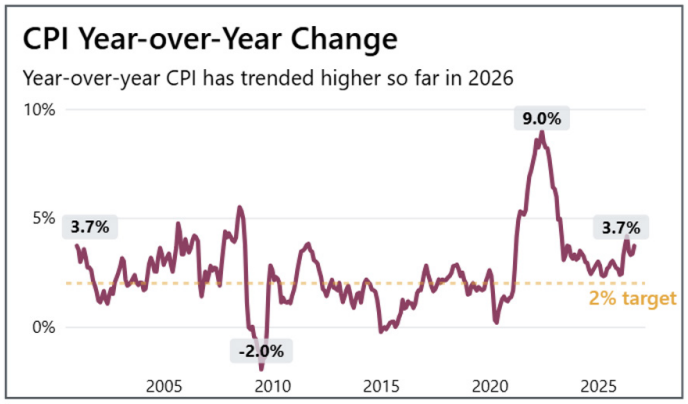
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CAPITAL MARKETS *monthly*

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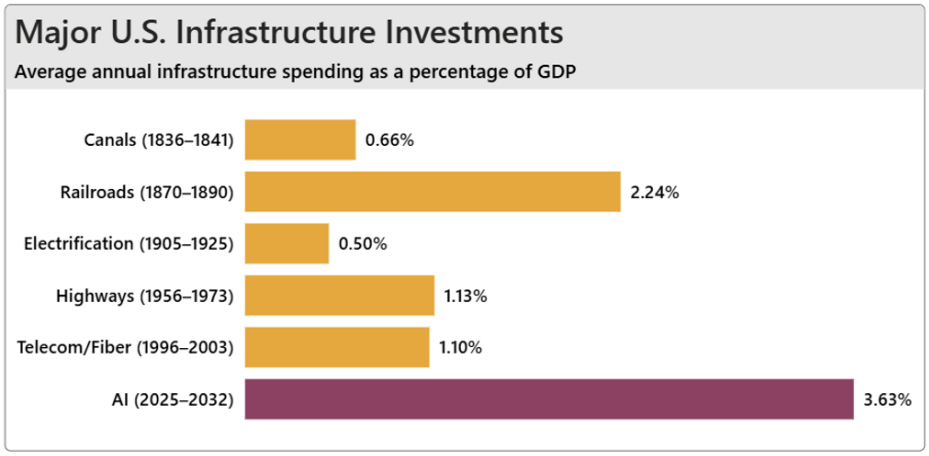
GENERAL MARKET OVERVIEW

Treasury and equity markets got an early Halloween scare when September consumer and producer inflation exceeded expectations. Headline Consumer Price Index (CPI) rose 0.6% for the month and 3.7% year over year, up from 3.4% in August. Core CPI increased 0.3% in September and 2.6% year over year. Reflecting current oil prices, energy led the increase. The energy index climbed 5.2%, and gasoline prices rose 9.1% for the month. The Producer Price Index (PPI) increased 1.3% month over month and 6.3% year over year; excluding food and energy, it rose 5.0% annually. The base case for the rest of 2026 is elevated, volatile inflation driven by energy with core inflation remaining above the Federal Reserve's 2% target. September's report underscores a slow, uneven path toward lower inflation.



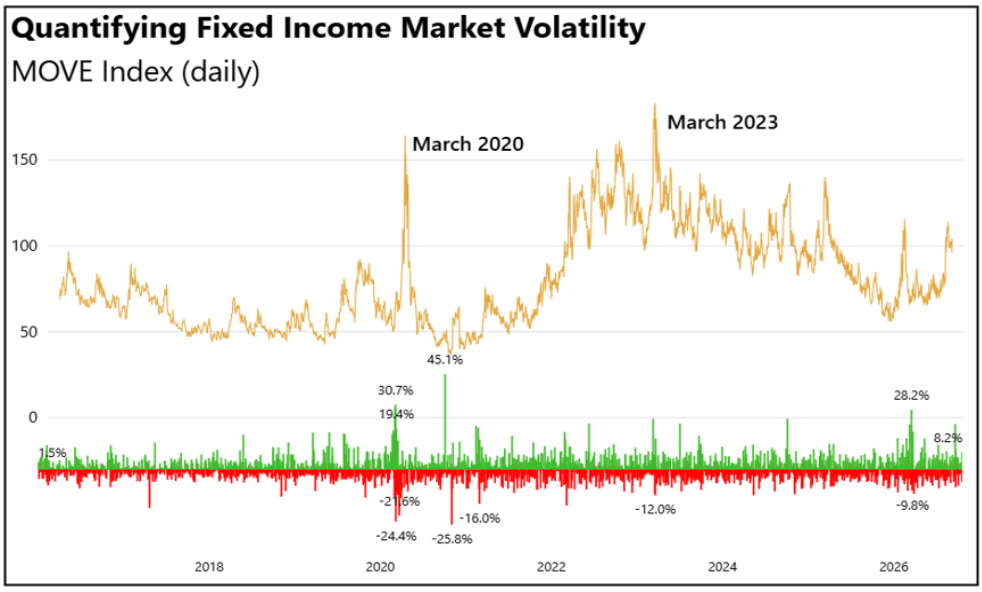
As of this writing, Treasury futures favor unchanged rates at the October 27-28 Federal Open Market Committee meeting, while swap futures imply an approximate 10% chance of a 25-basis-point increase. The stronger-than-expected September CPI report initially pushed October hike expectations toward 50%, but subsequent comments from Fed officials shifted expectations back toward a hold. December remains the likelier window for further tightening as swap futures imply an 87% probability of at least one additional increase at that meeting. Most surveyed economists at major brokerages also expect a 25-basis-point increase in the federal funds rate in December.

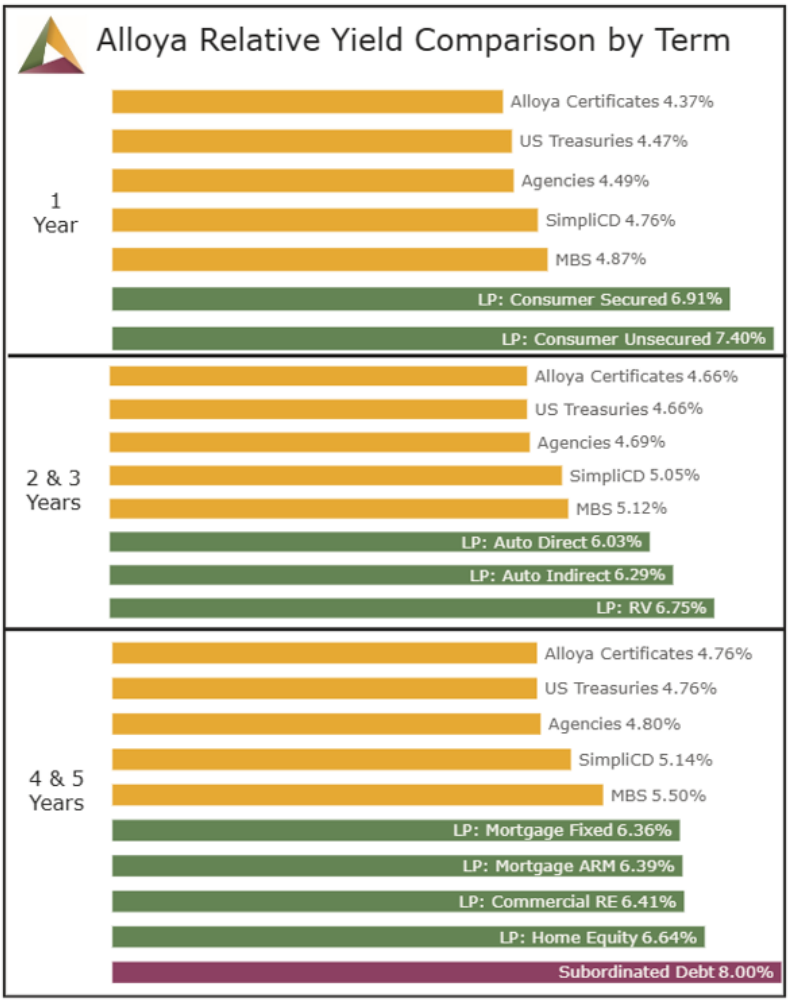
The AI investment boom has put upward pressure on Treasury yields as borrowing funds data centers, chips, power generation and related infrastructure. AI is expected to boost productivity, investment and long-term growth. AI annual spending as a percentage of GDP is multiples of any prior major infrastructure buildout. The current AI infrastructure build is triple the telecom and fiber boom of the late '90s/early 2000s. The closest investment comparable is 150 years ago with the railroad buildout from 1870-1890. This massive capital expenditure is facing mounting scrutiny over revenue, investment return and physical data center electricity shortages. Regardless of whether this is a bubble, we see growing concentration risk.



Continued on page 2

Recently, greater volatility in AI stocks has influenced daily Treasury yield movements. AI stock selloffs have prompted flight-to-quality buying in Treasuries, lowering yields despite inflation risks. The MOVE Index, a measure of volatility in the U.S. Treasury market, underscores recent heightened volatility. However, volatility in the Treasury market is still well below the crisis levels seen in March of 2020 or 2023. Treasury yields are likely to remain elevated and volatile throughout the rest of 2026. The 10-year yield dropped just below 5% at the time of this writing, down from roughly 5.34% earlier in the month. Near-term moves will hinge on energy-driven inflation, the October and December Fed decisions, Treasury auction results and sustained AI capital spending. Current risks point to a broad price/yield trading range rather than a sustained decline in yields, supporting a patient, laddered approach to adding duration rather than concentrating purchases at a single maturity.





Here is a relative value yield chart comparing credit union investable assets, with some additional transparency into the loan participation market.

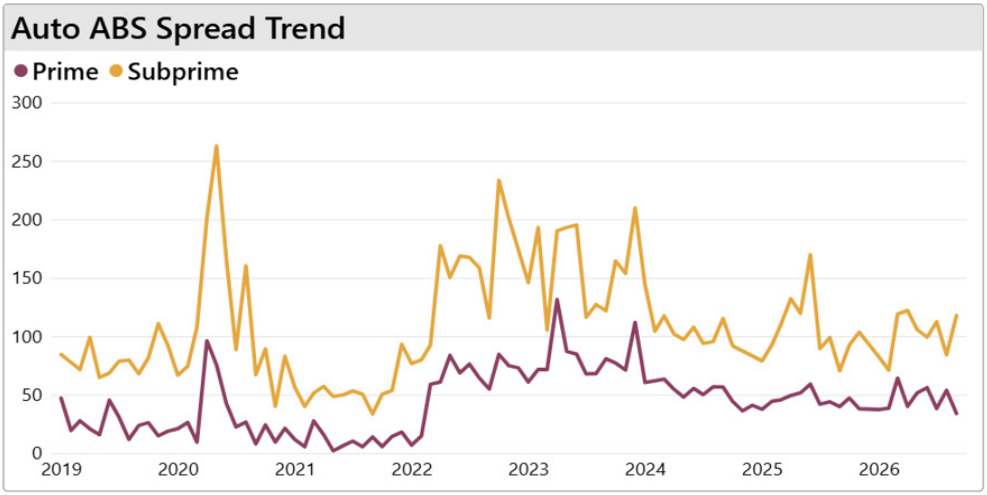


Credit unions can utilize the Auto Asset-Backed Security (ABS) Deal Monitor, featured in each issue of *Capital Markets Monthly*, for insight into the secondary market's risk appetite as well as to better price auto loans. The monitor summarizes prime auto ABS deals and provides a deal spread trend for 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.

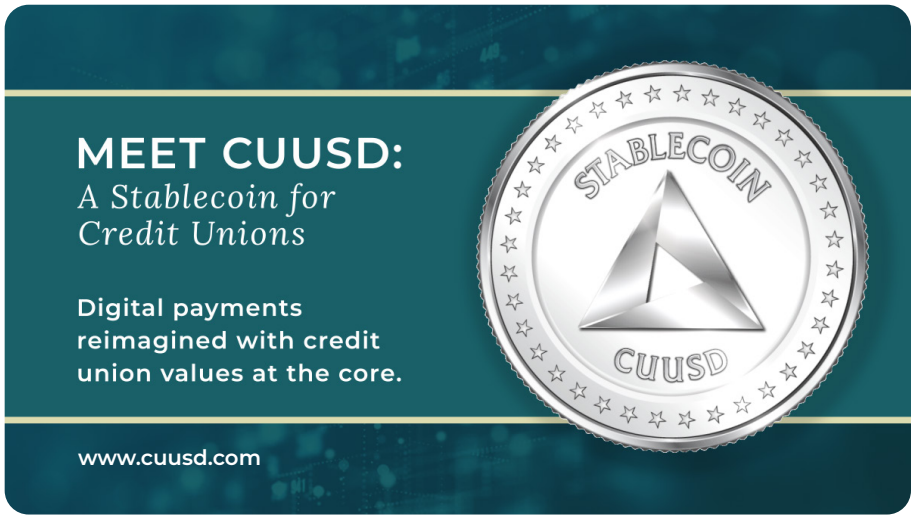
Prime Auto Asset-Backed Security Deal Summary and Collateral Characteristics

*Weighted-averages

			Underwriting Characteristics *			Bond Investors *	
Pricing Date	Seller	Deal Size ($ millions)	APR	Credit Score	Original Term	Bond Yield	Bond Spread
9/23/2026	Porsche AG	$911	7.36%	786	71	4.76%	29
9/22/2026	Ford Motor Co	$1,547	5.13%	753	67	4.72%	31
9/22/2026	Nissan Motor Co Ltd	$1,286	4.03%	784	70	4.76%	32
9/15/2026	Hyundai Capital America	$2,066	5.12%	773	66	4.74%	34
9/9/2026	Capital One Financial Corp	$1,579	6.40%	798	69	4.65%	37
9/9/2026	Space Coast Credit Union	$390	6.95%	757	79	4.78%	50



Although the broader CLARITY Act stalled in the Senate, the enactment of the GENIUS Act provides an important foundation for the stablecoin market by establishing a federal framework for issuance, reserves and oversight. While questions around broader digital asset regulation remain unresolved, the GENIUS Act gives credit unions, banks and other financial institutions greater regulatory certainty to begin exploring stablecoin-based payment and settlement solutions with increased confidence.



The recent launch of CUUSD by Appex CUSO, LLC, a wholly owned CUSO of Alloya, represents a significant step forward in the evolution of credit union payment capabilities. Through a controlled pilot program, the institutional stablecoin extends the cooperative model into emerging digital payment networks, creating a credit union-owned option for transferring and holding digital value on blockchain infrastructure.

The initiative reflects Alloya's long-standing role in helping credit unions access and navigate payment systems as they evolve. Just as credit unions embraced wires, ACH and other electronic payment methods over previous decades, digital assets and tokenized value networks are becoming an increasingly important area of exploration for the broader financial services industry.

While still in its pilot phase, CUUSD underscores the importance of innovation in ensuring credit unions remain competitive and relevant in a rapidly changing financial landscape. By exploring new technologies through a cooperative framework, the movement can continue to expand member value while preserving the principles of collaboration, ownership and service that have defined credit unions for generations.

To explore our current capital markets solutions, visit **our website** or feel free to contact our Capital Markets Strategist at **anthony.minniti@alloyacorp.org**.