

Market Overview & Data Report



AUGUST 2024

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2023
ECONOMIC GROWTH				
GDP	Q2	2.8%	1.4%	2.5%
EMPLOYMENT				
Non-farm Payrolls (000s)	Jul	114	179	2,697
Private Payrolls (000s)	Jul	97	136	2,025
Unemployment Rate	Jul	4.3%	4.1%	3.7%
Avg Hourly Earnings (Y/Y)	Jul	3.6%	3.8%	4.1%
INFLATION				
Wholesale (Y/Y)	Jun	2.6%	2.4%	1.0%
Consumer (Y/Y)	Jun	3.0%	3.3%	3.4%
PCE Core (Y/Y)	Jun	2.6%	2.6%	3.2%
INCOME & SPENDING				
Retail Sales	Jun	0.0%	0.3%	5.6%
Personal Income	Jun	0.2%	0.4%	4.2%
Personal Spending	Jun	0.3%	0.4%	3.2%
AUTO & HOUSING				
Total Auto Sales (MM)	Jul	15.82	15.29	15.83
New/Existing Home Sales (M/M)	Jun	-4.7%	-2.9%	-4.8%
S&P/Case Shiller HPI (Y/Y)	May	5.9%	6.4%	5.0%

Sources:

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Jul-24	Jun-24	Jul-23
MONEY MARKETS			
Effective Fed Funds	5.33%	5.33%	5.08%
Prime Rate	8.50%	8.50%	8.25%
3-month SOFR	5.35%	5.34%	5.10%
2-year UST	4.26%	4.74%	4.88%
10-year UST	4.04%	4.38%	3.97%
NATIONAL CU LOAN RATES			
CU 48-mth Auto	7.13%	7.11%	6.48%
CU 60-mth Auto	7.24%	7.22%	6.57%
CU 15-year Mtg	6.40%	6.46%	6.26%
CU 30-year Mtg	6.91%	6.95%	6.81%
EQUITY MARKETS			
Dow Jones Industrial Average	40,842.8	39,118.9	35,559.5
NASDAQ Composite	17,599.4	17,732.6	14,346.0
S&P 500	5,522.3	5,460.5	4,589.0
OTHER COMMODITIES			
CRB Index	278.1	290.5	282.2
Crude Oil	78.5	81.5	76.5

Source: Bloomberg; S&P Global Market Intelligence

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 114,000 jobs in July, marking the smallest gain since December 2020. Unemployment climbed to 4.3%, seeing its fourth consecutive monthly rise and hitting the peak since late 2021. Nearly half of these jobs were in private education and health care, with the leisure and hospitality sectors contributing as well.

Inflation declined for the first time in four years, falling 0.1% in June. Monthly and year-over-year core levels rose at the slowest pace since 2021 and marked the third month in a row of lower readings. A long-awaited slowdown in shelter costs was key in driving the index lower. Other notable declines included new and used vehicles, airfares and hospital care. Services costs fell for the second month in a row.

Retail sales were flat in June following an upwardly revised tally for May. Only three of the 13 major categories posted declines – gasoline, autos and sporting/book stores. The biggest gainers were building material stores, internet sales and health stores. The unexpected improvement reflects some catch-up by consumers who spent more cautiously earlier in the year.

The economy grew 2.8% in the second quarter of the year, better than expected. Consumer and business equipment spending was significantly stronger than in the first quarter but weaker than activity in the second half of 2023. Higher inventories primarily of new autos, disproportionately boosted growth. Residential spending fell 1.4%. The core price index fell to 2.9%, almost a point lower from the first quarter.

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July is known for fireworks and the financial markets were not to be left out. The fireworks began in the first week of the month and continued weekly as economic data set the stage for an upcoming rate cut. The monthly job report revealed a still strong but faltering job market followed by better-than-expected inflation data. Collectively, the data provided supporting evidence that inflation is moving towards the Fed's 2% target and the time may be right to consider easing monetary policy. Stocks rose and Treasury yields fell, setting the stage for a rate cut in September. The political landscape and continued fighting in the Middle East tried to stay in the background while the 2024 summer Olympics provided some levity. The anticipated month-end FOMC meeting solidified what the markets had been hoping for – the Federal Reserve appears to be on a path to cut the benchmark lending rate in September.

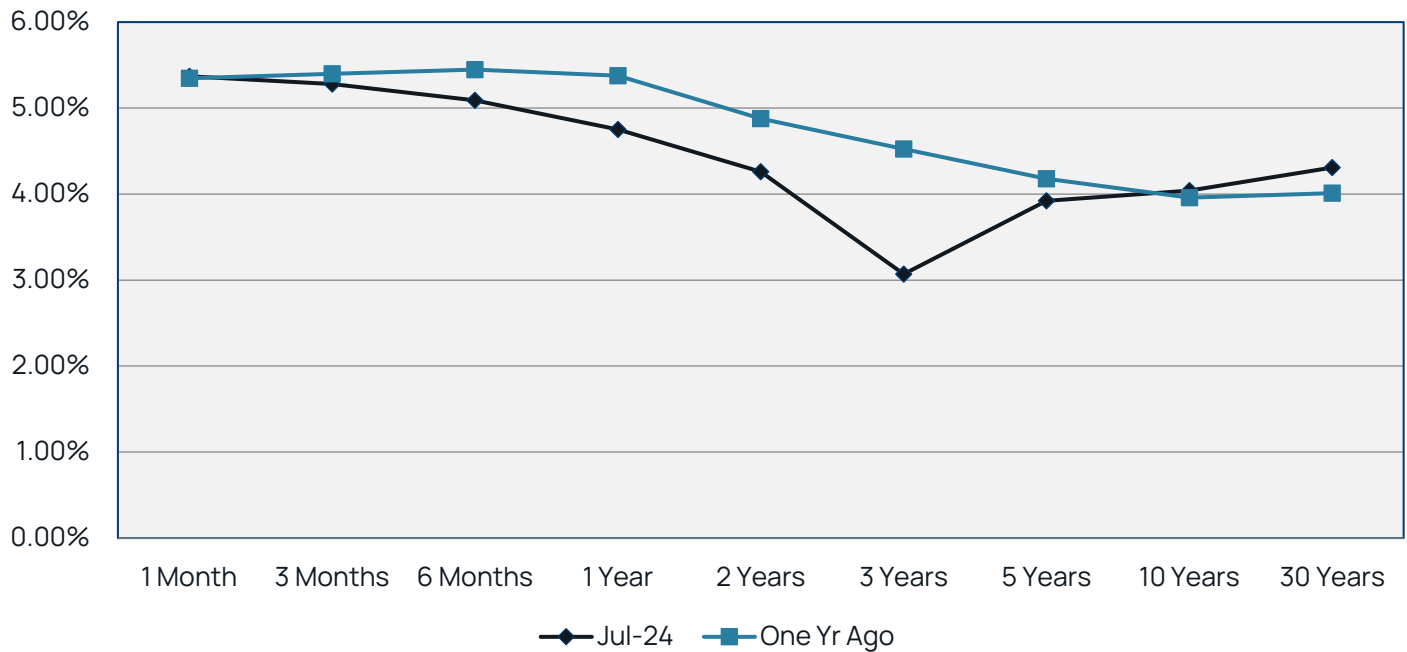
Mortgage rates fell for the third consecutive month in July. The benchmark FHLMC 30-year mortgage closed at 6.73%, the lowest rate since February. The 15- and 30-year mortgage rates, as measured by a variety of financial institutions, closed an average of five basis points lower at 6.40% and 6.91%, respectively. Mortgage rates are 12 basis points higher from a year ago. The spread between FHLMC's 30-year mortgage rate and the 10-year Treasury yield narrowed three basis points to 254, still much above the 50-year average spread. The average auto loan rates finished July two basis points lower at 7.13% for a 48-month loan and 7.24% for a 60-month loan. Auto loan rates are 66 basis points higher from a year ago. Rates for new and used vehicle purchases fell in the first quarter of 2024 to 6.73% and 11.91% respectively, down slightly from the 15-year highs we saw at the end of 2023, according to Experian.

July started off as another gangbuster month for the equity market as it continued to ride on the coattails of the AI train. The S&P 500 closed above 5,500 for the first time to extend an unstoppable surge this year. By mid-month, the S&P racked up its 38th record close for the first seven months of the year. Equities continued to defy doomsayers as solid corporate earnings, artificial intelligence mania and expectations for interest rate cuts pushed prices higher. But a summer rotation & rebalancing stopped the advance of the tech heavy indices. Funds moved out of the megacap trade into small caps, pushing the Russell 2000 ahead of the Nasdaq 100 by almost 11 percentage points, a feat not done since 2011. The Nasdaq and S&P 500 had the largest single-day percentage declines since late 2022. The hint of a September rate cut restored balance, allowing two of the key indices to finish the month with a gain. The Dow closed July 4.4% higher (its best month since December), the Nasdaq fell 0.7% and the S&P 500 gained 1.1%. Year-to-date, the Dow is up 8.4%, the Nasdaq is ahead 17.2% and the S&P 500 is 15.8% higher.

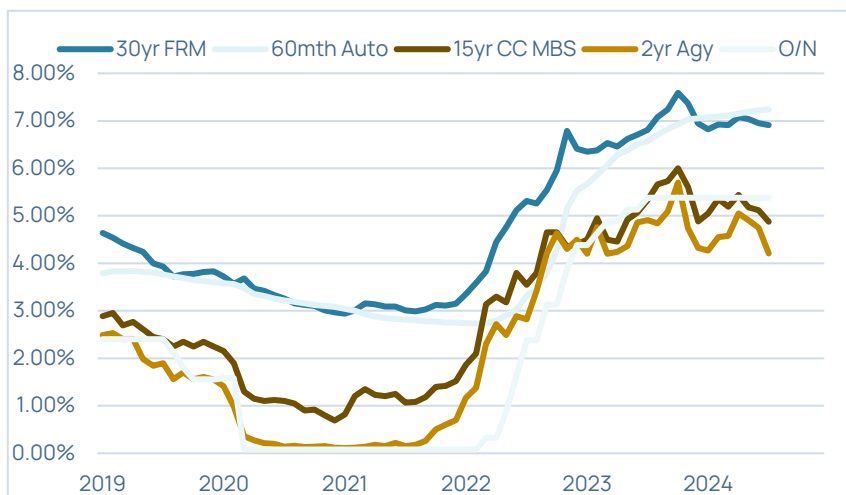
FOR CREDIT UNIONS:

- High interest rates and the increasing cost of owning a home continue to be a drag on the housing market. Both existing and new home sales fell as prices continue to rise, forcing buyers to become skittish about signing a contract. The cost of maintaining a home, outside of the mortgage, is 26% higher from four years ago. Over 50,000 homes purchased were cancelled in June, the most since 2017.
- Data from S&P Global Intelligence reveals one-year CDs are the most used by financial institutions to attract and maintain customers/members. The percentage of CDs repricing in one year rose from 12.9% to 13.2% in the first quarter of 2024. Approximately 42% of credit unions were offering one-year CDs with an APY above 4% versus only 23% of banks.
- Incomes rose 0.2% in June, half the increase from the prior month. The largest component (wages and salaries) also rose half the pace from June. The personal savings rate fell to 3.4%, the lowest level this year.

Yield Curve



Treasury yields began the month on a downtrend. Low inflation data and hints from Fed officials that the incoming information was providing confidence to begin cutting interest rates this year pulled yields to the lowest levels since the first quarter. A rate-cut rally was in full force as fed funds futures quickly priced in a 100% chance for a rate cut in September. A mid-month concern that a Trump presidency could bring higher tariffs and increased spending, potentially complicating the Fed's fight against inflation, pushed longer-dated yields higher. The yield curve steepened to -15 basis points, the least inverted in five months. The yield decline resumed at month-end after the Federal Reserve Chair laid the groundwork for an upcoming rate cut. The two-year Treasury note closed the month at 4.26%, 48 basis points below June's close. The 10-year Treasury yield ended at 4.04%, 34 basis points lower than June. Both yield declines were the biggest monthly drops since March 2023.



RELATIVE VALUE OF ASSETS AND FUNDING:

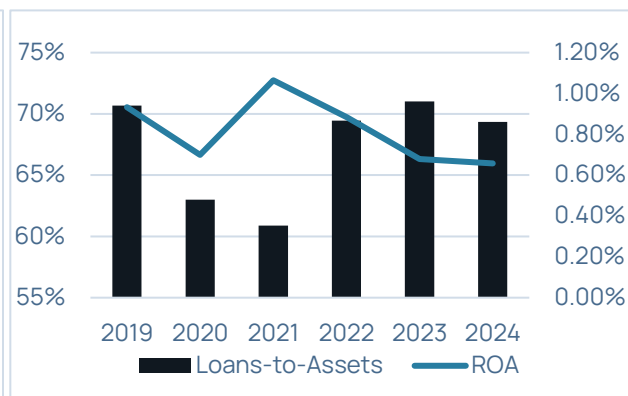
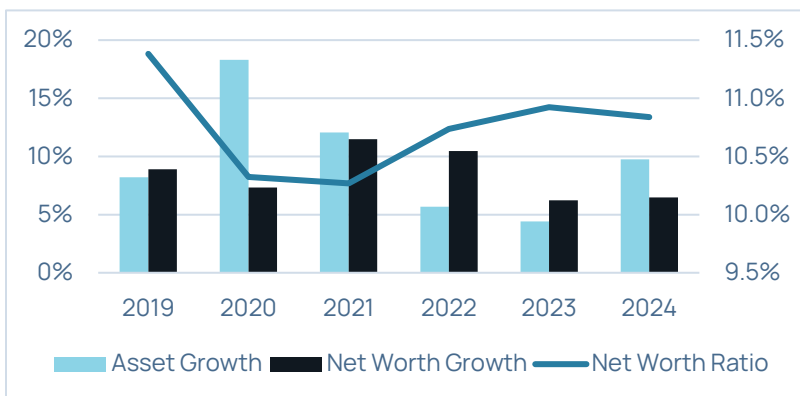
- The difference between loan and investment yields widened by 39 basis points. Loan rates fell one basis point. Rates on investments were down 40 basis points.
- The spread between a 60-month auto loan and a 15-year mortgage loan widened by nine basis points to -84 basis points.
- Average CD rates remained relatively unchanged. Six and 24-month rates increased one to two basis points. Rates are, on average, 22 basis points higher than a year ago.

Market Overview & Data Report



NCUA - MARCH 2024

KEY CREDIT UNION DATA	2019	2020	2021	2022	2023	2024
GROWTH RATES						
Total Assets	8.20%	18.31%	12.07%	5.67%	4.42%	9.76%
Total Loans	6.58%	5.44%	8.24%	20.53%	6.72%	0.11%
Total Shares	8.61%	20.89%	13.03%	3.88%	2.05%	11.95%
Net Worth	8.91%	7.33%	11.48%	10.47%	6.22%	6.47%
CAPITAL ADEQUACY						
Net Worth Ratio	11.38%	10.32%	10.27%	10.74%	10.92%	10.84%
Equity Capital Ratio	11.24%	10.34%	9.99%	8.77%	9.12%	9.04%
Capital Ratio	11.85%	11.04%	10.52%	9.31%	10.02%	9.91%
BALANCE SHEET COMPOSITION						
Loans/Assets	70.69%	62.99%	60.88%	69.45%	71.01%	69.35%
Vehicle Loans/Net Loans	34.12%	33.04%	32.50%	32.49%	31.49%	31.13%
RE Loans/Net Loans	50.86%	52.25%	52.80%	44.22%	44.83%	45.17%
1st Mtg Loans/Net Loans	42.55%	44.90%	45.97%	39.20%	39.20%	39.40%
Commercial Loans/Net Loans	7.54%	8.29%	9.07%	9.38%	10.01%	10.20%
LIQUIDITY POSITION						
Cash & Short-Term Invs/Assets	12.85%	18.44%	17.16%	10.17%	11.47%	13.73%
Borr. & NM Deposits/Shares & Liab.	4.75%	3.39%	2.97%	6.06%	7.96%	7.56%
Net Liquid Assets/Shares & Liab.	22.15%	30.36%	33.08%	23.82%	21.51%	23.64%
Net Long-term Assets/Assets	38.94%	35.58%	34.77%	39.49%	37.14%	36.02%
LOAN QUALITY						
Delinquency Rate	0.72%	0.62%	0.51%	0.67%	0.85%	0.77%
Net Charge-off Rate	0.40%	0.30%	0.16%	0.22%	0.43%	0.56%
EARNINGS						
Investment Yield	2.37%	1.35%	0.89%	1.63%	3.05%	3.50%
Loan Yield	4.90%	4.71%	4.37%	4.43%	5.25%	5.66%
Asset Yield	4.06%	3.53%	3.02%	3.38%	4.44%	4.84%
Cost of Funds	0.89%	0.70%	0.43%	0.52%	1.42%	1.84%
Gross Net Margin	3.17%	2.83%	2.59%	2.87%	3.02%	3.00%
Provision Expense	-0.43%	-0.50%	-0.06%	-0.26%	-0.51%	-0.55%
Net Interest Margin	2.74%	2.33%	2.53%	2.61%	2.51%	2.45%
Net Operating Expense	1.81%	1.63%	1.47%	1.73%	1.83%	1.79%
Net Income (Return on Assets)	0.93%	0.70%	1.06%	0.88%	0.68%	0.66%



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PEER STATISTICS

	<\$2M	\$2-10M	\$10-50M	\$50-100M	\$100-500M	\$500M+	Total
Industry Statistics							
Average Asset Size (000s)	\$885	\$5,668	\$26,418	\$72,324	\$230,788	\$2,736,066	\$382,454
Pct of Number of Credit Unions	6.08%	13.73%	27.29%	13.66%	23.65%	15.59%	100.00%
Pct of Industry Assets	0.03%	0.16%	0.77%	2.11%	6.89%	87.74%	100.00%
GROWTH RATES							
Total Assets	-2.59%	0.74%	4.59%	6.75%	8.48%	10.10%	9.76%
Total Loans	-8.13%	-4.61%	-2.58%	-1.78%	-1.30%	0.35%	0.11%
Total Shares	-1.90%	0.82%	5.19%	7.72%	10.00%	12.46%	11.95%
Net Worth	1.52%	2.77%	5.45%	4.75%	5.65%	6.67%	6.47%
CAPITAL ADEQUACY							
Net Worth Ratio	20.46%	17.60%	13.26%	12.60%	11.29%	10.69%	11.38%
Equity Capital Ratio	20.39%	17.39%	12.81%	11.69%	9.76%	8.80%	11.24%
Capital Ratio	21.73%	18.02%	13.28%	12.14%	10.28%	9.74%	11.85%
BALANCE SHEET COMPOSITION							
Loans/Assets	47.14%	52.60%	52.12%	55.78%	64.14%	70.65%	69.35%
Vehicle Loans/Net Loans	64.00%	69.06%	53.30%	45.38%	38.57%	29.67%	31.13%
RE Loans/Net Loans	0.54%	6.31%	27.98%	36.59%	40.90%	46.09%	45.17%
1st Mtg Loans/Net Loans	0.47%	5.37%	24.55%	31.23%	35.11%	40.28%	39.40%
Commercial Loans/Net Loans	0.26%	0.34%	1.32%	3.68%	7.59%	10.75%	10.20%
LIQUIDITY POSITION							
Cash & Short-Term Invs/Assets	41.41%	31.38%	24.92%	21.10%	15.56%	13.10%	13.73%
Borr. & NM Deposits/Shares & Liab.	1.73%	1.60%	1.44%	2.10%	3.88%	8.26%	7.56%
Net Liquid Assets/Shares & Liab.	55.13%	46.53%	42.52%	41.55%	32.01%	21.84%	23.64%
Net Long-term Assets/Assets	3.75%	7.56%	19.61%	26.44%	32.38%	37.04%	36.02%
LOAN QUALITY							
	3.64%	1.67%	1.17%	1.02%	0.95%	1.39%	1.33%
Delinquency Rate	3.25%	1.34%	0.95%	0.77%	0.63%	0.79%	0.77%
Net Charge-off Rate	0.40%	0.33%	0.22%	0.26%	0.32%	0.61%	0.56%
EARNINGS							
Investment Yield	2.79%	2.98%	2.86%	2.75%	2.97%	3.63%	3.50%
Loan Yield	7.20%	6.34%	5.87%	5.74%	5.62%	5.66%	5.66%
Asset Yield	4.88%	4.71%	4.33%	4.29%	4.51%	4.90%	4.84%
Cost of Funds	0.46%	0.79%	0.83%	0.94%	1.29%	1.95%	1.84%
Gross Net Margin	4.41%	3.92%	3.50%	3.35%	3.21%	2.95%	3.00%
Provision Expense	-0.34%	-0.29%	-0.27%	-0.26%	-0.30%	-0.60%	-0.55%
Net Interest Margin	4.07%	3.63%	3.23%	3.09%	2.91%	2.36%	2.45%
Net Operating Expense	3.37%	3.15%	2.61%	2.51%	2.32%	1.69%	1.79%
Net Income (Return on Assets)	0.70%	0.48%	0.62%	0.59%	0.59%	0.67%	0.66%
EFFICIENCY METRICS							
Avg Loan Balance	\$5,625	\$9,449	\$3,833	\$7,152	\$11,076	\$21,080	\$17,973
Avg Share Per Member	\$2,440	\$5,406	\$9,125	\$10,580	\$12,459	\$14,268	\$13,786
Avg Compensation per FTE	\$5,695	\$7,515	\$17,610	\$19,220	\$21,112	\$26,978	\$25,520
Comp & Benefits-to-Total Assets	2.17%	2.00%	1.63%	1.69%	1.78%	1.53%	1.56%
Pct of Total Operating Expense	64.11%	69.98%	68.90%	70.49%	73.14%	74.87%	74.44%
Office Occ & Ops-to-Total Assets	0.25%	0.17%	0.20%	0.22%	0.22%	0.17%	0.17%
Pct of Total Operating Expense	16.89%	16.26%	21.68%	24.00%	25.39%	24.32%	24.38%

Market Overview & Data Report



ECONOMIC CALENDAR

AUGUST 2024

Monday	Tuesday	Wednesday	Thursday	Friday
			1 Jobless Claims ISM Manufacturing Construction Spending Auto Sales	2 Nonfarm Payrolls Unemployment Rate Factory Orders
5 ISM Services	6 Trade Balance	7 Consumer Credit	8 Jobless Claims	9
12 Empire Manufacturing	13 PPI	14 CPI	15 Jobless Claims Retail Sales Industrial Production Business Inventories	16 Housing Starts Building Permits U. of Mich Sentiment (P)
19 Leading Indicators	20	21 July FOMC Minutes	22 Jobless Claims GDP 2Q24 Existing Home Sales	23 New Home Sales Durable Goods (Jul)
26	27 S&P CL Home Prices Consumer Confidence	28	29 GDP 2Q24 Pending Home Sales	30 Personal Income Personal Spending PCE Core Y/Y U. of Mich Sentiment (F)

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Changes in any assumption may have a material effect on projected results.