Financial Markets & Economic Update by Dorothy Jaworski

Second Quarter 2023

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Inflation

I'm writing this newsletter on a beautiful day right before Memorial Day and the unofficial start of summer. Alas, I am at my desk and not on a beach chair at the shore and I'm searching Bloomberg for data and clues as to what will happen with interest rates, the economy, and the worst thing of all- inflation. My thoughts are that all three are going to go down…

Let's start with inflation. This evil started in 2021 when fiscal and monetary stimulus flooded bank accounts and the markets with way too much cash. And the continued flood of money continued unabated into March, 2022, when the Federal Reserve finally stopped their monthly purchases of $100 billion of bonds. They could have stopped the prior summer when they saw that inflation was not transitory, but instead they plowed another $1 trillion of inflationary stimulus into the economy. It is puzzling to say the least.

Supply chain disruptions, coupled with pent-up demand from consumers exploding after the pandemic, led to prices that soared. We experienced the highest inflation rates in over 40 years. Companies all seemed to have the power to raise prices to cover higher costs or just to expand margins

and blame it on inflation. 180 million workers found themselves paying higher prices for everything, while suffering declines in their real incomes of 3% in both 2021 and 2022 and a projected 2% decline in 2023 due to inflation.

Every inflation measure that I follow has declined over the past year and most continue a steady yet frustratingly slow decline. The consumer price index, or CPI, rose +4.9% year-over-year in April, 2023 and the core (excluding food and energy) rose +5.5% y-o-y; highs were +9.1% y-o-y in June, 2022 and the core was +6.6% in September, 2022. The producer price index, or PPI, rose +2.3% y-o-y in April, 2023 and the core rose by +3.2% y-o-y; highs for the PPI were in March, 2022, at +11.7% and +9.7% y-o-y respectively.

The Federal Reserve's inflation favorites are the personal consumption expenditures figures, or PCE. The main PCE rose by +4.2% in 1Q23 after a high of +7.0% in 2Q22. Core PCE rose by +5.0% in 1Q23 after a high of +5.6% in 1Q22. For both PCE measures, the Fed's goal is +2.0%. Wage growth, measured using average hourly earnings, rose by +4.4% y-o-y in April, 2022 compared a recent high of +5.9% in March, 2022. The employment cost index, or ECI, was +1.0% in 4Q22 compared to +1.4% in 1Q22. Unfortunately wage and labor costs are not getting an offset from productivity, which was recently reported as -2.7% in 1Q23 following +1.6% in 4Q22. This obviously worries the Fed. Long-term inflationary expectations are in a range of +2.24% (Treasury-TIPS market) and +3.2% (University of Michigan survey).

We see how inflation started and that it is declining, however painfully slowly it creeps down. But how will inflation end?

M2 - The Secret's Out

It has occurred to me that the Fed may have been trying to create inflation after the pandemic to offset the deflationary impacts of 2020 and to meet their new policy, established in September, 2020, to have inflation average +2.0% over time, rather than just touching +2.0% and raising rates. The supply chain disruptions and consumer behavior ruined their ill-fated experiment. They were trying to reduce money supply, or M2, growth in 2021, from +24.8% y-o-y in December, 2020, to +12.7% y-o-y in December, 2021, but it was not enough. They also made a mistake, I believe, by continuing to buy $1 trillion of bonds long after it was obvious this money was no longer needed or warranted.

And now we have an unprecedented event, not seen in any data since 1960, where M2 is falling on a year-over-year basis; in December, 2022, growth turned negative at -.9%, down from +12.7% in December, 2021. The negatives keep building and April, 2022 was down -4.6%. So we have gone from one extreme to another in the past three years. No wonder volatility reigns supreme! By the way, M2 growth has averaged +7.1% since 1960 and +6.9% in the past 20 years.

Wild swings in money supply have led to increased income, increased spending and higher prices, but an increase in velocity of money in 2022 and into 2023, from 1.14 in 4Q21, to 1.26 in 1Q23 offset some of the Fed's efforts to bring inflation down by propping up GDP growth. Velocity is expected to begin to fall this year and, coupled with M2 that is also declining and we will ultimately get negative GDP growth from the following formula: GDP = M times V. The good news will be help for inflation falling but the bad news will be that declining velocity will hinder the Fed's efforts to stimulate the economy once growth gets so bad they cannot ignore it.

Milton Friedman famously wrote (and like a broken record I keep repeating): “Inflation is always and everywhere a monetary phenomenon.” He also wrote that “Monetary policy works with long and variable lags.” The decline in M2 will spell the end of inflation.

The Fed

If I learned anything from my nearly 40 years in risk management is that the Fed always goes too far. This time is no different. The Fed has raised rates by 500 basis points in the span of 13 months, leaving four bank failures (Silicon Valley, Signature, First Republic, and Credit Suisse) and 236 bankruptcies year-to-date April, 2023, in their wake. Market turmoil and volatility have been experienced by every fixed income investor, whether they are a bank, insurance company, regular company, fund, or private investor.

Let's look at what the Fed has done so far. The Fed Funds rate was .25% in March, 2022 and in early May, 2023 was at 5.25%. I mentioned earlier that the bond buying program ended in March, 2022 and since then, bonds have been allowed to mature from the Fed's balance sheet. Between April and August, 2022, $50 billion per month was allowed to mature, with the monthly amount accelerating to $95 billion in September, 2022 and continuing to this day. They were “easing” unnecessarily when buying the bonds, but now the maturity of bonds adds to the pain of tightening when they have raised interest rates so quickly. I mentioned the bank failures, mostly due to higher rates and liquidity issues, but the ripple effect is that many banks are tightening lending standards that will harm GDP growth as we move forward.

Is the Fed restrictive with its rate of 5.25%? Since the rate is above seven of the eight inflation measures that I track, with the lone exception the core CPI at +5.5%. Fed Funds is now about even with 1Q23 nominal GDP of +5.3%. So they are restrictive in my mind. On May 19, 2023, Chairman Jerome Powell stated that he would be inclined to pause at the June meeting, based on the lagged effect of cumulative rate hikes and potential bank credit tightening. I think we can add economic weakening to that list, although he doesn't quite acknowledge it yet…

Leading Indicators

Many of my favorite leading indicators look bad, which is why I always feel like a "gloom and doomster." I know a downturn will come, I just can't tell you when.

Leading economic indicators, or LEI, are designed to look ahead six to nine months; the index fell -.6% in April, 2023, following a decline of -1.2% in March, and is down -8.0% year-over-year. Stocks are a major leading indicator and have rebounded 1% to 9%, with Nasdaq up +20% this year, but they have not recovered the losses from 2022 of -9% to -19% with Nasdaq falling -33%. Most regional surveys, especially the Philadelphia and New York Fed, are negative for the most recent report. The S&P Global US and ISM series are both weak. Readings on consumer sentiment by the University of Michigan are trending down. Some good news comes from the FIBER leading inflation index, which has pointed down most months for the past year and was down -7.1% y-o-y in April, 2023; there is hope for inflation to keep falling.

Corporate profits are under pressure, with the 1Q23 dropping -5.1%, following -2.0% in 4Q22, and no change in 3Q22. Spreads to Treasuries are widening for corporate bond issuance, which is never a good sign.

Recession - Just Not Yet

Real GDP weakened to +1.3% in 1Q23 from +2.6% in 4Q22 and +3.2% in 3Q22. Inventory building was high during 2022 and has since tapered off. There are many signs that recession is on the horizon- retailers are closing stores or going bankrupt (Bed, Bath & Beyond), home sales are down except for builder incentives, housing starts are down -22.3% y-o-y in April, 2023 with building permits down -21.1% y-o-y, many banks are struggling with high cost funding and are tightening credit, commercial real estate prices are down, especially offices, and consumers are substituting cheaper goods for more expensive ones.

Let's not forget the inverted yield curve, which is a precursor to recession with a lead time of 12 to 18 months. The 10-year to 2-year spread first inverted last July and peaked on March 9th at -107 basis points; the 10-year to 3-month spread peaked at -106 basis points that same day. Currently, the 10-year to 2-year spread is -54 basis points and the 10-year to 3-month spread is -157 basis points. The forward curve on May 19th was predicting a 3-month Treasury yield of 2.95% in 18 months, down from the current yield of 5.17%. Chairman Powell often emphasized this forward curve measure, so I hope he is taking notes.

Powell is clearly frustrated that the unemployment rate is at a 60 year low of 3.4%, despite his wild tightening campaign. He mentioned in his press conference on May 3rd that job openings in March of 9,590,000 still exceeded the "supply" of unemployed persons of 5,657,000 by almost 4 million. Wait! In the late 1990s and early 2000s, Maestro Greenspan taught us to focus on the pool of available workers, which are the unemployed plus those working part-time that want full-time work, or 10,928,000 in April, 2023. Maestro shows that supply is greater than demand and Powell says demand is greater than supply. Layoff announcements, as tracked by Challenger, Gray, and Christmas, are 337,411 year-to-date as of April, 2023 or four times the layoffs of the same period last year. Predictions are, that even in a mild recession, our economy could lose 1.1 million jobs if the unemployment rate rises about 1% to 4.5% in 2024. Until the rate rises above 4.0%, NBER will not declare a recession.

We have to get through the long and variable lags of Fed policy before recession strikes. M2, inflation, leading indicators, and generally weakening economic data all play a part in determining when it comes. Nothing would compare to the turmoil should the debt ceiling debate between Congressional Republicans and the White House not be resolved and a default on our once risk-free debt occur. I do believe that if a "default" occurs, it will more than likely be a delay in receiving principal and interest payments, not an outright loss of payments. We had a similar debate over the debt ceiling in 2011 and we survived that one.

So go and enjoy your summer, your vacations, and time spent with family and friends. And remember what I always say: If recession is inevitable, then recovery is just as inevitable.

Thanks for reading!

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Inflationary Expectations That Are Built into the Markets:

Treasury Inflation Expectations:	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Mar-23
10-year Treasury Yield	2.40%	2.68%	1.92%	0.91%	1.50%	3.87%	3.54%
10-year Treasury TIPS Yield	0.45%	0.97%	0.13%	-1.09%	-1.12%	1.57%	1.20%
Implied Inflationary Expectation	1.95%	1.71%	1.79%	2.00%	2.62%	2.30%	2.34%

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

	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Mar-23
1) moderating inflationary expectations/leading indicators	mixed	yes	yes	mixed	no	yes	yes
2) any meaningful rise in unemployment or loss of jobs	no	no	no	yes	no	no	no
3) moderating labor costs	mixed	no	yes	yes	no	yes	yes
4) decent productivity growth	no	no	no	no	no	yes	no
5) economic growth that slips below 2%-2.5% potential	yes	no	no	yes	mixed	yes	yes
6) a financial market crisis of some type	no	mixed	no	yes-virus	yes-virus	yes-inflation	yes-inflation
7) housing (existing homes) weak- inventory>6 mos	no-3.2mo	no-3.9mo	no-3.7mo	no-1.9mo	no-1.7mo	no-2.9mo	no-2.6mo
8) statements by the Fed promising easing/low rts	no-raising rts	no-raising rts	no-neutral	yes	no-QE taper	no-raising rts,QT	no-raising rts,QT

Housing Market Indices:

- CaseShiller 20 City Index Feb yoy +.4%, Jan yoy +2.6%, Dec yoy +4.6%, Nov yoy +6.8%; index near high vs Jul, 2006 peak; +122.0% from Mar, 2012 low
- FHFA Price Index Feb yoy +4.0%, Jan yoy +5.3%, Dec yoy +6.7%, Nov yoy +8.3%; index near high vs Apr, 2007 peak; +122.8% from Mar, 2011 low
- CoreLogic Home Px Index Mar yoy +3.1%, Feb yoy +4.4%, Jan yoy +5.5%, Dec yoy +6.9%; index near high vs Apr, 2006 peak; +122.0% from Mar, 2011 low

Fed Z.1 HH NetWorth:

4Q16 $94.7 trill; 4Q17 $103.5 trill; 4Q18 $104.2 trill; 4Q19 $116.9 trill; 4Q20 $131.7 trill; 4Q21 $151.8 trill; 4Q22 $147.7 trillion

Penn Community Bank Rate & Market History:

Bond Market Yields:		31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Mar-23	Change 2022 12/22 vs 12/21	Change 2023 03/23 vs 12/22
Treasuries:	3 month	1.38%	2.45%	1.54%	0.06%	0.03%	4.44%	4.72%	4.41%	0.28%
	6 month	1.53%	2.55%	1.58%	0.08%	0.18%	4.75%	4.88%	4.57%	0.13%
	1 year	1.73%	2.62%	1.57%	0.10%	0.37%	4.69%	4.58%	4.32%	-0.11%
	2 year	1.88%	2.49%	1.57%	0.12%	0.72%	4.43%	4.12%	3.71%	-0.31%
	3 year	1.97%	2.46%	1.61%	0.17%	0.95%	4.22%	3.90%	3.27%	-0.32%
	5 year	2.21%	2.51%	1.69%	0.36%	1.25%	4.00%	3.67%	2.75%	-0.33%
	10 year	2.40%	2.68%	1.92%	0.91%	1.50%	3.87%	3.54%	2.37%	-0.33%
	30 year	2.74%	3.01%	2.39%	1.65%	1.91%	3.96%	3.72%	2.05%	-0.24%
Fed Funds Target Rate (average):		1.38%	2.38%	1.63%	0.13%	0.13%	4.38%	4.88%	4.25%	0.50%
LIBOR/SOFR Rates:	1 month	1.57%	2.52%	1.78%	0.14%	0.10%	4.36%	4.80%	4.26%	0.44%
	3 month	1.69%	2.80%	1.91%	0.24%	0.21%	4.59%	4.91%	4.38%	0.32%
	6 month	1.84%	2.87%	1.91%	0.26%	0.34%	4.78%	4.90%	4.44%	0.12%
	12 month	2.11%	3.01%	2.00%	0.34%	0.58%	4.87%	4.73%	4.29%	-0.14%
FNMA Mortgage Posted Yields (30 day):										
	15 year	2.92%	3.53%	2.66%	1.34%	1.86%	5.17%	5.21%	3.31%	0.04%
	30 year	3.51%	4.12%	3.29%	1.91%	2.63%	6.00%	5.84%	3.37%	-0.16%
Indicative Treasury yield curve spreads:										
	2 year minus 3 month	0.50%	0.04%	0.03%	0.06%	0.69%	-0.01%	-0.60%	-0.70%	-0.59%
	5 year minus 2 year	0.33%	0.02%	0.12%	0.24%	0.53%	-0.43%	-0.45%	-0.96%	-0.02%
	10 year minus 3 month	1.02%	0.23%	0.38%	0.85%	1.47%	-0.57%	-1.18%	-2.04%	-0.61%
	10 year minus 2 year	0.52%	0.19%	0.35%	0.79%	0.78%	-0.56%	-0.58%	-1.34%	-0.02%
Indicative FNMA mortgage posted yield spreads:										
	15 year minus 5 year Treas	0.71%	1.02%	0.97%	0.98%	0.61%	1.17%	1.54%	0.56%	0.37%
	30 year minus 10 year Treas	1.11%	1.44%	1.37%	1.00%	1.13%	2.13%	2.30%	1.00%	0.17%
Stock Market Indices:										
	Dow Jones	24,719.22	23,327.46	28,538.44	30,606.48	36,338.30	33,147.25	33,274.15	-3,191.05	126.90
	S&P 500	2,673.61	2,506.85	3,230.78	3,756.07	4,766.18	3,839.50	4,109.31	-926.68	269.81
	Nasdaq	6,903.39	6,635.28	8,972.60	12,888.28	15,644.97	10,466.48	12,221.91	-5,178.49	1,755.43

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

Strength & Tendency Toward Higher Rates

- Unemployment Rate Apr 3.4%, Mar 3.5%, Feb 3.6%, Jan 3.4%, Dec 3.5%
- Bucks Co Unemployment Rate Mar 3.2%, Feb 4.0%, Jan 3.9%, Dec 3.3%, Nov 3.5%
- Montgomery Co Unempl Rate Mar 2.8%, Feb 3.6%, Jan 3.5%, Dec 3.0%, Nov 3.1%
- Lehigh Co Unempl Rate Mar 3.9%, Feb 4.6%, Jan 4.5%, Dec 3.8%, Nov 4.0%
- Philadelphia Unempl Rate Mar 4.4%, Feb 5.3%, Jan 5.2%, Dec 4.6%, Nov 5.0%
- Payroll Employment Apr +253,000, Mar +165,000, Feb +248,000, Jan +472,000
- Private Co Payrolls Apr +230,000, Mar +123,000, Feb +193,000, Jan +353,000
- Average Workweek Apr 34.4, Mar 34.4, Feb 34.5, Jan 34.6, Dec 34.4 hrs
- Ave Hourly Earnings Apr $33.26, Mar $33.20, Feb $33.11, Jan $33.02; yoy +4.4%
- Unemployed Persons Apr -182,000, Mar -97,000, Feb +242,000, Jan -28,000
- Labor Force Participation Rate Apr 62.6%, Mar 62.6%, Feb 62.5%, Jan 62.4%
- ADP Payrolls Apr +296,000, Mar +142,000, Feb +261,000, Jan +119,000, Dec +253,000
- Employees Working-at-Home 3Q22 25%, 2Q22 26%, 1Q22 24%, 4Q21 25%
- Nominal GDP 1Q23 +5.1%, 4Q22 +6.5%, 3Q22 +7.6%, 2Q22 +8.5%, 1Q22 +6.8%
- Real Final Sales 1Q23 +3.4%, 4Q22 +1.1%, 3Q22 +4.5%, 2Q22 +1.3%, 1Q22 -1.8%
- GDP Px Deflator 1Q23 +4.0%, 4Q22 +3.9%, 3Q22 +4.4%, 2Q22 9.1%, 1Q22 +8.4%
- PCE deflator 1Q23 +4.2%, 4Q22 +3.7%, 3Q22 +4.3%, 2Q22 7.3%, 1Q22 +7.5%
- Core PCE 1Q23 +4.9%, 4Q22 +4.4%, 3Q22 +4.7%, 2Q22 4.7%, 1Q22 +5.6%
- CPI Mar +.1%%, core +.4%; yoy +5.0%, core +5.6%
- NonFarm Productivity 1Q23 -2.7%, 4Q22 +1.6%, 3Q22 +1.2%, 2Q22 -3.7%, 1Q22 -6.0%
- NonFarm Productivity annual 2022 -1.4%, 2021 +1.9%, 2020 +2.4%, 2019 +2.0%
- Unit Labor Costs 1Q23 +6.3%, 4Q22 +3.3%, 3Q22 +6.9%, 2Q22 +6.6%, 1Q22 +8.5%
- Unit Labor Costs annual 2022 +4.7%, 2021 +3.3%, 2020 +4.5%, 2019 +1.8%
- Personal Income Mar +.3%, Feb +.3%, Jan +.6%, Dec +.3%, Nov +.4%
- Consumer Credit Mar +$26.5bill, Feb +$15.3bill, Jan +$14.8bill, Dec +$10.7billion
- Agriculture Prices Mar +1.3%, Feb +1.7%, Jan -9.7%, Dec +3.1%, Nov +4.5%
- CoreLogic Home Px Mar yoy +3.1%, Feb yoy +4.4%; +122.0% from low
- FHFA Home Px Feb yoy +4.0%, Jan yoy +5.3%; +122.8% from low
- Case Shiller 10 City Feb yoy +.4%, Jan yoy +2.5%, Dec yoy +4.4%
- Case Shiller 10 City Feb near high, +111.8% from low
- Case Shiller 20 City Feb yoy +.4%, Jan yoy +2.6%, Dec yoy +4.6%
- Case Shiller 20 City Feb near high, +122.0% from low
- Inventory Unsold Existing Mar 2.6mos, Feb 2.6mos, Jan 2.9mos, Dec 2.9mos
- New Home Sales Mar +9.6%, Feb -3.9%, Jan +4.2%, Dec +6.9%; annual 683,000
- Median Sales Price New Homes Mar $449,800; yoy +3.2%
- Construction Spending Mar +.3%, Feb -.3%, Jan +.4%, Dec -.7%, Nov +.5%
- Factory Orders Mar +.9%, Feb -1.1%, Jan -2.1%, Dec +1.7%, Nov -1.9%
- Factory Backlogs Mar +.4%, Feb -.1%, Jan no chg, Dec +1.1%, Nov no chg
- Durable Goods Orders Mar +3.2%, eb -1.2%, Jan -5.0%, Dec +5.1%, Nov -1.8%
- ISM Prices Pd Apr 53.2, Mar 49.2, Feb 51.3, Jan 44.5, Dec 39.4, Nov 43.0
- ISM Services Index Apr 51.9, Mar 51.2, Feb 55.1, Jan 55.2, Dec 49.2, Nov 55.5
- ISM Services Prices Pd Apr 59.6, Mar 59.5, Feb 65.6, Jan 67.8, Dec 68.1, Nov 70.1
- Global Supply Chain Pressure Index Mar -1.06, Feb -.28, Jan .96, Dec 1.19, Nov 1.16
- S&P Global US Manufact Index Apr 50.2, Mar 49.2, Feb 47.3, Jan 46.9, Dec 46.2, Nov 47.7
- S&P Global US Services Apr 53.6, Mar 52.6, Feb 50.6, Jan 46.8, Dec 44.7, Nov 46.2
- Industrial Production Mar +.4%, Feb +.2%, Jan +.9%, Dec -1.5%, Nov -.6%
- Business Sales Jan +1.5%, Dec -.6%, Nov -1.2%; Inventories Jan -.1%, Dec +.3%, Nov +.3%
- Vehicle Sales Wards Apr 15.91mln, Mar 14.82mln, Feb 14.89mln, Jan 15.74mln
- Vehicle Sales 2022= 13.73mln, 2021= 15.0mln, 2020= 16.30mln, 2019= 16.97mln
- CoStar Com'l Prop GC Mar +1.3%, Feb +.3%, Jan -.7%, Dec -.1%, Nov -.6%
- CoStar Com'l Prop GC yoy Mar +6.2%, Feb +6.7%, Jan +5.5%, Dec +6.8%, Nov +8.2%
- DXY Dollar Index 05/02/23= 101.90, 12/31/22= 103.52, 12/31/21= 95.67, 12/31/20= 89.94
- Gas AAA 05/02/23=$3.59, 12/31/22= $3.23, 12/31/21=$3.40, 12/31/20=$2.56
- Crude Oil 05/02/23= $71.57, 12/31/22= $80.26, 12/31/21= $75.21, 12/31/20= $48.52
- CRB Index 05/02/23= 260.64, 12/31/22= 277.75, 12/31/21= 232.37, 12/31/20= 178.12

Weakness & Tendency Toward Lower Rates

- Augmented Unemployment Rate Apr 6.4%, Mar 6.3%, Feb 6.4%, Jan 6.4%, Dec 6.4%
- Pool of Available Workers Apr 10.928mln, Mar 10.764mln, Feb 11.039mln, Jan 11.008mln
- Household Employment Apr +139,000, Mar +577,000, Feb +177,000, Jan +894,000
- Civilian Labor Force Apr -43,000, Mar +480,000, Feb +419,000, Jan +866,000
- Those Not in Labor Force Apr +214,000, Mar -320,000, Feb -269,000, Jan +252,000
- Employment Trends Index Mar 116.24, Feb 116.75, Jan 117.48, Dec 116.75, Nov 116.53
- Employment Cost Index 1Q23 +1.2%, 4Q22 +1.1%, 3Q22 +1.2%, 2Q22 +1.2%, 1Q22 +1.3%
- Job Openings JOLTs Mar 9.590mln, Feb 9.974mln, Jan 10.563mln, Dec 11.012mln
- Job Openings Rate Mar 5.8%, Feb 6.0%, Jan 6.4%, Dec 6.8%, Nov 6.5%
- Quit Rate Mar 2.5%, Feb 2.6%, Jan 2.5%, Dec 2.6%, Nov 2.7%, Oct 2.6%
- Challenger Report Layoffs Apr 66,995, Mar 89,703, Feb 77,770, Jan 102,943, Dec 43,651
- Job Leavers Apr 13.8%, Mar 14.2%, Feb 14.8%, Jan 15.3%, Dec 14.4%
- Leading Economic Indics LEI Mar -1.2%, Feb -.5%, Jan -.5%, Dec -.7%, Nov -.9%
- LEI 6 mo diffusion Mar 20, Feb 20, Jan 40, Dec 40, Nov 20
- LEI 6 mos annualized Mar -8.8%, Feb -7.6%, Jan -7.2%, Dec -7.5%, Nov -7.4%
- FIBER Leading Inflation Index Mar 86.5, Feb 86.8, Jan 87.2, Dec 86.0, Nov 85.9
- FIBER Leading Inflation yoy Mar -8.5%, Feb -7.4%, Jan -6.3%, Dec -7.9%, Nov -7.9%
- M2 growth yoy Mar -4.1%, Feb -2.3%, Jan -1.6%, Dec -.9%, Nov +.4%, Oct +1.5%
- Velocity of M2 1Q23 1.26, 4Q22 1.22, 3Q22 1.19, 2Q22 1.165, 1Q22 1.14, 4Q21 1.14
- Real GDP 1Q23 +1.1%, 4Q22 +2.6%, 3Q22 +3.2%, 2Q22 -.6%, 1Q22 -1.6%
- Real GDP 2022 +2.1%, 2021 +5.9%, 2020 -2.8%, 2019 +2.3%, 2018 +2.9%
- InvChgGDP 1Q23 -$1.6bill, 4Q22 +$136.5bill, 3Q22 +$38.7bill, 2Q22 +$110.2billion
- HHNW 4Q22 $147.7trill, 3Q22 $144.8trill, 2Q22 $146.1trill, 1Q22, $151.9trillion
- 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%
- Nat'l Debt/GDP 1Q23 118.8%, 4Q22 120.1%, 3Q22 120.2%, 2Q22 122.6%, 1Q22 124.7%
- US Govt Budget Deficit Mar -$378.1bill, Feb -$262.4bill, Jan -$38.8bill, Dec -$85.0billlion
- US Govt Budget Deficit fiscal 2022= -$1.375 trill, 2021= -$2.776 trill, 2020= -$3.13 trillion
- Trade Deficit Mar -$64.23bill, Feb -$70.64bill, Jan -$68.66bill, Dec -$67.21billion
- Moody's Risk of Recession Feb 55%, Jan 53.7%, Dec 53.7%, Sep 51.1%, Aug 42.7%
- Retail Sales Mar -1.0%, Feb -.2%, Jan +3.2%, Dec -.8%, Nov -1.0%
- Personal Spending Mar no chg, Feb +.1%, Jan +2.0%, Dec no chg, Nov -.2%
- Personal Savings Rate Mar 5.1%, Feb 4.8%, Jan 4.5%, Dec 4.4%, Nov 4.0%
- PPI Mar -.5%, core -.1%, yoy +2.7%, core +3.4%
- Import Prices Mar -.6%, Feb -.2%, Jan -.4%, Dec -.1%, Nov -.7%, Oct -.4%
- PCE deflator yoy Mar +4.2%, Feb +5.1%, Jan +5.3%, Dec +5.3%, Nov +5.7%, Oct +6.1%
- PCE core deflator yoy Mar +4.6%, Feb +4.7%, Jan +4.7%, Dec +4.6%, Nov +4.8%, Oct +5.1%
- Housing Starts Mar -.8%, Feb +7.3%, Jan -1.0%, Dec -3.4%; annual 1,420,000
- Building Permits Mar -8.8%, Feb +15.8%, Jan +.1%, Dec -1.0%; annual 1,413,000
- NAHB/Wells Homebuilder Index Apr 45, Mar 44, Feb 42, Jan 35, Dec 31, Nov 33
- Existing Home Sales Mar -2.4%, Feb +13.8%, Jan -.7%, Dec -2.2%; annual 4.44 million
- Median Sales Price Existing Homes Mar $375,700; yoy -.9%
- Pending Home Sales NAR Mar -5.2%, Feb +.8%, Jan +8.1%, Dec +2.5%, Nov -2.6%
- Inventory Unsold New Homes Mar 7.6mos, Feb 8.4mos, Jan 8.1mos, Dec 8.7mos, Nov 9.4mos
- Homeownership Rate 1Q23 66.0%, 4Q22 65.9%, 3Q22 66.0%, 2Q22 65.8%, 1Q22 65.4%
- CoreLogic Negative Equity 4Q22 2.1% 1.2mln, 3Q22 1.9%, 2Q22 1.8%, 1Q22 2.1%, 4Q21 2.1%
- Univ of Michigan Consumer Sentiment Apr 63.5, Mar 62.0, Feb 67.0, Jan 64.9, Dec 59.7
- Consumer Confidence Apr 101.3, Mar 104.0, Feb 103.4, Jan 106.0, Dec 109.0, Nov 101.4
- NFIB Small Business Optimism Mar 90.1, Feb 90.9, Jan 90.3, Dec 89.8, Nov 91.9
- MBA 90+ Delinq 4Q22 3.96%, 3Q22 3.45%, 2Q22 3.64%, 1Q22 4.11%, 4Q21 4.65%
- Moody's CMBS Delinq 60+days Mar 4.20%, Feb 4.23%, Jan 4.22%, Dec 4.17%, Nov 4.14%
- Bankruptcy Filings yoy 1Q23 +16.4%, 4Q22 +4.0%, 3Q22 +2.9%, 2Q22 -13.1%
- Manufacturing Production Mar -.5%, Feb +.6%, Jan +1.5%, Dec -2.1%, Nov -.8%
- Capacity Utilization % Mar 79.8, Feb 79.6, Jan 79.5, Dec 78.9, Nov 79.3
- ISM Index Apr 47.1, Mar 46.3, Feb 47.7, Jan 47.4, Dec 48.4, Nov 49.0
- ISM Backlogs Apr 43.1, Mar 43.9, Feb 45.1, Jan 43.4, Dec 41.4, Nov 40.0
- ISM Services Backlogs Apr 49.7, Mar 48.5, Feb 52.8, Jan 52.9, Dec 51.5, Nov 51.8
- Philly Fed Index Apr -31.3, Mar -23.2, Feb -24.3, Jan -8.9, Dec -13.7, Nov -15.5
- Philly Fed Prices Pd Apr 8.2, Mar 23.5, Feb 26.5, Jan 24.5, Dec 36.3, Nov 39.3
- Philly Fed Backlogs Apr -11.1, Mar -21.3, Feb -17.0, Jan -19.2, Dec -14.1, Nov -21.4
- Philly Fed Services Index Apr -22.8, Mar -12.8, Feb 3.2, Jan -6.5, Dec -12.8, Nov -10.2
- Philly Fed Services Prices Pd Apr 35.7, Mar 37.9, Feb 48.5, Jan 46.1, Dec 51.7, Nov 59.1
- Philly Fed Services Backlogs Apr -4.5, Mar -4.2, Feb 2.9, Jan -.4, Dec .2, Nov 3.0
- Empire St NY Fed Index Apr 10.8, Mar -24.6, Feb -5.8, Jan -32.9, Dec -11.2, Nov 4.5
- NY Fed Services Index Apr -9.8, Mar -10.1, Feb -12.8, Jan -21.4, Dec -17.6, Nov -11.8
- St. Louis Fin'l Stress Index Apr -.26, Mar -.33, Feb -.40, Jan -.58, Dec -.01
- Moody's Beige Book Index Mar 19.4, Jan 8.3, Dec 11.1, Nov 11.1, Oct 30.6, Sep 61.1
- FDIC Problem Banks 4Q22= 39, 3Q22= 42, 2Q22= 40, 1Q22= 40, 4Q21= 44
- Cass Trucking Shipments Mar -1.0%, Feb +3.8%, Jan -3.2%, Dec -3.3%, Nov -1.9%

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.