%	2.9%	3.2%
<b>INCOME &amp; SPENDING</b>				
Retail Sales	Jan	-0.8%	0.4%	5.6%
Personal Income	Jan	1.0%	0.3%	4.2%
Personal Spending	Jan	0.2%	0.7%	3.2%
<b>AUTO &amp; HOUSING</b>				
Total Auto Sales (MM)	Feb	15.81	15.00	15.83
New/Existing Home Sales (M/M)	Jan	2.9%	0.3%	-4.8%
S&P/Case Shiller HPI (Y/Y)	Dec	5.5%	5.0%	5.0%

Sources:

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

KEY MARKET INDICATORS	Mth End Feb-24	Last Mth Jan-24	12 Mth Ago Feb-23
<b>MONEY MARKETS</b>			
Effective Fed Funds	5.33%	5.33%	4.57%
Prime Rate	8.50%	8.50%	7.75%
3-month SOFR	5.32%	5.33%	4.52%
2-year UST	4.62%	4.22%	4.82%
10-year UST	4.25%	3.92%	3.92%
<b>NATIONAL CU LOAN RATES</b>			
CU 48-mth Auto	7.01%	7.00%	5.76%
CU 60-mth Auto	7.09%	7.08%	5.87%
CU 15-year Mtg	6.39%	6.23%	5.73%
CU 30-year Mtg	6.92%	6.82%	6.38%
<b>EQUITY MARKETS</b>			
Dow Jones Industrial Average	38,996.4	38,150.3	32,656.7
NASDAQ Composite	16,091.9	15,164.0	11,455.5
S&P 500	5,096.3	4,845.7	3,970.2
<b>OTHER COMMODITIES</b>			
CRB Index	275.1	272.4	269.8
Crude Oil	78.3	75.7	73.2

Source: Bloomberg; S&P Global Market Intelligence

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The first two days of February were enough to give people a migraine. Both bonds and stocks experienced wild swings up and down, once when the Fed suggested its next move would be cutting rather than raising rates and then when a stunning January job report reinforced a later start to rate cuts. Mix in strong tech earnings and the result was a first-class rollercoaster ride. The ride did not stop after the higher-than-expected monthly inflation data reinforced the Fed's intention to stay the course. Fed officials made it clear throughout the month they want proof that inflation is falling for an extended period. Bets for the first rate cut shifted from May to July. Whereas the markets were once predicting seven quarter-point cuts in 2024, the forecast quickly shifted to match the Fed's projection of just 75 basis points this year. The unexpected increases in inflation and the lack of significant declines in housing costs reinforced the Fed's desire to be patient and more confident that inflation will continue to fall.

Mortgage rates increased in February for the first time in four months. Early in the month, the average FHLMC 30-year fixed rate loan surged 11 basis points in a day to 7.14%, the highest rate in two months and the first time back above 7% since December. The benchmark yield subsequently retreated below 7% as the rise in Treasury yields subsided, ending the month at 6.94%, 31 basis points above January's closing rate. The 15-year and 30-year mortgage rates, as measured by a variety of financial institutions, closed an average of 13 basis points higher from a month ago at 6.39% and 6.92%, respectively. Mortgage rates are 60 basis points higher from February 2023. The spread between FHLMC's 30-year mortgage rate and the 10-year Treasury narrowed two basis points to 269 basis points. The average 48- and 60-month auto loan rates increased about one basis point to 7.01% and 7.09%, respectively. Auto loan rates are 123 basis points higher from a year ago. The difference between a 60-month auto loan and a 15-year mortgage loan rate remains inverted at -70 basis points, 15 basis points tighter than last month.

The equity market reversed course in February, with the indices surging almost 1% and the Dow posting a record high on day one. The shock of the first rate cut being delayed past March and higher inflation data was replaced with optimism as stronger than expected corporate earnings began to roll in. Bullish outlooks from Amazon and Meta Platforms sent stocks soaring throughout the month. Nvidia, the king of chip makers, pushed stocks even higher when it released a blowout earnings report causing shares to jump 16% in one day. The S&P 500 index finally topped 5,000 and was positive for 15 of the last 17 weeks — something it hasn't done in decades. By the end of the month, the S&P 500 had notched 14 record levels in the first two months of 2024. Most of the rally came from the so-called Magnificent Seven technology companies. The Dow closed February 2.2% higher, the Nasdaq was up 6.1% and the S&P 500 gained 5.2%. January and February marked the best two months to start a year for the Dow and S&P 500 since 2019. The Dow finished 3.5% higher year-to-date, the Nasdaq is ahead 7.2% and the S&P 500 gained 6.8%.

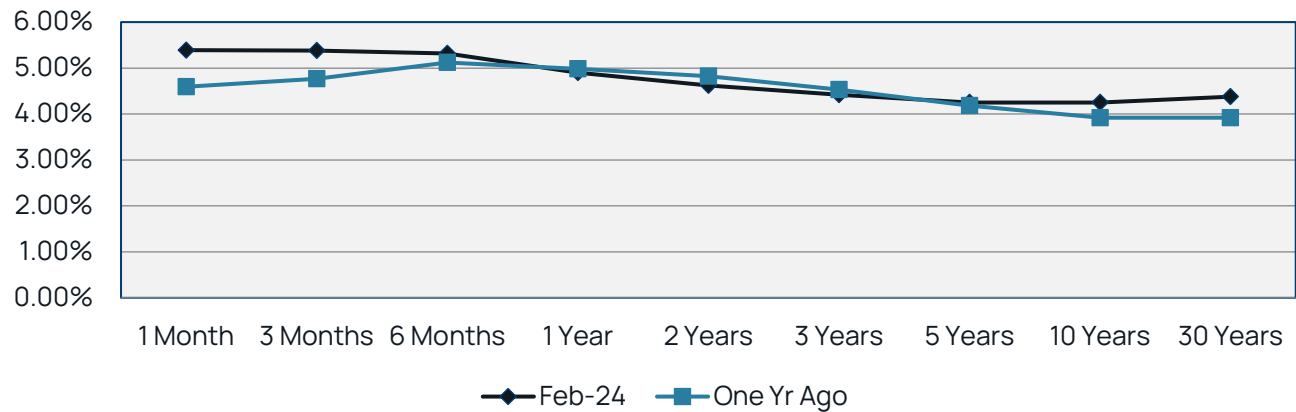
## For Credit Unions:

- The housing market gained some ground in January due to lower mortgage rates in December. Existing home sales increased by the most in nearly a year. The number of homes sold was the highest for any January since 2021. New home sales also increased as builders continued to reduce prices. January was the slowest month for new construction since August, mostly blamed on bad weather.
- Access to auto credit is at the lowest level since August 2020, according to Cox Automotive. Buyers with lower credit scores who can't afford a large down payment are impacted the most as banks continue to tighten credit standards. The approval rate for loans is down 1.6 percentage points year-over-year.
- Data released by VantageScore shows that delinquencies in January rose to the highest level in nearly four years. Delinquencies were higher across all credit tiers and products. Loan originations fell across all categories with credit card originations falling the most.

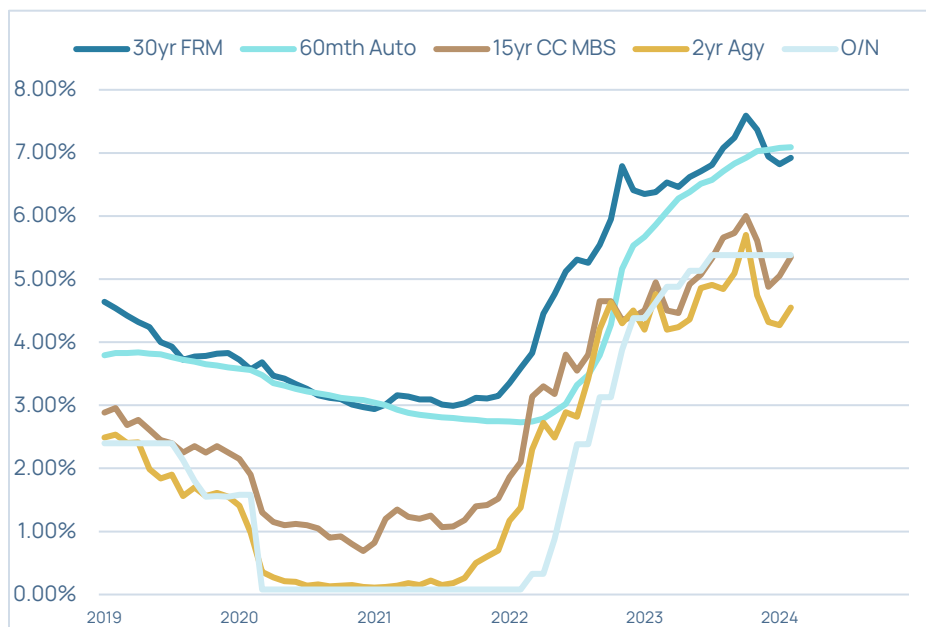
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## Yield Curve



Treasury yields swung in a 17-20 basis point move the first two days of the month after an unexpected strong January job report. The report justified the Fed's desire to delay cutting interest rates until later in the year. The slow rise in yields turned into a big jump days later after a surprisingly high January CPI report. Yields surged 10-20 basis points and the two-year Treasury note reached the highest level since before the Fed's December pivot. The shorter-dated maturities led the rise in yields for most of the month as investors and traders expect sticky inflation will keep the fed funds rate at its current level for several months. The two-year note finished February at 4.62%, 40 basis points higher from January. The 10-year note closed the month at 4.25%, 33 basis points higher. The yield curve widened seven basis points to -37.



## Relative Value of Assets and Funding:

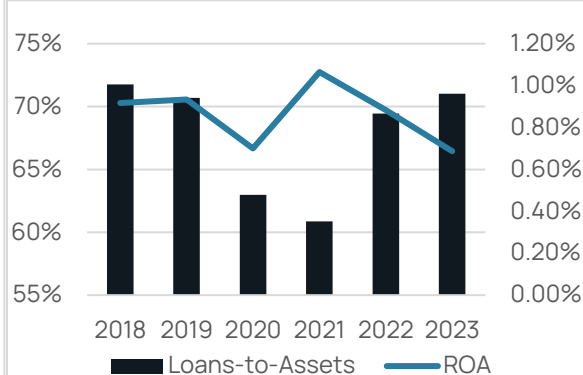
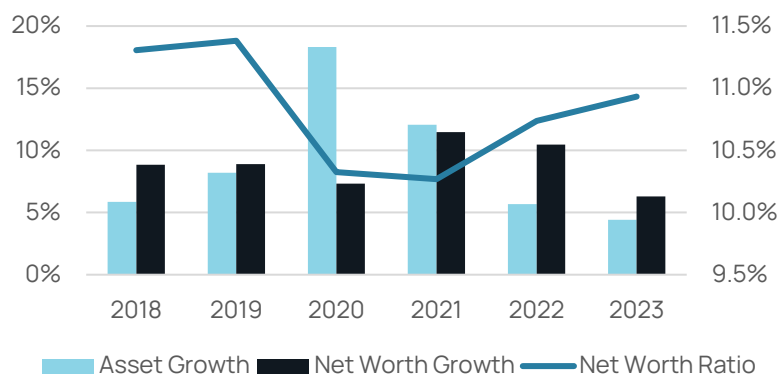
- The difference between loan and investment yields narrowed 23 basis points. Loan rates increased six basis points. Rates on investments increased 29 basis points.
- The spread between a 60-month auto loan and a 15-year mortgage loan narrowed to -70 basis points.
- Average CD rates increased one to two basis points for all CDs between six months and four years. Rates are 41 basis points higher than a year ago.

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## NCUA - December 2023

KEY CREDIT UNION DATA	2018	2019	2020	2021	2022	2023
<b>GROWTH RATES</b>						
Total Assets	5.85%	8.20%	18.31%	12.07%	5.67%	4.42%
Total Loans	9.51%	6.58%	5.44%	8.24%	20.53%	6.72%
Total Shares	5.68%	8.61%	20.89%	13.03%	3.88%	2.05%
Net Worth	8.85%	8.91%	7.33%	11.48%	10.47%	6.30%
<b>CAPITAL ADEQUACY</b>						
Net Worth Ratio	11.31%	11.38%	10.32%	10.27%	10.74%	10.93%
Equity Capital Ratio	10.92%	11.24%	10.34%	9.99%	8.77%	9.12%
Capital Ratio	11.55%	11.85%	11.04%	10.52%	9.31%	10.02%
<b>BALANCE SHEET COMPOSITION</b>						
Loans/Assets	71.76%	70.69%	62.99%	60.88%	69.45%	71.01%
Vehicle Loans/Net Loans	35.35%	34.12%	33.04%	32.50%	32.49%	31.50%
RE Loans/Net Loans	49.80%	50.86%	52.25%	52.80%	44.22%	44.82%
1st Mtg Loans/Net Loans	41.27%	42.55%	44.90%	45.97%	39.21%	39.20%
Commercial Loans/Net Loans	6.96%	7.54%	8.29%	9.07%	9.38%	10.01%
<b>LIQUIDITY POSITION</b>						
Cash & Short-Term Invs/Assets	11.37%	12.85%	18.44%	17.16%	10.17%	11.47%
Borr. & NM Deposits/Shares & Liab.	5.46%	4.75%	3.39%	2.97%	6.06%	7.95%
Net Liquid Assets/Shares & Liab.	20.68%	22.15%	30.36%	33.08%	23.82%	21.52%
Net Long-term Assets/Assets	34.49%	34.40%	34.65%	39.44%	51.46%	51.52%
<b>LOAN QUALITY</b>						
Delinquency Rate	0.74%	0.72%	0.62%	0.51%	0.67%	0.85%
Net Charge-off Rate	0.41%	0.40%	0.30%	0.16%	0.22%	0.43%
<b>EARNINGS</b>						
Investment Yield	2.04%	2.37%	1.35%	0.89%	1.63%	3.06%
Loan Yield	4.69%	4.90%	4.71%	4.37%	4.44%	5.25%
Asset Yield	3.82%	4.06%	3.53%	3.02%	3.38%	4.44%
Cost of Funds	0.69%	0.89%	0.70%	0.43%	0.52%	1.42%
Gross Net Margin	3.13%	3.17%	2.83%	2.59%	2.87%	3.02%
Provision Expense	-0.46%	-0.43%	-0.50%	-0.06%	-0.26%	-0.51%
Net Interest Margin	2.67%	2.74%	2.33%	2.53%	2.61%	2.51%
Net Operating Expense	1.76%	1.81%	1.63%	1.47%	1.73%	1.83%
Net Income (Return on Assets)	0.92%	0.93%	0.70%	1.06%	0.88%	0.69%



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## Peer Statistics

	<\$2M	\$2-10M	\$10-50M	\$50-100M	\$100-500M	\$500M+	Total
<b>Industry Statistics</b>							
Average Asset Size (000s)	\$886	\$5,644	\$26,318	\$72,225	\$229,183	\$2,679,762	\$356,192
Pct of Number of Credit Unions	6.06%	13.97%	27.52%	13.76%	23.27%	15.42%	100.00%
Pct of Industry Assets	0.03%	0.17%	0.78%	2.16%	7.02%	88.27%	100.00%
<b>GROWTH RATES</b>							
Total Assets	-5.25%	-5.19%	-2.90%	-1.06%	1.45%	5.12%	4.42%
Total Loans	6.64%	6.90%	6.99%	6.83%	5.46%	6.86%	6.72%
Total Shares	-6.81%	-6.94%	-4.27%	-2.52%	-0.32%	2.65%	2.05%
Net Worth	2.00%	3.05%	5.24%	6.92%	6.65%	6.27%	6.30%
<b>CAPITAL ADEQUACY</b>							
Net Worth Ratio	19.82%	17.57%	13.12%	12.64%	11.37%	10.78%	11.31%
Equity Capital Ratio	19.75%	17.35%	12.67%	11.73%	9.82%	8.89%	10.92%
Capital Ratio	21.08%	17.99%	13.15%	12.20%	10.36%	9.85%	11.55%
<b>BALANCE SHEET COMPOSITION</b>							
Loans/Assets	48.08%	53.40%	53.31%	57.00%	65.83%	72.36%	71.01%
Vehicle Loans/Net Loans	63.99%	68.41%	52.61%	45.49%	38.84%	30.04%	31.50%
RE Loans/Net Loans	1.00%	6.54%	28.25%	36.44%	40.68%	45.75%	44.82%
1st Mtg Loans/Net Loans	0.88%	5.45%	24.97%	31.13%	35.04%	40.08%	39.20%
Commercial Loans/Net Loans	0.40%	0.33%	1.41%	3.55%	7.43%	10.56%	10.01%
<b>LIQUIDITY POSITION</b>							
Cash & Short-Term Invs/Assets	41.19%	30.01%	22.55%	18.74%	12.98%	10.86%	11.47%
Borr. & NM Deposits/Shares & Liab.	1.73%	1.63%	1.59%	2.25%	4.11%	8.70%	7.95%
Net Liquid Assets/Shares & Liab.	52.77%	44.61%	39.79%	39.96%	29.98%	19.66%	21.52%
Net Long-term Assets/Assets	3.86%	8.61%	25.90%	35.04%	46.70%	53.08%	51.52%
<b>LOAN QUALITY</b>							
Delinquency Rate	3.74%	1.68%	1.27%	1.08%	0.98%	1.33%	1.28%
Net Charge-off Rate	3.41%	1.45%	1.07%	0.87%	0.73%	0.86%	0.85%
	0.32%	0.23%	0.20%	0.21%	0.25%	0.46%	0.43%
<b>EARNINGS</b>							
Investment Yield	2.12%	2.47%	2.40%	2.39%	2.60%	3.19%	3.06%
Loan Yield	6.89%	6.05%	5.54%	5.34%	5.20%	5.25%	5.25%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Asset Yield	4.28%	4.23%	3.90%	3.88%	4.12%	4.51%	4.44%
Cost of Funds	0.48%	0.62%	0.59%	0.65%	0.94%	1.52%	1.42%
Gross Net Margin	3.80%	3.61%	3.31%	3.23%	3.18%	2.99%	3.02%
Provision Expense	-0.45%	-0.25%	-0.21%	-0.21%	-0.27%	-0.55%	-0.51%
Net Interest Margin	3.34%	3.35%	3.10%	3.02%	2.91%	2.43%	2.51%
Net Operating Expense	3.23%	2.98%	2.49%	2.28%	2.23%	1.75%	1.83%
Net Income (Return on Assets)	0.11%	0.37%	0.62%	0.74%	0.69%	0.69%	0.69%
<b>EFFICIENCY METRICS</b>							
Avg Loan Balance	\$5,631	\$9,275	\$3,973	\$6,832	\$10,994	\$20,945	\$17,810
Avg Share Per Member	\$2,376	\$5,358	\$8,978	\$10,424	\$12,167	\$14,005	\$13,514
Avg Compensation per FTE	\$24,942	\$35,332	\$68,147	\$73,457	\$80,616	\$102,130	\$96,844
Comp & Benefits-to-Total Assets	2.01%	1.90%	1.58%	1.61%	1.72%	1.50%	1.53%
Pct of Total Operating Expense	64.87%	69.97%	68.68%	70.47%	72.61%	74.50%	74.05%
Office Occ & Ops-to-Total Assets	0.22%	0.16%	0.20%	0.21%	0.22%	0.17%	0.17%
Pct of Total Operating Expense	16.54%	16.44%	21.82%	24.12%	25.24%	24.42%	24.45%

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## Economic Calendar

### MARCH 2024

Monday	Tuesday	Wednesday	Thursday	Friday
				<b>1</b> U. of Mich Sentiment (F) Factory Orders ISM Manufacturing Auto Sales Construction Spending
<b>4</b>	<b>5</b> ISM Services Durable Goods (Feb)	<b>6</b> ADP Employment JOLTS FRB Beige Book	<b>7</b> Jobless Claims Consumer Credit Trade Balance	<b>8</b> Nonfarm Payrolls Unemployment Rate
<b>11</b>	<b>12</b> CPI	<b>13</b>	<b>14</b> Jobless Claims Retail Sales PPI Business Inventories	<b>15</b> U. of Mich Sentiment (P) Industrial Production
<b>18</b>	<b>19</b> Leading Index Housing Starts Building Permits	<b>20</b> FOMC Press Release	<b>21</b> Jobless Claims Existing Home Sales Leading Indicators	<b>22</b> Pending Home Sales
<b>25</b> New Home Sales	<b>26</b> Durable Goods (Feb- P) S&P CL Home Prices Conf. Board Confidence	<b>27</b>	<b>28</b> Jobless Claims GDP 4Q23 Pending Home Sales U. of Mich Sentiment (F)	<b>29</b> Personal Income Personal Spending PCE Core Y/Y <b>Stock and Bond markets closed; The Fed is open</b>

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