

# What's Driving Change in Today's Market?

August 9, 2023

**Moderator:**

Jeffrey Smith, CFP®

Executive Vice President | Head of Wealth Management

**Presenters:**

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Senior Vice President | Deputy Chief Investment Officer and Director of Equities

Kerri Mooney

Senior Vice President | Chief Deposit Officer

Rachael Ela

First Vice President | Associate Director, Premier Client Group



# Market Update

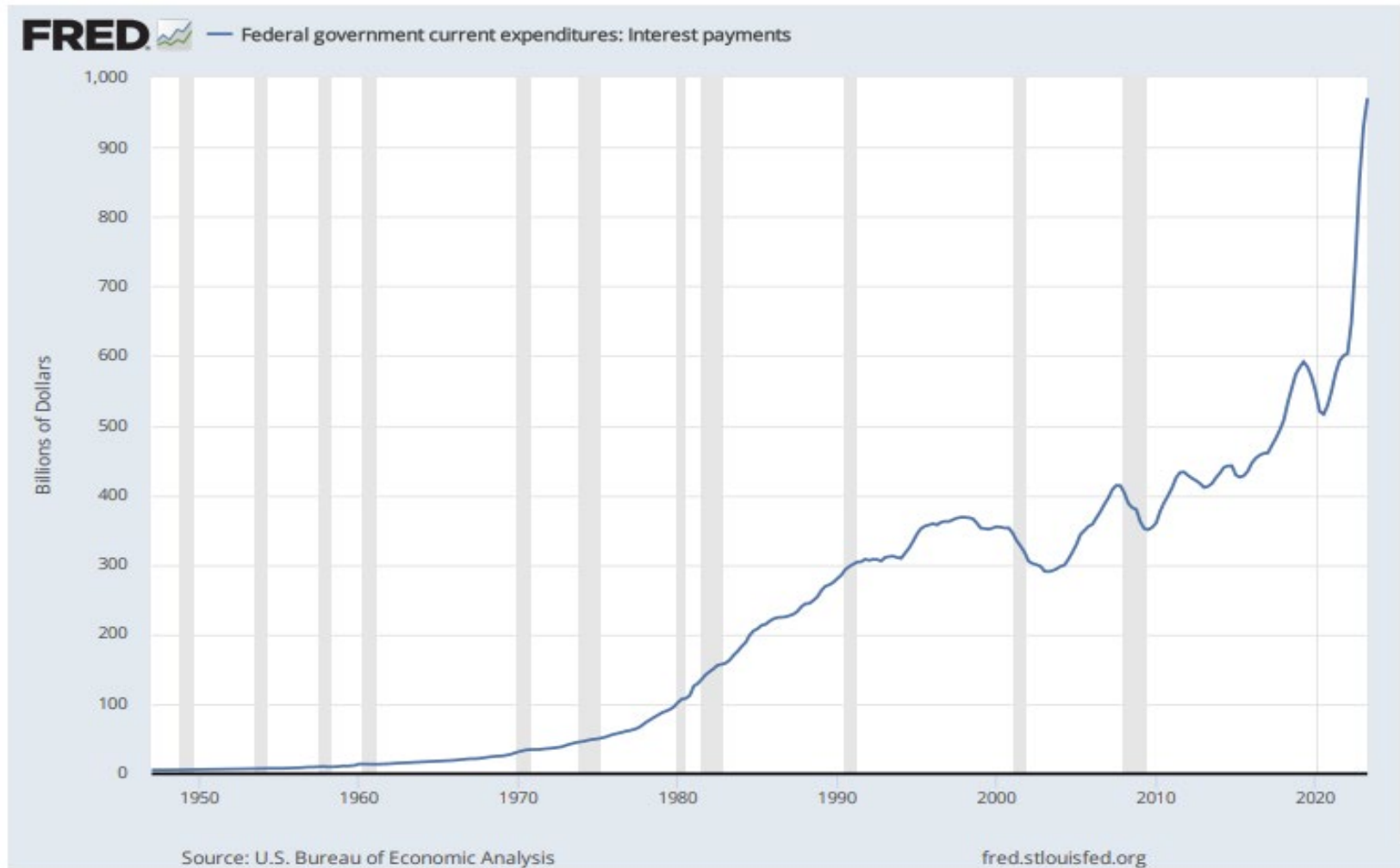
August 2023

**CAMBRIDGE**  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

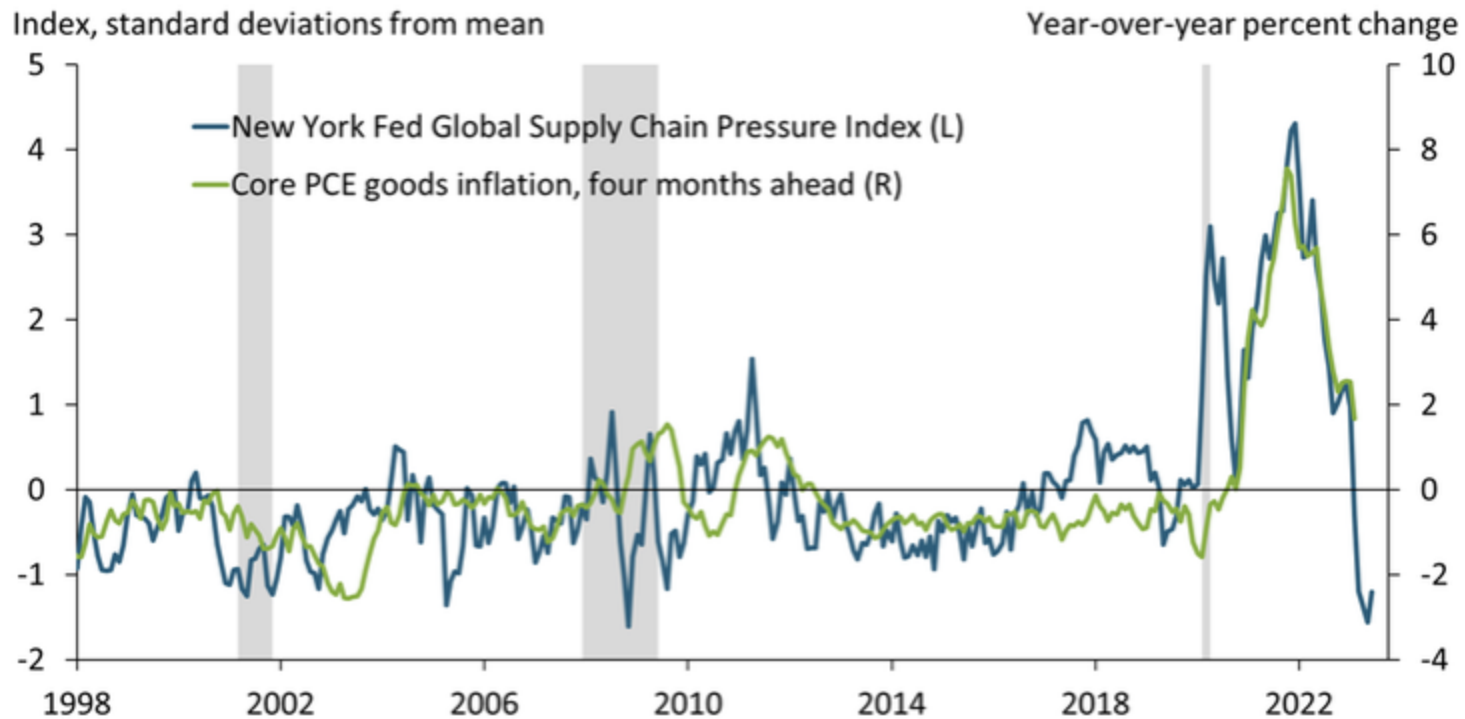
# Federal government current expenditures– Interest Payments

As of April 1, 2023, interest payment on Federal government debt was approaching \$1 trillion dollars and has nearly doubled since the start of COVID.



Source: US. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis

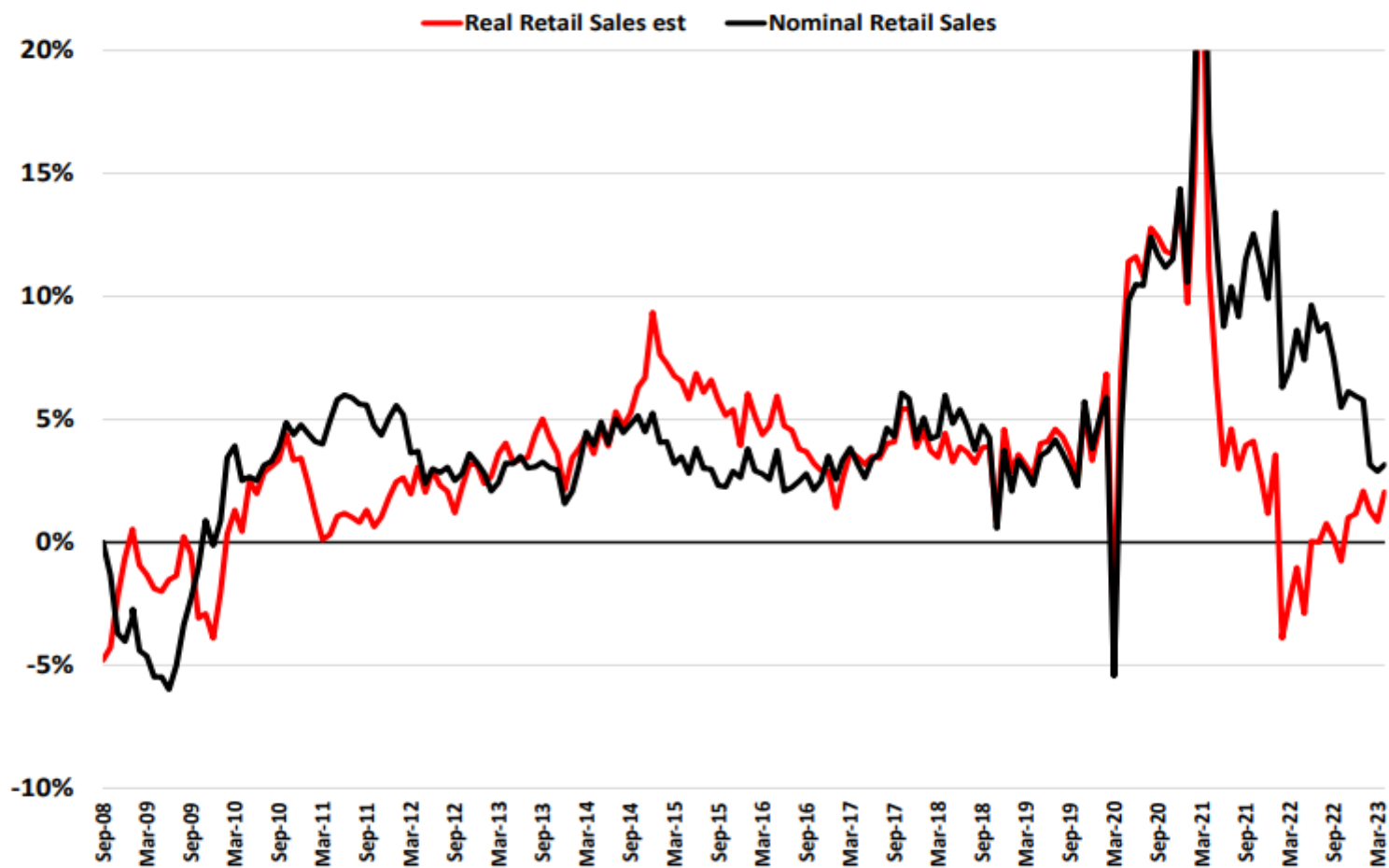
# Global Supply Chain Pressure Index & Inflation



Sources: U.S. Bureau of Economic Analysis, Federal Reserve Bank of New York, NBER, and authors' calculations. All data sources accessed through Haver Analytics

# Post-COVID Normalization – Retail Sales

Real Core U.S. Retail Sales (YoY %)

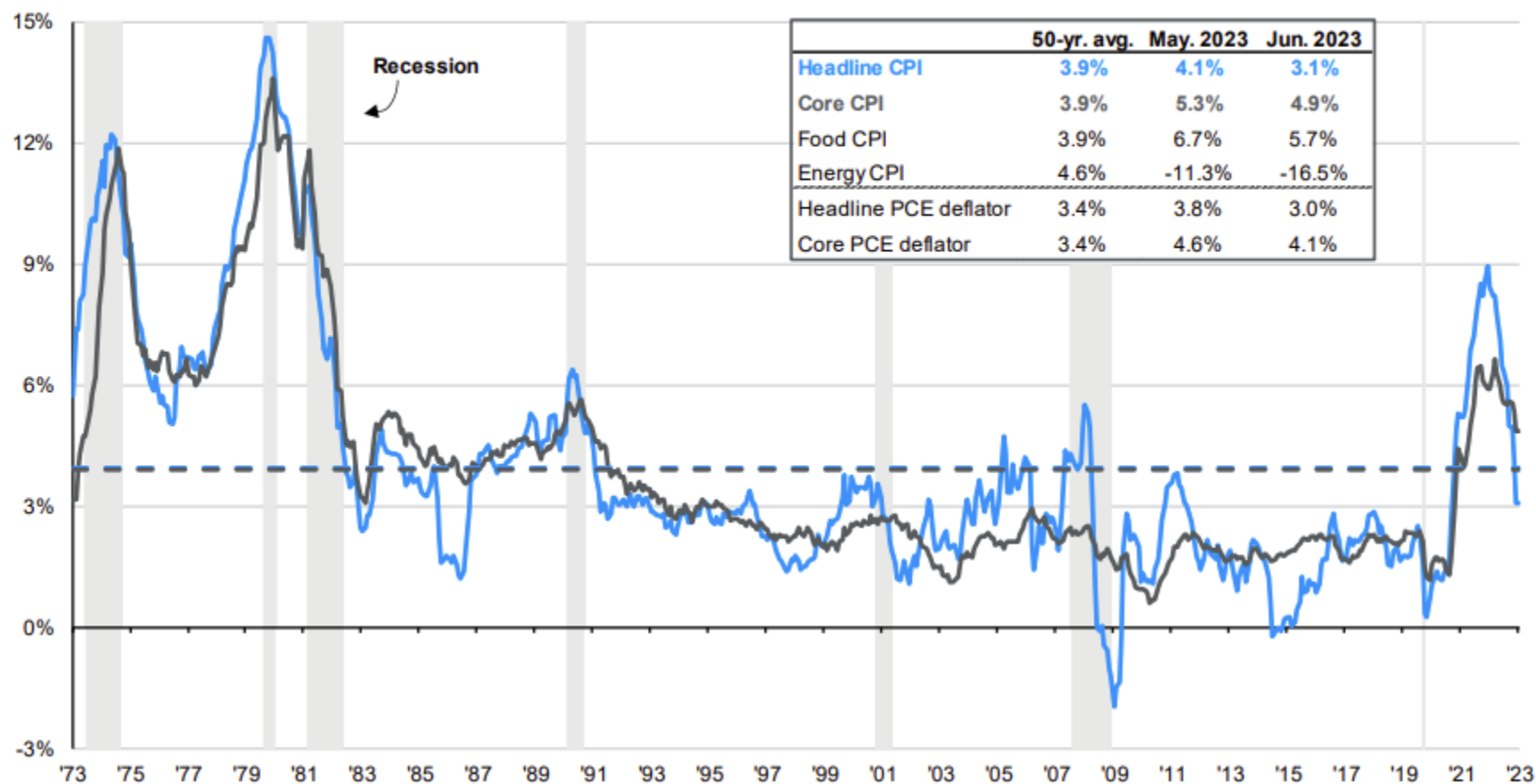


Source: BEA, Census Bureau, Evercore ISI

# Inflation

## CPI and core CPI

% change vs. prior year, seasonally adjusted

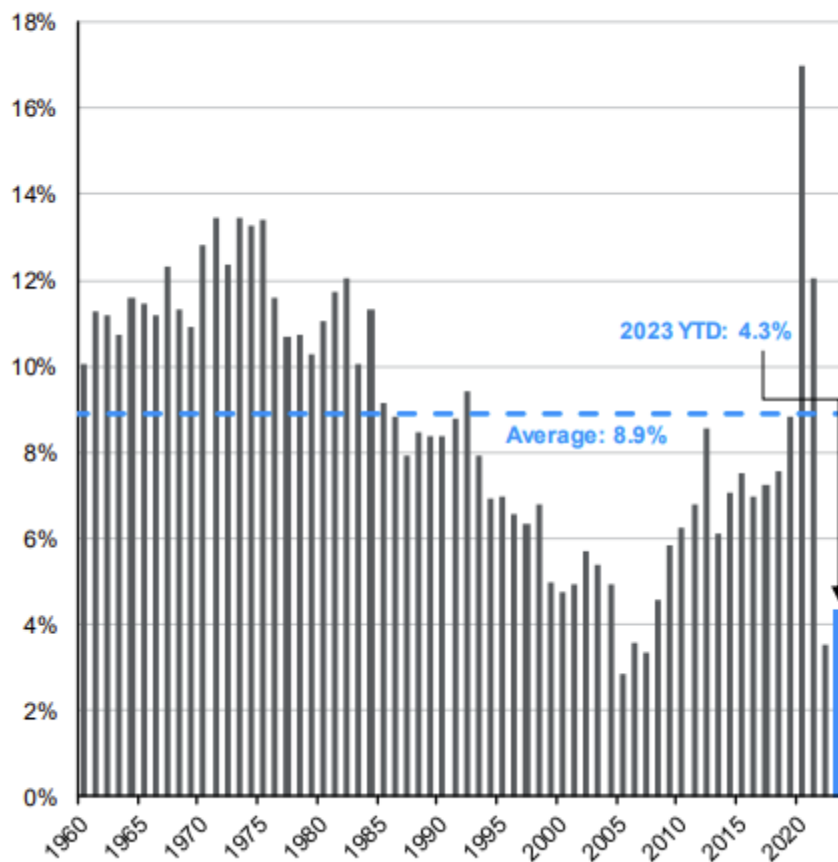


Source: BLS, FactSet, JP Morgan Asset Management, Guide to the Markets, August 4, 2023

# Consumer saving and borrowing

## Personal saving rate

Personal savings as a % of disposable personal income, annual



## Household excess savings

Trillions of USD



## Revolving consumer credit outstanding

% of disposable income, SAAR

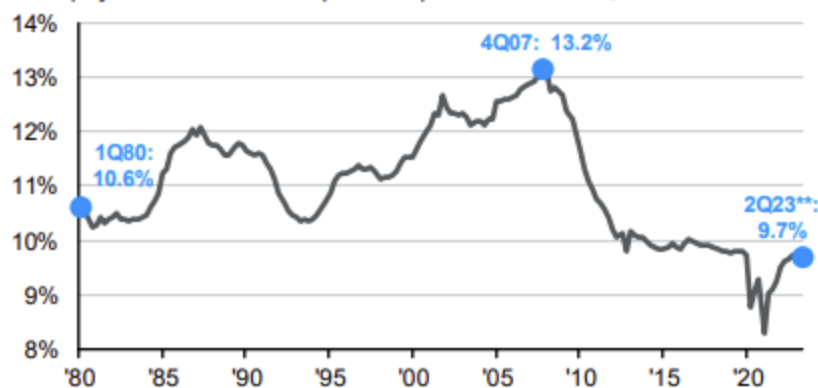


Source: BEA, Federal Reserve, JP Morgan Asset Management, Guide to the Markets, August 4, 2023

# Consumer finances

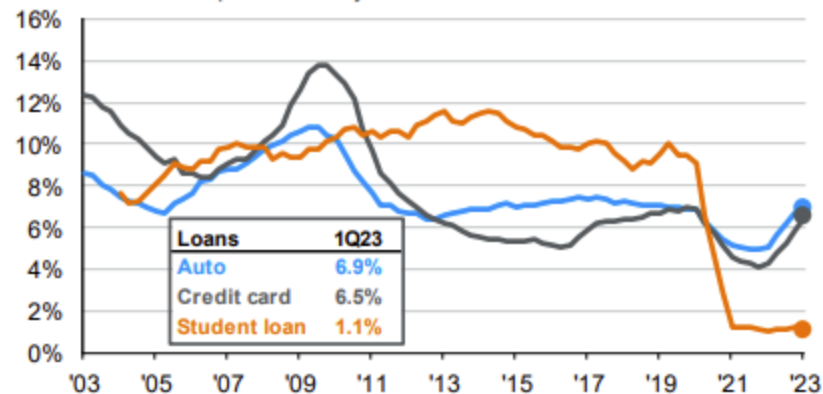
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Flows into early delinquencies

% of balance delinquent 30+ days

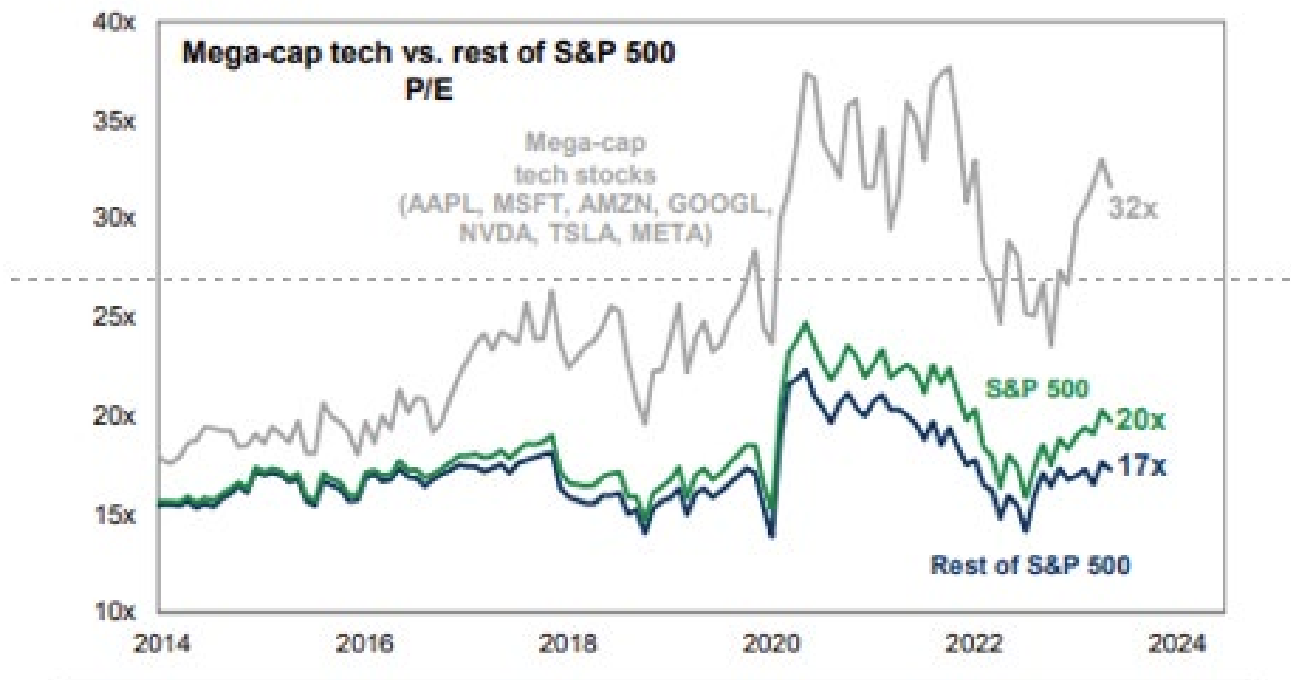


Source: BEA, JP Morgan Asset Management, Guide to the Markets, August 4, 2023



# S&P 500: P/E of Magnificent 7, Mega-Cap Technology stocks vs. the rest of the market

**Exhibit 6: S&P 500 trades at a 20x P/E in aggregate, but 17x ex. the top 7 stocks as of July 20, 2023**



Source: Compustat, Goldman Sachs Global Investment Research

Source: Goldman Sachs, US Weekly Kickstart, David Kostin,  
July 21, 2023

# Risks & reasons to be bearish

## **Government/Politics/Geo-politics**

- Upcoming presidential election in 2024
- China/Taiwan? Russia/Ukraine?
- U.S. debt level
- Fitch ratings downgrade of the debt rating of the U.S. From AAA to AA+

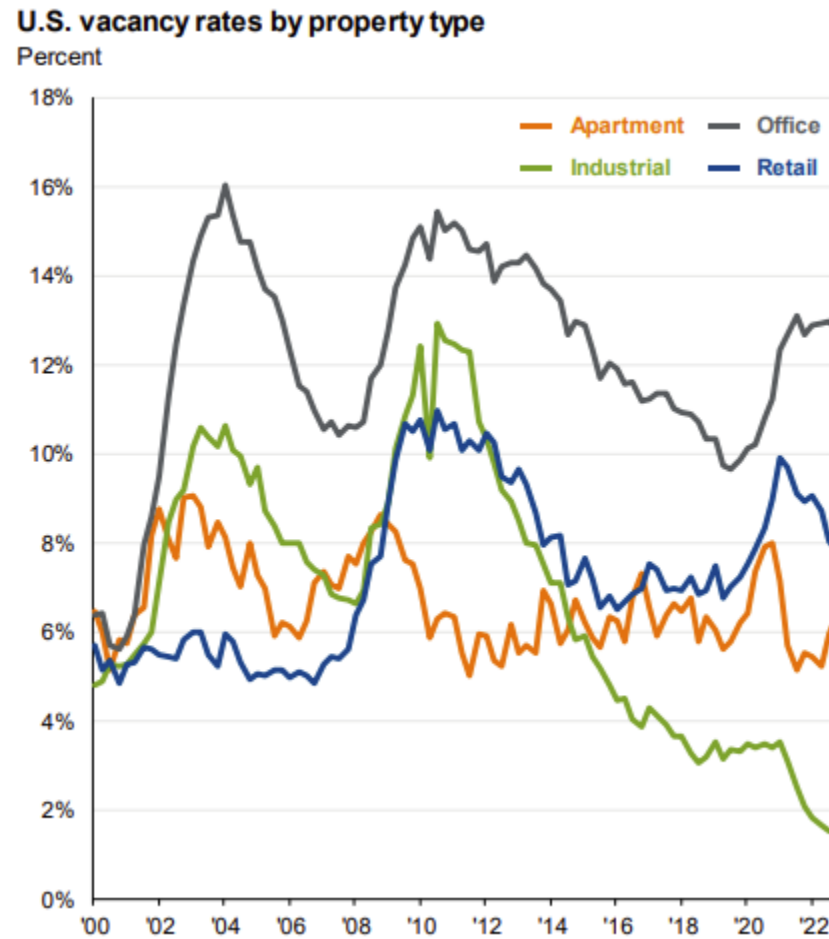
## **Consumer/Economics**

- Resumption of student loan payments
- Jobless claims are rising
- A 2<sup>nd</sup> inflationary surge
- Rising oil prices
- Higher debt costs impacting corporate profitability

## **Markets**

- Equity market valuations
- The long and variable lags from fed policy
- Inverted yield curve
- Regional Banks, especially those with high CRE exposure
- Private credit markets

# U.S. Real Estate Dynamics



Source: NAREIT, NCREIF, Statista, J.P. Morgan Asset Management, Guide to the Markets, August 4, 2023

# Opportunities & reasons to be bullish

## **Secular Themes**

- Inflation Reduction Act (IRA) and the CHIPS Act should provide short, intermediate, and long-term economic benefits
- Generative Artificial Intelligence (AI) and long-term potential productivity benefits
- Energy transformation, electrification, long-term shift towards renewables
- Digitization and automation of our workplace and our economy

## **Consumer/Economics**

- Consumer balance sheets
- >90% of mortgages are fixed rates
- Consumer net worth is near all-time highs
- Jobs are plentiful/tight labor market
- Weaker U.S. dollar as the Fed tightening cycle matures
- Closer to the end of the Fed's tightening campaign
- Homeowners and corporations have extended and termed-out debt burdens

## **Markets**

- Economic growth has been stronger than expected
- Corporate earnings growth likely troughed in Q2'23
- Sentiment remains quite negative (a contrarian indicator)
- Increasing breadth and market participation

# Examples of AI Applications - higher productivity & efficiency

Healthcare	Financials	Advertising & Digital Content	Retail & Freight	Energy & Industrials	Customer Service	Business Intelligence
Smart Implants (Ex: Hip & Knee)	AI Thematic Fund Offerings	Marketing Efficiency	3D Shopping & Product Try On	AI Tools for Pipelines	Customer Analytics	Developer Tools & Assisted Code
Medical Imaging	New Trade Pricing Tools	Enhanced Ad Targeting	Sidewalk Robots for Deliveries	Geological Models	Insurance Claims and Records	AI-Related Consulting
Pathology Detection	Generate Client Portfolio Reviews	Recommendation Engine	Supply Chain Efficiency	AI-Enabled Microgrid Tools	Transcribe and Summarize	Integrated Smart Home Interface
Personalized Medicine	Automated Trade Prices, Execution	Higher Ad Conversion	Inventory Management	Energy Usage Analytics	Client Onboarding	Automate Back Office Tasks
Identify Biomarkers	AI Portfolio Management	Ad Auction Dynamics	Demand Prediction	Energy Trading Enhancements		Fraud Prevention and Protection
New Drug Development	Increase Trading Velocity	Content Creation	Truck Routing Capabilities	Labor Scheduling		Cybersecurity Capabilities
Analysis of Genomic Data		Customized Travel Itineraries	Higher Fleet Utilization	Reservoir Optimization		Risk Assessment & Management
Physician Point of Service Tools		Video Game Development	Autonomous Fleet Networks	Leak Detection & Track Emissions		Accelerated Data Analysis
						Predictive Modeling

Source: Company Data, Morgan Stanley Research



# Deposits & Cash Management

*Holistic Solutions for our Private  
Banking Clients*

August 2023

**CAMBRIDGE**  
— TRUST —

PRIVATE BANKING WEALTH MANAGEMENT

# Highlighting the Bank

Cambridge Trust creates custom financial solutions to build, grow and protect wealth for today's individuals, families, businesses and nonprofit organizations.

## History of Financial Strength & Stability

- Founded in 1890 conservatively managed with consistent track record of stability and growth
- Total banking assets of \$5.6 billion\*, managing \$4.1 billion in client wealth assets\*

## Team Expertise & Collaboration

- Experienced professionals work together to meet the holistic needs of every client
- Dedicated relationship managers coordinate resources and support across the company

## Exceptional Personal Attention

- Personalized service delivered by expert professionals
- Private banking team approach with relationship management through the Premier Client Group

## Personalized Solutions

- Deep understanding of each client and their goals
- Customized approach to reflect the nuanced needs of every client.

# Explaining The Offerings

We take a holistic view of your financial life and offer a full suite of custom solutions to meet your unique needs.

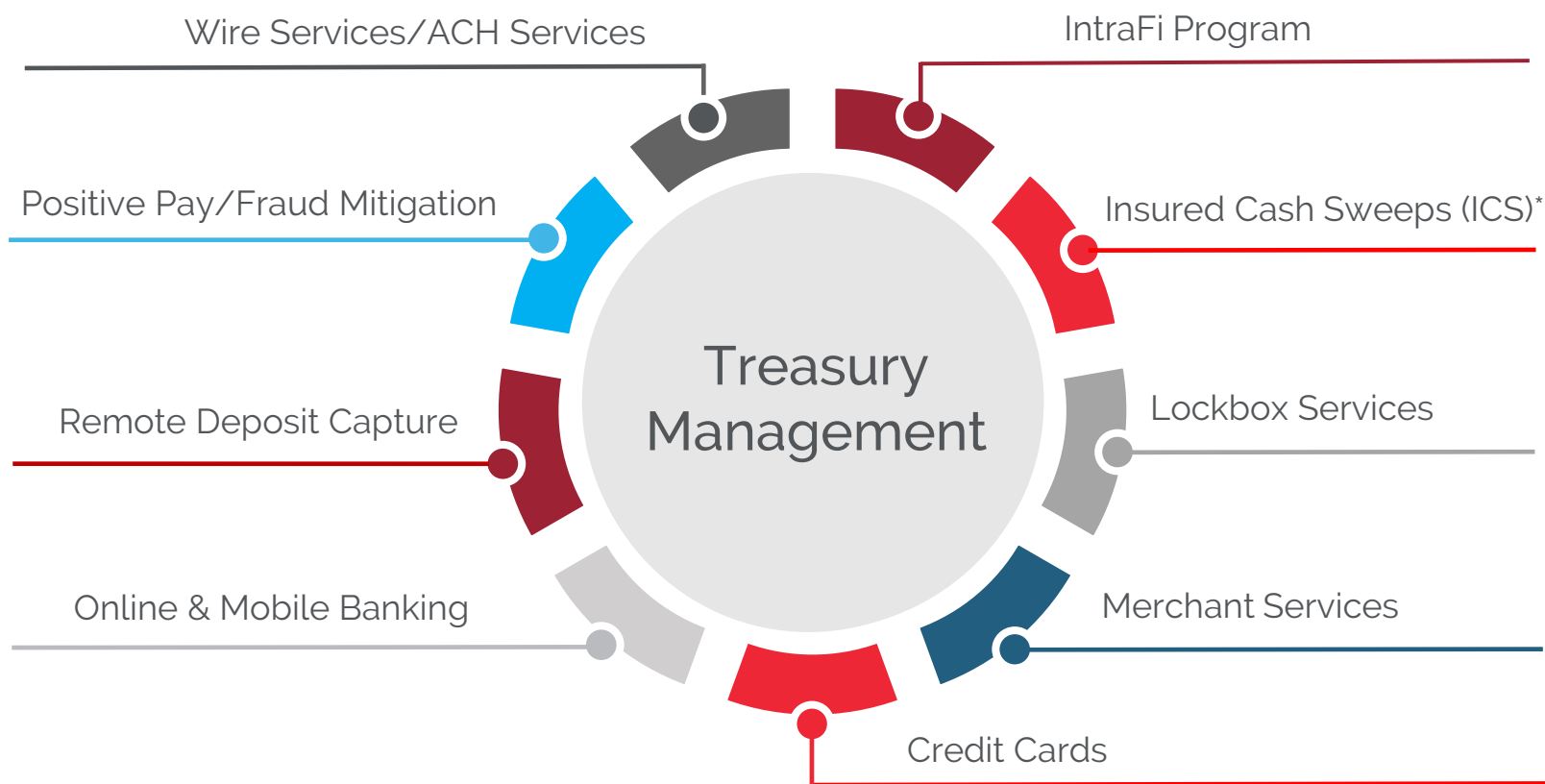




# Commercial & Business Solutions

## Treasury Management

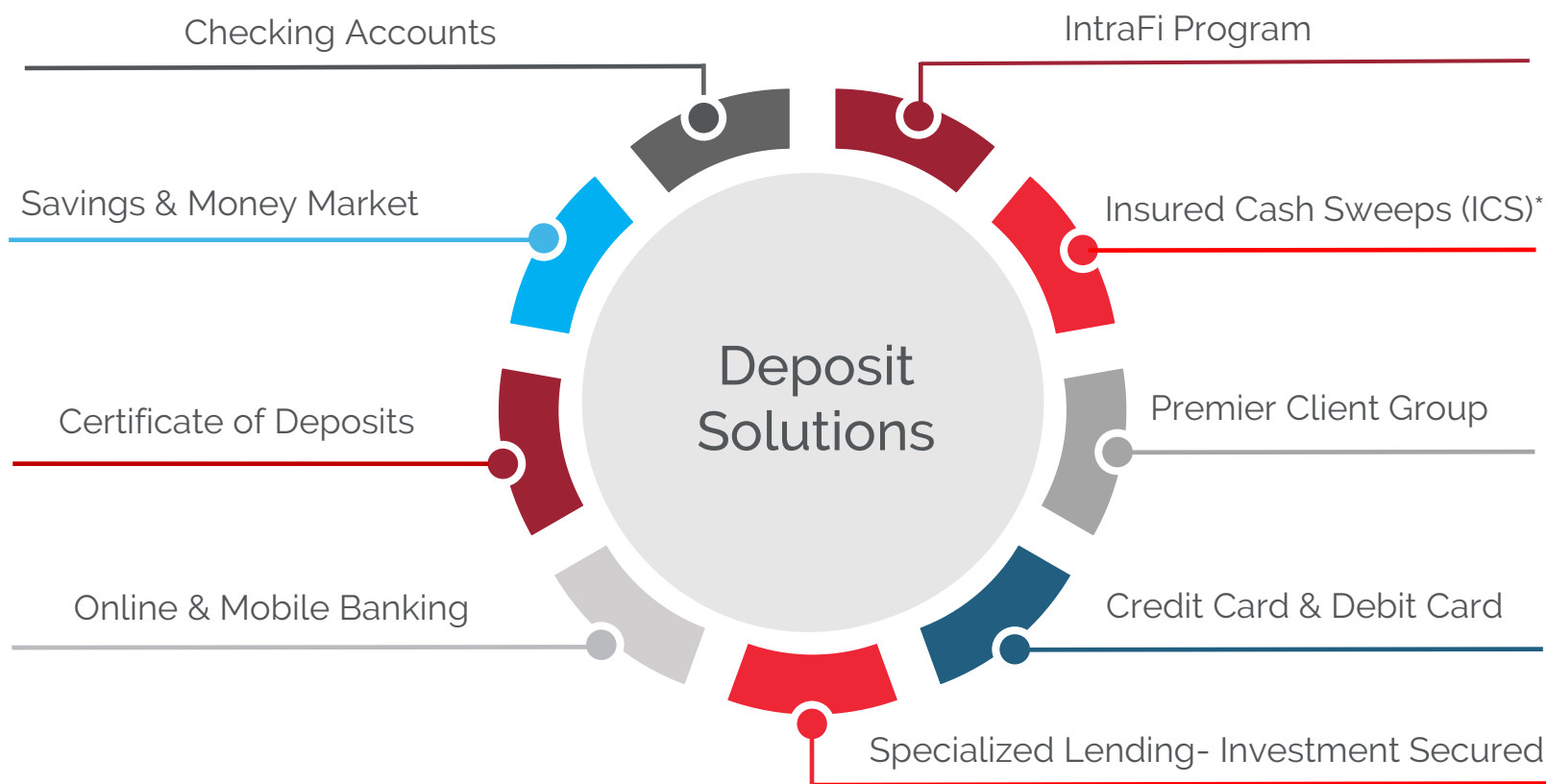
We offer a range of solutions to help you manage your cash flow more efficiently and improve your bottom line.



*\*Insured Cash Sweeps (ICS) provide FDIC coverage for balances over the \$250,000 threshold*

# Personal Deposit Solutions

A full suite of deposit solutions are available to support every client's unique needs. Expert professionals help manage more sophisticated relationships through the **Premier Client Group**.



*\*Insured Cash Sweeps (ICS) provide FDIC coverage for balances over the \$250,000 threshold*

# The Premier Client Group and Our Legacy

At Cambridge Trust, our story is built on a long history of providing private banking and wealth management services with financial acumen, integrity and accountability. We have developed a unique value proposition in the market based on safety, team expertise, exceptional personal attention and customized solutions.

We collaborate to bring our full capabilities to each client and drive an elevated service experience through **The Premier Client Group**.



## The Premier Client Group

- Comprised of clients with greater than \$1MM in deposits
- Provides a differentiated client experience
- Dedicated team for onboarding and servicing
- Exclusive membership benefits and products
- Added layer of responsiveness and proactive support
- Collaborates with wealth to present our holistic capabilities

# Benefits of a Cambridge Trust Premier Relationship

## Consistency:

Our clients should trust us before they need us. PCG supports and executes a thoughtful cadence of communication with our top clients.

## Proactiveness:

We are the experts in our field, and it should be a consistent experience for our clients to hear regular, customized solutions based on their needs, our best offerings and the latest technology.



An onboarding program striving for a best-in-class experience

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Unique & meaningful outreach around topics that matter most

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A known, trusted, easily contacted team

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Coordinated Annual Reviews

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An evolving program of benefits including products, pricing & experiences

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Established response plans for sensitive events and error resolution

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# The Premier Client Group Team



## **Nive Basnyat**

Premier Client Group Service Specialist

Ms. Basnyat joined Cambridge Trust in 2005 and serves as our Premier Client Group Service Specialist for our Premier Clients. Prior to joining Cambridge Trust Ms. Basnyat was a teacher in Nepal. Ms. Basnyat works with all PCG Relationship Managers to ensure the needs of our clients are met regardless of location and specialty.



Nivedita.Basnyat@CambridgeTrust.com



617.441.1487



## **Rachael Ela**

First Vice President, Associate Director, Premier Client Group Manager

Ms. Ela joined Cambridge Trust in 2019 after the merger with Optima Bank & Trust. She serves as Associate Director, focusing on strategy for the Deposit division of the bank and oversees the Premier Client Group. Ms. Ela previously oversaw the Stratham banking office and has held leadership roles at Optima Bank & Trust and The Provident Bank. Ms. Ela has deep experience working with non-profits and high-net-worth individuals.



Rachael.Ela@CambridgeTrust.com



603.773.5201



## **Elda Kalivioti**

Vice President, Premier Client Group Relationship Manager

Ms. Kalivioti joined Cambridge Trust in 2016 and serves as Vice President, Premier Client Group Relationship Manager. Previously Ms. Kalivioti oversaw the Concord banking office. Prior to joining Cambridge Trust, she held similar roles at Citibank and Webster Bank. Ms. Kalivioti specializes in working with high-net-worth individuals and non-profits.



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617.503.4110

# The Premier Client Group Team



## Debbie Moore

Vice President, Premier Client Group Relationship Manager

Ms. Moore joined Cambridge Trust in 2019 through the successful merger with Optima Bank & Trust. Ms. Moore previously worked at Optima Bank & Trust from 2012 to merger and prior to that at Bank of America from 2005-2012. Prior to going into banking Ms. Moore worked in her family business in Portsmouth and held her real estate license. Ms. Moore specializes in working with businesses and family offices.

✉ Deborah.Moore@CambridgeTrust.com ☎ 603.433.9610

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## Telma Salvador

Vice President, Premier Client Group Relationship Manager

Ms. Salvador joined Cambridge Trust in March of 2016 and serves as Vice President, Premier Client Relationship Manager. Prior to joining Cambridge Trust, Ms. Salvador worked as a Personal Banker, Vice President, Branch Manager for Citibank. Her prior experience includes being a teacher and a Vice Principal for a Private School in Brazil. Ms. Salvador specializes in partnering with our Innovation Banking Group.

✉ Telma.Salvador@CambridgeTrust.com ☎ 617.503.4165

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## Stacy Sheehan

Vice President, Premier Client Group Relationship Manager

Ms. Sheehan joined Cambridge Trust in 2010 and serves as Vice President, Relationship Manager in our Premier Client Group. Prior to joining Cambridge Trust, she held management roles at TD Bank, USTrust and Lexington Savings Bank. Ms. Sheehan specializes in working with high-net-worth individuals, businesses and Massachusetts municipalities.

✉ Stacy.Sheehan@CambridgeTrust.com ☎ 617.503.4163

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# Exclusive Offers for Our Clients

There are many options for our clients to support their short-term cash or liquidity needs. Please reach out to your relationship manager if you would like more information on our programs including:

- Current rates and specials for new deposits
- Support for onboarding a new business or personal account
- More information on membership for the Premier Client Group

As always, we appreciate your business and would welcome introductions to friends and family who might be interested in becoming a client of Cambridge Trust.

Thank you!