

Coronavirus and the Markets:

*What's Happened, What May Lie Ahead, and
How We're Investing Our Clients' Money*

Conference Call

Michael A. Tyler, CFA
Chief Investment Officer

Eastern Bank Wealth Management

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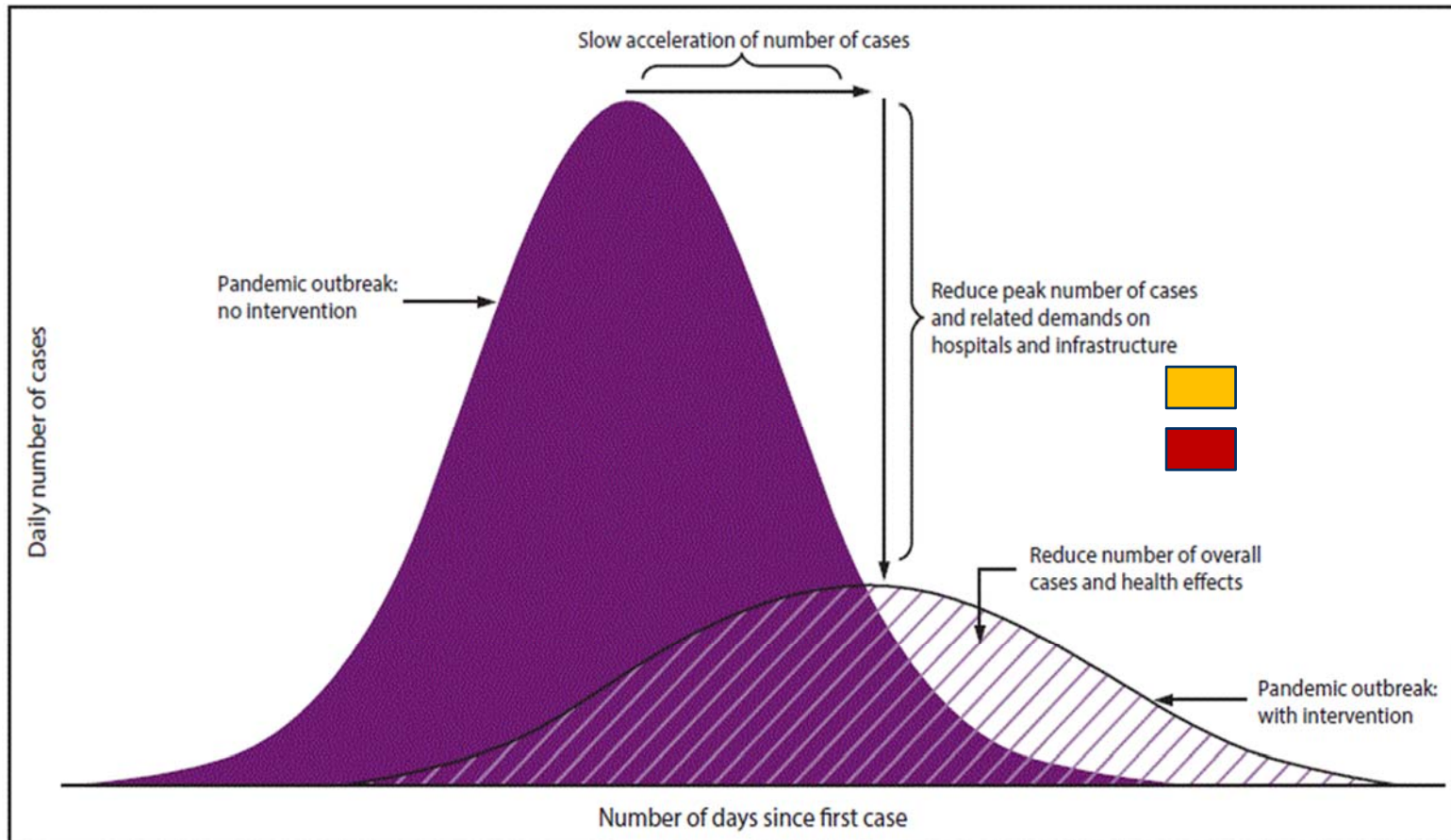
- Chief Investment Officer, Eastern Bank Wealth Management
- Former Partner at Wellington Management in Boston
- Founder/CEO of investment boutique
 - Advised institutional clients on corporate takeovers and managed hedge fund
- Board Memberships
 - Align Impact (immediate past chair), values-based investment mission
 - Associated Industries of Massachusetts, state's largest trade group
 - John F. Kennedy Library Foundation investment committee
- Frequent commentator on national (CNBC) and regional TV
- Harvard MBA, Princeton BA



Agenda

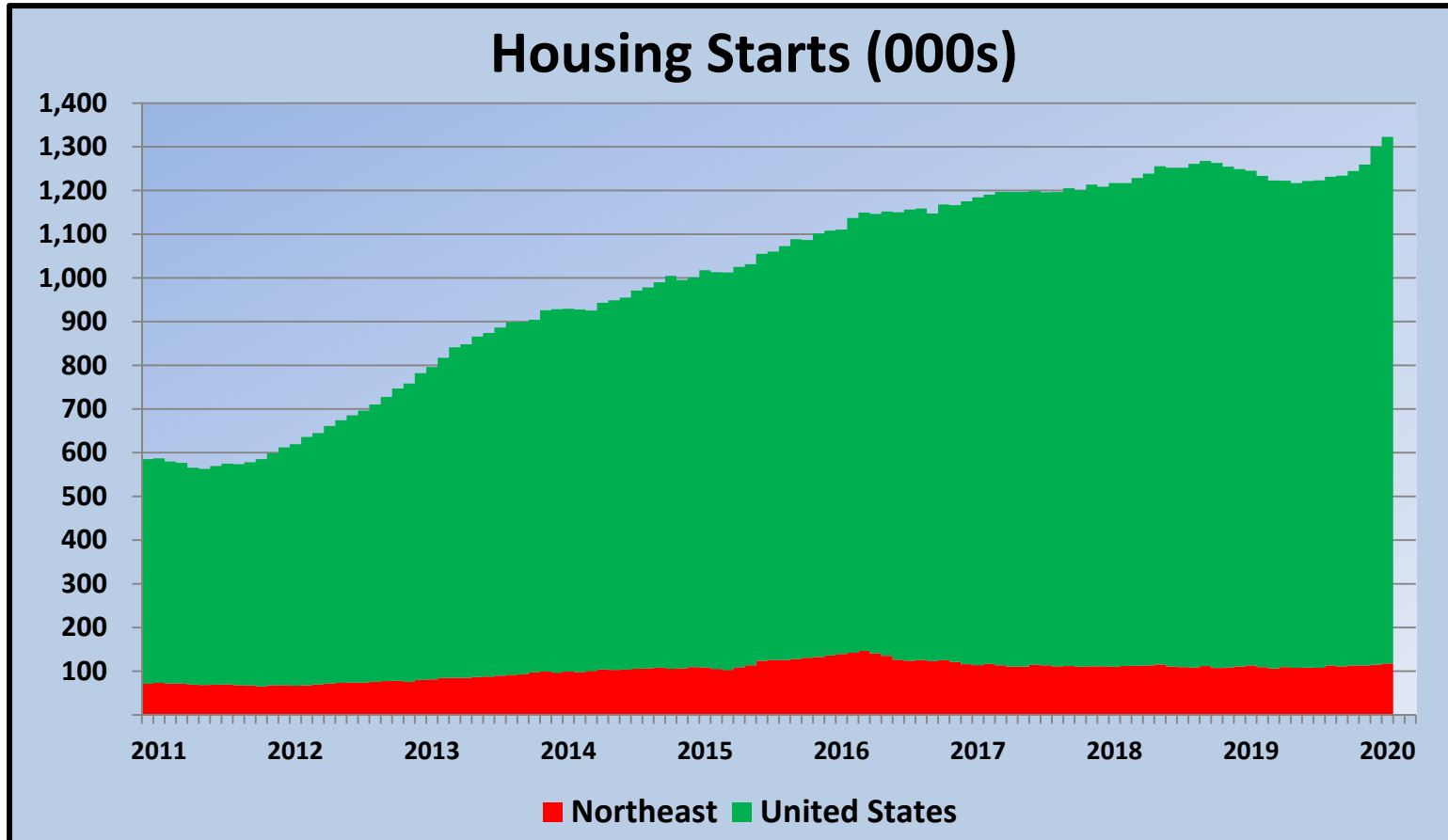
- What *isn't* on the agenda
- Epidemiology from an investment perspective
- Economic impact of the virus and our response to it
- Financial markets – what has happened, what lies ahead
- EBWM performance
- Q&A – email questions to m.tyler@easternbank.com, with “Question” in the subject line

The Epidemiological Curve



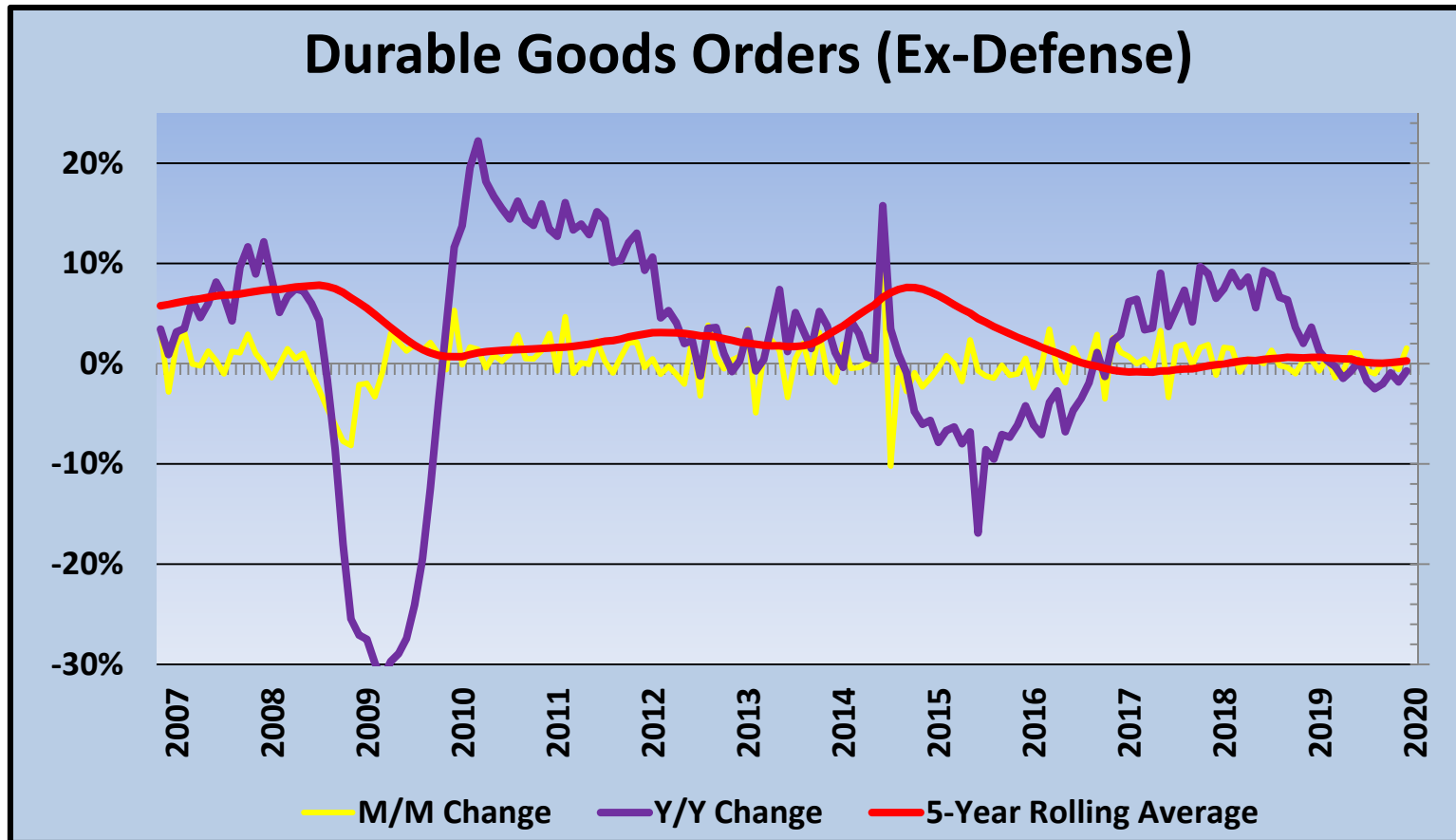
Source: CDC - https://www.cdc.gov/mmwr/volumes/66/rr/rr6601a1.htm#_blank

Housing Starts



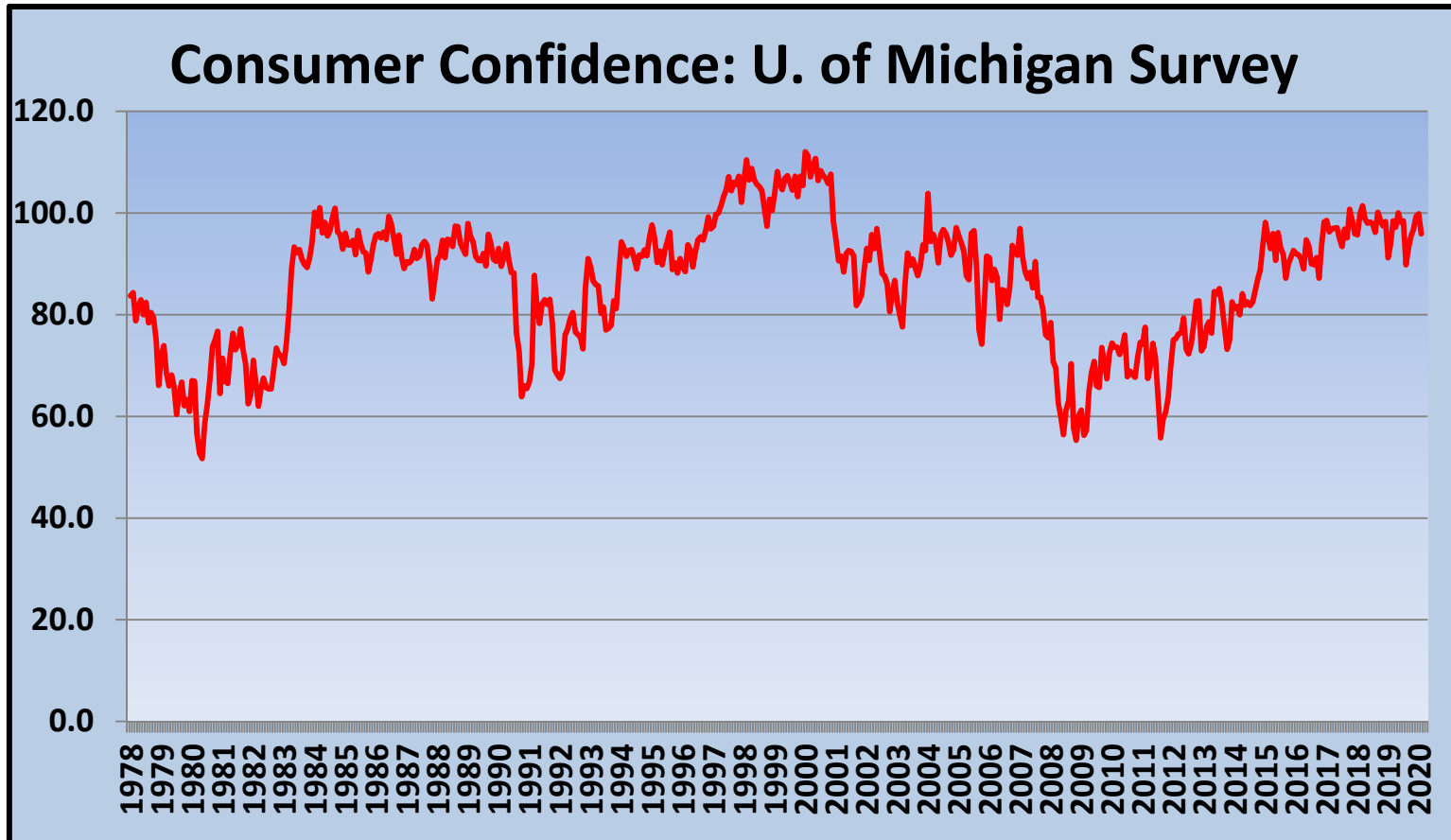
Source: Census Bureau

Durable Goods



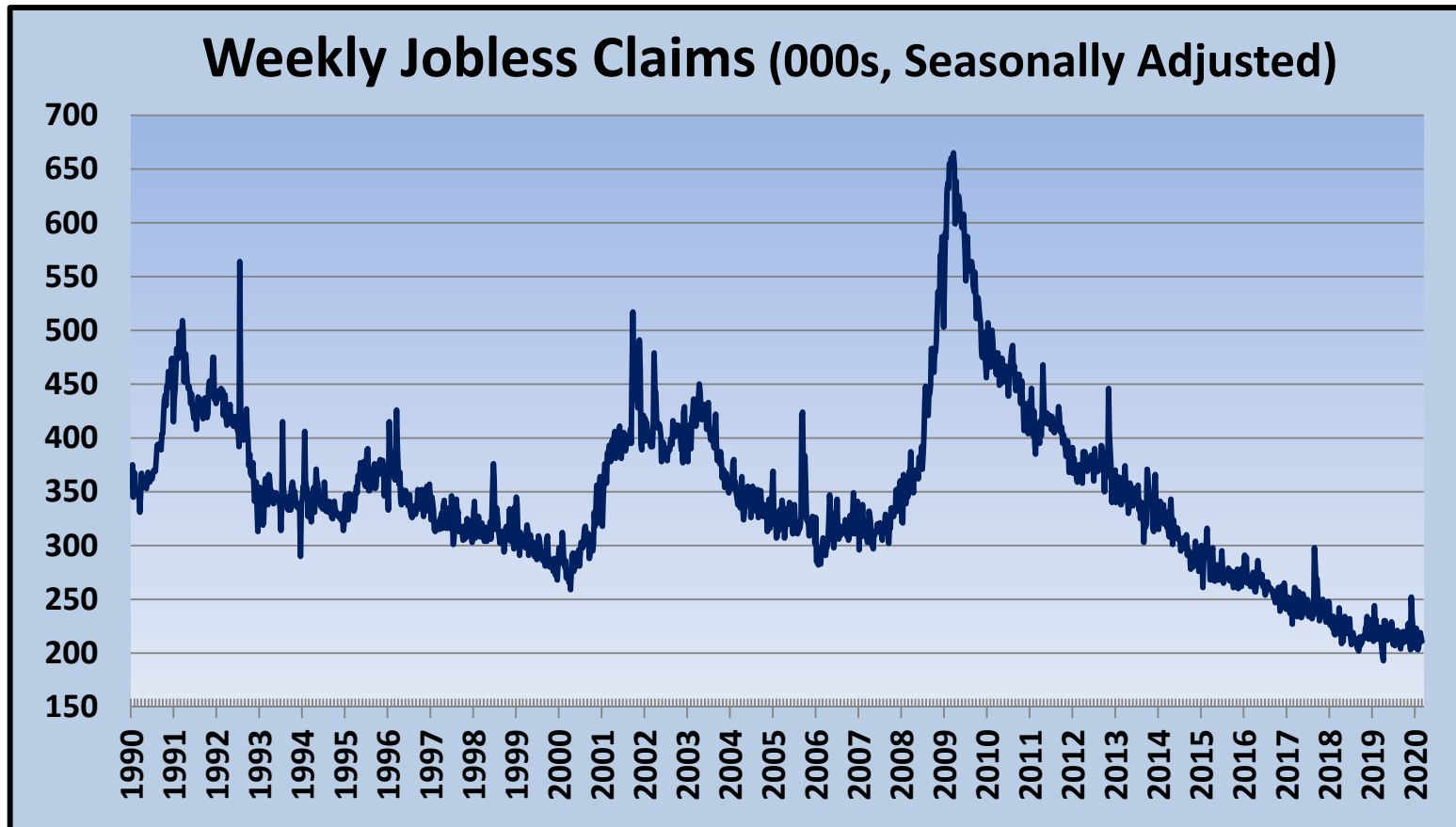
Source: Census Bureau

Consumer Sentiment



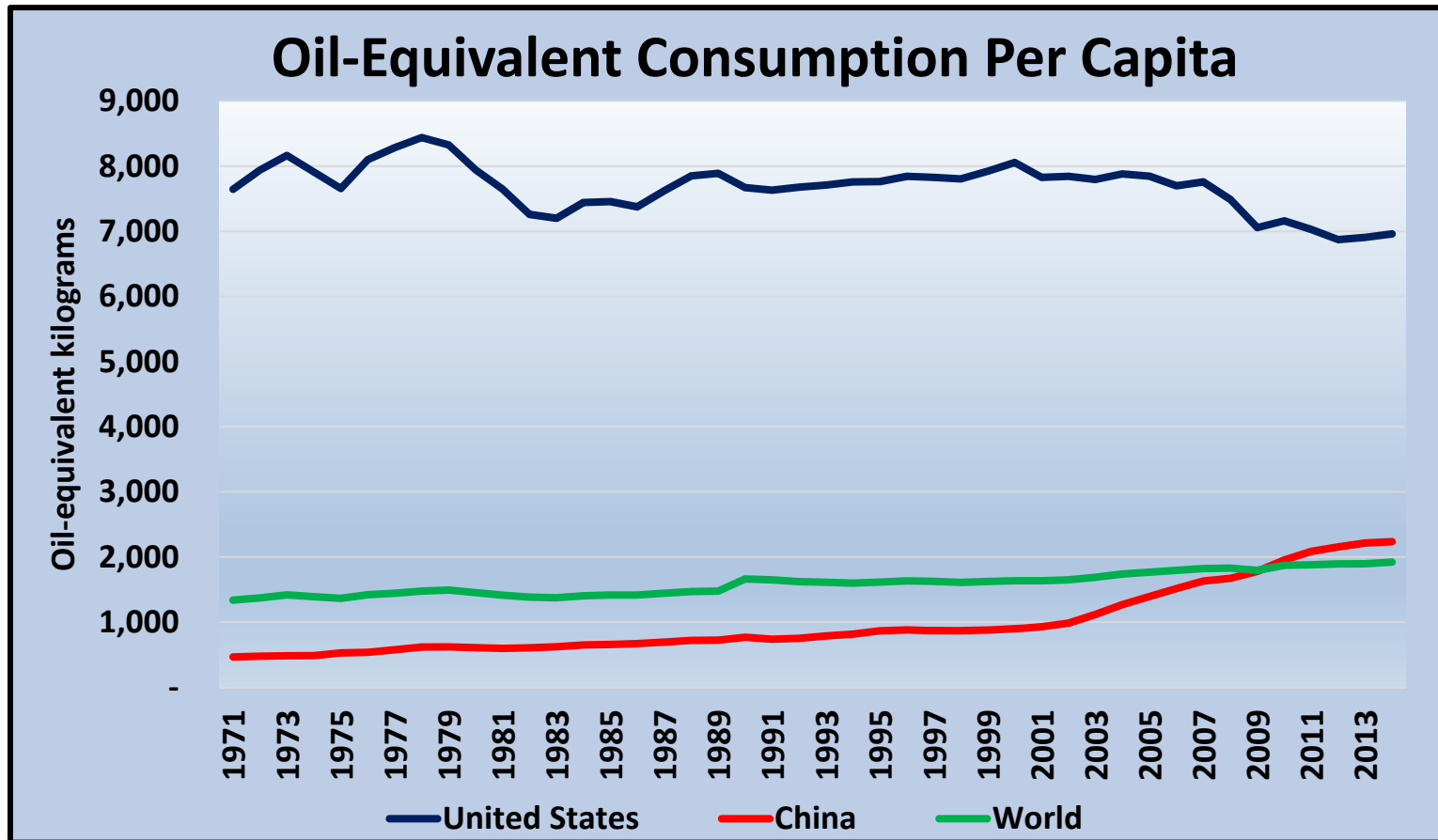
Source: University of Michigan

Initial Jobless Claims



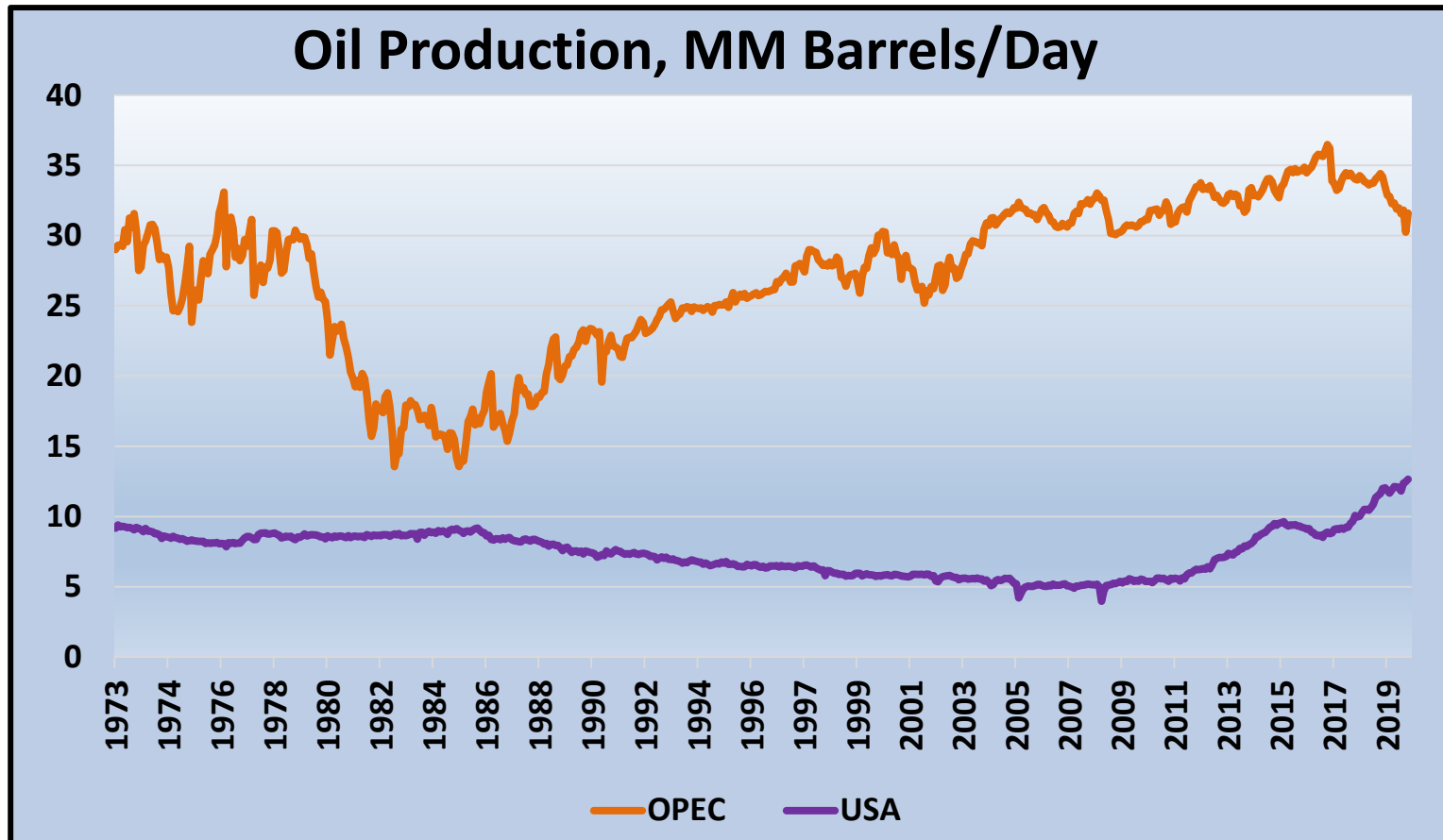
Source: Labor Department

Oil: Demand Erosion?



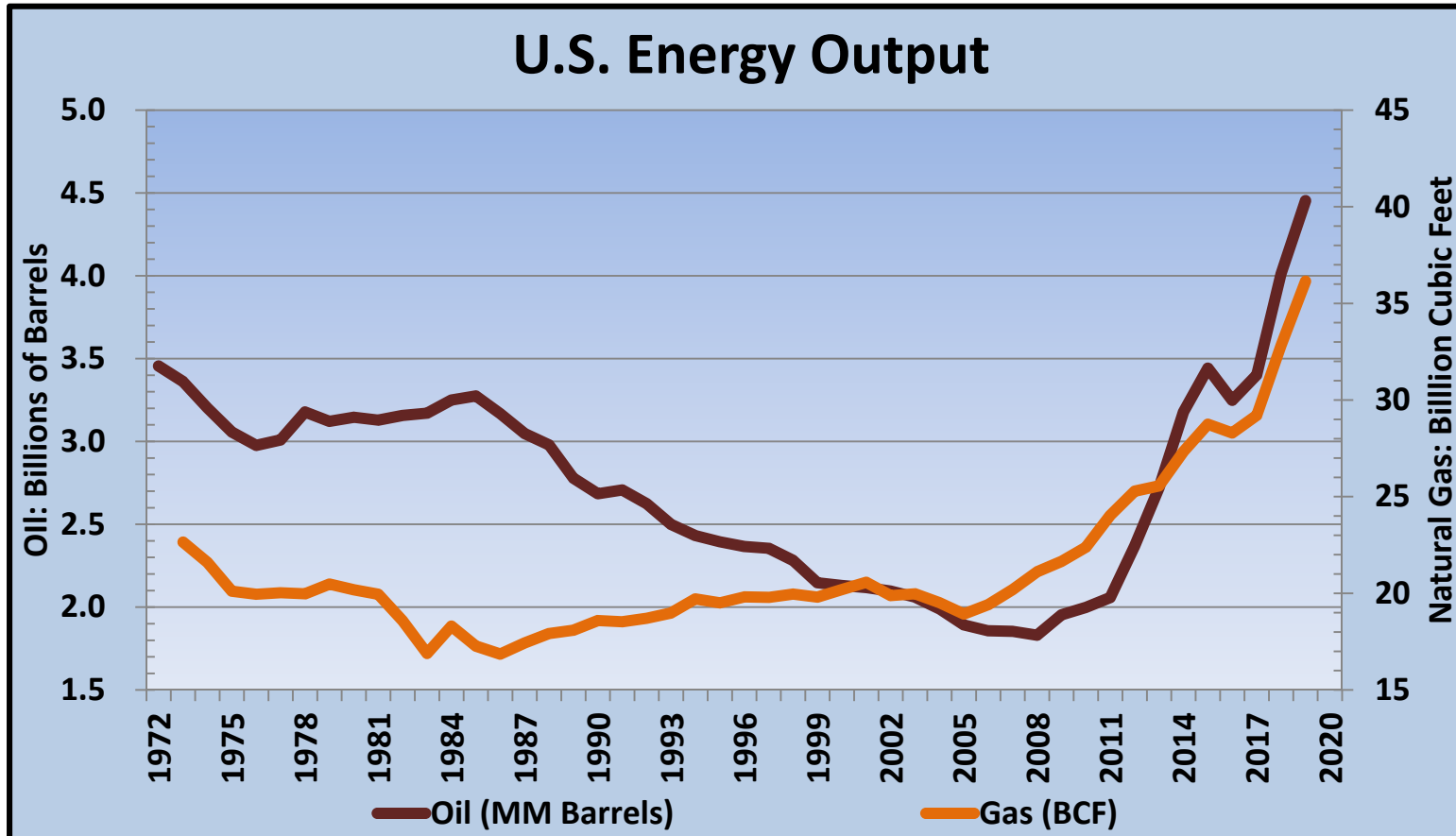
Source: World Bank

Oil: Supplier Market Shares



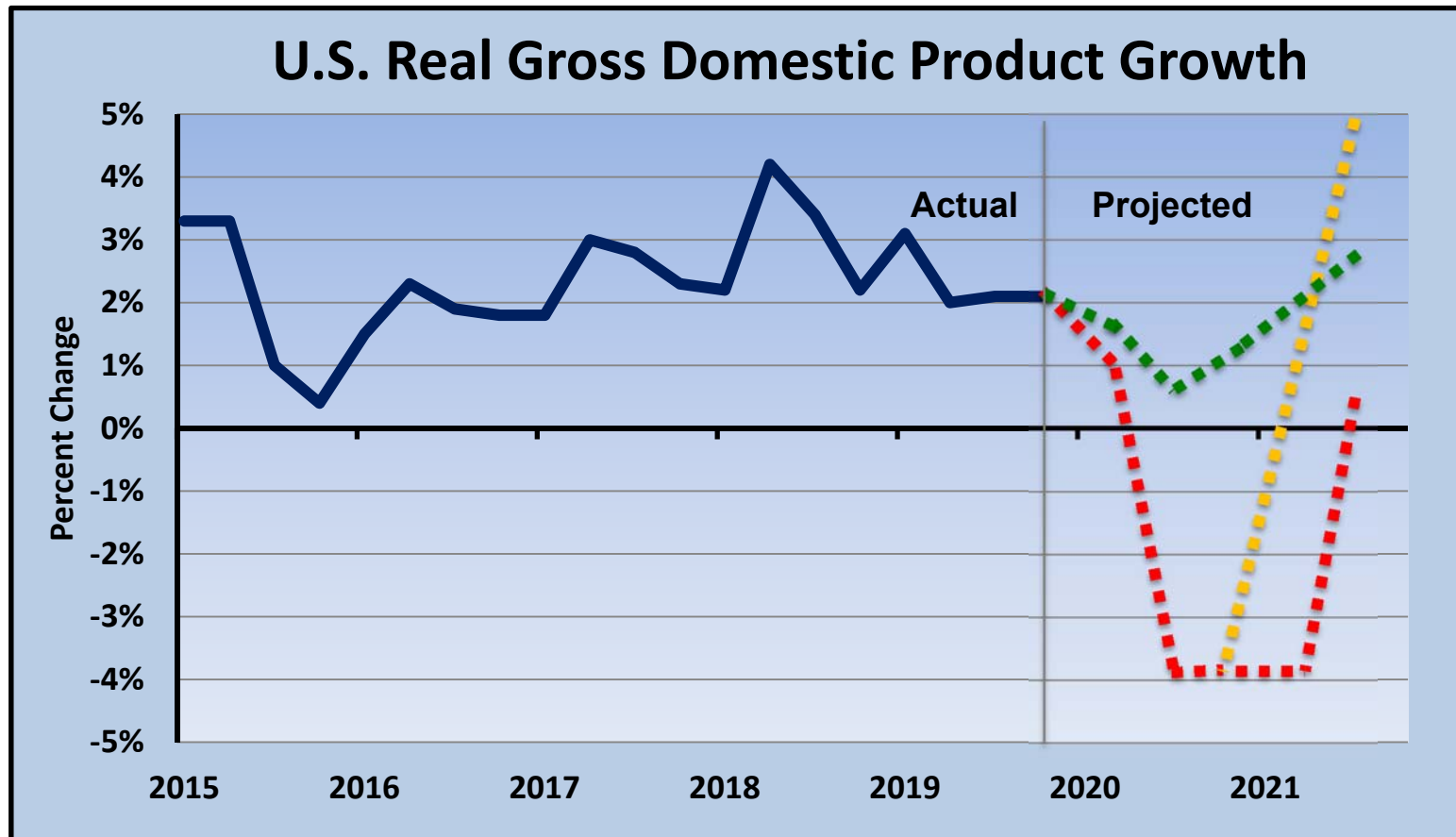
Source: Energy Information Administration

Oil & Gas: U.S. Production



Source: Energy Information Administration

U.S. GDP Growth



Source: Commerce Department, Bureau of Economic Analysis

Policy Response

- Public health policy targets epidemiology
 - The best “fiscal stimulus” is massive Covid-19 testing
 - Ameliorate the fear and panic, get people out again
- Monetary policy preserves market function and liquidity
 - Price of money (interest rate) is of secondary importance
 - Liquidity is critical – ensure demand for dollars can be met
 - Keep flows of goods and payments smooth
- Fiscal policy targets solvency and sustainability
 - Help people and businesses who will lose income remain solvent
 - Payroll tax cut is nice but targets the wrong demographic group
 - Focus on small business – SBA role will be critical
 - Germany may use deficit spending, a vital positive shock for Europe

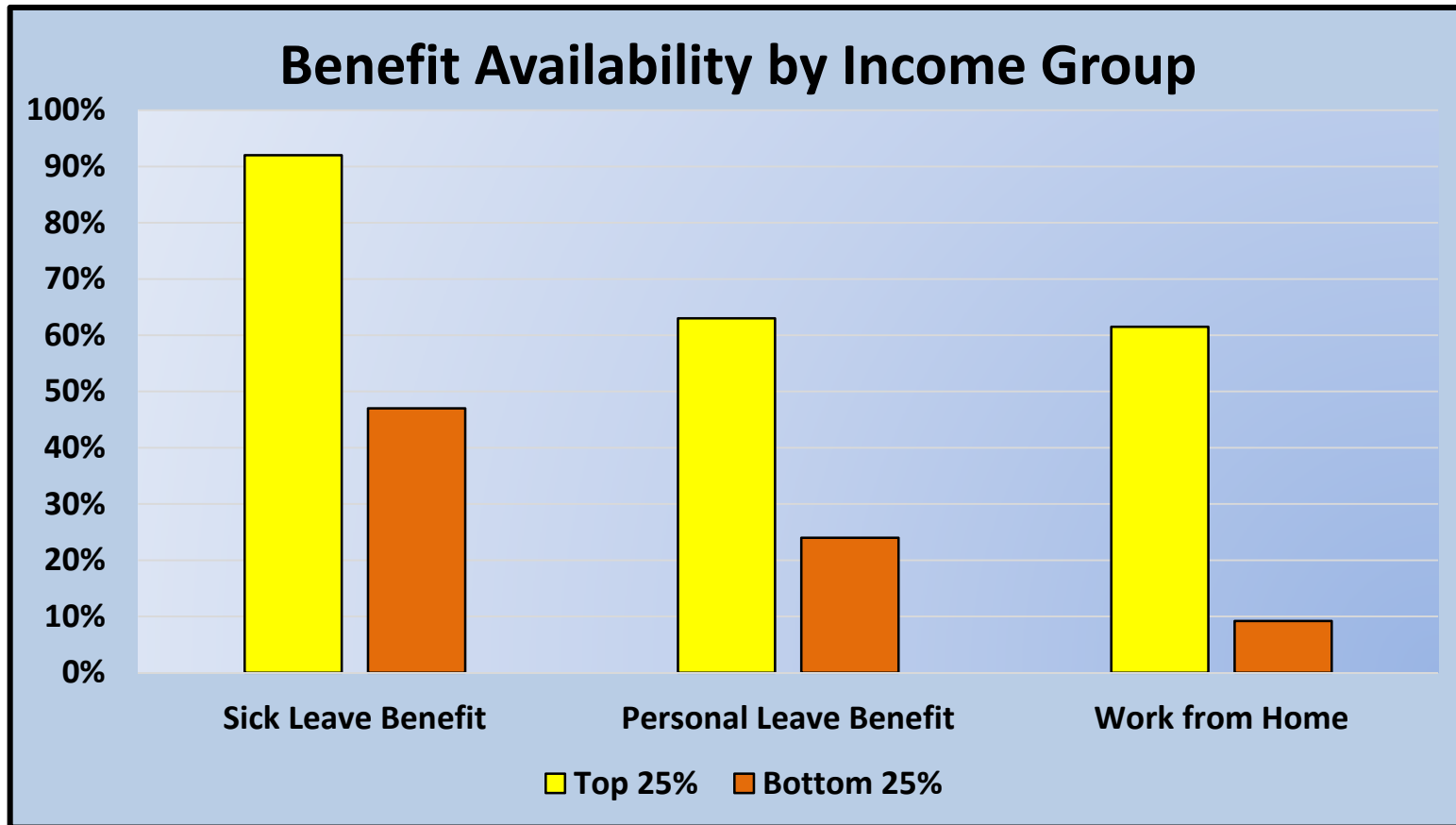
Federal Reserve Actions

- Fed injected \$1.5 trillion last week in short-term funding
 - Support for repo market that had dried up
- Fed cut short-term interest rates yesterday to near zero
 - Help bolster demand and keep commercial paper markets open
 - Fed will not use negative rates – no benefit, considerable risk
- Fed will resume “quantitative easing”
 - Purchase \$500 billion in Treasury debt and \$200 billion in MBS
- Fed eliminated bank reserve requirements
- Fed activated swap lines with other central banks
- Powell: “We’ve got a lot of power in our liquidity tools and a willingness to use them”
 - No need for further tools from Congress

Congressional & Executive Action

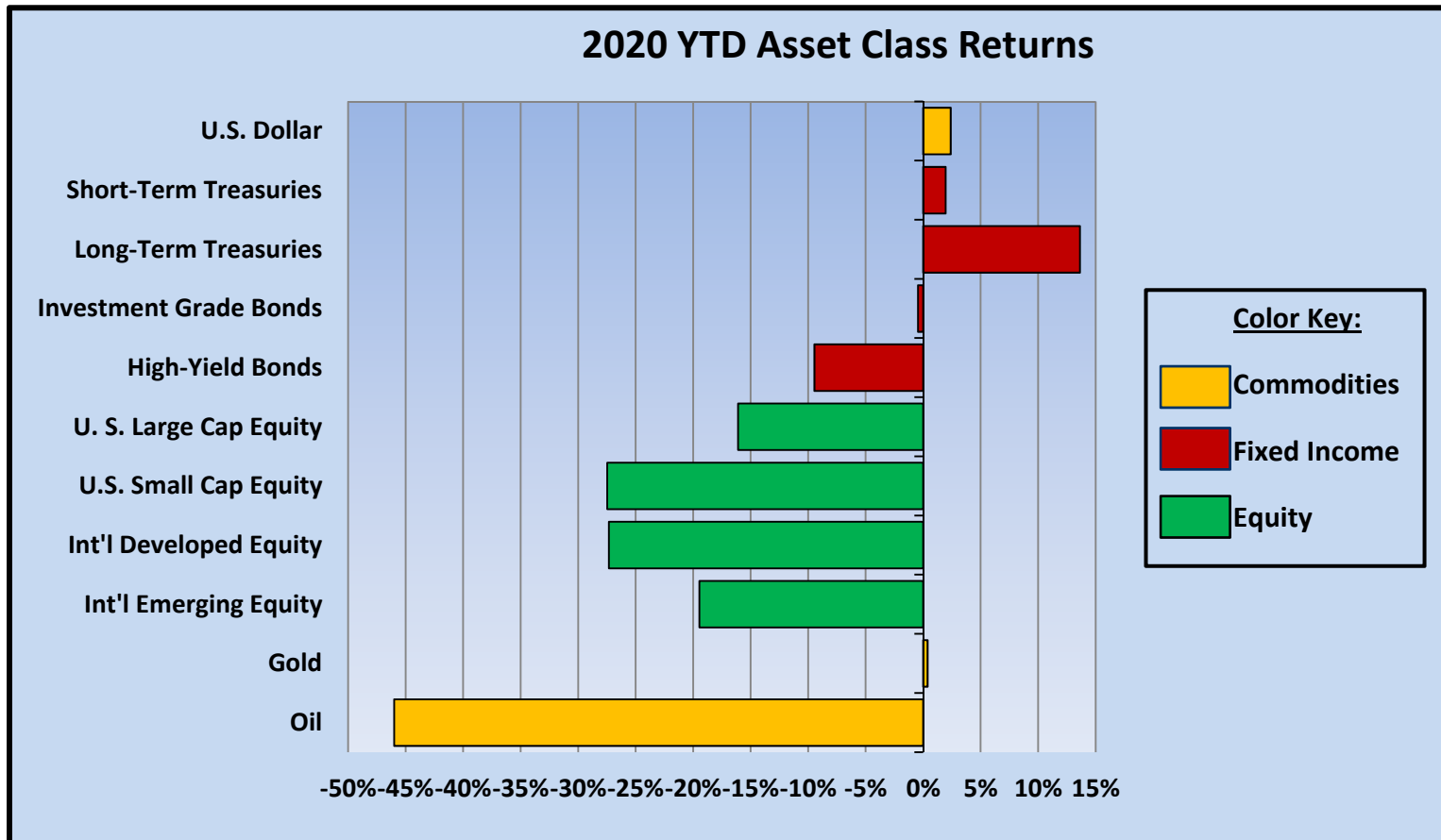
- House bill passed Saturday with huge bipartisan support
 - Provides free virus testing with doctor prescription
 - Provides direct support to the most vulnerable people
 - Two weeks paid sick leave
 - Three months paid family & medical leave
 - Extended unemployment benefits
 - More funding for state Medicaid programs
- President authorized \$50 billion in emergency SBA loans
 - Up to \$2 million per business to offset lost revenues
 - Borrowers can use money for payroll, debt service, other expenses
 - Rates are 3.75% for for-profit companies and 2.75% for non-profits

Least Resilient Workers Need Help



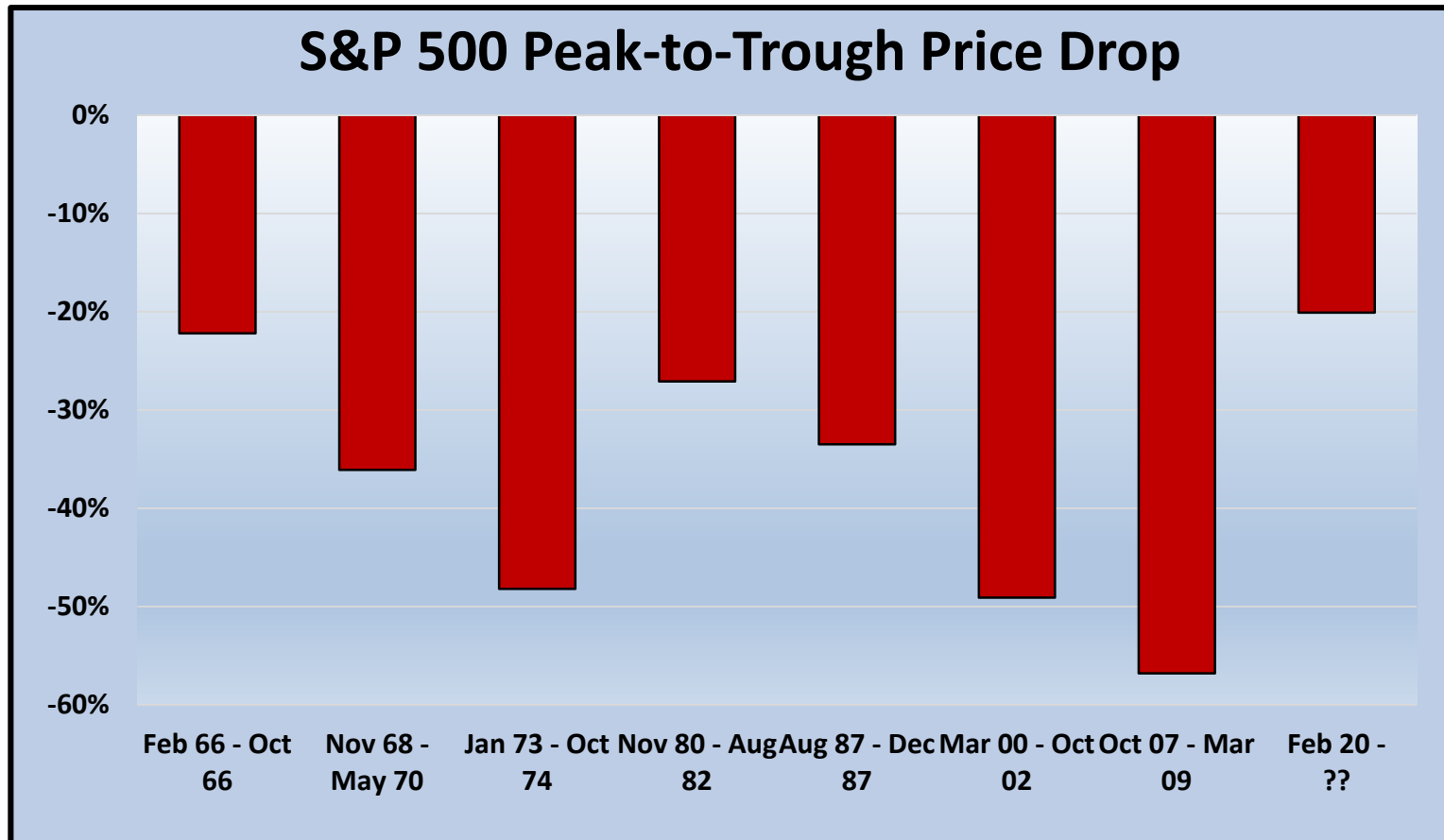
Source: Commerce Department, Bureau of Economic Analysis

Asset Class Returns



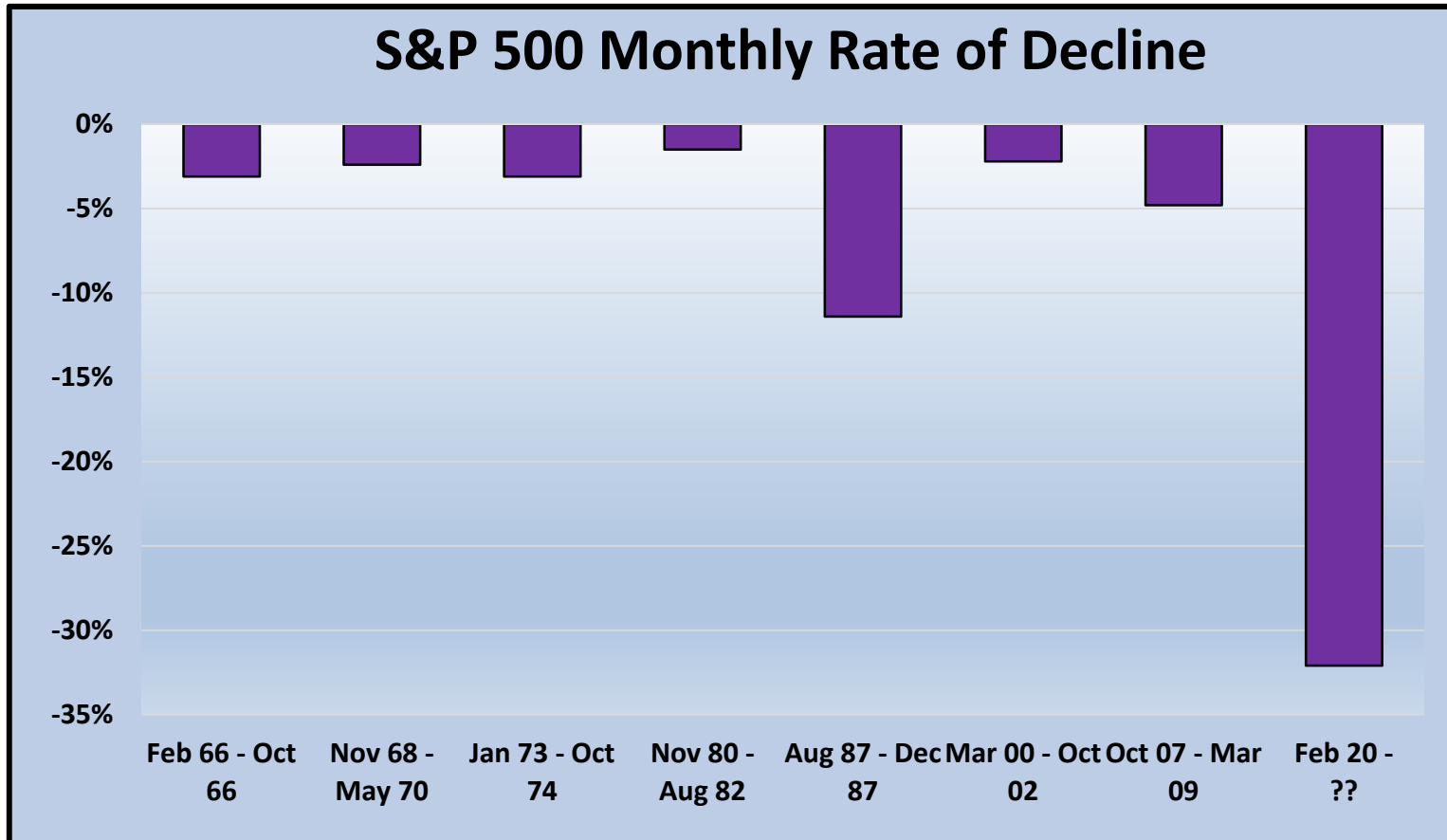
Source: FactSet

Entering a Bear Market



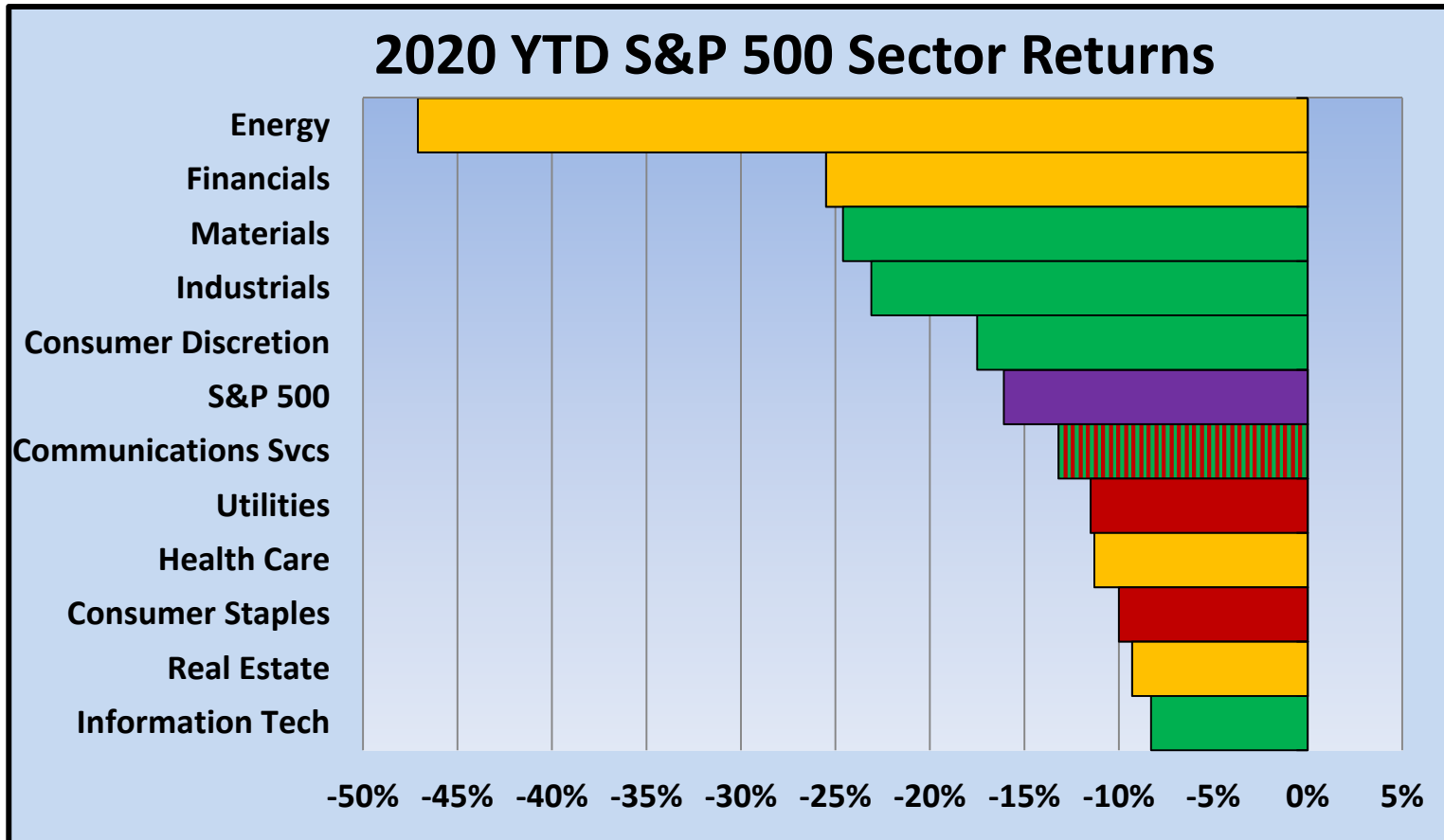
Source: Capital Economics

Speed Kills



Source: Morgan Stanley

Sector Divergence



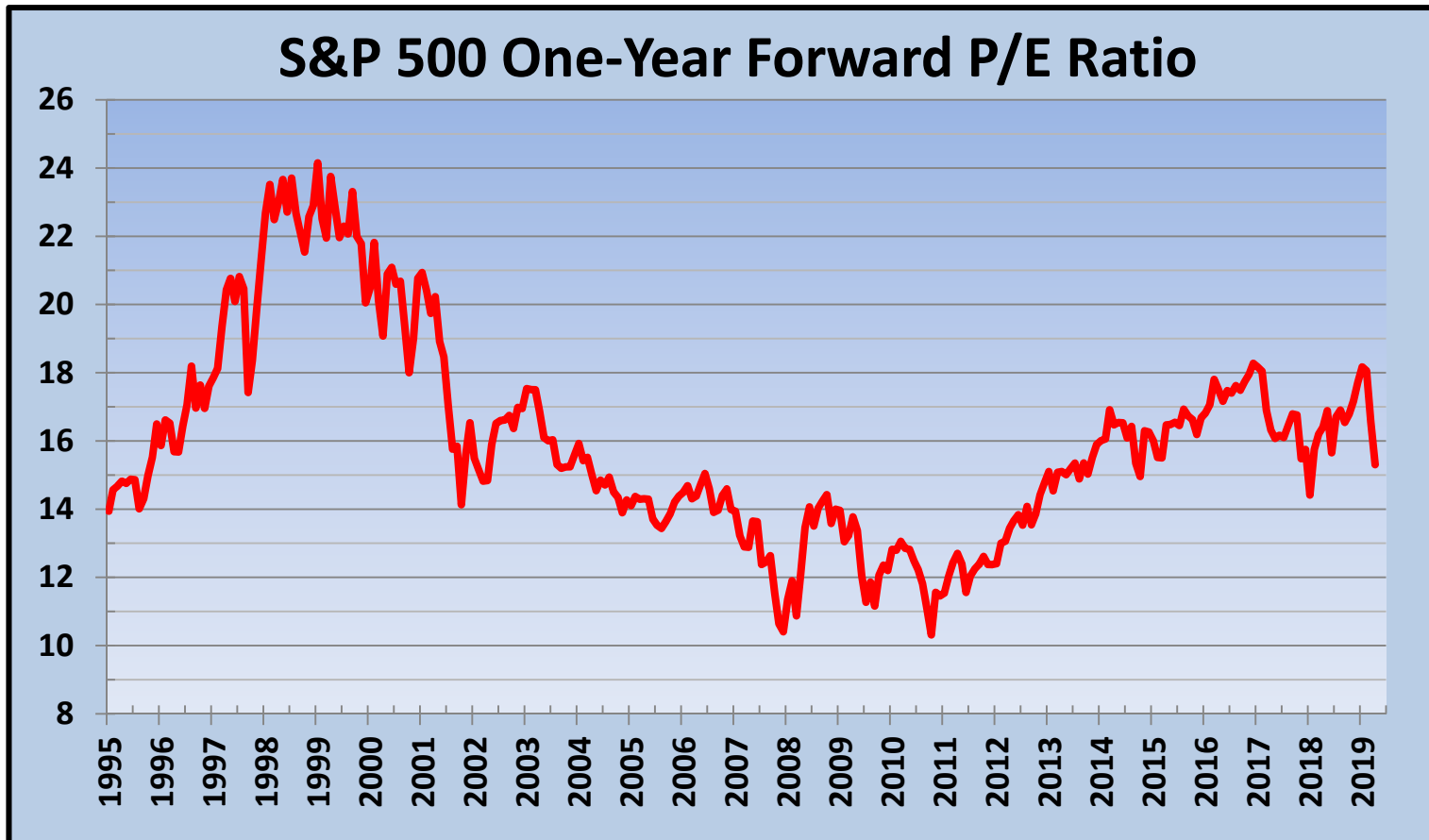
Source: FactSet

Volatility Spike



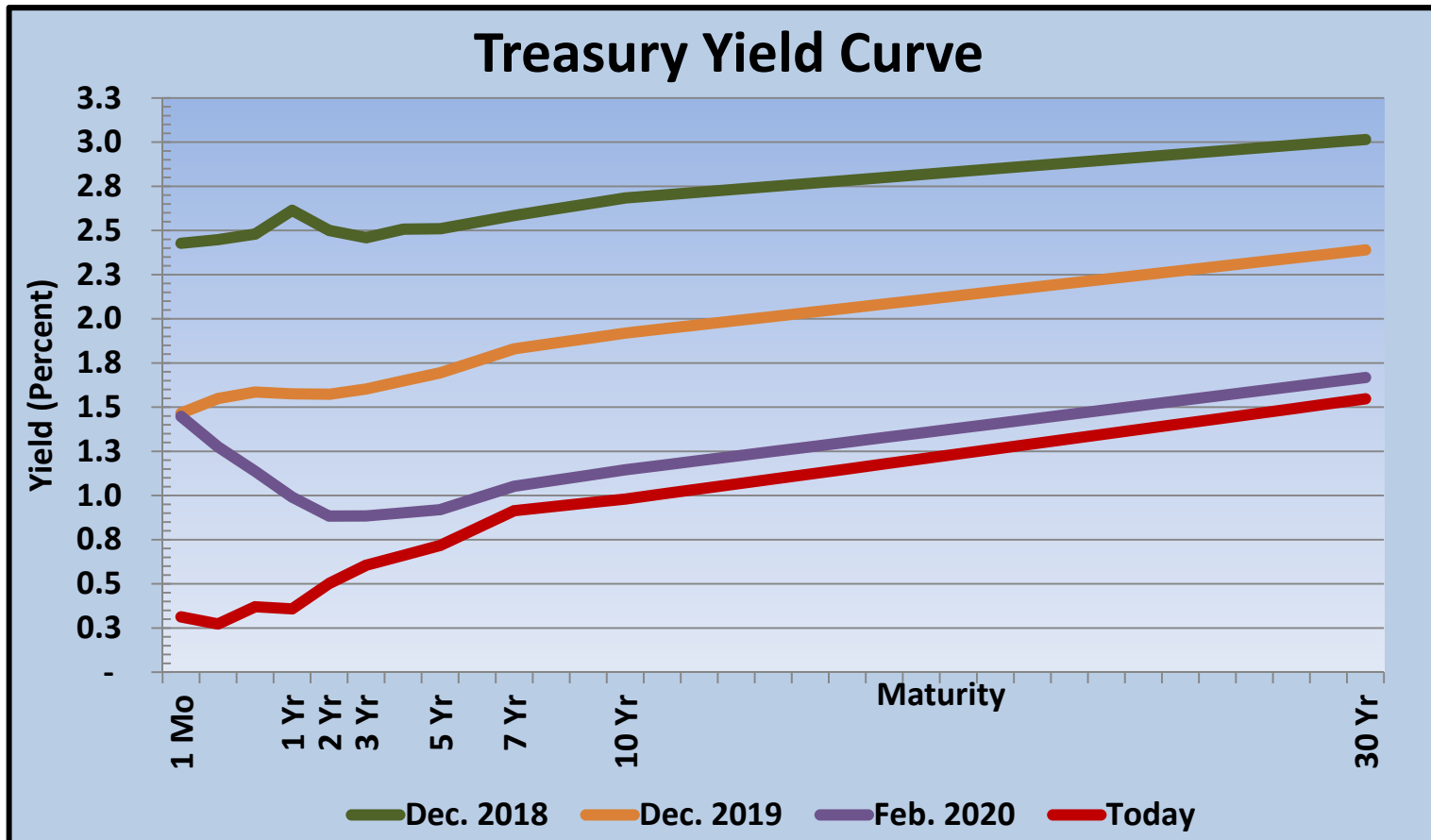
Source: Stockcharts.com

Stock Market Valuation



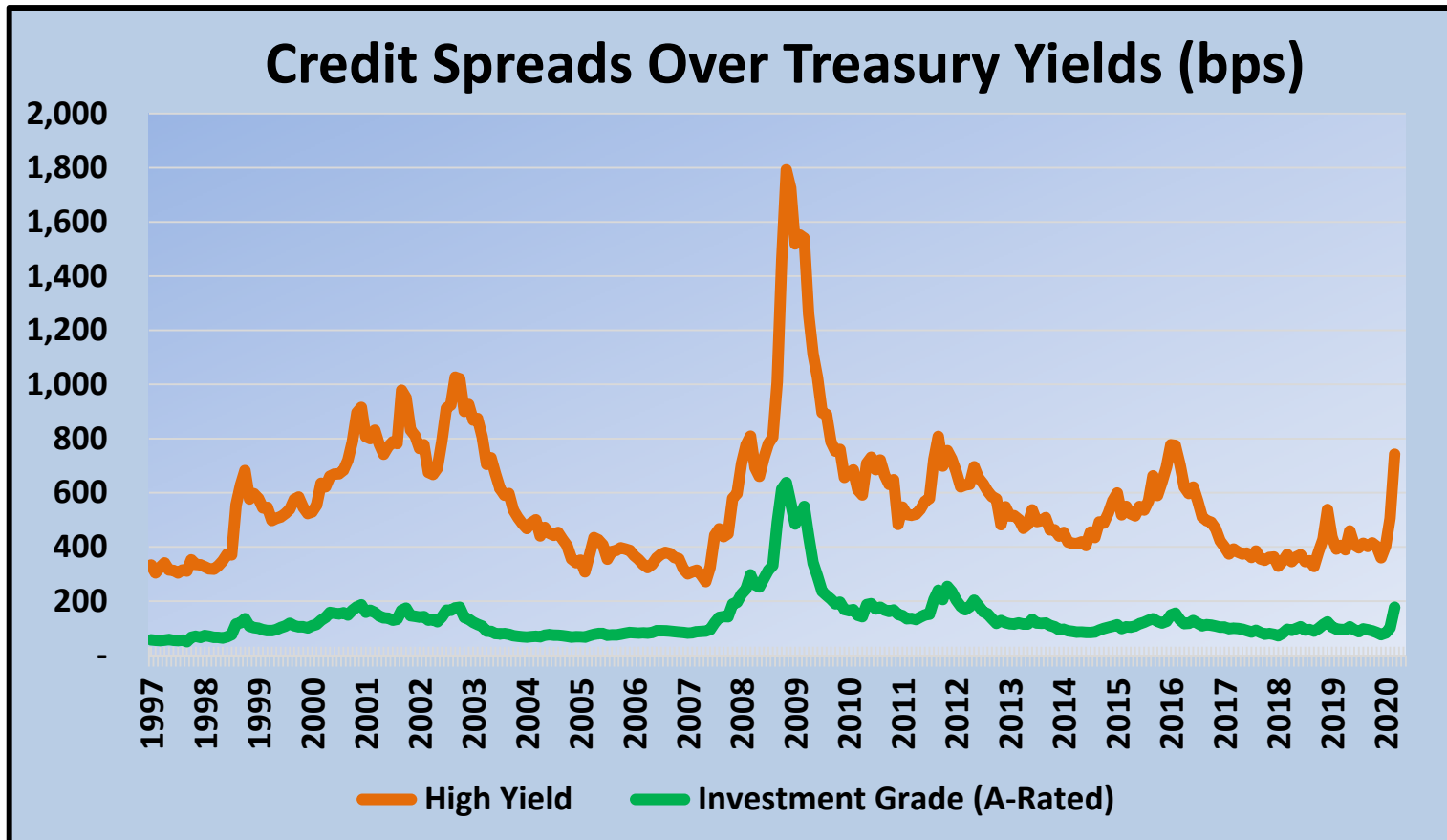
Source: FactSet

Interest Rates



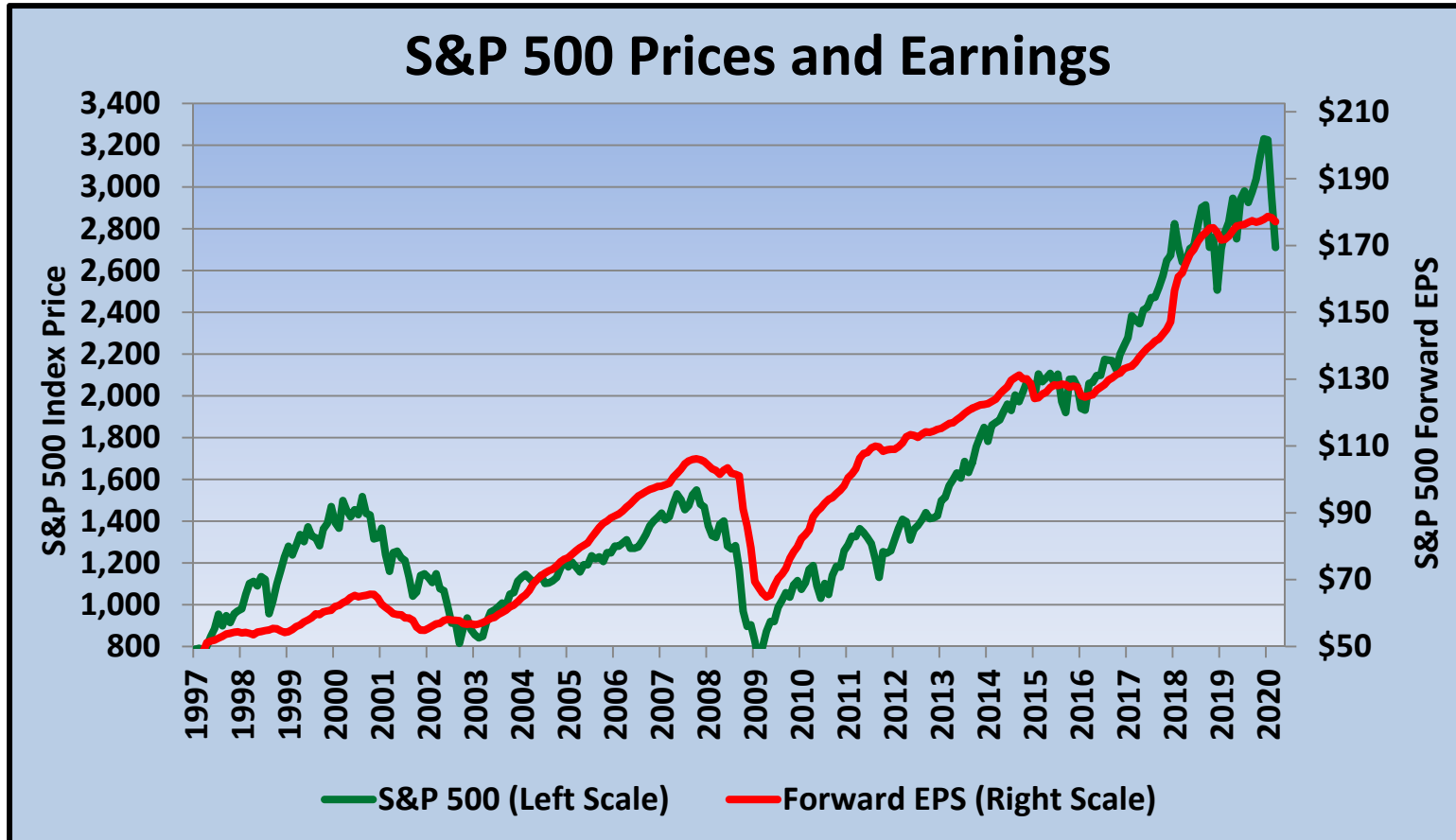
Source: FactSet

Credit Risk – Corporate Bonds



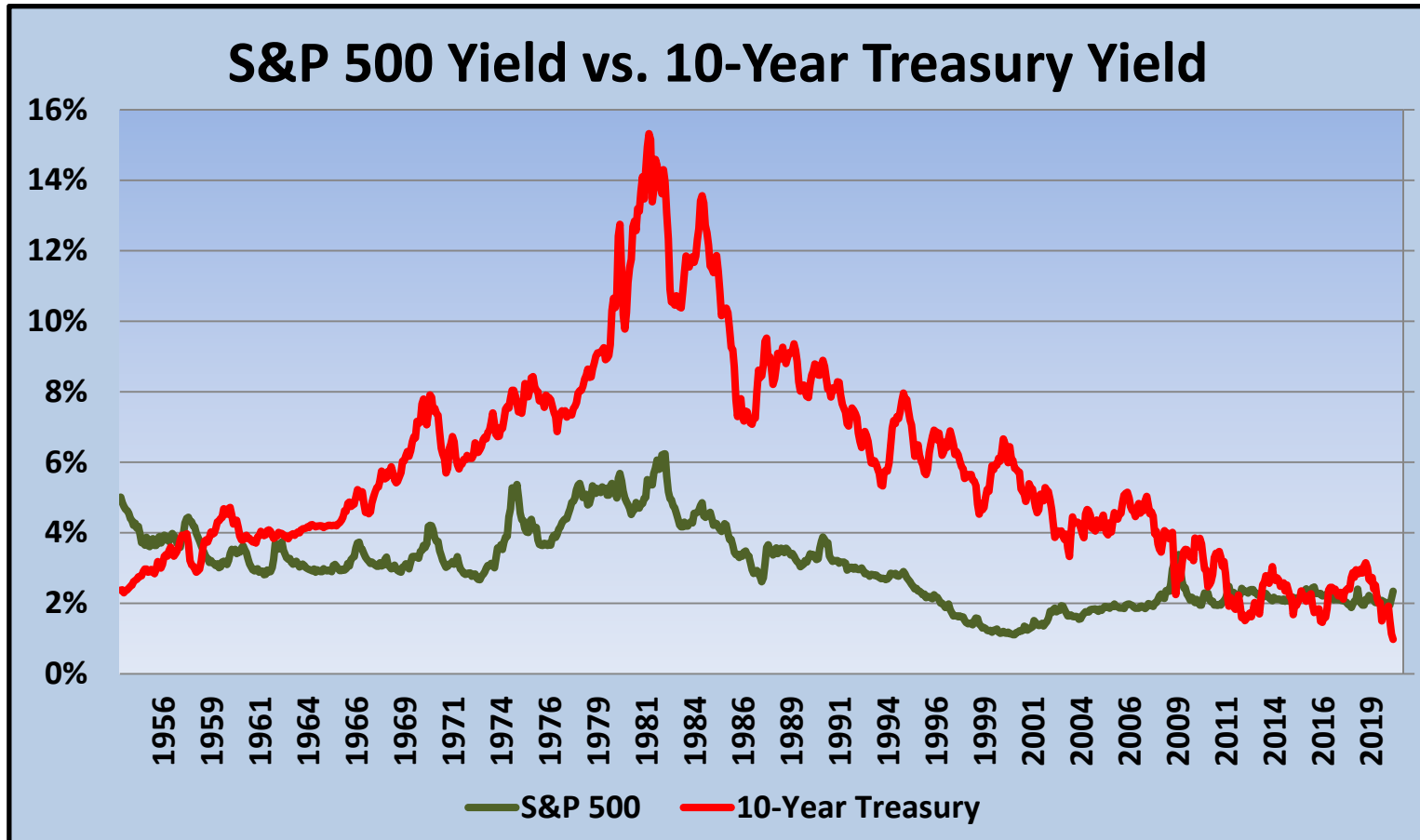
Sources: Bank of America Merrill Lynch, Federal Reserve Bank of St. Louis

Stock Market Valuation



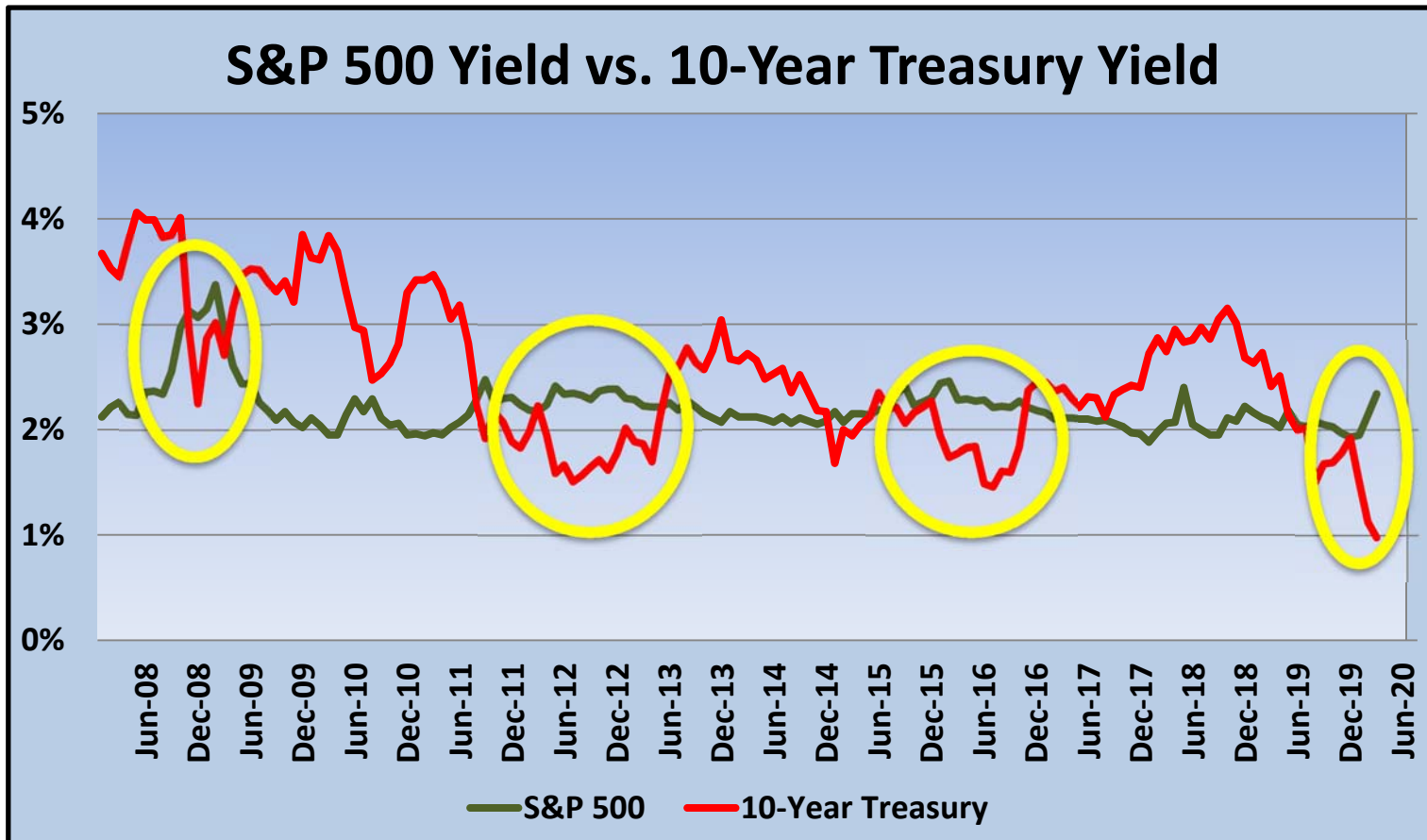
Source: FactSet

Asset Allocation: Stocks vs. Bonds



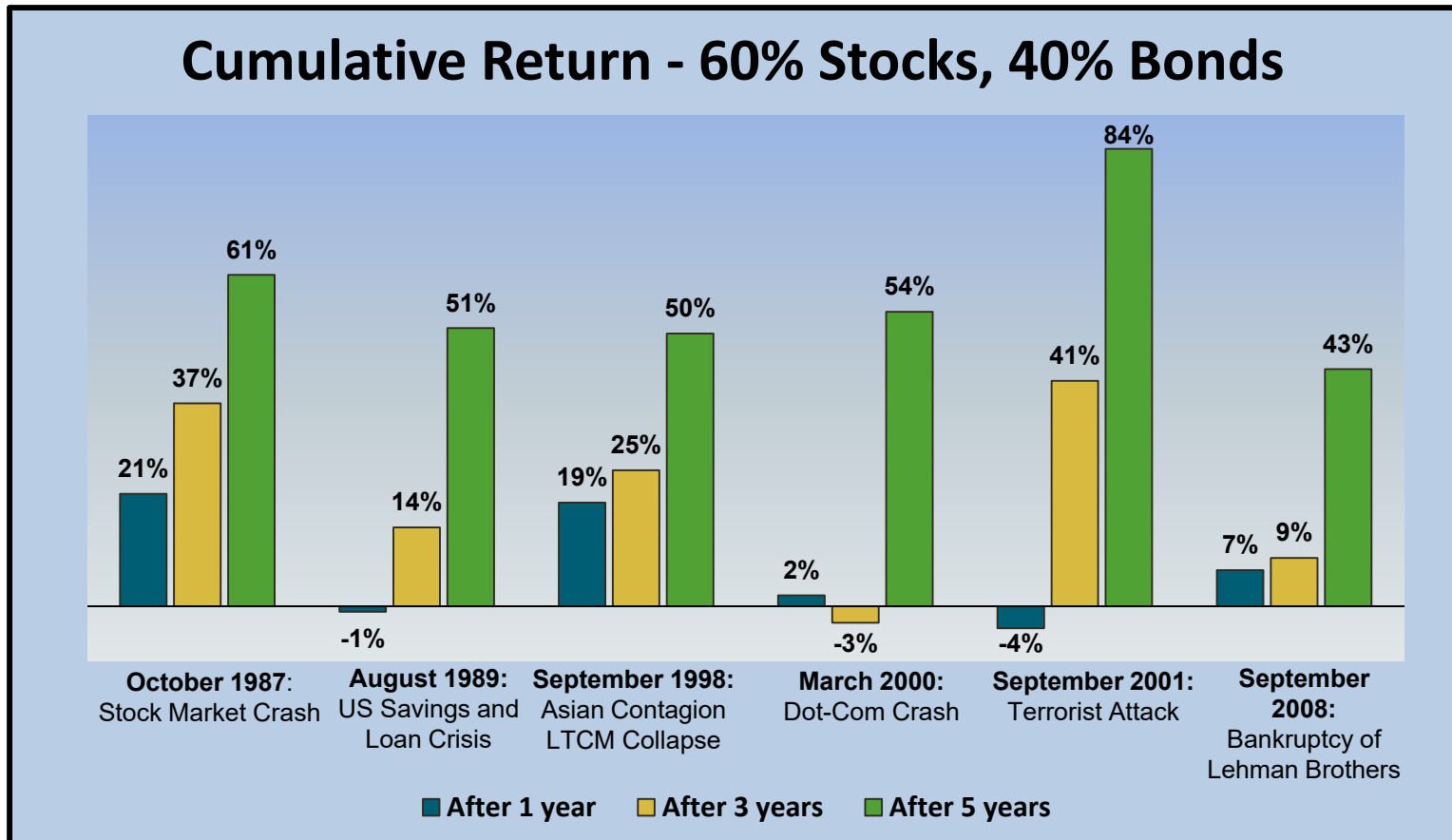
Source: FactSet

Asset Allocation: Stocks vs. Bonds



Source: FactSet

Market Response to Crisis



Source: Dimensional Fund Advisors

Questions & Answers

Email questions to m.tyler@easternbank.com
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Disclosures

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GOOD INVESTS. GOOD ADVISES. GOOD
LEND. GOOD HELPS FEED HUNGRY KIDS.
GOOD FUELS THE HUNGRY STARTUP.
GOOD HELPS KIDS LEARN TO PAINT. AND
DANCE. AND REALIZE HOW SPECIAL
THEY ARE. GOOD BUILDS BUSINESS.
GOOD BUILDS PLAYGROUNDS. AND RE-
BUILDS LIVES. GOOD INSURES. GOOD
ENDURES. GOOD FIGHTS AGAINST RACIAL
INTOLERANCE. GOOD STANDS UP FOR
THE LGBT COMMUNITY. GOOD EDUCATES.
GOOD ADVOCATES. GOOD INNOVATES.
GOOD HELPS PEOPLE BEAT ADDICTIONS.
GOOD PAYS CLOSE ATTENTION. GOOD
PAYS IT FORWARD. THIS IS WHERE I DO

GOOD

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