CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

NOVEMBER 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q3	4.9%	2.1%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Oct	150	297	4,814
Private Payrolls (000s)	Oct	99	246	4,555
Unemployment Rate	Oct	3.9%	3.8%	3.4%
Avg Hourly Earnings (Y/Y)	Oct	4.1%	4.3%	4.4%
INFLATION				
Wholesale (Y/Y)	Sep	2.2%	2.0%	6.2%
Consumer (Y/Y)	Sep	3.7%	3.7%	7.1%
PCE Core (Y/Y)	Sep	3.7%	3.8%	4.4%
INCOME & SPENDING				
Retail Sales	Sep	0.7%	0.8%	9.2%
Personal Income	Sep	0.3%	0.4%	2.1%
Personal Spending	Sep	0.7%	0.4%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Oct	15.50	15.67	13.31
New/Existing Home Sales (M/M)	Sep	0.1%	-1.9%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Aug	2.6%	0.9%	5.8%

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

KEY MARKET INDICATORS	Mth End Oct-23	Last Mth Sep-23	12 Mth Ago Oct-23
MONEY MARKETS			
Effective Fed Funds	5.33%	5.33%	3.08%
Prime Rate	8.50%	8.50%	6.25%
3-month LIBOR	5.32%	5.32%	3.04%
2-year UST	5.09%	5.05%	4.48%
10-year UST	4.93%	4.58%	4.05%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	6.83%	6.75%	4.94%
CU 60-mth Auto	6.92%	6.83%	5.04%
CU 15-year Mtg	7.00%	6.73%	5.85%
CU 30-year Mtg	7.59%	7.24%	6.56%
EQUITY MARKETS			
Dow Jones Industrial Average	33,052.9	33,507.5	32,732.9
NASDAQ Composite	12,851.2	13,219.3	10,988.2
S&P 500	4,193.8	4,288.1	3,872.0
OTHER COMMODITIES			
CRB Index	281.2	284.5	274.1
Crude Oil	81.0	90.9	76.9

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 150,000 jobs in October, slightly below expectations. The large gain in September was revised down by 39,000, as was expected. Most of the gains were in health care, government, and social assistance. Employment declined in manufacturing due to strike activity. Unemployment rose to 3.9%, the highest level since January 2022. Hourly earnings fell slightly, both monthly and from a year ago.

Inflation rates are at best stagnating, not moving much lower or higher, with some slight signs of improvement. Headline CPI rose at a smaller pace in September than the prior month but remained steady at 3.7% year-over-year. Rising energy costs continue to account for the present upside risk to inflation. Goods prices are coming down, due mostly to declines in used auto prices. Services prices continue to remain high.

Retail sales increased more than expected in September, rising 0.7% on the headline number and up 0.6%, ex-autos. Ten of the 13 major categories posted gains, with the largest coming from miscellaneous retail stores, auto sales, internet shopping and restaurants/bars.

The economy grew 4.9% in the third quarter, better than expected and more than double second quarter's 2.1% activity. Consumption rose 4.0%, the strongest quarterly spending activity since 2021. Spending on both goods and services was strong and residential investment rose for the first time in two years. Business spending fell for the first time since 2021.

October barely began before the bottom fell out of the financial markets. Stock prices sunk and bond yields surged as concerns over the growing U.S. debt burden replaced inflation fears. The markets focused on the upcoming quarterly Treasury refunding announcement, fearing a second increase in a row. The stop-gap spending bill that was passed at the last minute to avert a government shutdown seemed to do more harm than good, intensifying concerns over the U.S. budget. Even the Israeli-Hamas war did little to create the usual safe haven trade as market participants remained focused on the U.S. government's long-term spending. Federal Reserve officials repeatedly enforced the need to keep interest rates higher for longer to bring inflation down to a satisfactory level. The financial markets began to question what the real inflation target should be and whether the Fed is being unrealistic to believe inflation can return to the pre-pandemic 2%. The markets were 100% sure the Fed would not raise rates at the November meeting, and they did not.

Mortgage rates continued to move higher in October, finally crossing the next "sticker shock" threshold. The Bankrate average 30-year mortgage rate closed the month above 8% for the first time since 2000. A homebuyer of an average $400,000 home is paying over $500 more a month in interest today compared to the beginning of the year. The difference from when the Federal Reserve began raising interest rates is more than $1,200 a month. On average, 15-year and 30-year mortgage rates increased 31 basis points in October. The average 48- and 60-month auto loan rates rose eight basis points to 6.83% and 6.92%, respectively. Auto loan rates are 188 basis points higher from a year ago.

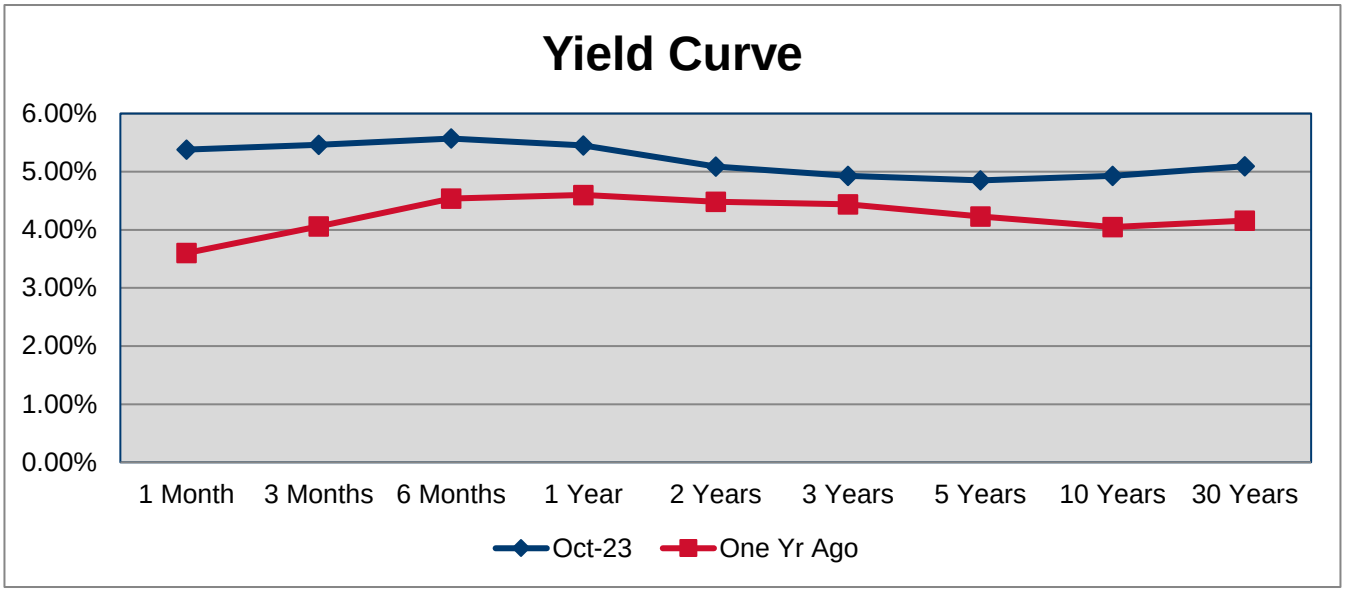
Rising Treasury yields continued to cause damage to the equity market in October. The utility sector, historically considered the safest, most boring sector of the market, plummeted more than 5% on the first trading day of the month. It wasn't just utilities either, as the 100 highest dividend yielders in the S&P 500 were down 11% year-to-date by the first week of October. The Dow erased 2023 gains; the volatility index, known as the VIX, moved above 20 for the first time in four months and the S&P 500 fell to the lowest level in four months. Investors tried to find some comfort in decent quarterly earnings results, but weaknesses from the technology sector late in the month, along with the pull of a guaranteed 5% from Treasury securities, dragged the three indices into negative territory for the third month in a row. The Dow fell 1.4%, Nasdaq lost 2.8% and the S&P 500 declined 2.2% in October. Year-to-date, the Dow is down 0.3%, Nasdaq is ahead 22.8% and the S&P 500 is up 9.2%.

For Credit Unions:

- Home buyers are moving towards the new home market over existing homes due to price incentives and availability. Sales of new homes are up 38% from a year ago, compared to a 15.4% decline of existing home sales in the same period. Homebuilders are cutting prices and offering rate buydowns to move an above average level of inventory. The average price of a new home is down 12% from 2022 compared to a 2.8% increase in an existing home.

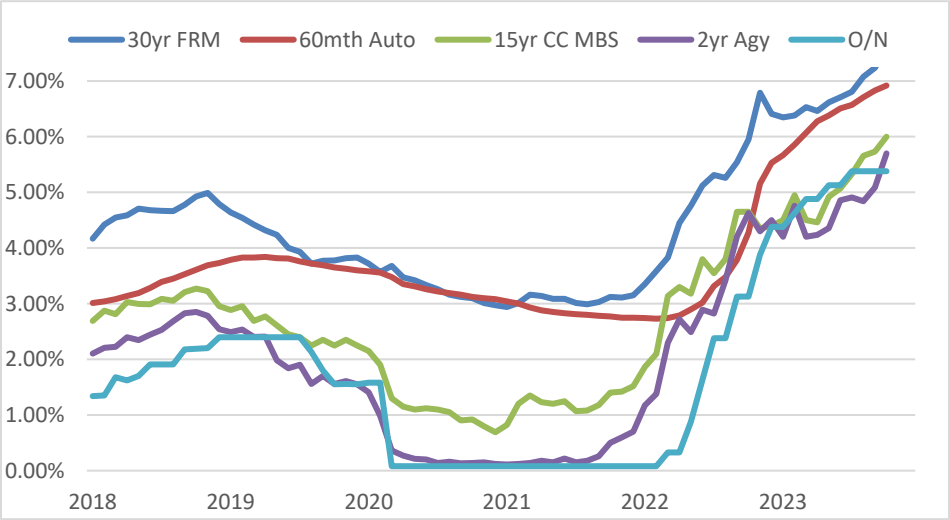
- The Federal Reserve voted to keep the benchmark interest rate steady at a range of 5.25% to 5.50% for the second time in a row. The committee said it would proceed carefully as it continues to monitor all incoming data. The press release acknowledged economic activity expanded at a strong pace in the third quarter. Job gains moderated since earlier in the year but remain strong, while inflation remains elevated.

- Personal spending surged 0.7% in September, while incomes rose 0.3%, pulling the savings rate down to 3.4%. This is the fourth monthly decline and the lowest level in almost a year. The historic average is above 5%. Credit card debt totaled $1.031 billion in Q2 2023, up from $887 billion in Q2 2022 – a 20-year high. The average cardholder had $6,568 in credit card debt in Q2 2023, up from $5,963 in Q2 2022.



Treasury yields across the curve climbed to the highest levels in over 16 years during October. The 10-year Treasury yield jumped nine basis points on the first trading day and continued upward from there to 4.99%, the highest level since 2007. While the benchmark security traded at 5% intraday mid-month, it failed to post a close at that level. The sudden spike in yields was driven by investors demanding more compensation for taking on greater perceived risks in the market, brought on by geopolitical developments, elevated government spending and inflation pressures. This additional yield is known as term premium and became the catch phrase for market activity in October. Many economists suggest the rise in yields may end up doing some of the Fed's work, thereby reducing the need for the central bank to raise interest rates further. The two-year Treasury yield traded in a range from 4.97% to 5.23% before finishing the month at 5.05%, four basis points higher from September. The 10-year note closed at 4.93%, 35 basis points higher from September. The yield curve flattened to -16 basis points, the tightest spread in 11 months.

Relative Value of ssets and Funding:



- The difference between loan and investment yields decreased 22 basis points. Loan rates rose 22 basis points. Rates on investments increased 44 basis points.

- The spread between a 60-month auto loan and a 15-year mortgage loan turned positive at eight basis points.

- CD rates increased an average of three basis points in October. Rates are 91 basis points higher than a year ago. Rates increased the most on one year and shorter CDs.

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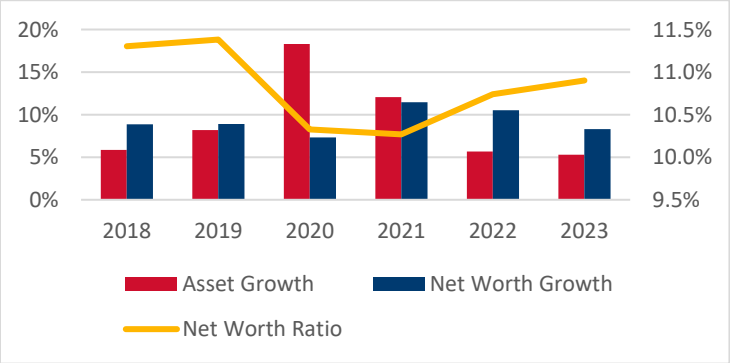
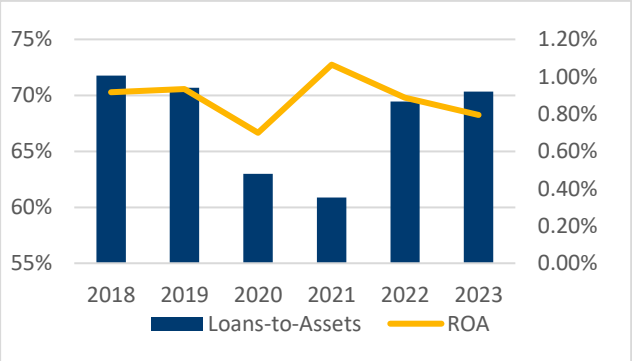
NCUA – June 2023

KEY CREDIT UNION DATA	2018	2019	2020	2021	2022	2023
GROWTH RATES						
Total Assets	5.85%	8.20%	18.31%	12.07%	5.67%	5.28%
Total Loans	9.51%	6.58%	5.44%	8.24%	20.53%	7.89%
Total Shares	5.68%	8.61%	20.89%	13.03%	3.88%	3.59%
Net Worth	8.85%	8.91%	7.33%	11.48%	10.52%	8.29%
CAPITAL ADEQUACY						
Net Worth Ratio	11.31%	11.38%	10.32%	10.27%	10.74%	10.90%
Equity Capital Ratio	10.92%	11.24%	10.34%	9.99%	8.77%	8.78%
Capital Ratio	11.55%	11.85%	11.04%	10.52%	9.31%	9.59%
BALANCE SHEET COMPOSITION						
Loans/Assets	71.76%	70.69%	62.99%	60.88%	69.45%	70.35%
Vehicle Loans/Net Loans	35.35%	34.12%	33.04%	32.50%	32.49%	32.27%
RE Loans/Net Loans	49.80%	50.86%	52.25%	52.80%	44.22%	44.45%
1st Mtg Loans/Net Loans	41.27%	42.55%	44.90%	45.98%	39.21%	39.19%
Commercial Loans/Net Loans	6.96%	7.54%	8.29%	9.07%	9.37%	9.69%
LIQUIDITY POSITION						
Cash & Short-Term Invs/Assets	11.37%	12.85%	18.44%	17.16%	10.17%	11.01%
Borr. & NM Deposits/Shares & Liab.	5.46%	4.75%	3.39%	2.97%	6.06%	7.07%
Net Liquid Assets/Shares & Liab.	20.68%	22.15%	30.36%	33.08%	23.82%	23.15%
Net Long-term Assets/Assets	34.49%	34.40%	34.65%	39.44%	51.46%	51.12%
LOAN QUALITY						
Delinquency Rate	0.74%	0.72%	0.62%	0.51%	0.67%	0.64%
Net Charge-off Rate	0.41%	0.40%	0.30%	0.16%	0.22%	0.37%
EARNINGS						
Investment Yield	2.04%	2.37%	1.35%	0.89%	1.63%	2.91%
Loan Yield	4.69%	4.90%	4.71%	4.37%	4.44%	4.99%
Asset Yield	3.82%	4.06%	3.53%	3.02%	3.38%	4.21%
Cost of Funds	0.69%	0.89%	0.70%	0.43%	0.52%	1.19%
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%	-0.25%	-0.42%
Net Interest Margin	2.67%	2.74%	2.33%	2.53%	2.62%	2.60%
Net Operating Expense	1.76%	1.81%	1.63%	1.47%	1.73%	1.81%
Net Income (Return on Assets)	0.92%	0.93%	0.70%	1.06%	0.89%	0.79%





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Peer Statistics

	<$2M	$2-10M	$10-50M	$50-100M	$100-500M	$500M+	Total
Industry Statistics							
Average Asset Size (000s)	$902	$5,645	$26,252	$72,710	$230,381	$2,643,656	$346,521
Pct of Number of Credit Unions	6.12%	13.95%	28.06%	13.95%	22.90%	15.02%	100.00%
Pct of Industry Assets	0.03%	0.17%	0.79%	2.21%	7.15%	88.41%	100.00%
GROWTH RATES							
Total Assets	-2.97%	-3.44%	-1.90%	-0.32%	2.33%	5.98%	5.28%
Total Loans	8.73%	8.78%	8.62%	7.88%	6.61%	8.03%	7.89%
Total Shares	-4.21%	-5.04%	-2.87%	-1.35%	1.34%	4.19%	3.59%
Net Worth	3.50%	4.28%	5.76%	7.41%	7.76%	8.45%	8.29%
CAPITAL ADEQUACY							
Net Worth Ratio	19.03%	16.68%	12.63%	12.11%	11.09%	10.80%	11.31%
Equity Capital Ratio	18.97%	16.46%	12.12%	11.09%	9.31%	8.57%	10.92%
Capital Ratio	20.16%	17.04%	12.56%	11.53%	9.79%	9.44%	11.55%
BALANCE SHEET COMPOSITION							
Loans/Assets	44.80%	50.17%	51.04%	55.88%	64.58%	71.89%	70.35%
Vehicle Loans/Net Loans	65.38%	69.05%	53.04%	45.10%	39.65%	30.80%	32.27%
RE Loans/Net Loans	1.05%	5.82%	27.53%	37.08%	40.00%	45.41%	44.45%
1st Mtg Loans/Net Loans	0.95%	4.86%	24.28%	32.07%	34.71%	40.12%	39.19%
Commercial Loans/Net Loans	0.43%	0.32%	1.43%	3.49%	7.32%	10.22%	9.69%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	44.23%	30.11%	22.58%	18.00%	12.66%	10.35%	11.01%
Borr. & NM Deposits/Shares & Liab.	1.25%	1.55%	1.35%	1.91%	3.45%	7.79%	7.07%
Net Liquid Assets/Shares & Liab.	53.18%	45.11%	40.95%	39.88%	31.67%	21.25%	23.15%
Net Long-term Assets/Assets	4.18%	8.89%	26.12%	36.61%	46.54%	52.66%	51.12%
LOAN QUALITY	3.03%	1.52%	1.05%	0.88%	0.78%	1.04%	1.01%
Delinquency Rate	2.71%	1.33%	0.87%	0.69%	0.57%	0.64%	0.64%
Net Charge-off Rate	0.32%	0.19%	0.18%	0.18%	0.21%	0.40%	0.37%
EARNINGS							
Investment Yield	1.79%	2.16%	2.19%	2.24%	2.46%	3.05%	2.91%
Loan Yield	6.79%	5.89%	5.32%	5.10%	4.94%	4.99%	4.99%
Asset Yield	3.96%	3.94%	3.66%	3.69%	3.89%	4.28%	4.21%
Cost of Funds	0.39%	0.49%	0.45%	0.52%	0.75%	1.28%	1.19%
Gross Net Margin	3.57%	3.45%	3.21%	3.17%	3.14%	3.00%	3.02%
Provision Expense	-0.36%	-0.19%	-0.15%	-0.17%	-0.22%	-0.46%	-0.42%
Net Interest Margin	3.21%	3.26%	3.06%	3.00%	2.93%	2.54%	2.60%
Net Operating Expense	2.90%	2.89%	2.38%	2.20%	2.18%	1.73%	1.81%
Net Income (Return on Assets)	0.31%	0.37%	0.68%	0.80%	0.75%	0.80%	0.79%
EFFICIENCY METRICS							
Avg Loan Balance	$5,497	$8,849	$3,850	$6,664	$10,681	$20,592	$17,401
Avg Share Per Member	$2,515	$5,563	$9,153	$10,606	$12,309	$14,140	$13,640
Avg Compensation per FTE	$11,613	$23,903	$33,427	$36,653	$39,966	$50,843	$48,228
Comp & Benefits-to-Total Assets	1.83%	1.84%	1.52%	1.57%	1.70%	1.50%	1.53%
Pct of Total Operating Expense	64.23%	69.76%	68.59%	71.03%	72.83%	74.85%	74.38%
Office Occ & Ops-to-Total Assets	0.21%	0.15%	0.19%	0.21%	0.22%	0.17%	0.17%
Pct of Total Operating Expense	17.00%	16.04%	21.83%	25.08%	25.49%	24.73%	24.76%

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Economic Calendar
NOVEMBER 2023

Monday	Tuesday	Wednesday	Thursday	Friday
		1 ADP Employment Construction Spending ISM Manufacturing Auto Sales JOLTS FOMC Rate Decision	**2** Jobless Claims Factory Orders Durable Goods (Sep-F)	**3** Nonfarm Payrolls Unemployment Rate ISM Services
6	**7** Trade Balance Consumer Credit	**8**	**9** Jobless Claims CPI	**10** U. of Mich. Sentiment (P)
13	**14** CPI	**15** PPI Retail Sales Business Inventories Empire Manufacturing	**16** Industrial Production	**17** Housing Starts Building Permits
20 Leading Index	**21** Existing Home Sales FOMC Minutes	**22** Durable Goods Jobless Claims U. of Mich. Sentiment (F)	**23** 	**24**
27 New Home Sales	**28** S&P CL Home Prices Consumer Confidence	**29** GDP – 3Q23 Fed. Reserve Beige Book	**30** Jobless Claims Pending Home Sales Personal Income Personal Spending PCE Core Y/Y	