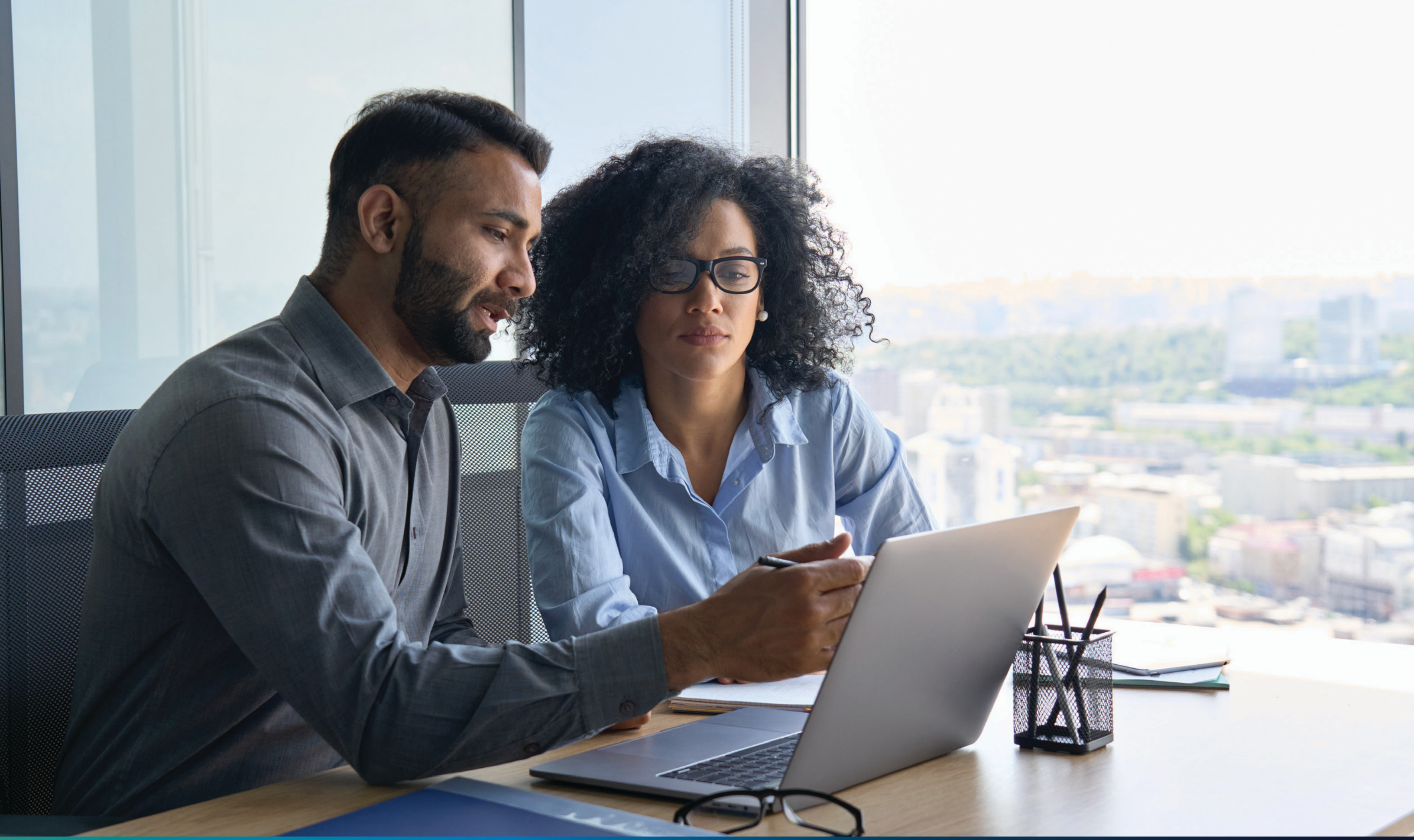

Financial Markets & Economic Update by Dorothy Jaworski

First Quarter 2023

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2022 - A Year to Forget

If you were an investor in 2022, it is a year you will want to forget. We saw some of the worst stock markets in years (the lockdown aside as stocks fell and recovered quickly). The Dow was down -9% last year, the S&P 500 was down -19%, and Nasdaq was down -33%. Bond investors had a miserable year, too. The Federal Reserve started its inflation fight, raising rates by 425 basis points between March and December. This led to the worst bond market performance since the 1800s (according to Vanguard's CEO). The US Treasury index was down -12.5%, and the Barclays and Bloomberg indices were both down -13%. It was a year to experience huge bond price changes, not seen in almost 15 years, with prices down -10%, -15%, -20%. All bonds purchased during the low rate environment from 2010 to 2021 found themselves grossly underwater. The aggregate amount of rate hikes and the speed at which rates changes surpassed even the +300 basis point Fed tightening in 1994. As I write this in late February, it's not over yet: we are experiencing another large selloff as stronger than expected economic data took center stage, with yields rising another .40% to .50%. Stocks were not immune to the selloff, as they fell -5% this month.

Inflation

"Inflation is always and everywhere a monetary phenomenon." Milton Friedman

The money supply most targeted by the Fed, or M2, started 2022 by growing +12% year-over-year. It ended 2022 by falling -1.3% year-over-year, which is the first negative print in many years. M2 operates with a 12-month lag on inflation, so inflation should fall. The Fed actions consisted of increasing rates by 425 basis points last year and allowing their balance sheet to decline by $95 billion each month This is known as Quantitative Tightening, or "QT," and has likely caused the equivalent of another 100 basis points of rate hikes. M2 at -1.3%, when the "normal" average is +3% to +5%, is reason enough to pause the rate hikes. My concern is that the Fed is not pausing enough to assess the effects on the economy of actions already taken.

We all admit that inflation is too high and we all hate it. The Fed and the government stimulus were part of the cause. Now we have the Fed trying aggressively to be the cure. The Fed must choose the lesser of two evils- the fight against inflation saves hundreds of millions from the harmful effects of rising prices versus recession which will impact under 10 million people as unemployment rises.

Inflation is still high. Consumer prices, or CPI, which peaked at +9.1%, is +6.4% in January and the core (excluding food and energy) is +5.6%. Producer prices, or PPI, which peaked above +10%, is +6.0% with the core at +4.5%. Personal consumption expenditures, or PCE, found in the GDP report, was +3.7% in 4Q22 and +4.3% in 3Q22; core PCE was +4.3% in 4Q22 and +4.7% in 3Q22. These measures are going in the right direction. The monthly PCE deflator (A Fed favorite from the personal spending report) was +5.4% in January and +5.3% in December; the core deflator was +4.7% in January and +4.6% in December. Clearly, January's numbers broke the declining trend. The Fed's target for core PCE is +2%; CPI would be about .50% higher at +2.5%. Despite the setback in the January deflators, there is still evidence that inflationary expectations are stable. The university of Michigan survey shows respondents believe inflation will be +4.1% in the next year and +2.9% for five to ten years.

Fed Chairman Powell indicated that we are in a disinflationary period for goods, due to excess capacity and elevated inventories, but services and housing rental costs are the primary concern. The latter numbers make up about 40% of CPI and have yet to decline in any meaningful way. There are exceptions to falling goods prices, most notably food prices, which remain high. Just look at the price of eggs at $3.59 a dozen in January versus a year ago at $1.72, for a year-over-year increase of 109%! We can blame bird flu for this!

Labor markets are still tight with the unemployment rate at 3.4%. Wages rose +4.4% for the year in January and this number has been declining. Labor is still in short supply and companies continue to have difficulty hiring, as the job openings to unemployed persons ratio is high at 1.7 times. The Fed would prefer to get wage growth down to +3.5%, which would consist of their inflation target of 2% plus 1.5% in productivity (if we can reliably and consistently achieve this).

Economy Not Cooperating

The economy, especially the consumer, is not cooperating with the Fed, who is raising rates to slow demand. They want the economy to slow dramatically to cool off inflation. But consumer spending in January was a surprise, at +1.8%, after declining by -.1% to -.2% in the last two months of 2022. Retail sales also surprised in January, at +3.0%, following two months where sales declined by -1.1% each. Consumers are benefiting from a strong labor market where January's payroll growth was reported at +517,000 for the month (if you believe in super big seasonal adjustments) following December growth of +260,000. If numbers like these continue, it may put the Fed back on the warpath, with outsized rate hikes again.

While the consumer looks healthy, some sectors of the economy have turned down, including manufacturing, real estate markets- both residential housing and commercial properties, and trucking/transportation. Inventory building was a big part of 4Q22 growth, so there may be attempts to cut prices, but only if demand is lower. The Fed desperately wants the economy to weaken. They want consumer spending to slow. They want housing price increases to slow and for rental costs to decline. They want unemployment to rise and wage growth to slow. They want corporate revenues to decline to trim spending. These are all the conditions for NBER to declare a recession. Most economists believe that only a recession will definitively bring down inflation.

And what if there is a shock of some kind? One example would be a debt ceiling negotiation crisis, where lawmakers will not increase the debt ceiling. If this would be the case, chaos would ensue for the pricing of all bonds which naturally price above a risk-free yield curve. What if Treasuries were no longer considered risk-free? Throw out the CAPMs!

If the economy does not slow enough, the Fed may raise rates more than the total .50% for 2023 that they projected in December, 2022, with Fed Funds getting to 5.25%. But be skeptical; these are the same people that projected three hikes, for a total of .75%, in December, 2021 to get Fed Funds to 1.00% in 2022. Instead we got to 4.50%, a massive standard deviation miss by any measure.

Leading Indicators

We don't know what the future holds, but several economic indicators can give us clues as they are designed to project 6 to 9 months into the future. The message I am getting is a weaker economy and declining inflation, thanks to higher rates and a declining M2 money supply.

The index of leading economic indicators, or "LEI," has had a string of 10 months of negative readings (one month was flat). The latest report showed January at -.3%, following -.8% in December and -1.1% in November. We have never had this long a duration of declining LEI without a recession.

The FIBER leading inflation index began to decline on a year-over-year basis in May, 2022, and has continued to do so through January, which was -5.9%. Alas, the index itself ticked up in December and January, very moderately. The index is 6.4% below the recent high of December, 2021.

Stock markets' price declines are flashing a warning for projected recession, predicting that revenues and profit margins will be harmed by higher rates and declining activity. While the S&P 500 is still up +3.2% so far in 2022, it is down -5.2% from its recent high on February 2nd. Everything changed for stocks, and bonds too, during February.

The yield curve remains inverted in both key maturity points that we follow: 10 years less 3 months is -.85% and 10 years less 2 years is -.86%. I believe that the yield curve, along with the confirmation of LEI, is the best historical predictor of recession. Inversions also operate with a lag of 6 to 18 months and averaged -1.16% preceding the last four recessions. A look at history shows this is the ninth inverted curve since 1968 (measured by 10 year less 3 month) and it is eight for eight in predicting recessions. It's is also interesting that inflation expectations are inverted, too, per the University of Michigan survey, at 4.1% in year one and 2.9% in five to ten years.

Economist surveys show 61% believe we will have a recession in 2023. However, average economist and Fed estimates for 2023 are for real GDP of +.5%, slow but not negative, even with recession forecasts. Remember my old warnings about recession becoming a self-fulfilling prophesy, especially when 95% of corporate CEOs surveyed believe we will have one (according to the Conference Board).

2023

This year is off to a volatile start, with stocks and bonds alternating between rallies and selloffs, the latter of which is hitting us in February as investors saw the stronger than expected data releases for employment and consumer spending, which we know the Fed will hate. We saw the commotion caused by a Chinese spy balloon, that traveled over our country before being shot down by an F-22 fighter jet. The incident was quickly followed by shooting down several more "objects" over Alaska and Canada. And our Eagles came up just three points short in the Super Bowl. It was disappointing after such a great season. And there has been much publicity about ChatGPT and other artificial intelligence "chatbots" and their research and writing abilities. Chatbot, are you our future? Answer: "Maybe." Thanks for reading!

Dorothy Jaworski
Senior Vice President
Director of Treasury & Risk Management

Inflationary Expectations That Are Built into the Markets:

Treasury Inflation Expectations:	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
10-year Treasury Yield	2.44%	2.40%	2.68%	1.92%	0.91%	1.50%	3.87%
10-year Treasury TIPS Yield	0.50%	0.45%	0.97%	0.13%	-1.09%	-1.12%	1.57%
Implied Inflationary Expectation	1.94%	1.95%	1.71%	1.79%	2.00%	2.62%	2.30%

Following Are Our Clues as to Whether the Fed Will Ease or Keep Interest Rates Low:

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
1) moderating inflationary expectations/leading indicators	mixed	mixed	yes	yes	mixed	no	yes
2) any meaningful rise in unemployment or loss of jobs	no	no	no	no	yes	no	no
3) moderating labor costs	yes	mixed	no	yes	yes	no	yes
4) decent productivity growth	no	no	no	no	no	no	yes
5) economic growth that slips below 2%-2.5% potential	yes	yes	no	no	yes	mixed	yes
6) a financial market crisis of some type	no	no	mixed	no	yes-virus	yes-virus	yes-inflation
7) housing (existing homes) weak- inventory>6 mos	no-4.0mo	no-3.2mo	no-3.9mo	no-3.7mo	no-1.9mo	no-1.7mo	no-2.9mo
8) statements by the Fed promising easing/low rts	no-raising rts	no-raising rts	no-raising rts	no-neutral	yes	no-QE taper	no-raising rts, QT

Housing Market Indices:

- CaseShiller 20 City Index Nov yoy +6.3%, Oct yoy +8.6%, Sep yoy +10.4%, Aug yoy +13.0%; index near high vs Jul, 2006 peak; +125.0% from Mar, 2012 low
- FHFA Price Index Nov yoy +8.2%, Oct yoy +9.8%, Sep yoy +11.1%, Aug yoy +12.1%; index near high vs Apr, 2007 peak; +113.8% from Mar, 2011 low
- CoreLogic Home Px Index Dec yoy +6.9%, Nov yoy +8.6%, Oct yoy +10.1%, Sep yoy +11.4%; index near high vs Apr, 2006 peak; +121.0% from Mar, 2011 low

Fed Z.1 HH NetWorth:

4Q16 $94.7 trill; 4Q17 $103.4 trill; 4Q18 $104.0 trill; 4Q19 $116.5 trill; 4Q20 $131.3 trill; 4Q21 $150.1 trill; 3Q22 $143.3 trillion

Penn Community Bank Rate & Market History:

Bond Market Yields:		31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	Change 2021 12/21 vs 12/20	Change 2022 12/22 vs 12/21
Treasuries:	3 month	0.50%	1.38%	2.45%	1.54%	0.06%	0.03%	4.44%	-0.03%	4.41%
	6 month	0.61%	1.53%	2.55%	1.58%	0.08%	0.18%	4.75%	0.10%	4.57%
	1 year	0.81%	1.73%	2.62%	1.57%	0.10%	0.37%	4.69%	0.27%	4.32%
	2 year	1.19%	1.88%	2.49%	1.57%	0.12%	0.72%	4.43%	0.60%	3.71%
	3 year	1.45%	1.97%	2.46%	1.61%	0.17%	0.95%	4.22%	0.78%	3.27%
	5 year	1.93%	2.21%	2.51%	1.69%	0.36%	1.25%	4.00%	0.89%	2.75%
	10 year	2.44%	2.40%	2.68%	1.92%	0.91%	1.50%	3.87%	0.59%	2.37%
	30 year	3.06%	2.74%	3.01%	2.39%	1.65%	1.91%	3.96%	0.26%	2.05%
Fed Funds Target Rate (average):		0.63%	1.38%	2.38%	1.63%	0.13%	0.13%	4.38%	0.00%	4.25%
LIBOR/SOFR Rates:	1 month	0.77%	1.57%	2.52%	1.78%	0.14%	0.10%	4.36%	-0.04%	4.26%
	3 month	1.00%	1.69%	2.80%	1.91%	0.24%	0.21%	4.59%	-0.03%	4.38%
	6 month	1.32%	1.84%	2.87%	1.91%	0.26%	0.34%	4.78%	0.08%	4.44%
	12 month	1.69%	2.11%	3.01%	2.00%	0.34%	0.58%	4.87%	0.24%	4.29%
FNMA Mortgage Posted Yields (30 day):										
	15 year	2.90%	2.92%	3.53%	2.66%	1.34%	1.86%	5.17%	0.52%	3.31%
	30 year	3.68%	3.51%	4.12%	3.29%	1.91%	2.63%	6.00%	0.72%	3.37%
Indicative Treasury yield curve spreads:										
	2 year minus 3 month	0.69%	0.50%	0.04%	0.03%	0.06%	0.69%	-0.01%	0.63%	-0.70%
	5 year minus 2 year	0.74%	0.33%	0.02%	0.12%	0.24%	0.53%	-0.43%	0.29%	-0.96%
	10 year minus 3 month	1.94%	1.02%	0.23%	0.38%	0.85%	1.47%	-0.57%	0.62%	-2.04%
	10 year minus 2 year	1.25%	0.52%	0.19%	0.35%	0.79%	0.78%	-0.56%	-0.01%	-1.34%
Indicative FNMA mortgage posted yield spreads:										
	15 year minus 5 year Treas	0.97%	0.71%	1.02%	0.97%	0.98%	0.61%	1.17%	-0.37%	0.56%
	30 year minus 10 year Treas	1.24%	1.11%	1.44%	1.37%	1.00%	1.13%	2.13%	0.13%	1.00%
Stock Market Indices:										
	Dow Jones	19,762.60	24,719.22	23,327.46	28,538.44	30,606.48	36,338.30	33,147.25	5,731.82	-3,191.05
	S&P 500	2,238.83	2,673.61	2,506.85	3,230.78	3,756.07	4,766.18	3,839.50	1,010.11	-926.68
	Nasdaq	5,383.12	6,903.39	6,635.28	8,972.60	12,888.28	15,644.97	10,466.48	2,756.69	-5,178.49

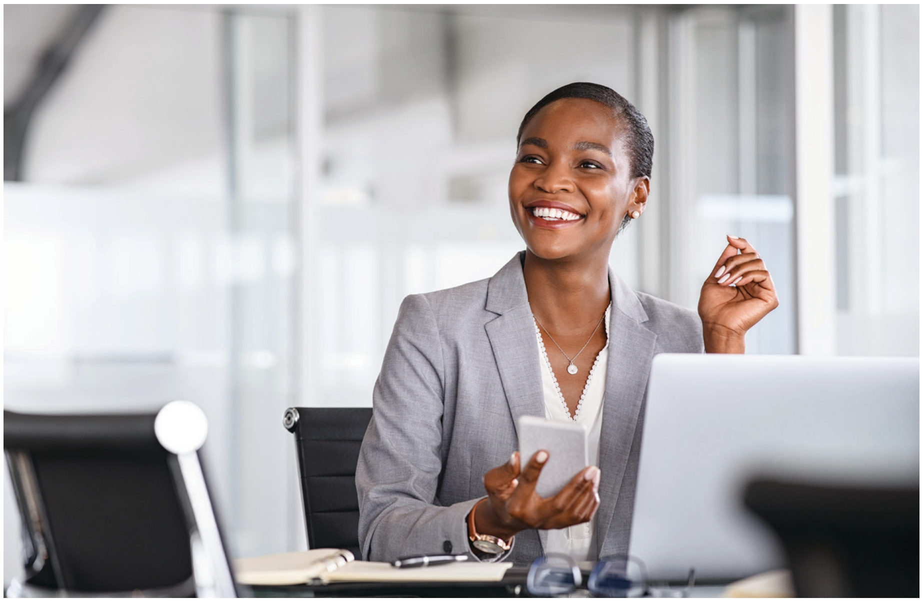
Selected Economic Data Releases
(in about the past month) which show:

Strength & Tendency Toward Higher Rates

- Unemployment Rate Jan 3.4%, Dec 3.5%, Nov 3.6%, Oct 3.7%, Sep 3.5%
- Employment Trends Index Jan 118.74, Dec 117.06, Nov 116.88, Oct 118.35, Sep 119.21
- Bucks Co Unemployment Rate Dec 2.9%, Nov 3.0%, Oct 2.9%, Sep 3.0%, Aug 4.0%
- Montgomery Co Unempl Rate Dec 2.6%, Nov 2.6%, Oct 2.6%, Sep 2.7%, Aug 3.7%
- Lehigh Co Unempl Rate Dec 3.5%, Nov 3.6%, Oct 3.4%, Sep 3.5%, Aug 4.8%
- Payroll Employment Jan +517,000, Dec +260,000, Nov +290,000, Oct +324,000
- Private Co Payrolls Jan +443,000, Dec +269,000, Nov +228,000, Oct +299,000
- Household Employment Jan +894,000, Dec +717,000, Nov -66,000, Oct -257,000
- Unemployed Persons Jan -28,000, Dec -278,000, Nov -53,000, Oct +283,000
- Civilian Labor Force Jan +866,000, Dec +439,000, Nov -119,000, Oct +27,000
- Job Leavers Jan 15.3%, Dec 14.4%, Nov 13.9%, Oct 14.5%, Sep 15.8%
- Labor Force Participation Rate Jan 62.4%, Dec 62.3%, Nov 62.2%, Oct 62.2%
- Average Workweek Jan 34.7, Dec 34.4, Nov 34.5, Oct 34.6, Sep 34.6 hrs
- Ave Hourly Earnings Jan $33.03, Dec $32.93, Nov $32.80, Oct $32.66; yoy +4.4%
- Job Openings JOLTs Dec 11.012mln, Nov 10.440mln, Oct 10.512mln, Sep 10.687mln
- Job Openings Rate Dec 6.7%, Nov 6.4%, Oct 6.4%, Sep 6.5%, Aug 6.3%
- Quit Rate Dec 2.7%, Nov 2.7%, Oct 2.6%, Sep 2.7%, Aug 2.7%
- Employees Working-at-Home 2Q22 26%, 1Q22 24%, 4Q21 25%, 3Q21 24%, 2Q21 21%
- NonFarm Productivity 4Q22 +3.0%, 3Q22 +1.4%, 2Q22 -4.1%, 1Q22 -5.9%, 4Q21 +4.4%
- NonFarm Productivity annual 2022 -1.3%, 2021 +1.9%, 2020 +2.4%, 2019 +2.0%
- Real GDP 4Q22 +2.7%, 3Q22 +3.2%, 2Q22 -.6%, 1Q22 -1.6%, 4Q21 +7.0%
- Real GDP 2022 +2.0%, 2021 +5.9%, 2020 -2.8%, 2019 +2.3%, 2018 +2.9%
- Nominal GDP 4Q22 +6.6%, 3Q22 +7.6%, 2Q22 +8.5%, 1Q22 +6.8%, 4Q21 +13.8%
- InvChgGDP 4Q22 +$136.3bill, 3Q22 +$38.7bill, 2Q22 +$110.2bill, 1Q22 +$214.5billion
- Retail Sales Jan +3.0%, Dec -1.1%, Nov -1.0%, Oct +1.1%, Sep -.2%
- Personal Income Jan +.6%, Dec +.2%, Nov +.4%, Oct +.9%, Sep +.5%
- Personal Spending Jan +1.8%, Dec -.1%, Nov -.2%, Oct +.7%, Sep +.6%
- PCE deflator Jan +5.4%, Dec +5.3%, Nov +5.6%, Oct +6.1%, Sep +6.3%
- PCE core deflator Jan +4.7%, Dec +4.6%, Nov +4.8%, Oct +5.1%, Sep +5.2%
- Consumer Credit Dec +$11.56bill, Nov +$33.11bill, Oct +$29.12bill, Sep +$25.82billion
- Agriculture Prices Dec +3.1%, Nov +4.5%, Oct -2.7%, Sep -.2%, Aug -1.8%, Jul -.1%
- CPI Jan +.5%%, core +.4%; yoy +6.4%, core +5.6%
- PPI Jan +.7%, core +.5%, yoy +6.0%, core +4.5%
- CoreLogic Home Px Dec yoy +6.9%, Nov yoy +8.6%; +121.0% from low
- FHFA Home Px Nov yoy +8.2%, Oct yoy +9.8%; from low +121.3%
- Case Shiller 10 City Nov yoy +6.3%, Oct yoy +8.0%, Sep yoy +9.6%
- Case Shiller 10 City Nov near high, +113.8% from low
- Case Shiller 20 City Nov yoy +6.8%, Oct yoy +8.6%, Sep yoy +10.4%
- Case Shiller 20 City Nov near high, +124.9% from low
- New Home Sales Jan +7.2%, Dec +7.2%, Nov -1.0%, Oct +7.1%; annual 670,000
- Inventory Unsold Existing Jan 2.9mos, Dec 2.9mos, Nov 3.3mos, Oct 3,3mos
- Pending Home Sales NAR Dec +2.5%, Nov -2.6%, Oct -4.7%, Sep -8.7%, Aug -1.5%
- Univ of Michigan Consumer Sentiment Feb 67.0, Jan 64.9, Dec 59.7, Nov 56.8
- Consumer Confidence Jan 107.1, Dec 109.0, Nov 101.4, Oct 102.2, Sep 107.8
- ISM Services Index Jan 55.2, Dec 49.2, Nov 55.5, Oct 54.5, Sep 55.9, Aug 56.7
- ISM Services Prices Pd Jan 67.8, Dec 68.1, Nov 70.1, Oct 70.9, Sep 69.8, Aug 71.8
- ISM Services Backlogs Jan 52.9, Dec 51.5, Nov 51.8, Oct 52.2, Sep 52.5, Aug 53.9
- Factory Orders Dec +1.8%, Nov -1.9%, Oct +.4%, Sep +.3%, Aug +.2%
- Factory Backlogs Dec +1.3%, Nov no chg, Oct +.5%, Sep +.5%, Aug +.5%
- Durable Goods Orders Dec +5.6%, Nov -1.8%, Oct +.7%, Sep +.2%, Aug +.2%
- Manufacturing Production Jan +1.0%, Dec -1.8%, Nov -.8%, Oct +.4%, Sep +.1%
- Vehicle Sales Wards Jan 15.74mln, Dec 13.31mln, Nov 14.14mln, Oct 14.90mln
- Vehicle Sales 2022= 13.73mln, 2021= 15.0mln, 2020= 16.30mln, 2019= 16.97mln
- DXY Dollar Index 02/03/23= 102.94, 12/31/22= 103.52, 12/31/21= 95.67, 12/31/20= 89.94
- Gas AAA 02/02/23=$3.51, 12/31/22= $3.23, 12/31/21=$3.40, 12/31/20=$2.56
- Crude Oil 02/03/23= $75.95, 12/31/22= $80.26, 12/31/21= $75.21, 12/31/20= $48.52
- CRB Index 02/01/23= 271.80, 12/31/22= 277.75, 12/31/21= 232.37, 12/31/20= 178.12

Weakness & Tendency Toward Lower Rates

- Augmented Unemployment Rate Jan 6.4%, Dec 6.4%, Nov 6.8%, Oct 6.9%, Sep 6.8%
- Pool of Available Workers Jan 11.008mln, Dec 10.898mln, Nov 11.528mln, Oct 11.734mln
- Those Not in Labor Force Jan +252,000, Dec -303,000, Nov +291,000, Oct +154,000
- Employment Cost Index 4Q22 +1.0%, 3Q22 +1.2%, 2Q22 +1.3%, 1Q22 +1.4%, 4Q21 +1.0%
- ADP Payrolls Jan +106,000, Dec +253,000, Nov +182,000, Oct +239,000, Sep +192,000
- Challenger Report Layoffs Jan 102,943, Dec 43,651, Nov 76,835, Oct 33,843
- Unit Labor Costs 4Q22 +1.1%, 3Q22 +2.0%, 2Q22 +6.7%, 1Q22 +8.5%, 4Q21 +3.6%
- Unit Labor Costs annual 2022 +4.5%, 2021 +3.3%, 2020 +4.5%, 2019 +1.8%
- Leading Economic Indics Jan -.3%, Dec -.8%, Nov -.9%, Oct -.9%, Sep -.5%
- LEI 6 mo diffusion index Jan 40, Dec 40, Nov 20, Oct 20, Sep 20
- LEI 6 mos annualized Jan -7.0%, Dec -7.7%, Nov -7.4%, Oct -7.4%, Sep -6.9%
- FIBER Leading Inflation Index Jan 86.9, Dec 86.0, Nov 85.9, Oct 86.0, Sep 86.8
- FIBER Leading Infl yoy Jan -6.7%, Dec -6.9%, Nov -7.9%, Oct -7.7%, Sep -5.6%
- M2 growth yoy Dec -1.3%, Nov no chg, Oct +1.3%, Sep +2.6%, Aug +3.8%, Jul +5.0%
- Velocity of M2 4Q22 1.23, 3Q22 1.19, 2Q22 1.17, 1Q22 1.14, 4Q21 1.13, 3Q21 1.11
- Real Final Sales 4Q22 +1.2%, 3Q22 +4.5%, 2Q22 +1.3%, 1Q22 -1.8%, 4Q21 +1.9%
- GDP Px Deflator 4Q22 +3.9%, 3Q22 +4.4%, 2Q22 9.1%, 1Q22 +8.4%, 4Q21 +6.8%
- PCE deflator 4Q22 +3.7%, 3Q22 +4.3%, 2Q22 7.3%, 1Q22 +7.5%, 4Q21 +6.2%
- Core PCE 4Q22 +4.3%, 3Q22 +4.7%, 2Q22 4.7%, 1Q22 +5.6%, 4Q21 +4.8%
- Corp Profits 3Q22 no chg, 2Q22 +4.6%, 1Q22 +.1%, 4Q21 +.8%, 3Q21 +2.0%
- Corp Profits 2021 +22.6%, 2020 -5.9%, 2019 +2.2%, 2018 +7.5%, 2017 +3.2%
- HHNW 3Q22 $143.3trill, 2Q22 $143.7trill, 1Q22, $150.0trill, 4Q21 $150.1trillion
- Nat'l Debt/GDP 4Q22 120.0%, 3Q22 120.2%, 2Q22 122.6%, 1Q22 124.7%, 4Q21 123.4%
- US Govt Budget Deficit Jan -$38.8bill, Dec -$85.0bill, Nov -$248.5bill, Oct -$87.9billlion
- US Govt Budget Deficit fiscal 2022= -$1.375 trill, 2021= -$2.776 trill, 2020= -$3.13 trillion
- Trade Deficit Dec -$67.4bill, Nov -$61.0bill, Oct -$77.3bill, Sep -$73.0billion
- Personal Savings Rate Jan 4.7%, Dec 4.5%, Nov 4.0%, Oct 3.4%, Sep 3.0%
- Bankruptcy Filings yoy 4Q22 +4.0%, 3Q22 +2.9%, 2Q22 -13.1%, 1Q22 -15.9%
- Moody's Risk of Recession Jan 53.7%, Dec 53.7%, Sep 51.1%, Aug 42.7%, Jul 38.4%
- Housing Starts Jan -4.5%, Dec -3.4%, Nov -.5%, Oct -2.7%; annual 1,309,000
- Building Permits Jan +.1%, Dec -1.0%, Nov -10.6%, Oct -3.3%; annual 1,339,000
- Existing Home Sales Jan -.7%, Dec -2.2%, Nov -7.2%, Oct -5.9%; annual 4.0 million
- Median Sales Price Existing Homes Jan $359,000; yoy +1.3%
- Median Sales Price New Homes Jan $427,500; yoy -.7%
- Inventory Unsold New Homes Jan 7.9mos, Dec 8.7mos, Nov 9.4mos, Oct 9.5mos
- CoreLogic Negative Equity 3Q22 1.9% 1.1mln, 2Q22 1.8%, 1Q22 2.1%, 4Q21 2.1%, 3Q21 2.1%
- NAHB/Wells Homebuilder Index Feb 42, Jan 35, Dec 31, Nov 33, Oct 38, Sep 46
- NFIB Small Business Optimism Jan 90.3, Dec 89.8, Nov 91.9, Oct 91.3, Sep 92.1
- Homeownership Rate 4Q22 65.9%, 3Q22 66.0%, 2Q22 65.8%, 1Q22 65.4%, 4Q21 65.5%
- Construction Spending Dec -.4%, Nov +.5%, Oct -.2%, Sep +.1%, Aug -.6%
- MBA 90+ Delinq 4Q22 3.96%, 3Q22 3.45%, 2Q22 3.64%, 1Q22 4.11%, 4Q21 4.65%
- Moody's CMBS Delinq 60+days Jan 4.22%, Dec 4.17%, Nov 4.14%, Oct 4.25%, Sep 4.11%
- Import Prices Jan -.2%, Dec -.1%, Nov -.7%, Oct -.4%, Sep -1.1%, Aug -1.1%
- St. Louis Fin'l Stress Index Jan -.58, Dec -.01, Nov -.26, Oct -.58, Sep -1.24
- Moody's Beige Book Index Jan 8.3, Dec 11.1, Nov 11.1, Oct 30.6, Sep 61.1, Jul 122.2
- S&P Global US Manufact Index Feb 47.8, Jan 46.9, Dec 46.2, Nov 47.7, Oct 50.4, Sep 52.0
- S&P Global US Services Index Feb 50.5, Jan 46.8, Dec 44.7, Nov 46.2, Oct 47.8, Sep 49.3
- ISM Index Jan 47.4, Dec 48.4, Nov 49.0, Oct 50.0, Sep 51.0, Aug 52.8
- ISM Prices Pd Jan 44.5, Dec 39.4, Nov 43.0, Oct 46.6, Sep 51.7, Aug 52.5
- ISM Backlogs Jan 43.4, Dec 41.4, Nov 40.0, Oct 45.3, Sep 50.9, Aug 53.0
- Philly Fed Index Feb -24.3, Jan -8.9, Dec -13.7, Nov -15.5, Oct -7.1, Sep -7.3
- Philly Fed Prices Pd Feb 26.5, Jan 24.5, Dec 36.3, Nov 39.3, Oct 44.0, Sep 39.7
- Philly Fed Backlogs Feb -17.0, Jan -19.2, Dec -14.1, Nov -21.4, Oct -17.4, Sep -24.1
- Philly Fed Services Index Feb 3.2, Jan -6.5, Dec -12.8, Nov -10.2, Oct -12.4, Sep -.5
- Philly Fed Services Prices Pd Feb 48.5, Jan 46.1, Dec 51.7, Nov 59.1, Oct 79.4, Sep 71.8
- Philly Fed Services Backlogs Feb 2.9, Jan -.4, Dec .2, Nov 3.0, Oct 6.6, Sep 6.9
- Empire St NY Fed Index Feb -5.8, Jan -32.9, Dec -11.2, Nov 4.5, Oct -9.1, Sep -1.5
- NY Fed Services Index Feb -12.8, Jan -21.4, Dec -17.6, Nov -11.8, Oct -15.5, Sep 5.3
- Global Supply Chain Pressure Index Jan .95, Dec 1.03, Nov 1.08, Oct 1.00, Sep .89, Aug 1.50
- Industrial Production Jan no chg, Dec -1.0%, Nov -.6%, Oct no chg, Sep +.2%
- Capacity Utilization % Jan 78.3, Dec 78.4, Nov 79.3, Oct 79.8, Sep 79.9
- Business Sales Dec -.6%, Nov -1.2%, Oct +.4%; Inventories Dec +.3%, Nov +.3%, Oct +.2%
- CoStar Com'l Prop GC Dec -.1%, Nov -.6%, Oct +.4%, Sep +.2%, Aug -.2%
- CoStar Com'l Prop GC yoy Dec +6.8%, Nov +8.2%, Oct +11.3%, Sep +14.0%, Aug +15.5%
- Cass Trucking Shipments Dec -3.3%, Nov -1.9%, Oct -1.4%, Sep -2.9%, Aug +6.6%
- FDIC Problem Banks 3Q22= 42, 2Q22= 40, 1Q22= 40, 4Q21= 44, 3Q21= 46, 2Q21= 51



Our Mission

Penn Community Bank is committed to helping local residents, businesses and nonprofits achieve their financial goals, and to taking an active role in contributing to the overall prosperity of our communities.

Guided by our core values of integrity, transparency, service, and independence, we work to:

- Help businesses grow and prosper,
- Provide financial resources that meet the needs of individuals and families throughout their lifetimes,
- Strengthen our local economy,
- Partner with local organizations to improve quality of life,
- Operate for long-term success to ensure the continued strength and stability of our financial organization.

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