Corporate Time Out

Managing expectations in a challenging world

Kenneth J. Entenmann
Chief Investment Officer
Chief Economist

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Trump 2.0: Impact on the Economy and Financial Markets

Tariffs

Immigration

Taxes

Regulation
&
Reform

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Photo source: pngimg.com

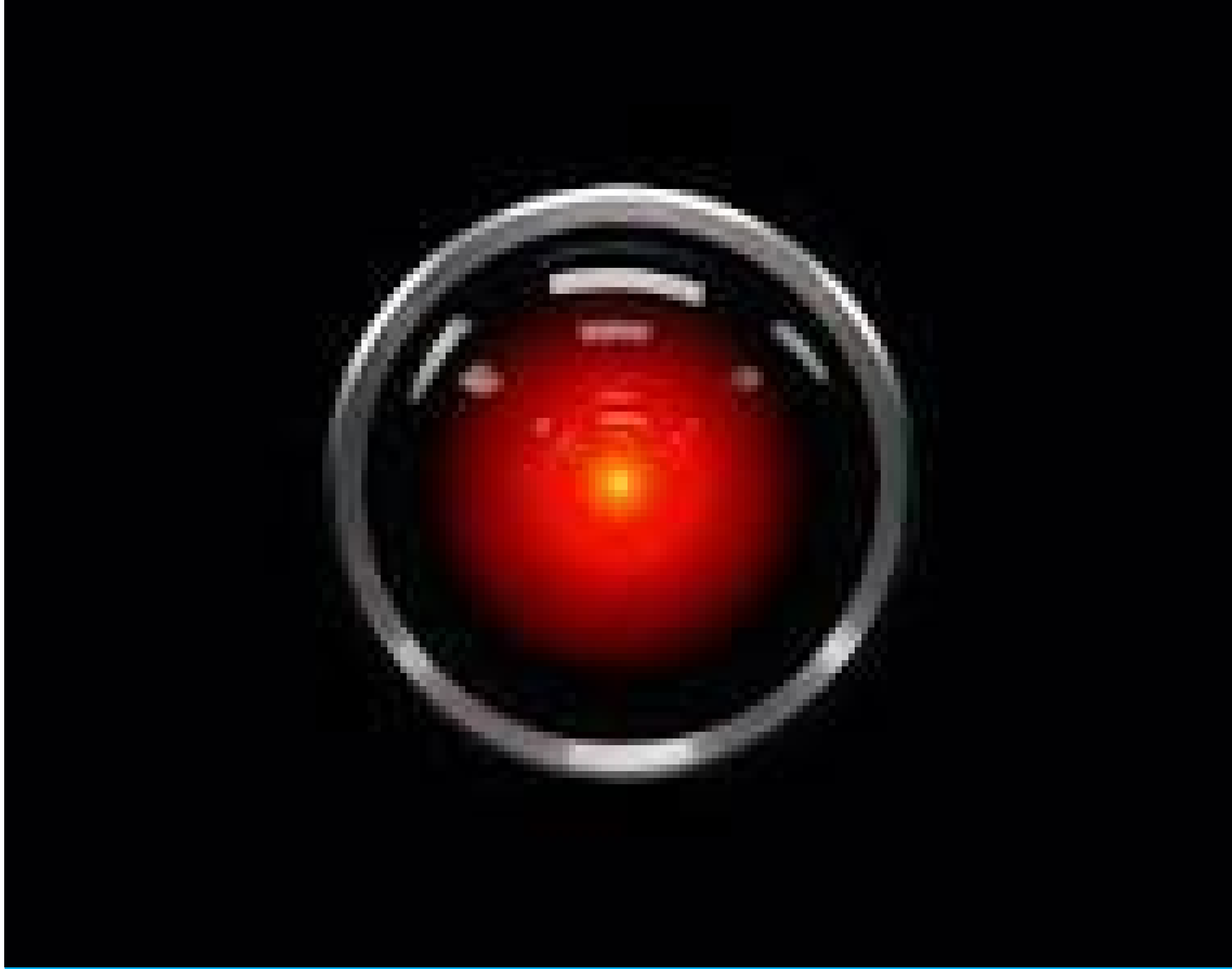
The Impact of Artificial Intelligence

Dave: Open the pod bay doors, HAL.

HAL: I'm sorry, Dave. I'm afraid I can't do that.

Dave: HAL, I won't argue with you anymore! Open the doors!

HAL: Dave, this conversation can serve no purpose anymore. Goodbye.



"Stanley Kubrick and his buddy Hal now don't look that abstract"

Fruitcakes
Jimmy Buffett

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Source: 2001: a space Odessey, a Stanley Kubrick Production

US GDP
A Corporate "Time Out"

Gross Domestic Product (GDP) =

C
CONSUMPTION

+

I
INVESTMENTS

+

G
GOVERNMENT

±

NET EXPORTS

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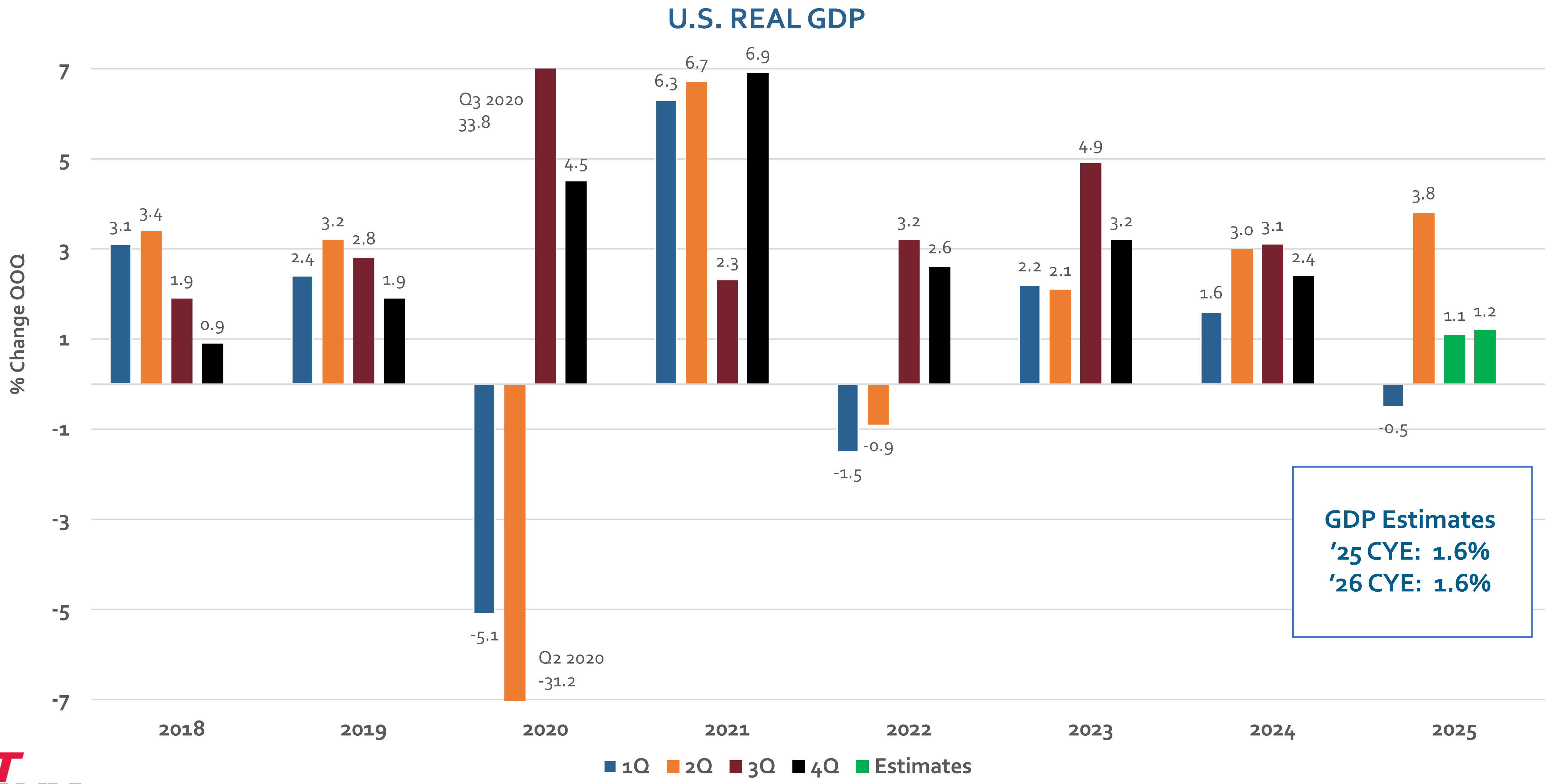
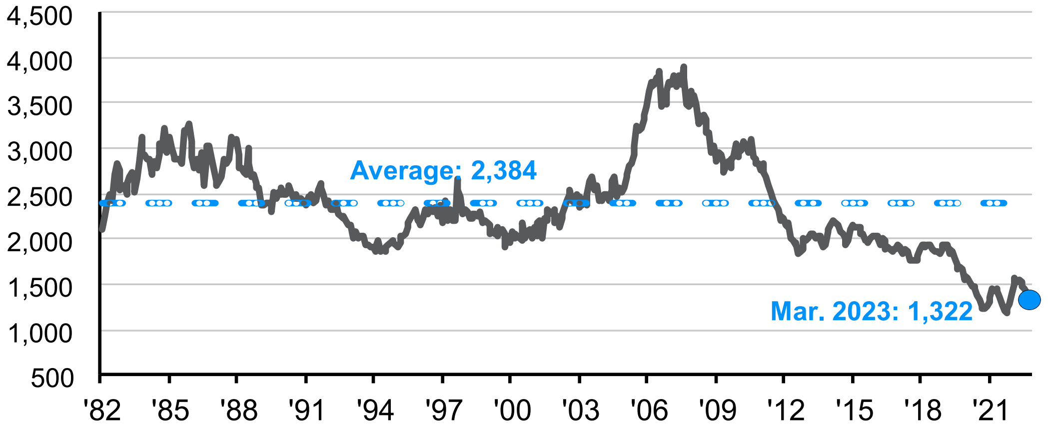
US GDP: In Search of a Soft Landing…Again!



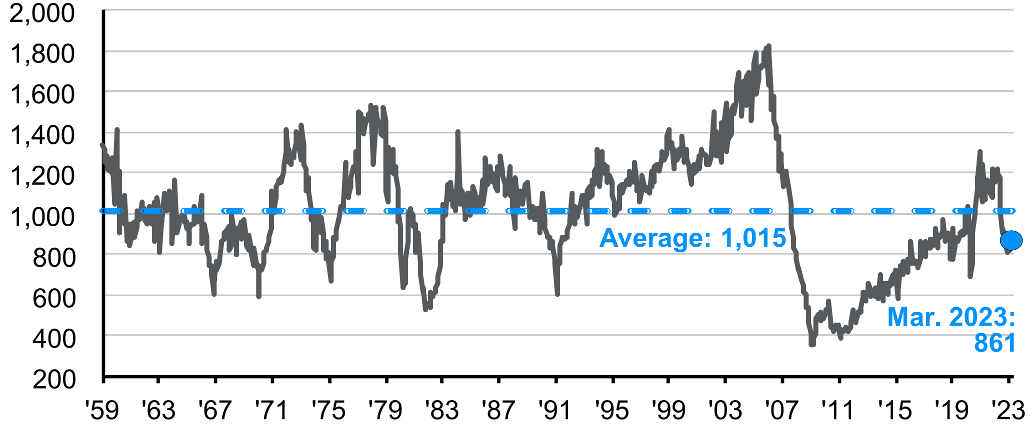
Source: FactSet, September 2, 2025.

Residential Real Estate

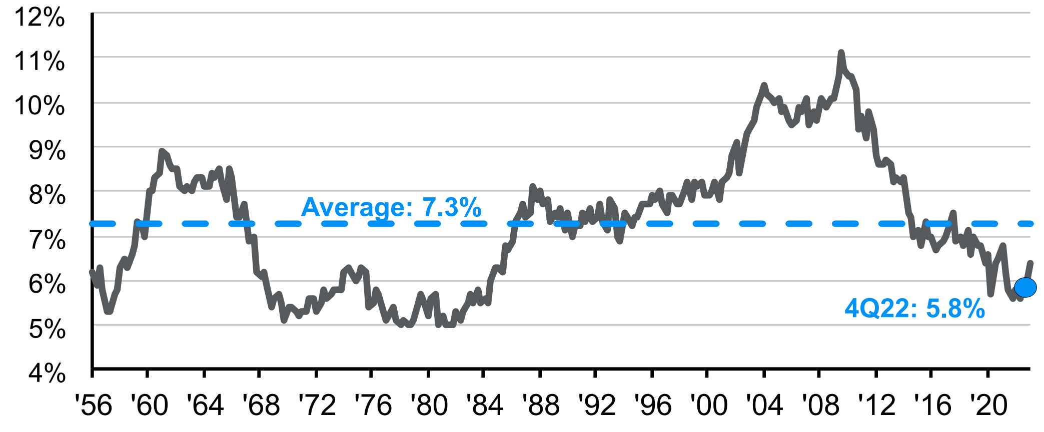
Housing inventories
Inventory of new and existing single-family homes for sale, thous, SA*



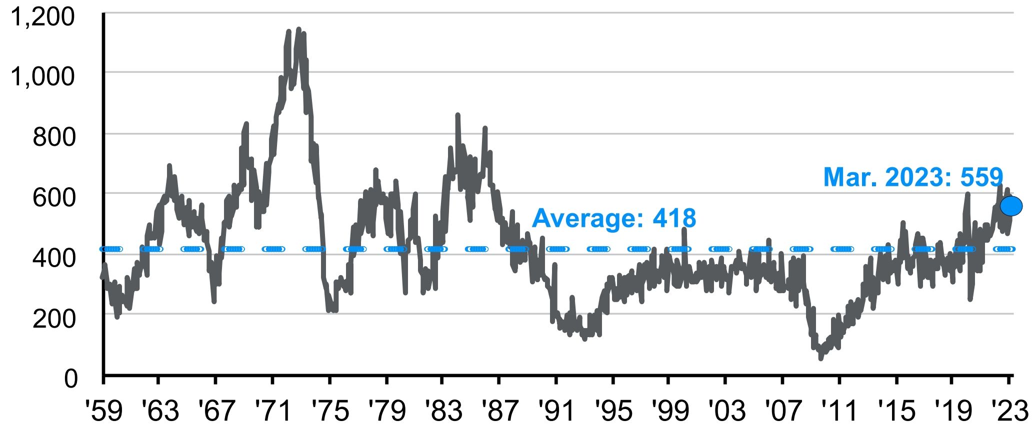
Single-family housing starts
Seasonally adjusted annual rate (SAAR), thous houses



Rental vacancy rate (%)



Multi-family housing starts
Total multi-family, SAAR, thous houses



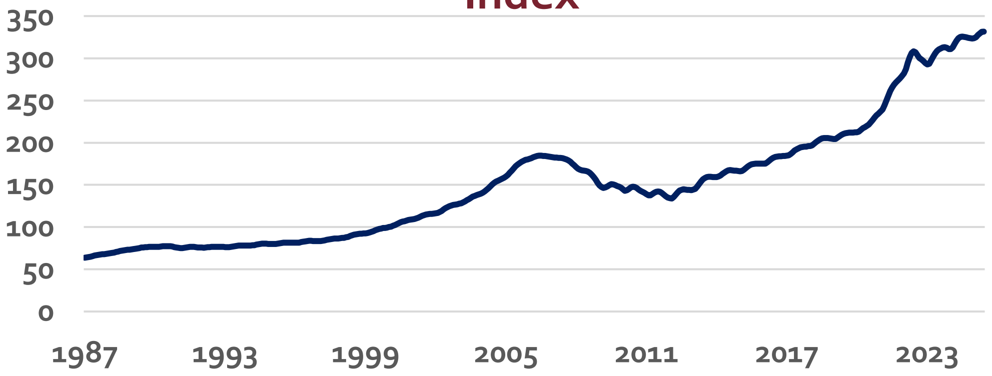
Source: U.S. Census Bureau, U.S. National Association of Realtors, J.P. Morgan Asset Management. *Inventory of new and existing single-family homes for sale is seasonally adjusted by J.P. Morgan Asset Management. *Guide to the Markets – U.S.* Data are as of May 10, 2023.

Housing
Highly Sensitive to Interest Rates

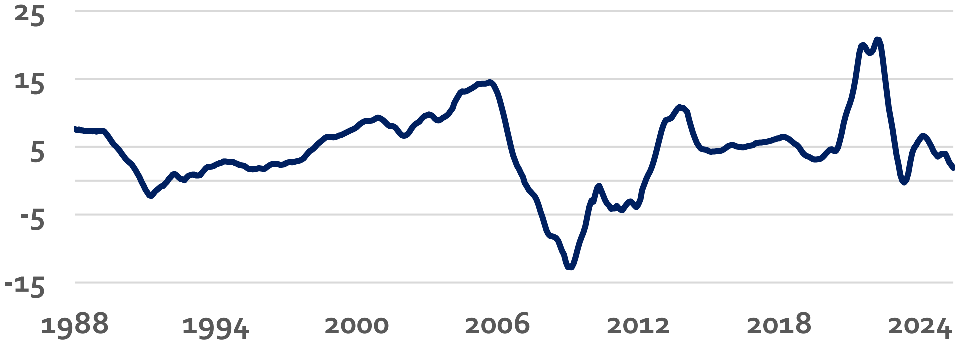
Existing Home Sales

30-Year Fixed Rate Mortgage Average in the US (%)

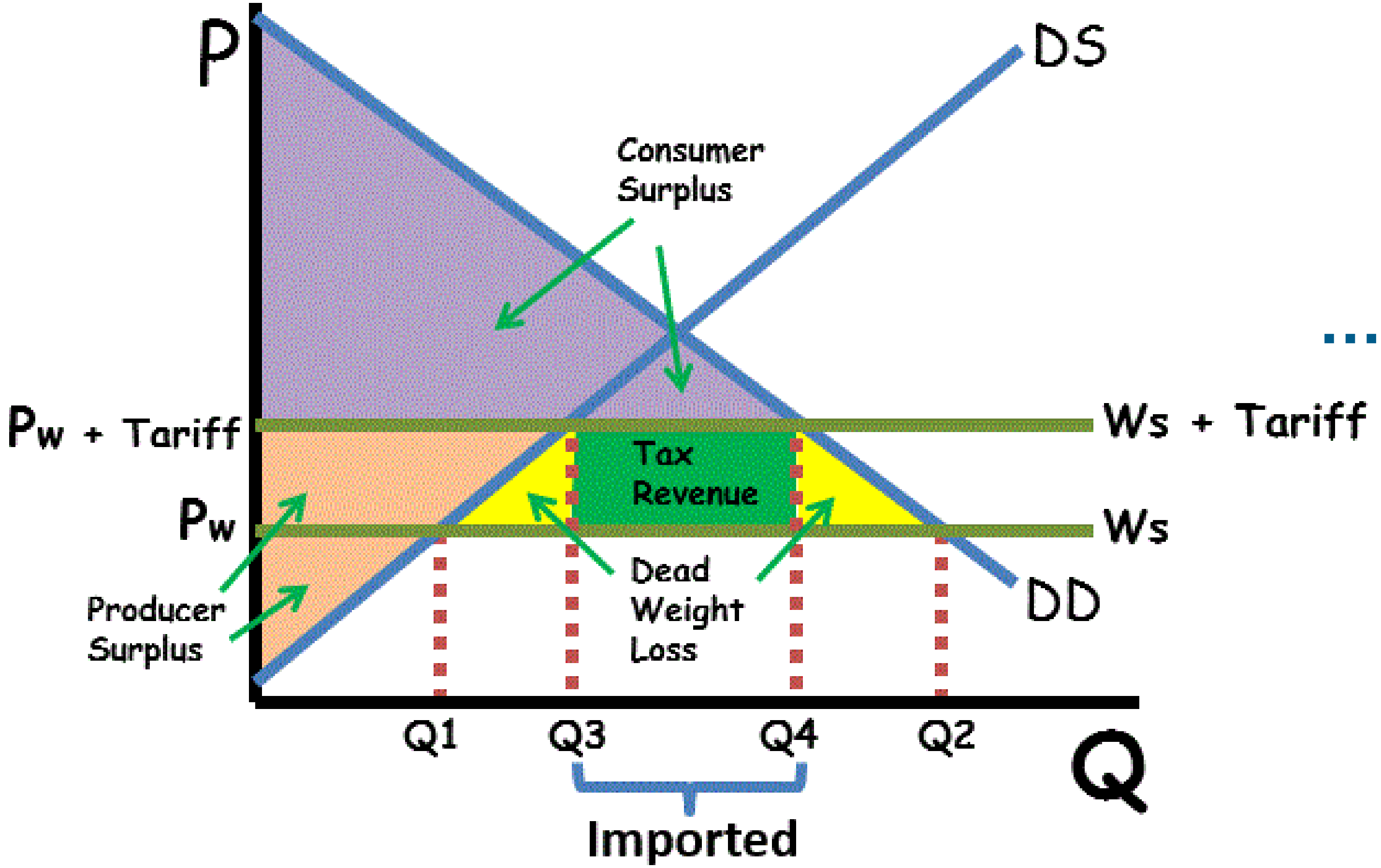
Case-Shiller U.S. National Home Price Index



Case-Shiller U.S. National Home Price Index (% change y/y)



Source: FactSet, FRED Economic Data, September 2, 2025.



Tariffs are BAD!

…in a free and fair Global Market!

- Slower Economic Growth
- Higher Inflation
- Retaliation

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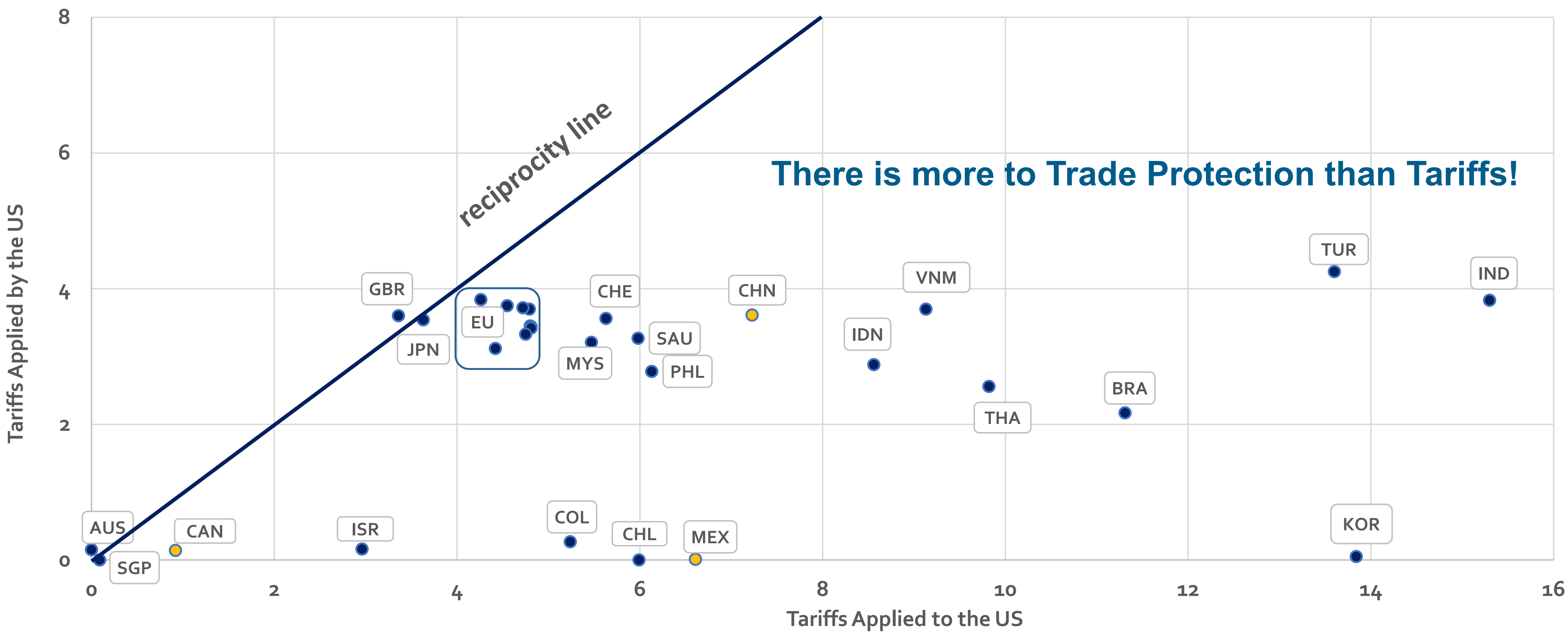
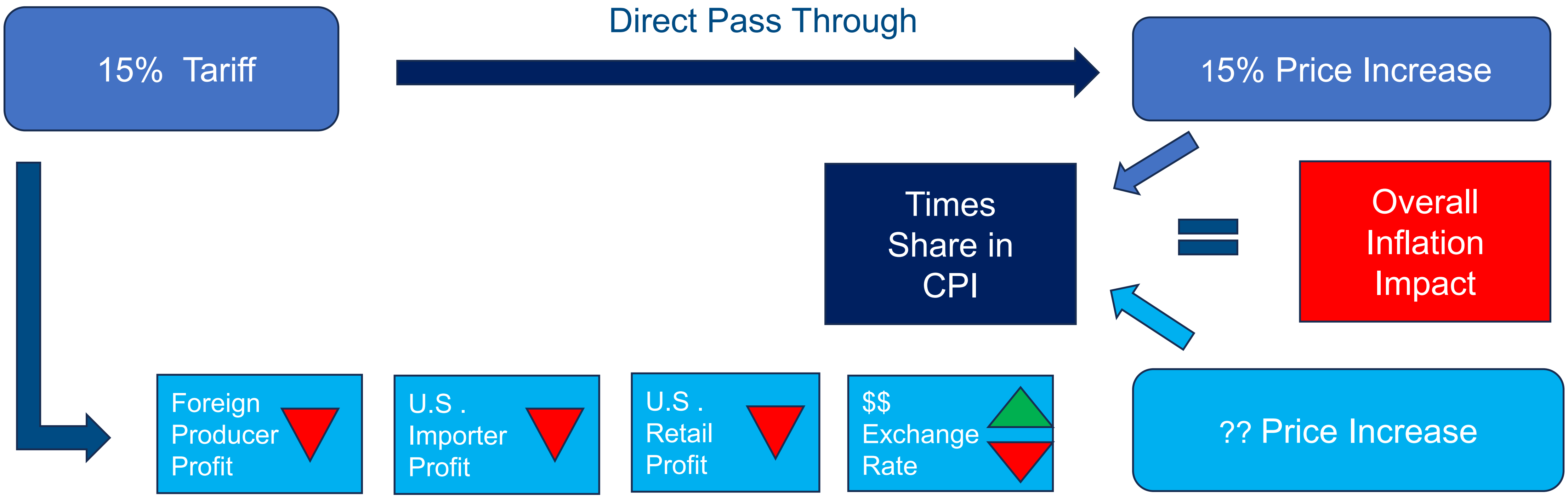
A General Lack of Trade Reciprocity



Source: World Bank, JPAM, January 31, 2025. Tariff is simple average of tariffs on traded goods.

Tariffs and Inflation



Inflation *MAY* increase .5%-1%

Source: CNBC Business

What is the End-Game of Tariffs?

What is effective level of tariffs?

What is the ultimate goal of U.S. Trade Policy/Tariffs?

- Increased Revenue
- Reduce Trade Imbalances
- Increased Manufacturing Employment
- Free & Fair Trade with the Western World
- Isolation of China

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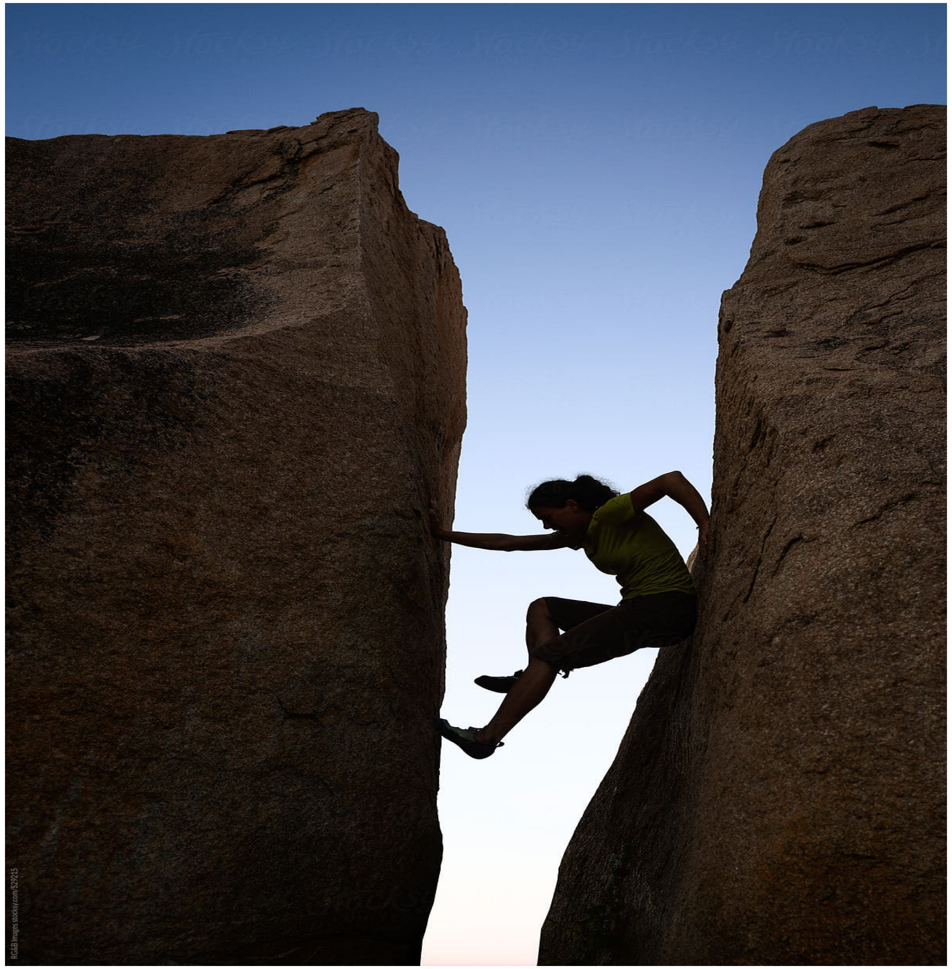
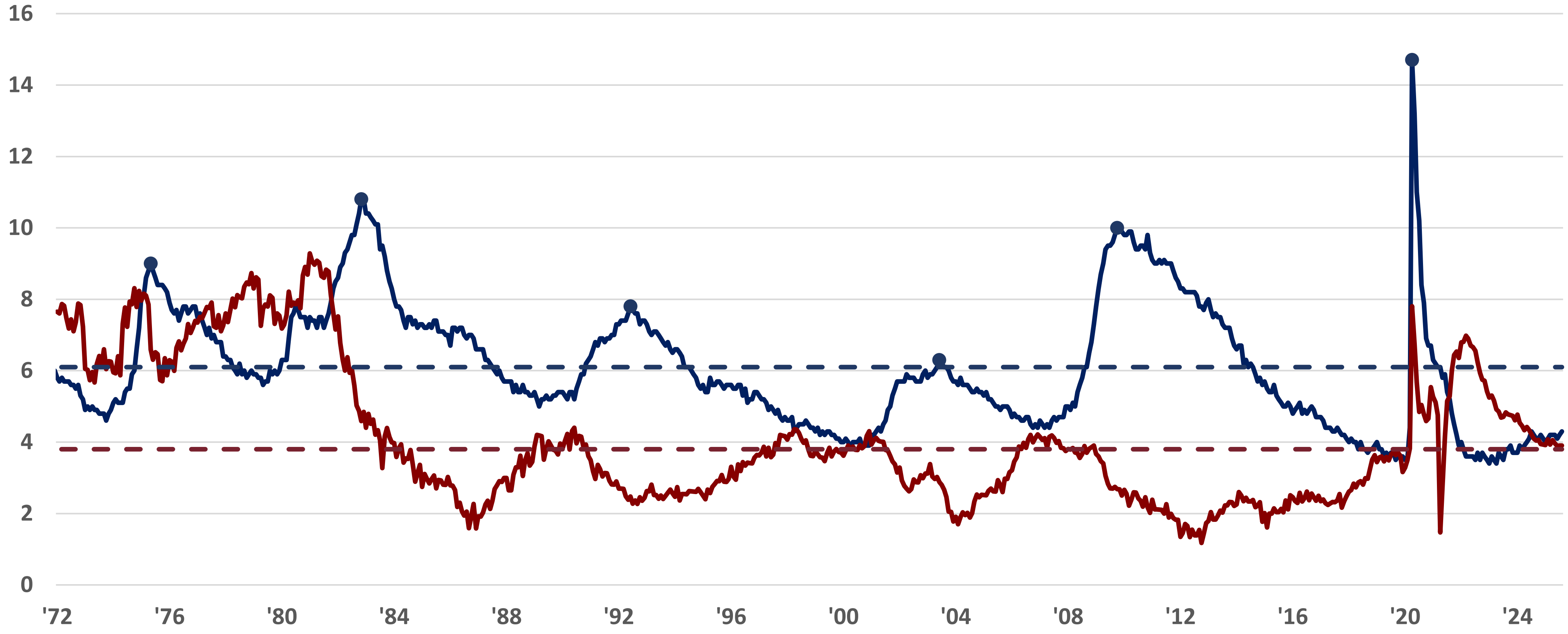
Federal Reserve Bank
Stuck between a Rock and a Hard Place

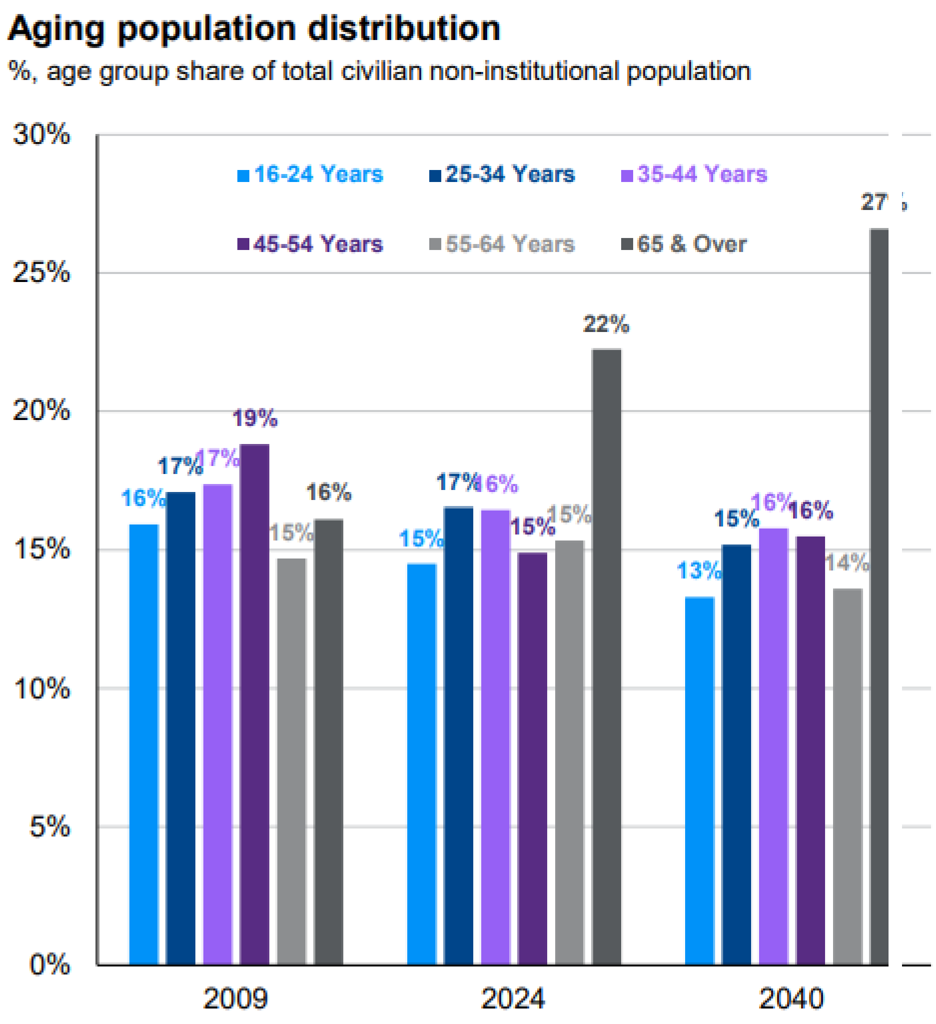


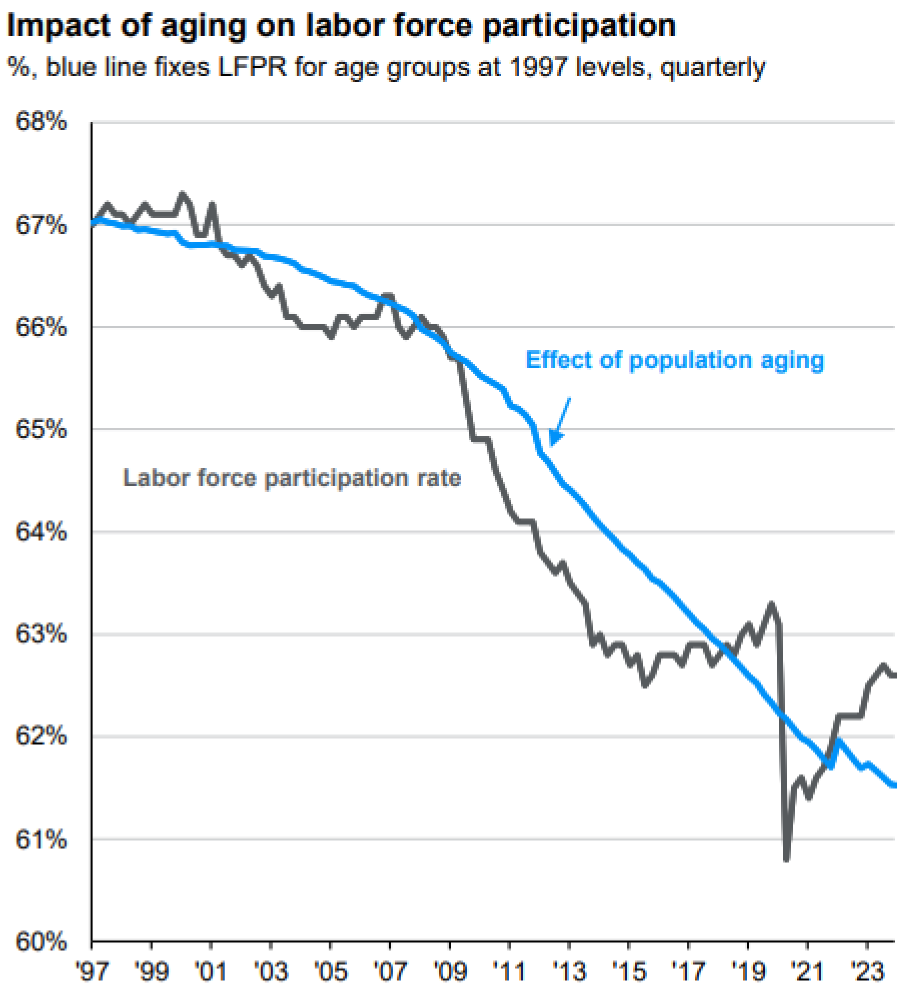
A Slowing,
But Decent Labor Market



Source: *Guide to the Markets,* FactSet, September 8, 2025.

Aging Demographics and the Labor Force





Source: Department of Labor, J.P. Morgan Asset Management. Labor force participation is defined as the percentage of the civilian non-institutional population 16 years and older that is working and actively looking for work.
Data are as of May 30, 2025.

“The challenge of finding qualified workers is easing overall but still remained significant for many small business owners in July. The easing labor market pressures are also reflected in fewer firms raising compensation.”

William Dunkelburg, Chief Economist
National Federation of Independent Business
NFIB June 2024 Employment Report

57% of owners reported trying to hire in June

84% of owners trying to hire reported few or no qualified applicants for open positions

Anatomy of a Labor Shortage

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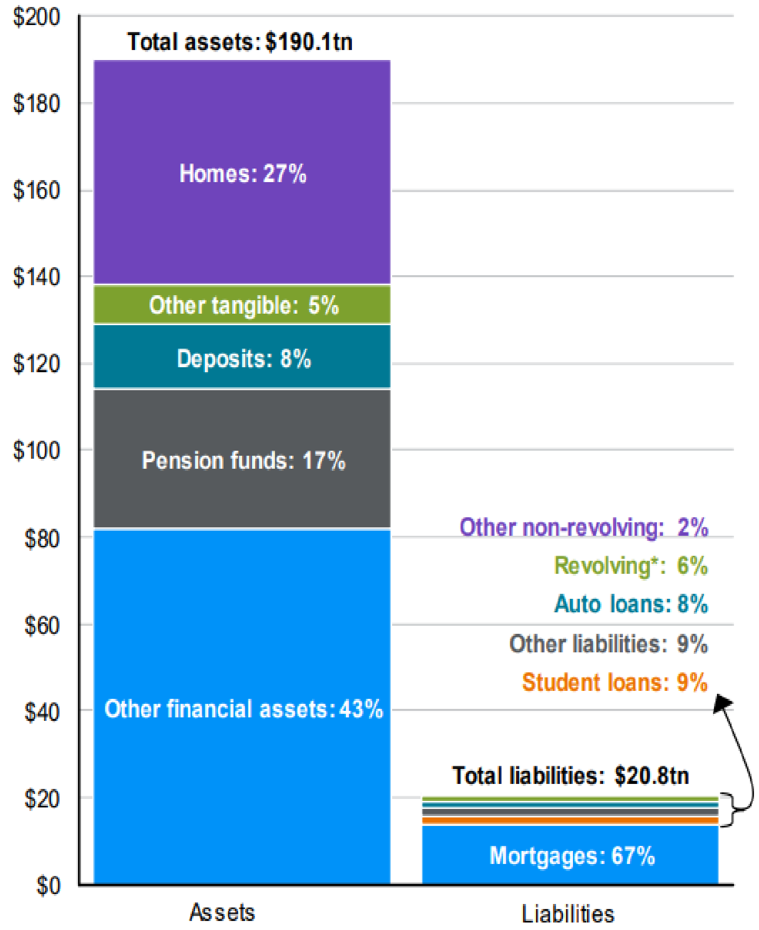
A Strong Consumer Balance Sheet

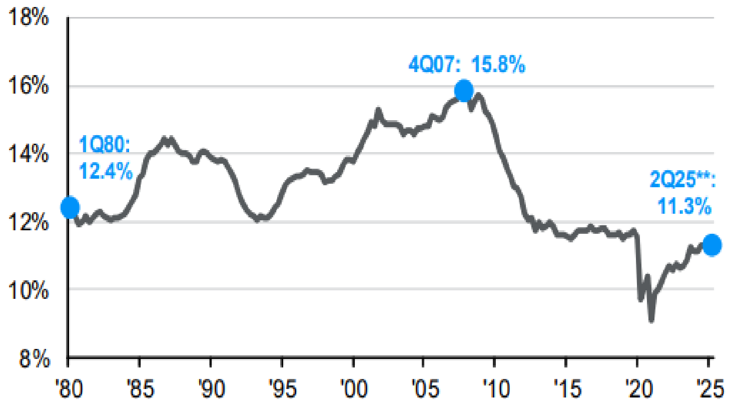
Consumer balance sheet

1Q25, USD trillions, not seasonally adjusted



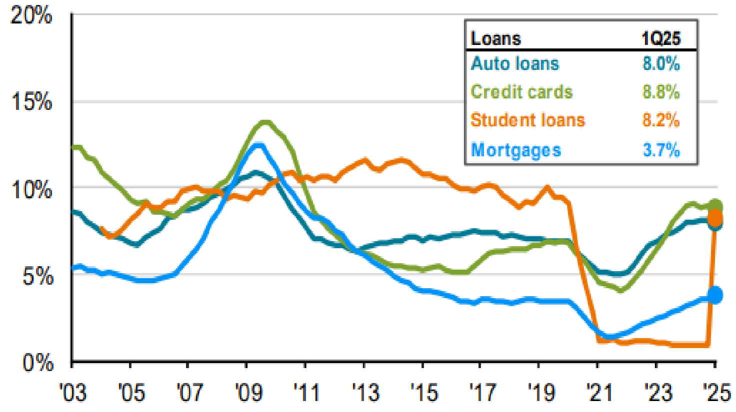
Household debt service ratio

Debt payments as % of disposable personal income, SA



Flows into early delinquencies

% of balance delinquent 30+ days

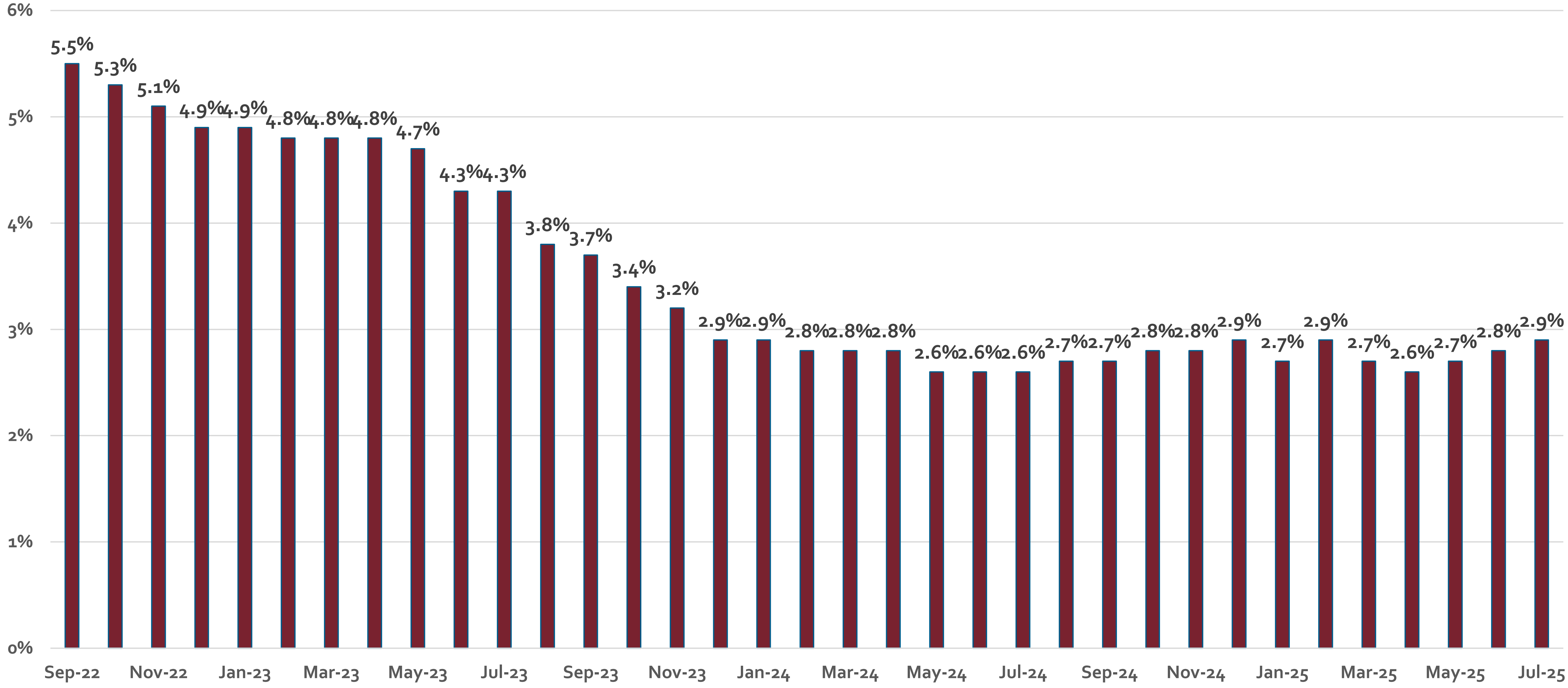


Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA. *Revolving includes credit cards. Values may not sum to 100% due to rounding. **2Q25 figures for debt service ratio are J.P. Morgan Asset Management estimates.

Guide to the Markets – U.S. Data are as of July 28, 2025.

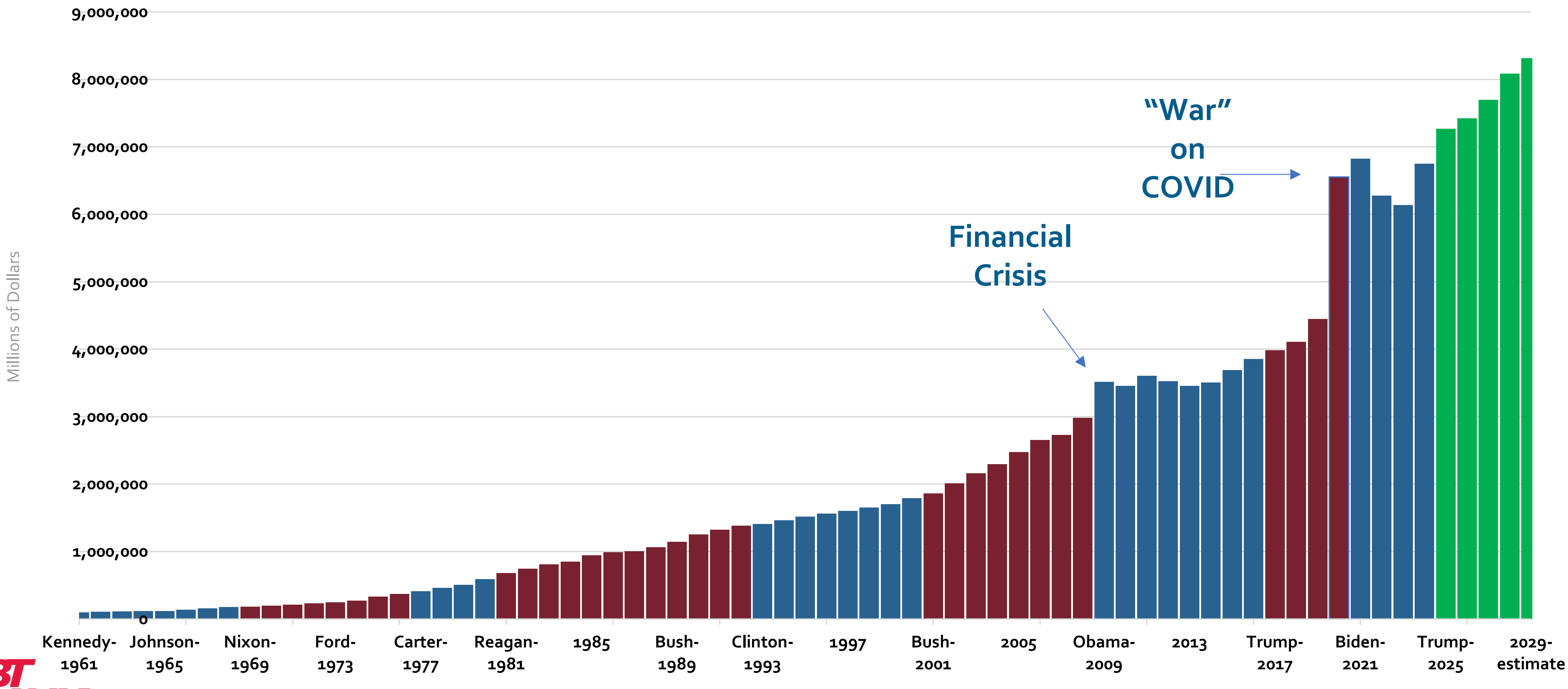
Core PCE (YoY %)

(excluding Food & Energy)



Source: BEA, September 2, 2025.

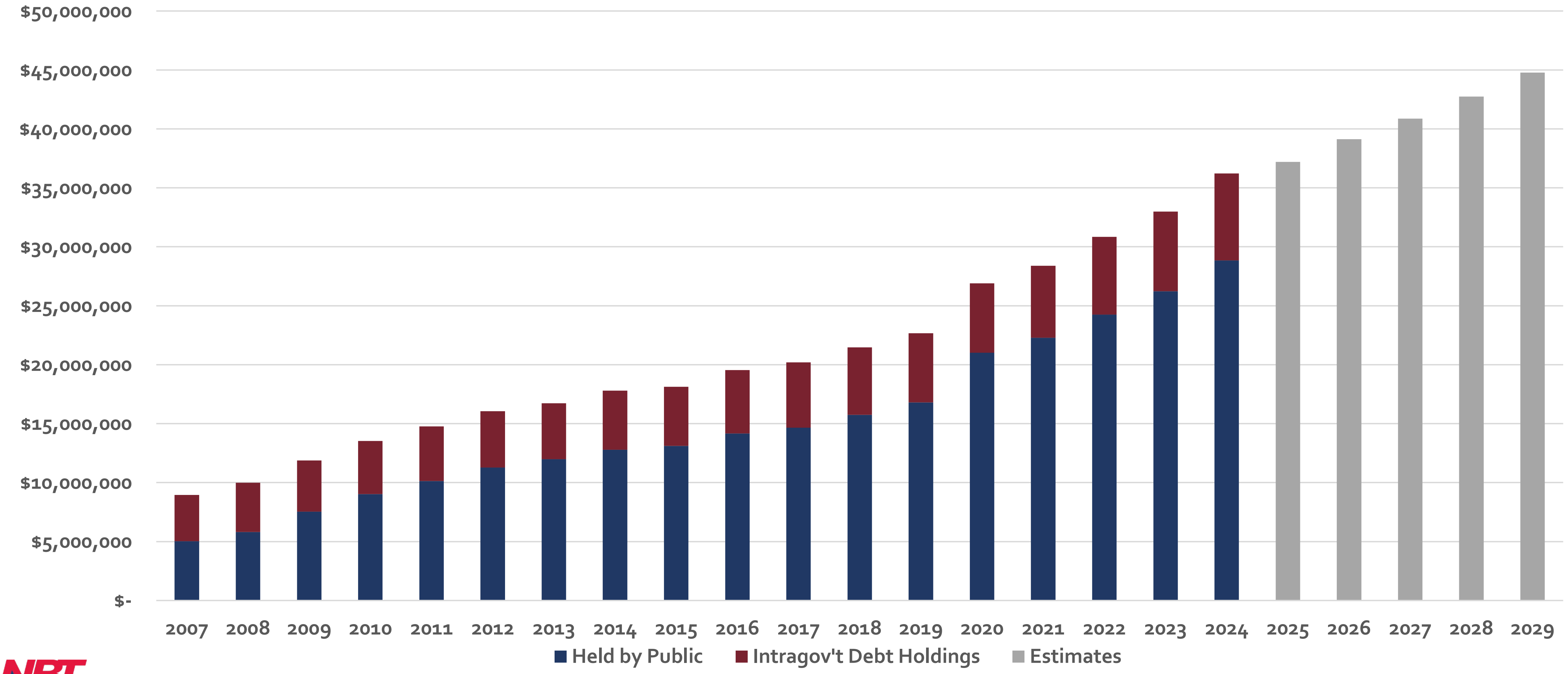
Bi-Partisan Government "Outlays" 1961-Present!



Source: cbo.gov. Data as of July 10, 2025.

Federal Debt Levels

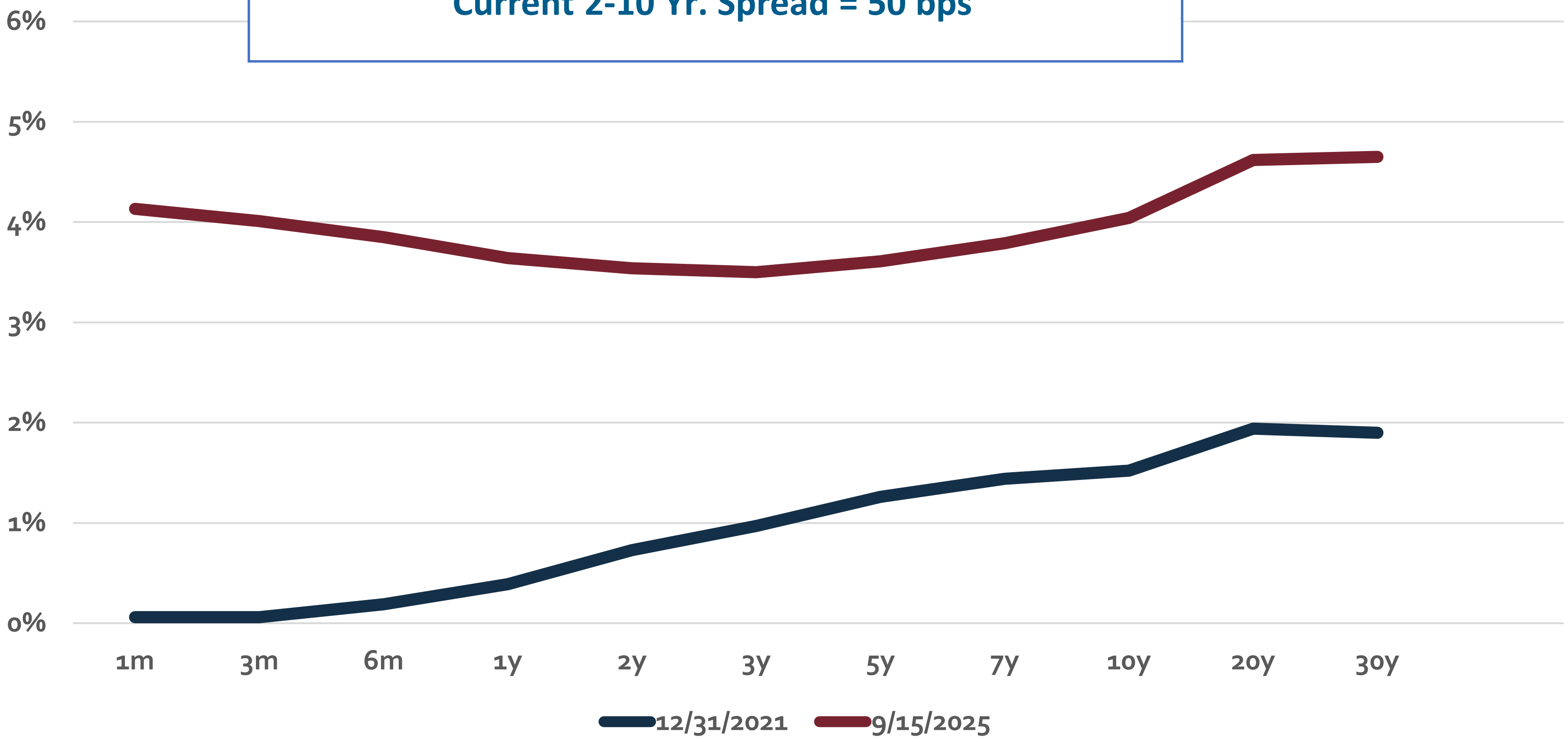
Millions of Dollars ($)



Source: cbo.gov. Data as of July 7, 2025.

A Challenging Interest Rate Environment

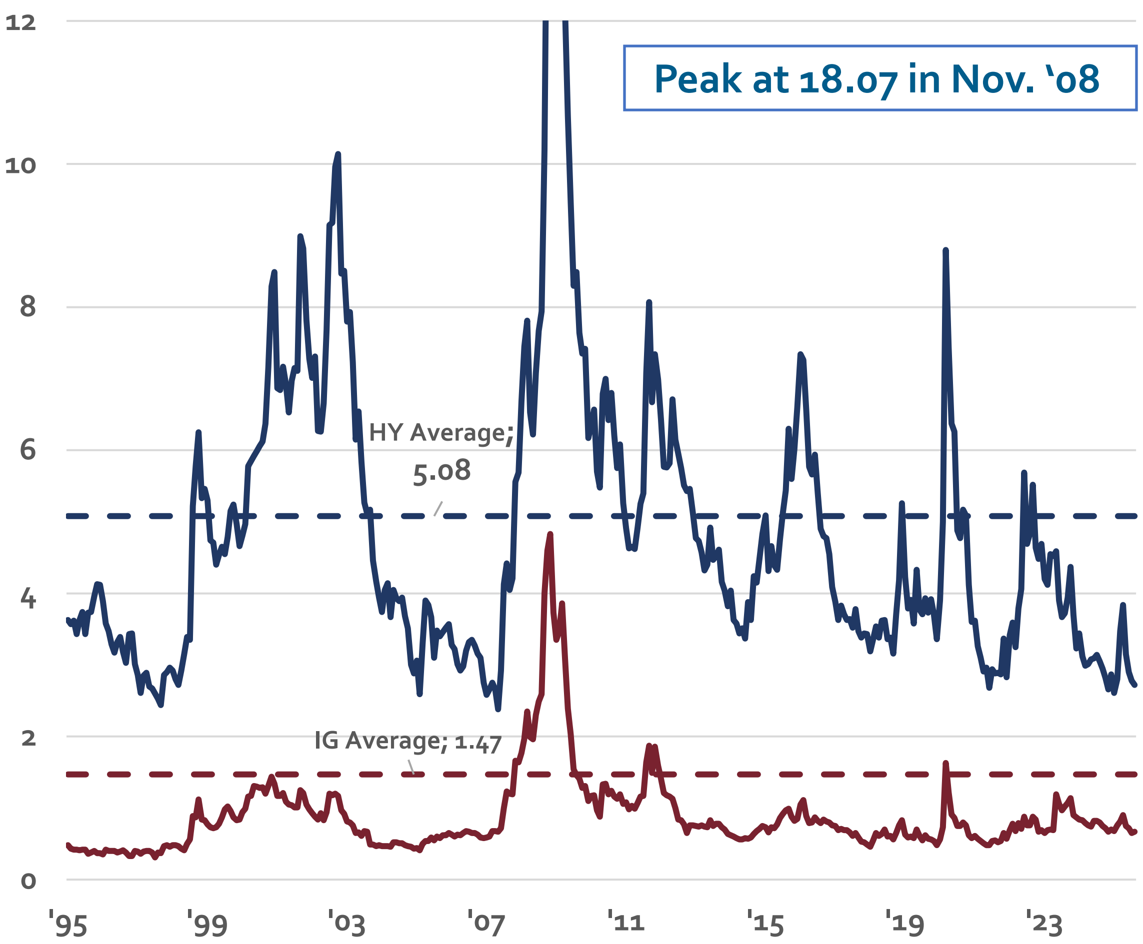
Current 3 Mo.-2 Yr. Spread = -47 bps
Current 2-10 Yr. Spread = 50 bps



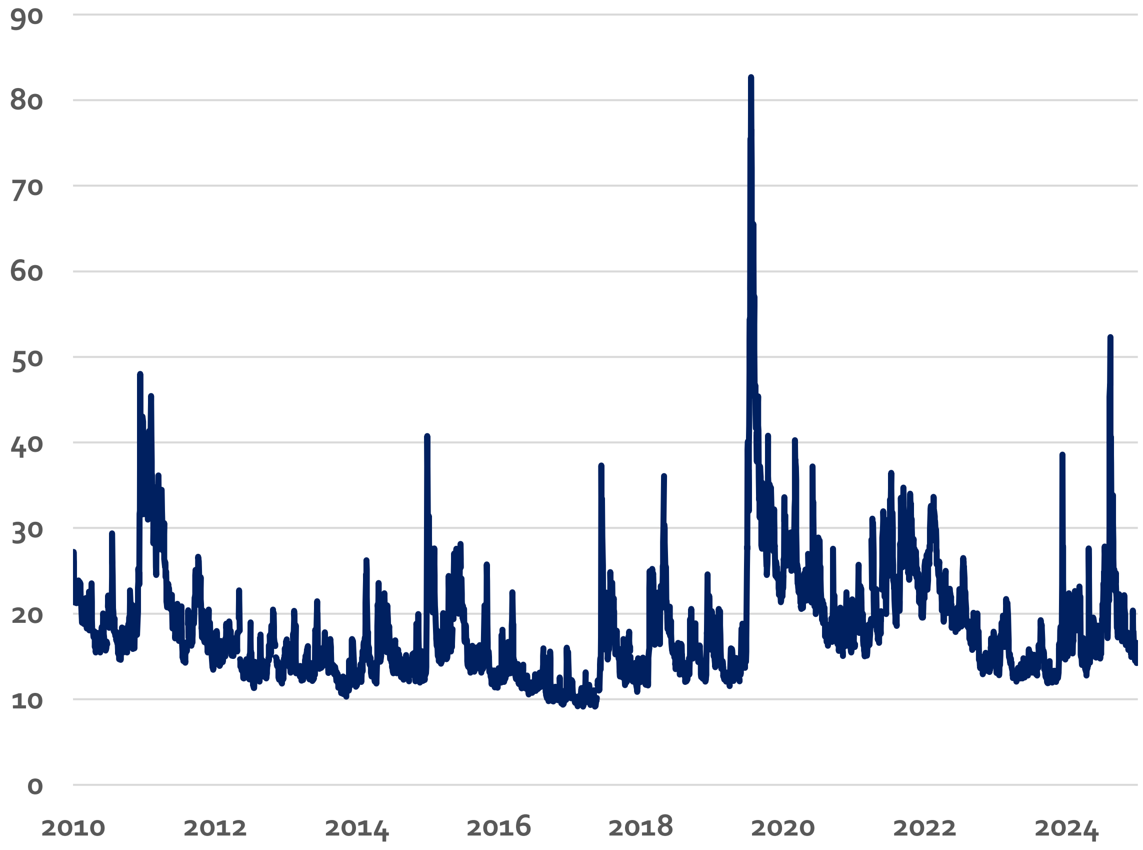
Source: FactSet, September 15, 2025.

Where are the Market Vigilantes?

Bond Credit Spreads



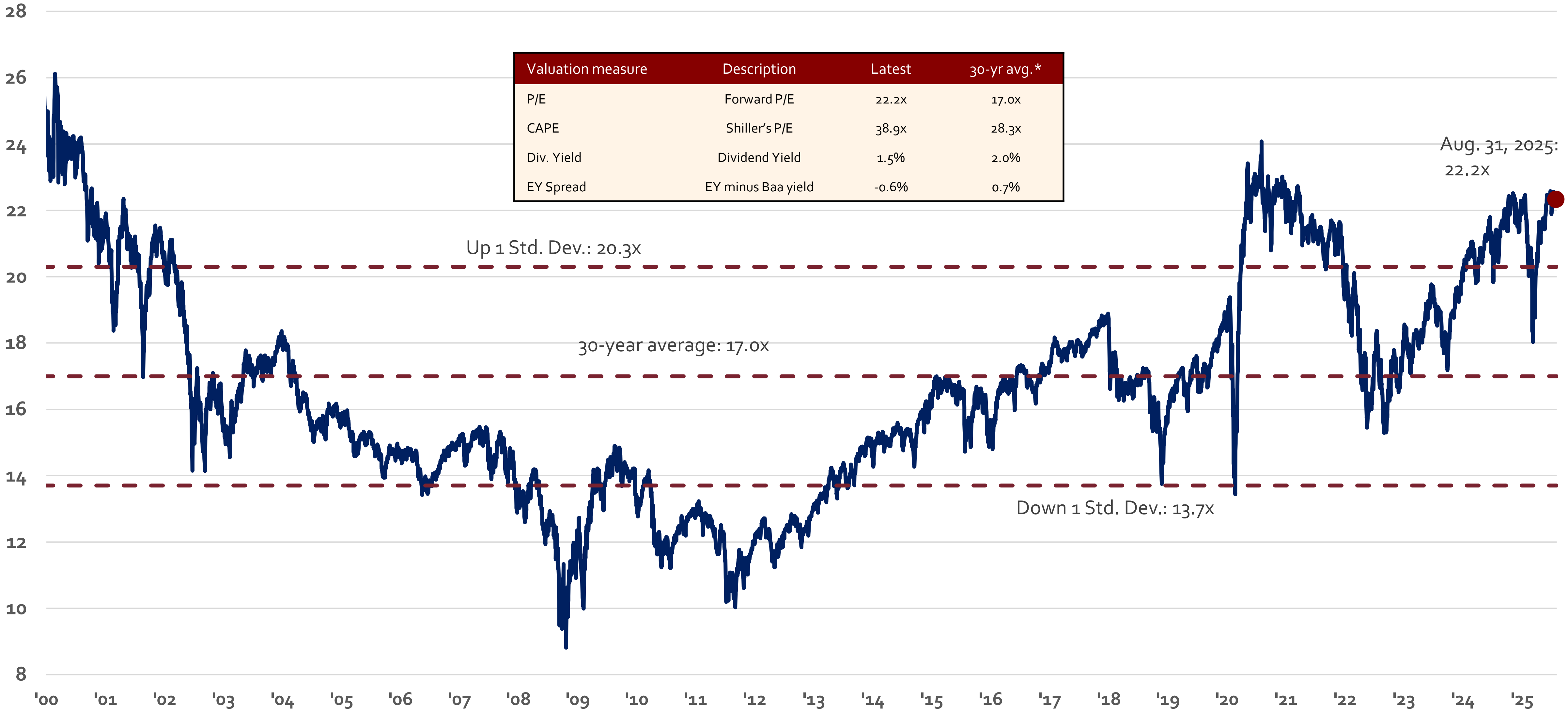
S&P 500 "VIX" Volatility Index



Source: FactSet, September 2, 2025.

S&P 500 Index: Forward P/E Ratio

Valuation measure	Description	Latest	30-yr avg.*
P/E	Forward P/E	22.2x	17.0x
CAPE	Shiller's P/E	38.9x	28.3x
Div. Yield	Dividend Yield	1.5%	2.0%
EY Spread	EY minus Baa yield	-0.6%	0.7%

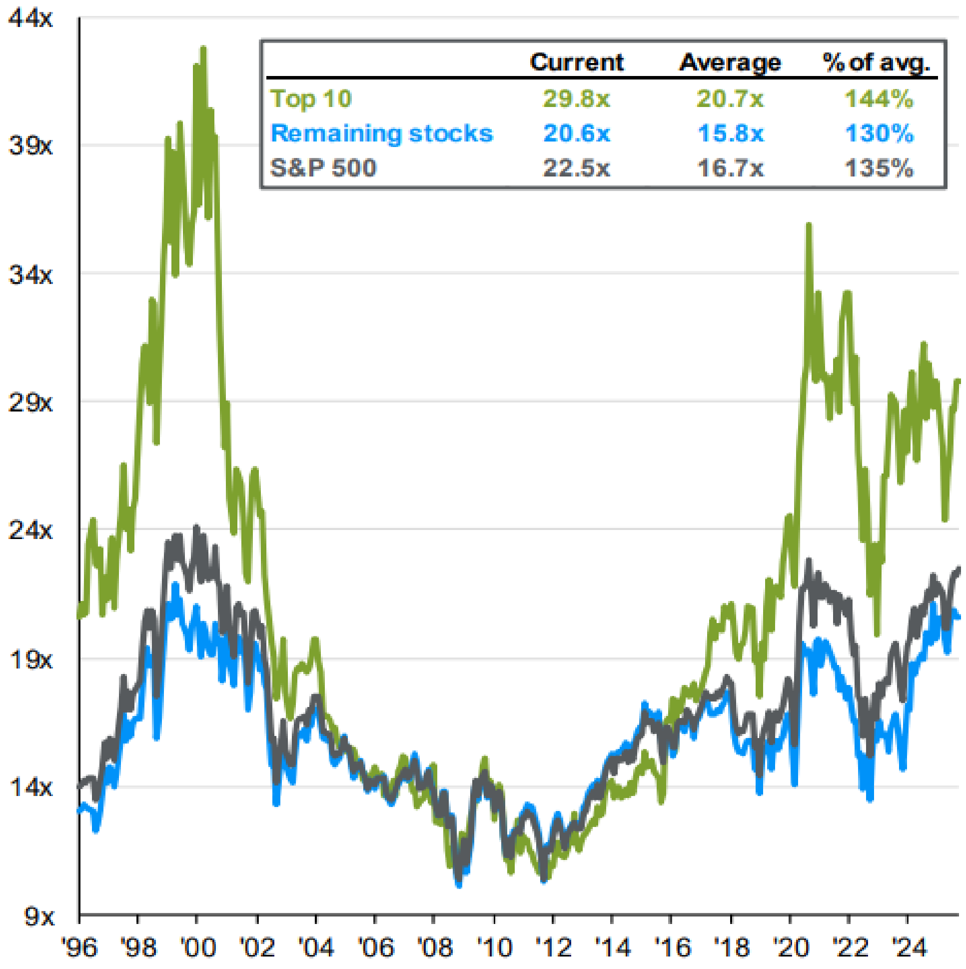


Source: *Guide to the Markets,* FactSet, September 2, 2025.

S&P 500: Index Concentration

P/E of the top 10 and remaining stocks in the S&P 500

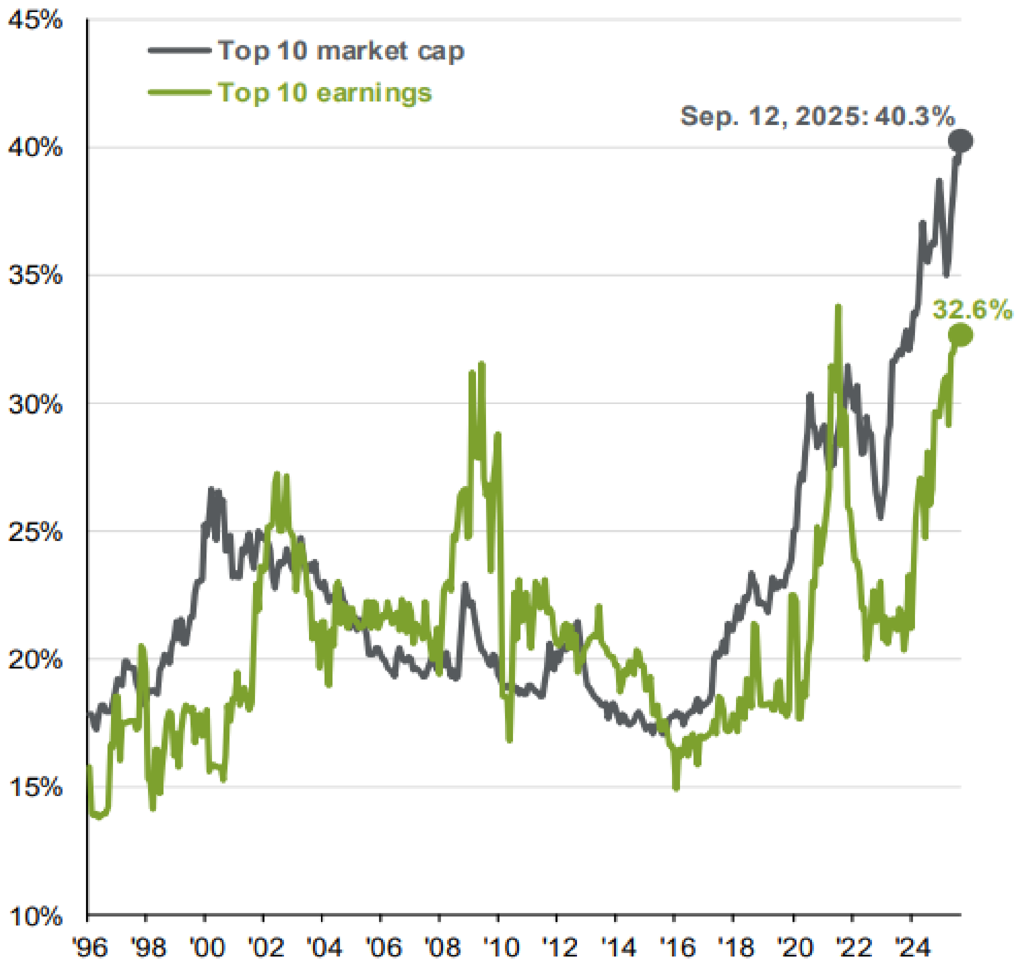
Next 12 months, 1996 - present



	Current	Average	% of avg.
Top 10	29.8x	20.7x	144%
Remaining stocks	20.6x	15.8x	130%
S&P 500	22.5x	16.7x	135%

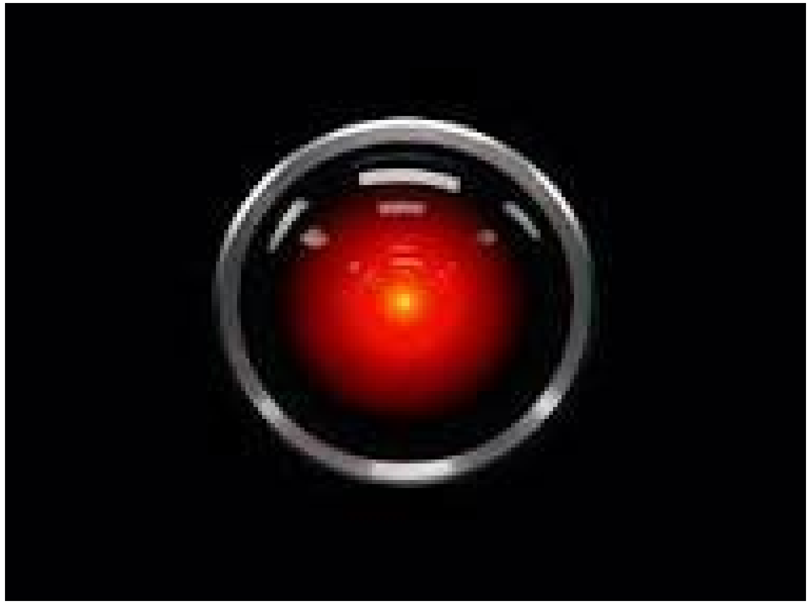
Weight of the top 10 stocks in the S&P 500

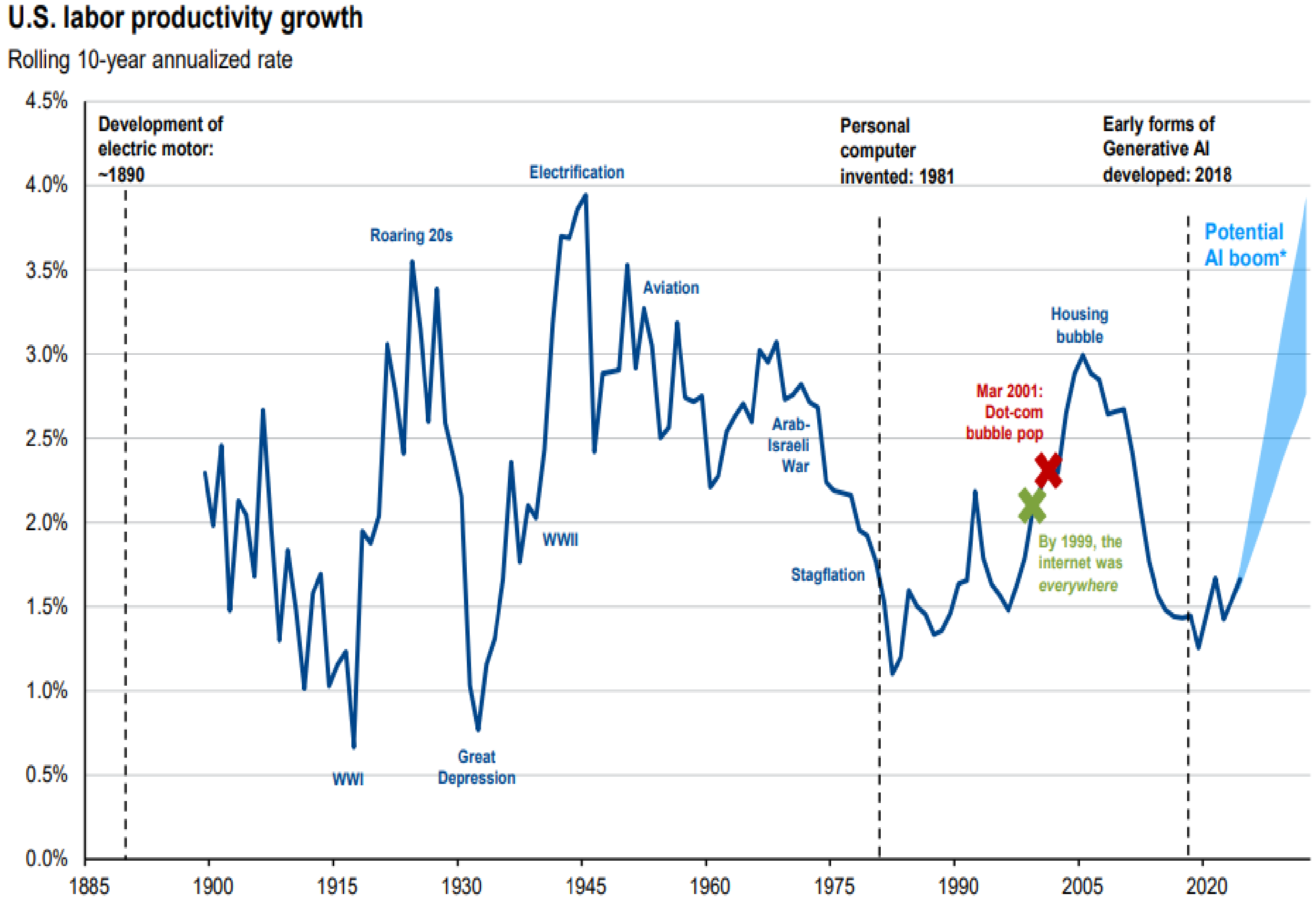
% of market capitalization, % of last 12 months' earnings



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
The 10 largest S&P 500 companies are based on the beginning of each month. As of 8/31/2025, the top 10 companies in the index were NVDA (7.8%), MSFT (6.9%), AAPL (6.3%), GOOGL/GOOG (4.1%), AMZN (4.0%), META (2.9%), AVGO (2.6%), TSLA (1.7%), BRK.B (1.7%) and JPM (1.5%). The remaining stocks represent the rest of the 490 companies in the S&P 500.
Guide to the Markets – U.S. Data are as of September 12, 2025.

Artificial Intelligence and Productivity Growth
Impact on Economic Growth and Corporate Earnings





*J.P. Morgan Asset Management estimates plausible productivity gains of 1.4-2.7% from generative AI and other AI technologies over the next few years, in addition to the expected 1.5% annual productivity growth projected by the Congressional Budget Office.

Source: BLS, NBER, J.P. Morgan Asset Management.
Data as of June 30, 2025.

Executive Summary

Economic growth is uncertain due to trade wars. Growth estimates vary between modest growth to recession

Tug of War

Negativity of Trade War

vs.

Pro-growth Tax and Regulatory policy and AI

Between a rock and a hard place!

Federal Reserve Bank in a difficult position due to uncertainty of trade policy on growth, employment and inflation

U.S. Debt and Deficits remain a significant long-term issue

DOGE unlikely to have material impact

Equity market is highly valued and highly concentrated, led by the "Magnificent Seven" stocks

The Revenge of Diversification. Niche asset classes provide significant benefit in a historic volatile market

Thank You

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