



GENERAL MARKET OVERVIEW

“

For the first time since the start of the Iran conflict, we don't have a baseline view. We simply don't know how to model the endgame.

– JPMorgan

September 17, 2026
Global Market Strategy

“I don't know” often gets you fired on Wall Street. And although JPMorgan also sells option collars to hedge uncertainty, we can give its commodities team credit for candidly acknowledging the exceptional difficulty of forecasting in the current environment. The Federal Reserve delivered its expected rate hike but with surprise unanimous Federal Open Market Committee (FOMC) support for another increase by year-end. Despite Fed Chairman Kevin Warsh's stance on “no forward guidance,” his recent Jackson Hole speech gave two big signals for a changing policy. First, he said he didn't feel financial conditions were restrictive. He then brought in a new variable, talking about the speed of getting back to target, revealing the Fed's sense of urgency. These two signals put rate hikes on the table. Many didn't believe him, but Warsh is now a man of his word and still worth listening to.

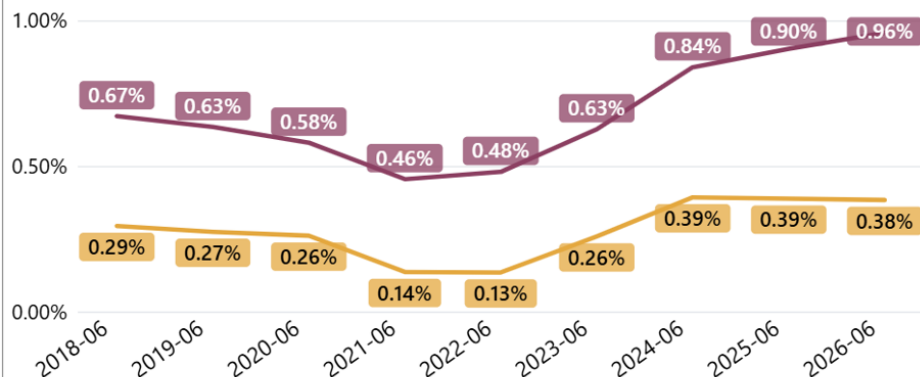
Fed leadership repeatedly cites strong productivity growth as a reason for economic bullishness. However, this may be a rhetorical tool to instill

confidence or an anticipation of future AI gains rather than be visible in official data. The Federal Reserve's restrictive monetary policy is pushing an already fragile economy toward a breaking point. The labor market is weaker than official reports suggest due to distortions caused by the AI capital expenditures boom. So far, as of the Q2 2026 call report data, credit unions' asset quality is holding up. Credit union industry delinquencies rose to 0.96% as of Q2, while year-to-date net charge-offs have been flat at under 40 basis points for the last three years (see the following call report analysis). *Continued on page 2*

Credit Union Asset Quality

Year-to-date Net Charge-off and Delinquency Rates

● Net Charge-off % ● 60+ Days Delinquency %



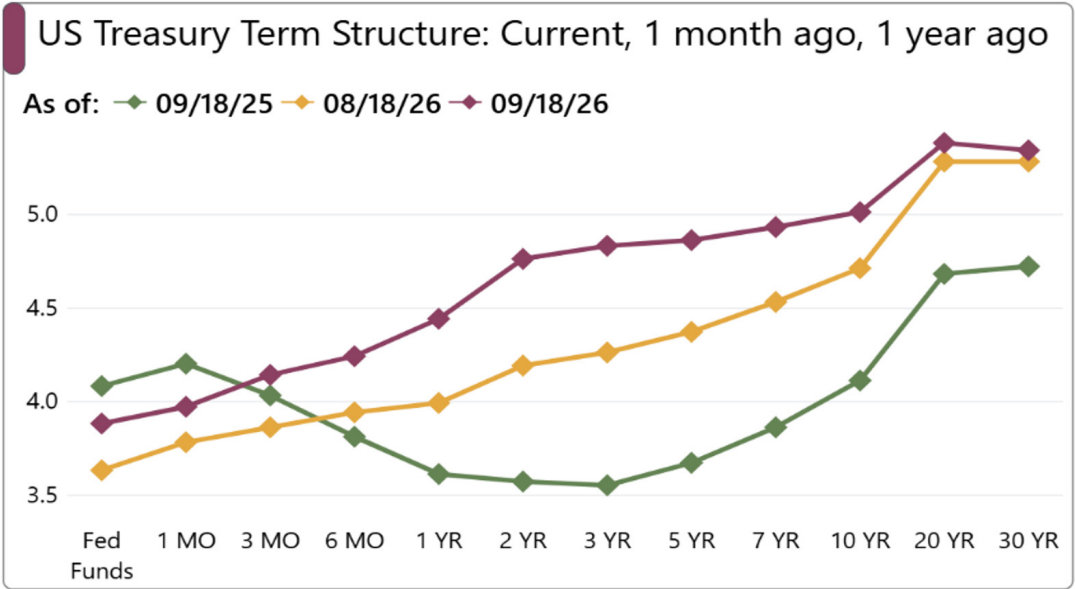
The Fed rate increase reset the U.S. Treasury term structure higher across the curve, reigniting criticism around Secretary Scott Bessent’s “failed” Treasury buyback signal.

However, Bessent is using some wisdom gleaned from the 2008 Global Financial Crisis. Rising bond volatility combined with an upward yield trend is liquidity tightening. And because U.S. government bonds serve as the foundational collateral across the global financial system, falling bond prices immediately shrink the borrowing capacity of the institutions holding them. When bond markets

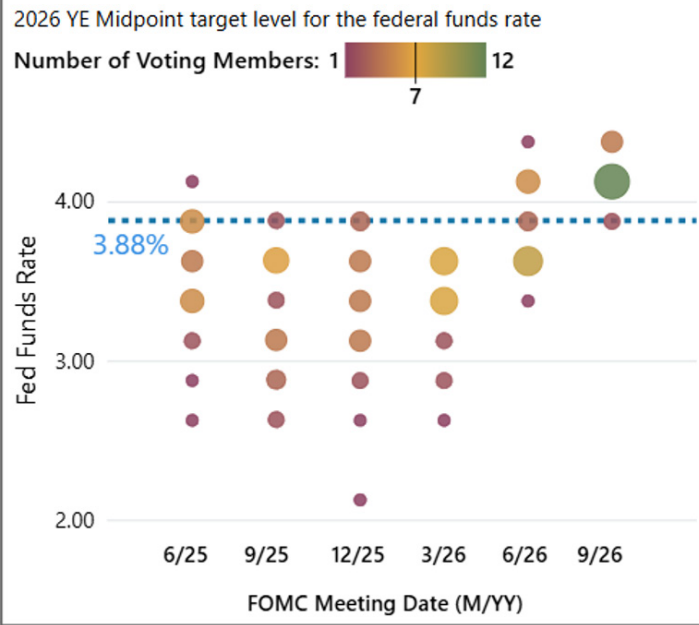
swing erratically, risk managers respond by increasing “haircuts.” Institutions are suddenly forced to post more collateral just to maintain their existing cash borrowing. This incremental tightening compounds rapidly across the system, choking off available liquidity and creating acute stress. This dynamic is exactly what Bessent’s Treasury

buybacks are engineered to prevent. Suppressing U.S. bond market volatility is targeted at the collateral channel by stopping haircut escalation, which is deliberately neutralizing the exact compounding mechanism that amplified the Global Financial Crisis.

The Fed’s September “dot plot,” representing each of the Fed officials’ estimates of future interest rate projections, now signals an additional rate hike before year-end. Observe the trend in voting member forecasts in the accompanying chart from June 2025 through today. As late as March 2026, zero voting members of the committee foresaw rates rising in 2026. As of the September meeting, 12 voting members foresee rates rising to 4.125% in December (note that the blue horizontal dotted line is the current fed funds rate). *Continued on page 3*



2026 FOMC Fed Funds Projection Trend



Mochas and Maturities:
Brewing Investment
Strategies for Today's
Market AUGUST 19, 2026



RECORDING
AVAILABLE

WATCH NOW

By combining the judgment of millions of people, the bond market is the world's cleverest economist, its best political analyst, its most prescient corporate strategist and its finest scientist.

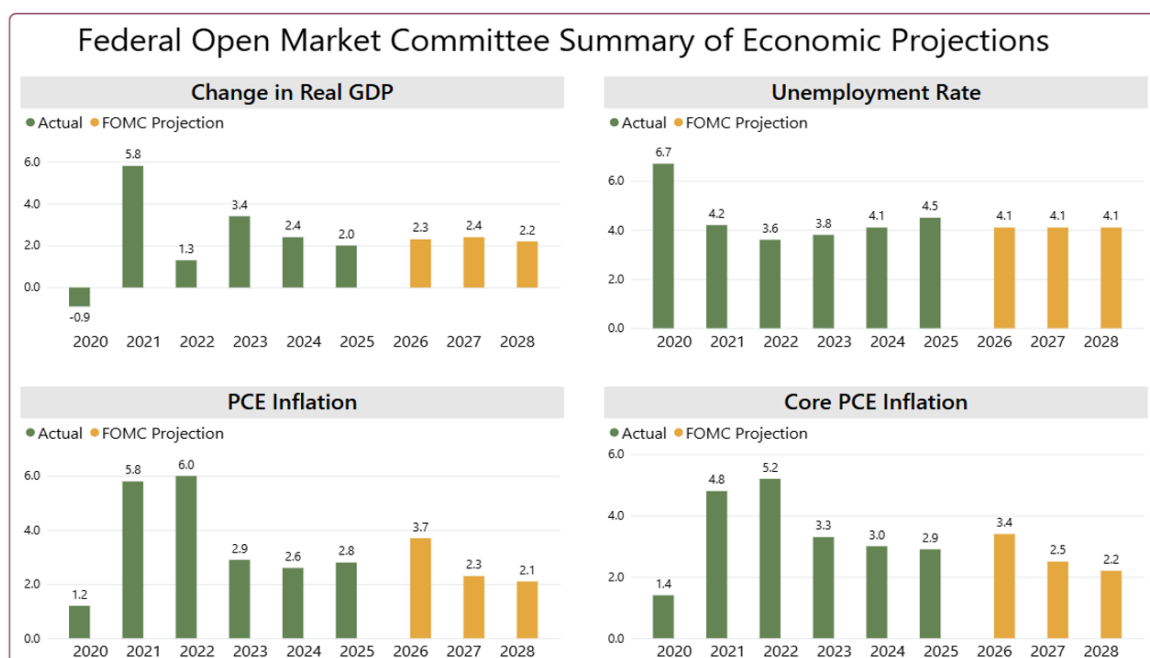
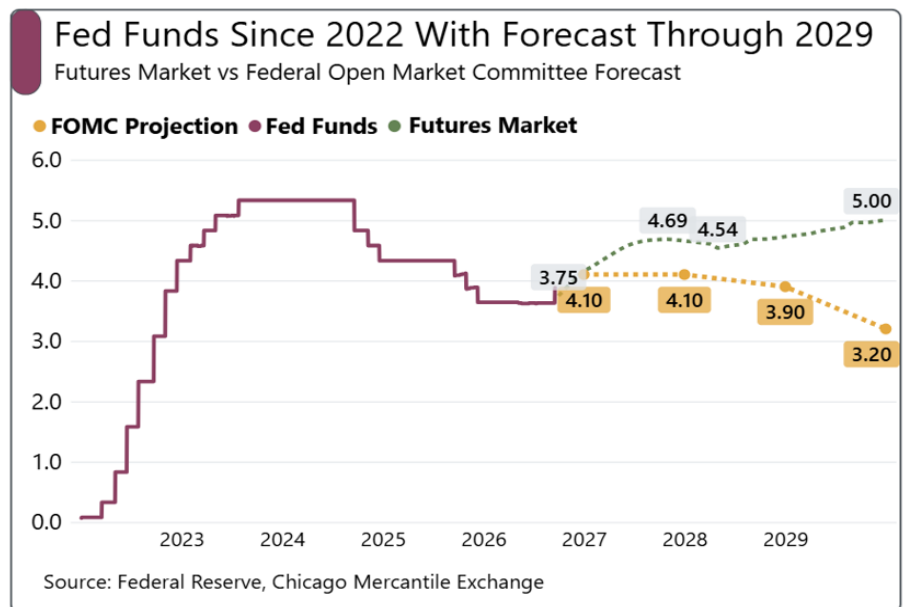
– Robin Wigglesworth
Editor, *Financial Times*

Wigglesworth nails the wisdom of the bond market. However, a committee or government body often decides to go in a different direction.

The market, as measured by fed funds futures, anticipates higher for longer with more daylight between the Fed and Chicago Mercantile Exchange (CME) futures as contracts extend through 2029.

We also keep *Capital Markets Monthly* readers up to speed on the FOMC's key economic indicator forecasts on a quarterly basis. These economic projections help market participants glean insights into how the Fed is thinking about the indicators that

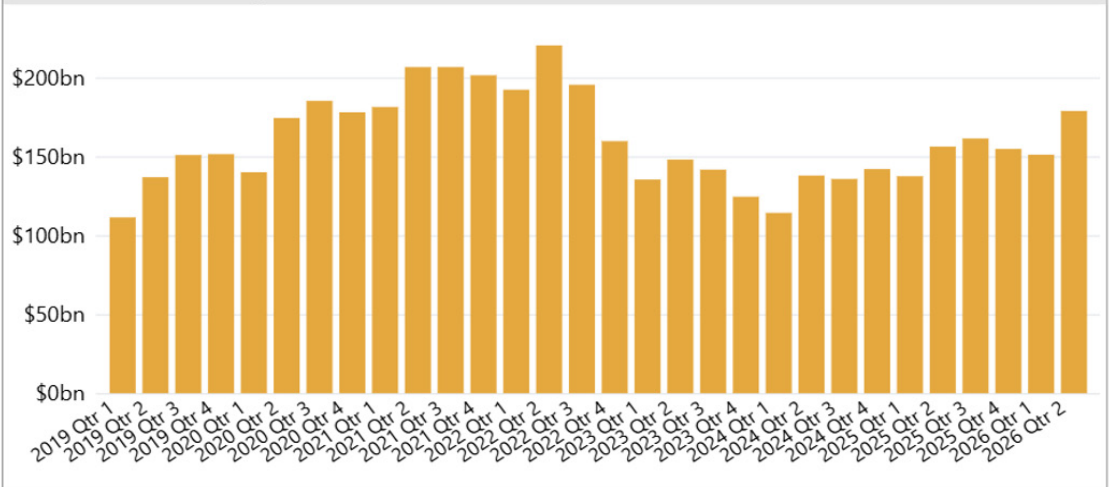
underpin their dual mandate of stable prices and maximum employment. The accompanying graphic shows the four key indicators and projections for real gross domestic product (GDP), unemployment, personal consumption expenditures (PCE) inflation and core PCE. For each indicator, we provide the actual figures from 2020 to 2025 and the Fed's projections through 2028. The Fed expects the change in real GDP to increase to 2.3% in 2026 and then to 2.4% in 2027. The Fed anticipates unemployment decreasing by year-end to 4.1% and staying there through 2028. Both PCE and core PCE, the Fed's preferred inflation measures, show inflation expectations above 3% for the remainder of the year before decreasing to just over 2% by 2028.



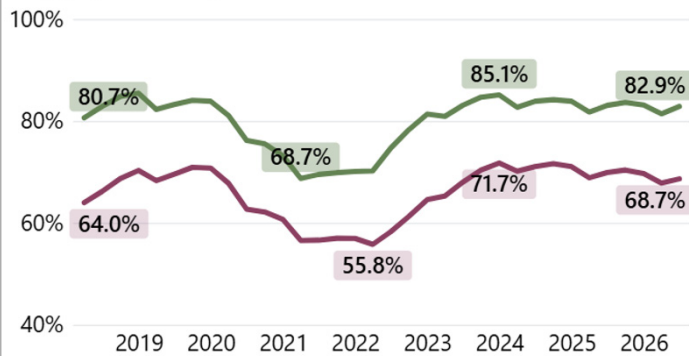
**Q2 2026 call reports**

indicate that credit unions are navigating challenging markets while continuing to meet members' needs. Credit unions originated \$178.9 billion, the most loans granted in three years, raising loans outstanding by 2%.

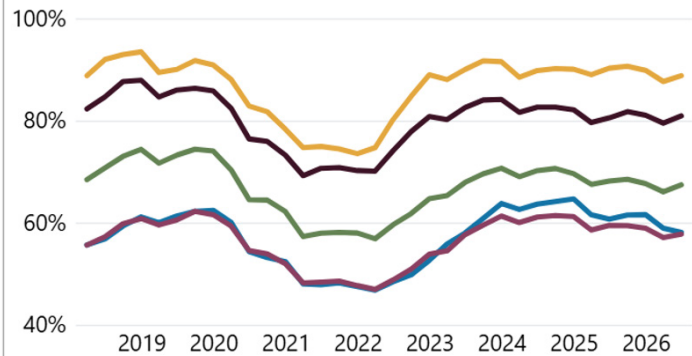
Share growth was only up 0.2%, leading to rising loan-to-share (LTS) ratios across all peer groups. The overall industry and median LTS increased to 82.9% and 68.7%, respectively. Median LTS by asset size peer group ranged from 58% for smaller credit unions to 89% for credit unions over \$2 billion in assets.

Loans Granted by Quarter**Loan-to-Share Ratio**

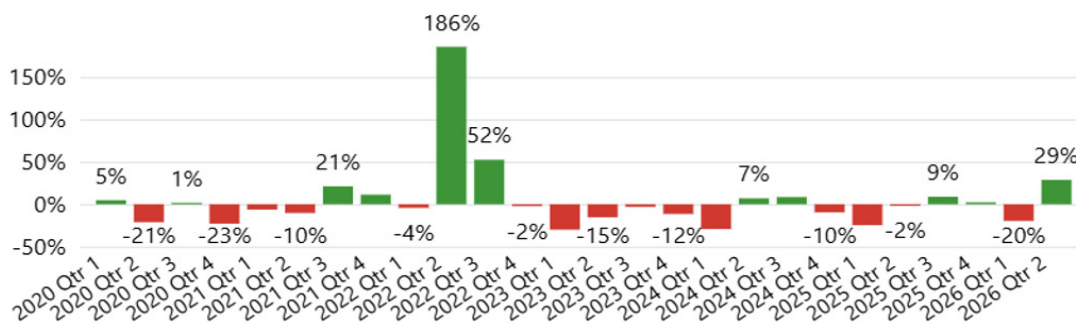
● Aggregate Industry ● Median LTS

**Median Loan-to-Share Ratio by Asset Size**

● <\$10M ● \$10M-\$49M ● \$50M-\$249M ● \$250M-\$2B ● >\$2B

**Change in Borrowings from Corporate Credit Unions**

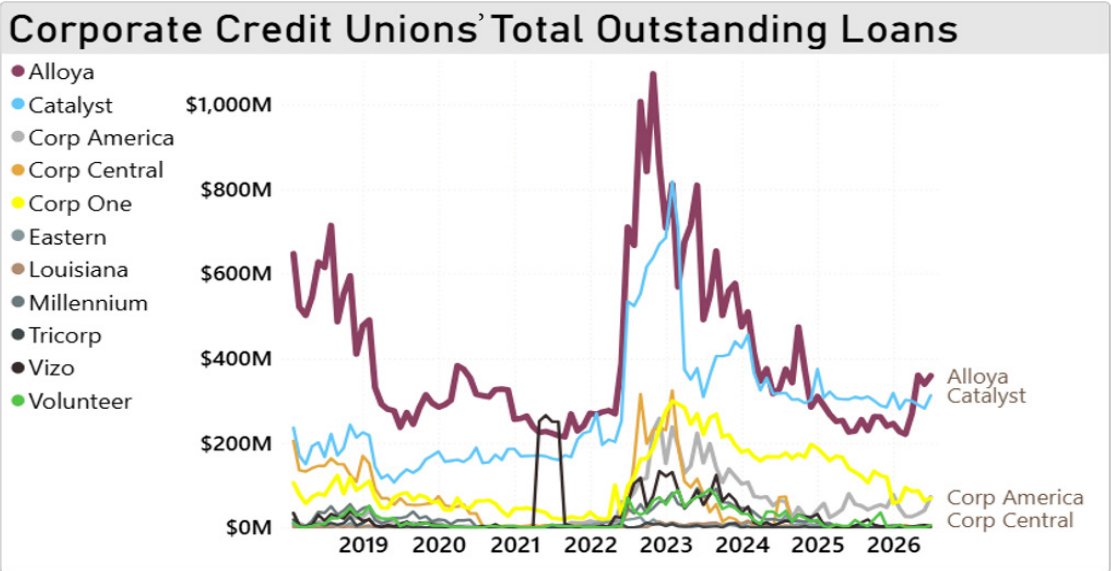
Quarterly percentage change



Wholesale funding filled the gap to meet strong loan demand. Particularly, corporate credit unions saw a 29% quarterly increase in borrowings. Turning to the 5310 call report, we can see how borrowings are distributed between the corporate credit unions. *Continued on page 5*

Alloya continues to stand out to meet the capital markets and liquidity needs of its member credit unions. Q2 2026 was a particularly strong quarter of loan participation activity for both the overall industry and Alloya’s Loan Participation Platform. Purchases of \$5.5 billion in new loan participations pushed year-to-date volume above \$10 billion.

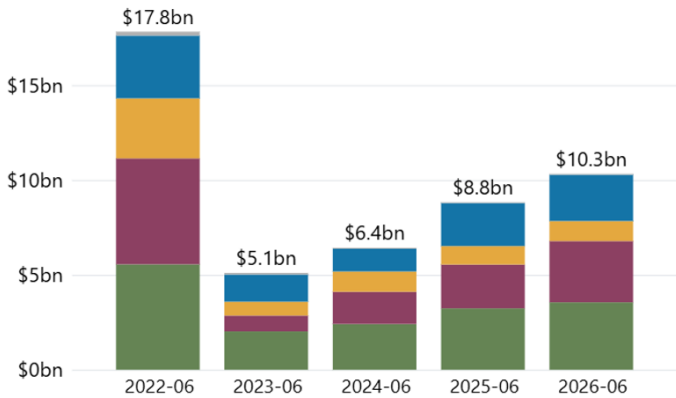
Strong mortgage and consumer participation activity lifted the outstanding balances of loan participations over \$70 billion. Loan participations are currently being used by 46% of credit unions to better manage their balance sheet and risk profiles. NCUA examiners look for current and prospective sources of liquidity regarding a credit union’s liquidity risk management framework, and nearly half of credit unions utilize loan participation to meet their liquidity management needs.



Credit Union Loan Participations Purchased

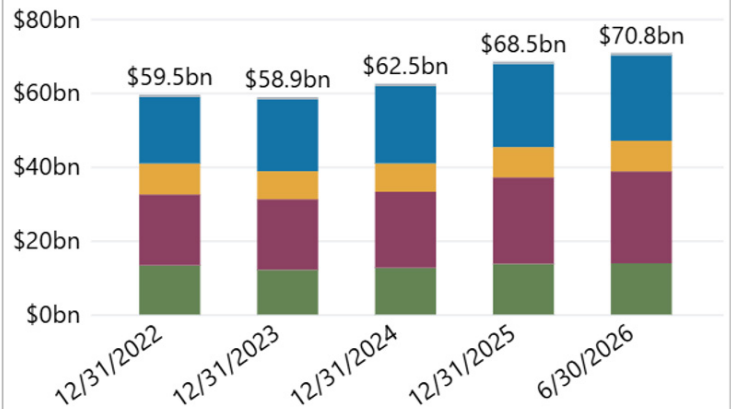
Year-to-date through second quarter

● Auto ● Mortgages ● Consumer ● Commercial ● Student Loans



Outstanding Balance of LP Purchased by Loan Type

● Auto ● Mortgages ● Consumer ● Commercial ● Student Loans



Mergers, Markets & Morning Brew: Sip, Strategize and Stay Ahead of the M&A Curve

OCTOBER 6 | 9:30 am CT

REGISTER NOW



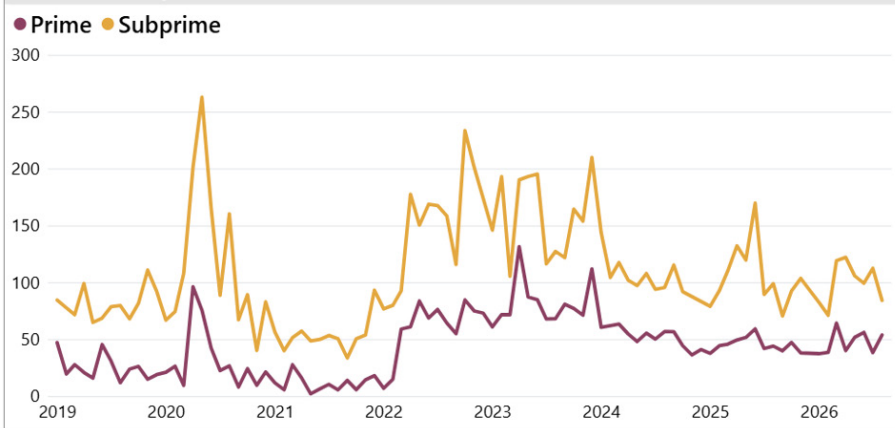
Credit unions can utilize the Auto Asset-Backed Security (ABS) Deal Monitor, featured in each issue of *Capital Markets Monthly*, for insight into the secondary market's risk appetite as well as to better price auto loans. The monitor summarizes prime auto ABS deals and provides a deal spread trend for both prime and subprime auto deals. The accompanying summary table shows where auto ABS investors are buying in the current market. The ABS collateral characteristics, particularly the underlying loan APRs and corresponding credit scores, are useful to monitor and will aid your proactive, risk-adjusted loan pricing. This monthly feature allows your credit union to bridge the gap between secondary market trends and your loan-level execution to determine if your auto loan pricing is above or below the market. We removed non-prime, esoteric and other credit-derivative-linked notes to focus on the prime auto market in which credit unions typically participate. Keep in mind that this represents secondary market activity for some of the largest ABS issuers, reflecting market efficiency and economies of scale, and may not be representative of your local market.

Prime Auto Asset-Backed Security Deal Summary and Collateral Characteristics

*Weighted-averages

Pricing Date	Seller	Deal Size (\$ millions)	Underwriting Characteristics *			Bond Investors *	
			APR	Credit Score	Original Term	Bond Yield	Bond Spread
8/18/2026	Carvana Co	\$1,571	10.77%	702	74	4.81%	70
8/18/2026	JM Family Enterprises Inc	\$1,011	5.74%	758	69	4.33%	34
8/18/2026	Oregon Community Credit Union	\$307	7.54%	751	80	4.76%	67
8/11/2026	Bayerische Motoren Werke AG (BMW)	\$1,750	5.36%	788	66	4.28%	30
8/4/2026	Honda Motor Co Ltd	\$2,105	4.94%	770	63	4.28%	30

Auto ABS Spread Trend



FINAL THOUGHTS

Markets are sending a clear message that uncertainty is elevated and liquidity is becoming more valuable. There may not be a reliable baseline forecast, but credit unions can still prepare for a range of outcomes. Alloya recognizes the challenges of operating in this uncertain environment and remains

focused on helping credit unions turn market complexity into informed, actionable balance sheet decisions.

When the Federal Reserve, futures markets and economic data offer competing signals, precision becomes less valuable than preparedness. Loan participations, securitization and other capital markets strategies can help credit unions manage concentrations and liquidity while continuing to meet members' borrowing needs through these changing conditions. Those interested in learning more can visit www.alloyacorp.org/capital-markets-simplified, or feel free to contact our Capital Markets Strategist at anthony.minniti@alloyacorp.org.