CATALYST
Corporate Federal Credit Union

MARKET OVERVIEW & DATA REPORT

SEPTEMBER 2023

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2022
ECONOMIC GROWTH				
GDP	Q2	2.1%	2.4%	2.1%
EMPLOYMENT				
Non-farm Payrolls (000s)	Aug	187	157	4,814
Private Payrolls (000s)	Aug	179	155	4,555
Unemployment Rate	Aug	3.8%	3.5%	3.4%
Avg Hourly Earnings (Y/Y)	Aug	4.3%	4.4%	4.4%
INFLATION				
Wholesale (Y/Y)	Jul	0.8%	0.2%	6.2%
Consumer (Y/Y)	Jul	3.2%	3.0%	7.1%
PCE Core (Y/Y)	Jul	4.2%	4.1%	4.4%
INCOME & SPENDING				
Retail Sales	Jul	0.7%	0.3%	9.2%
Personal Income	Jul	0.2%	0.3%	2.1%
Personal Spending	Jul	0.8%	0.6%	9.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Aug	15.04	15.74	13.31
New/Existing Home Sales (M/M)	Jul	-1.2%	-3.4%	-33.0%
S&P/Case Shiller HPI (Y/Y)	Jun	0.0%	-0.4%	5.8%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Aug-23	Jul-23	Aug-22
MONEY MARKETS			
Effective Fed Funds	5.33%	5.33%	2.33%
Prime Rate	8.50%	8.50%	5.50%
3-month LIBOR	5.31%	5.09%	2.28%
2-year UST	4.86%	4.88%	3.49%
10-year UST	4.11%	3.96%	3.19%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	6.61%	6.48%	4.43%
CU 60-mth Auto	6.71%	6.57%	4.53%
CU 15-year Mtg	6.53%	6.27%	4.82%
CU 30-year Mtg	7.08%	6.81%	5.44%
EQUITY MARKETS			
Dow Jones Industrial Average	34,721.9	35,559.5	31,510.4
NASDAQ Composite	14,035.0	14,346.0	11,816.2
S&P 500	4,507.7	4,589.0	3,955.0
OTHER COMMODITIES			
CRB Index	281.9	282.2	290.4
Crude Oil	83.6	81.8	81.5

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 187,000 jobs in August, more than expected. The unemployment rate rose to 3.8%, the highest rate in 18 months, as 736,000 people entered the job force. This is a perfect combination for the Fed – more people getting jobs than losing jobs and more people entering the labor force. All this with wages moderating. Hourly earnings rose just 0.2% in August, half the level from July.

Consumer prices continued to moderate in July. The core rate of consumer inflation, which excludes food and energy costs, posted the smallest back-to-back monthly level in more than two years. Significant price declines were evident in used cars, airfares, medical care services and energy. Housing costs are moderating but remain on the high side. Producer prices, on the other hand, rose at the fastest monthly pace this year.

Retail sales rose 0.7% in July, more than double June sales. Nine of the 13 categories posted gains. Non-store sales, a proxy for internet sales, surged 1.9% due to Amazon's Prime Day. Sales at restaurants and bars, the only service sector in the index, rose 1.4%. The biggest losing categories were furniture and electronic stores. Auto sales fell 0.4%.

Second quarter GDP was revised lower from 2.4% to 2.1%. More moderate business spending counteracted higher consumer spending. Personal consumption was revised higher from 1.6% to 1.7%. The GDP price index, one of the key inflation measures the Fed watches, rose 3.7%, the slowest pace in two years.

August began with Fitch Ratings downgrading the U.S. debt from AAA to AA- citing the country's finances will likely deteriorate over the next three years given tax cuts, new spending initiatives, economic shocks and repeated political gridlock. This is the second downgrade in the history of U.S. debt. S&P downgraded the U.S. to AA+ more than a decade ago for similar reasons. As if to pour salt on its wounds, the Treasury announced plans to increase the supply of debt to fund an increasingly growing federal budget deficit. As the immediate concern over the debt downgrade wore off, the odds for an economic recession faded with each new data point, showing continued strength in the economy. Economists soon began to talk about a "no landing" scenario. The financial markets became fixated on how long, rather than how high, the Federal Reserve will keep interest rates elevated. Federal Reserve Chair Jerome Powell's speech at the Federal Reserve's Jackson Hole Symposium reconfirmed the Fed will not change its restrictive monetary policy until inflation is at 2%.

Mortgage rates followed the path of the 10-year Treasury yield in August. The average FHLMC 30-year mortgage rate closed the month 43 basis points higher at 7.23%, the highest level since 2000. The spread between the two benchmark instruments closed the month at 312 basis points; the average spread for the past 50 years has been 175 basis points. The average 15-year mortgage rate, as measured by a variety of financial institutions, ended August at 6.53%. The similarly measured 30-year mortgage rate finished the month at 7.08%. The average 48- and 60-month auto loan rates rose 14 basis points to 6.61% and 6.71% respectively. Auto loan rates are 218 basis points higher from a year ago.

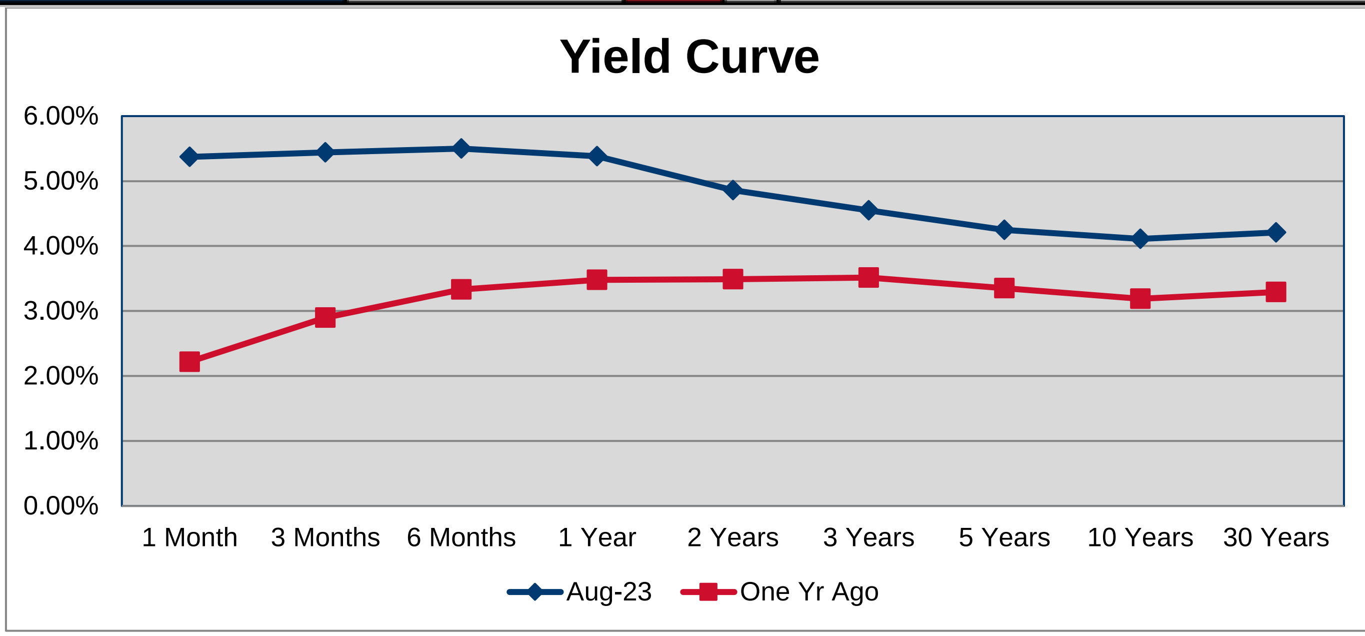
Equities faltered early in August after a sterling performance in July. The three key indices posted a 1% or greater decline on the second day of the month, the worst daily performance in months. Equities reacted to the yield curve shifting to a less inverted position, which can be a signal of recession and thereby causing a downturn in future corporate earnings. The negativity grew as it became evident the Federal Reserve was intent on keeping interest rates high for a long time. The yield advantage of Treasury securities continued to pull investors from equities to bonds. A late month surge in tech stocks was buoyed by exceptionally strong earnings from the artificial intelligence company Nvidia. In the end, the three key indices closed in the red for the first time since February. The Dow fell 2.4%, the Nasdaq lost 2.2% and the S&P 500 declined 1.8%. Year-to-date, the Dow is up 4.8%, the Nasdaq is ahead 34.1% and the S&P 500 is up 17.4%.

For Credit Unions:

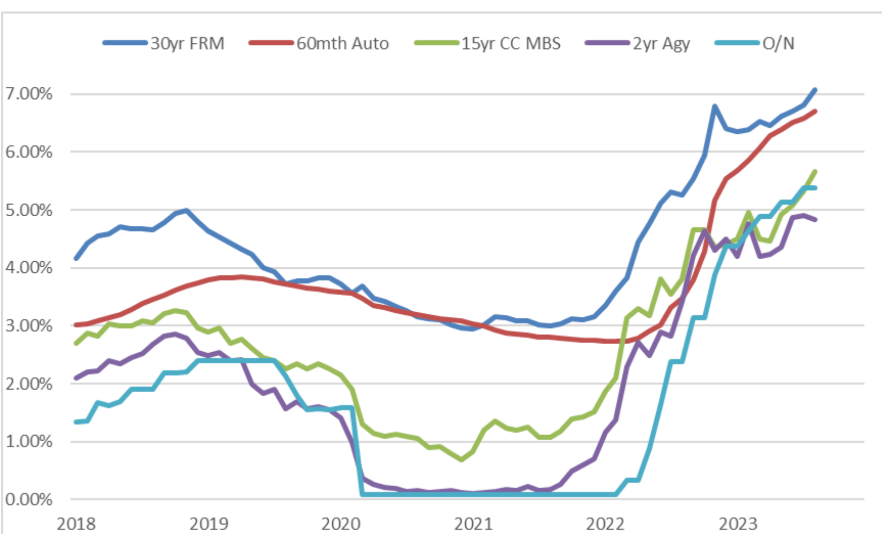
- Federal Reserve Chair Jerome Powell reiterated the Fed's commitment of bringing inflation back to its 2% target, vowing to "keep at it until the job is done." Powell acknowledged the reduction in inflation from last year but warned risks remain to inflation re-igniting. The Fed believes interest rates need to remain at the current high levels for some time. The market predicts the next rate increase will be in November for 25 basis points.

- Student loan payments are scheduled to resume in October after a three-year reprieve. A recent Credit Karma survey revealed more than half of borrowers will be forced to decide between making the loan payments or covering necessities like food and rent. Respondents foresee cutting back on non-essential spending to pay back the loans. Borrowers across all income levels will feel the squeeze. Transunion says 25% of student loans require payments of more than $400 and 6.6% have payments of more than $1,000.

- Consumer confidence fell eight points to 106.1 at the end of August, according to the Conference Board's Consumer Confidence survey. After improving for a couple of months, confidence is eroding due to high interest rates and renewed inflation concern. The sub-index gauge of current conditions fell to the lowest level since November and the measure of expectations dropped eight points. Respondents to the survey were more negative on the labor market, believing jobs are hard to get and less plentiful than before.



Treasury yields were on a roller coaster in August. Strong jobs data, a downgrade of U.S. debt and increased issuance of longer-term debt, caused a “bear steepening” move, with the 10- and 30-year yields increasing between 22 and 28bps in the first four days. The yield curve shifted from -90 basis points to -69 basis points, the tightest spread since May. Traders’ outlooks shifted from “how high” to “how long,” believing the Fed will keep rates high for a longer time. Yields reversed course as late month job, inflation and economic growth reports revealed the economy was slowing at a sustainable pace, suggesting the Federal Reserve may pause rate hikes at upcoming meetings. Both the two and 10-year Treasury yields moved within a 32-basis point range, reaching the highest levels since 2007, at 5.08% and 4.34% respectively. The two-year yield closed the month two basis points higher from July at 4.86% and the 10-year yield was 15 basis points higher at 4.11%. The yield ended August inverted 75 basis points, the tightest spread since April.



Relative Value of Assets and Funding:

- The difference between loan and investment yields increased eight basis points. Loan rates rose 21 basis points. Rates on investments increased 13 basis points.
- The spread between a 60-month auto loan and a 15-year mortgage loan narrowed by 12 basis point to -18 basis points.
- CD rates increased an average of two basis points in July. Rates are 100 basis points higher than a year ago.

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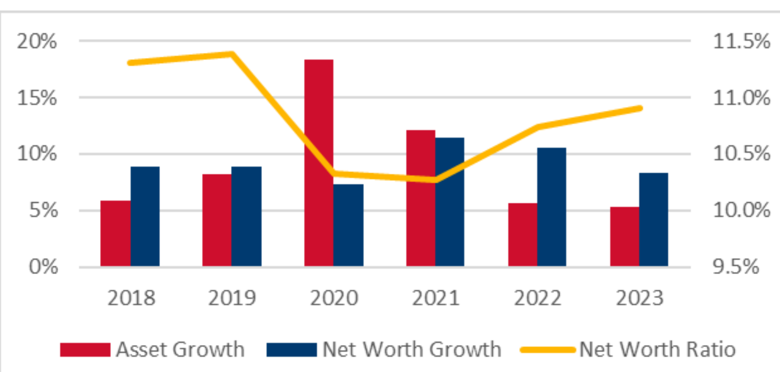
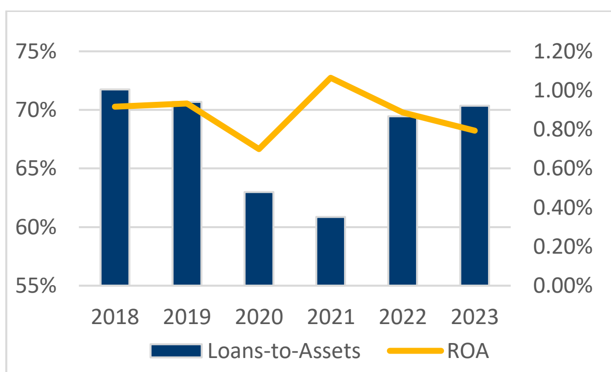
NCUA – June 2023

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%	7.88%
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%	8.28%
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%	44.44%
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%	10.14%	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%	51.06%
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	$5,644	$26,250	$72,710	$230,382	$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%	-3.45%	-1.91%	-0.32%	2.33%	5.98%	5.28%
Total Loans	8.75%	8.78%	8.62%	7.88%	6.61%	8.03%	7.88%
Total Shares	-4.19%	-5.04%	-2.87%	-1.39%	1.34%	4.19%	3.59%
Net Worth	3.43%	4.11%	5.76%	7.29%	7.74%	8.45%	8.28%
CAPITAL ADEQUACY							
Net Worth Ratio	19.02%	16.67%	12.63%	12.10%	11.09%	10.80%	11.31%
Equity Capital Ratio	18.96%	16.47%	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%	50.18%	51.04%	55.88%	64.58%	71.89%	70.35%
Vehicle Loans/Net Loans	65.39%	69.06%	53.05%	45.10%	39.65%	30.80%	32.27%
RE Loans/Net Loans	1.05%	5.82%	27.53%	37.08%	39.99%	45.41%	44.44%
1st Mtg Loans/Net Loans	0.95%	4.86%	24.28%	32.07%	34.73%	40.12%	39.19%
Commercial Loans/Net Loans	0.43%	0.33%	1.43%	3.49%	7.33%	10.22%	9.69%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	44.16%	30.16%	22.57%	18.01%	12.68%	10.35%	11.01%
Borr. & NM Deposits/Shares & Liab.	1.14%	1.54%	1.33%	1.91%	3.45%	7.79%	7.07%
Net Liquid Assets/Shares & Liab.	53.15%	44.98%	40.92%	39.85%	31.66%	21.25%	23.15%
Net Long-term Assets/Assets	4.19%	8.87%	26.04%	36.60%	46.43%	52.59%	51.06%
LOAN QUALITY	3.03%	1.53%	1.05%	0.88%	0.78%	1.04%	1.01%
Delinquency Rate	2.71%	1.34%	0.87%	0.70%	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%	3.27%	3.06%	3.00%	2.93%	2.54%	2.60%
Net Operating Expense	2.94%	2.89%	2.43%	2.20%	2.18%	1.73%	1.81%
Net Income (Return on Assets)	0.27%	0.37%	0.63%	0.80%	0.75%	0.80%	0.79%
EFFICIENCY METRICS							
Avg Loan Balance	$5,496	$8,847	$3,850	$6,664	$10,681	$20,593	$17,401
Avg Share Per Member	$2,515	$5,563	$9,151	$10,609	$12,309	$14,141	$13,640
Avg Compensation per FTE	$11,899	$23,894	$33,415	$36,616	$39,966	$50,855	$48,236
Comp & Benefits-to-Total Assets	1.88%	1.84%	1.52%	1.57%	1.70%	1.50%	1.53%
Pct of Total Operating Expense	65.14%	69.76%	68.63%	71.01%	72.82%	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	17.42%	16.09%	21.85%	25.08%	25.48%	24.73%	24.76%

Economic Calendar
SEPTEMBER 2023

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Nonfarm Payrolls Unemployment Rate Construction Spending ISM Manufacturing Auto Sales
4 HAPPY LABOR DAY	**5** Factory Orders Durable Goods (July-F)	**6** Trade Balance ISM Services FRB Beige Bool	**7** Jobless Claims	**8** Consumer Credit
11	**12**	**13** CPI Housing Starts	**14** Jobless Claims PPI Retail Sales Business Inventories	**15** U. of Mich. Sentiment (P) Empire Manufacturing Industrial Production
18 July FOMC minutes Leading Indicators CATALYST CORPORATE'S 2023 ECONOMIC & PAYMENTS FORUM	**19** Housing Starts Building Permits CATALYST CORPORATE'S 2023 ECONOMIC & PAYMENTS FORUM	**20** FOMC Decision New Home Sales CATALYST CORPORATE'S 2023 ECONOMIC & PAYMENTS FORUM	**21** Jobless Claims Existing Home Sales Leading Index	**22**
25	**26** S&P CL Home Prices New Home Sales Consumer Confidence	**27** Durable Goods (Aug-P)	**28** Jobless Claims GDP 2Q23 revision Pending Home Sales	**29** Personal Income Personal Spending PCE Core Y/Y U. of Mich. Sentiment (F)