

PNC C&IB Liquidity Response Video Transcripts

Title: PNC COVID-19 Response – Full Video

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Transcript: Hi, I'm Scott Horan. I lead the liquidity group for Treasury Management at PNC. We help our Corporate and Institutional clients manage their short-term cash through deposits and suite products. This portfolio consists of more than \$125 billion of short-term cash and tens of thousands of customers.

The short-term cash landscape has changed drastically over the last several months as we've experienced pandemic-induced lockdowns, a recession and the Fed dramatically reducing interest rates. Our customers and many others have had to adapt to this new environment through building and repositioning their short-term cash for an uncertain future.

PNC's most recent interest rate forecast predicts that interest rates will stay near zero and will not move materially higher before mid-2023. This lower-for-longer rate scenario does not mean that we believe rates will go into negative territory, although some market participants seem unconvinced. The Fed has clearly indicated that they do not believe that negative interest rates are an appropriate policy response for the United States, and that they have the appropriate tools in order to manage the well-functioning markets and liquidity supply.

For all the products that make up the short-term cash market, yields have collapsed to near zero. Given this very low rate environment, there is very little opportunity cost to a short-term cash posture. Therefore, all of the products have begun to reposition, and we have started to see customers take advantage of that very short-term positioning.

Access to cash has become very important to clients. They've drawn on their lines of credit, they've reduced their spending, they've created a buffer of cash for this uncertain future. Safety, flexibility, convenience and cost control have all become much more important. Making critical payments, supporting ongoing operations and reducing expenses are now the buzzwords that we hear from our customers.

Bank accounts support these goals in that they keep your money close to where you make payments, they are convenient and they are cost-effective. They also, through credits against bank fees and interest on the deposits, are very competitive in this environment.

Suite services are another alternative customers widely use. They automatically move money from your checking account to an investment that has the right return and risk profile. Interest-bearing deposits and government money funds are often used in this regard.

Preservation of principal is paramount in this environment. Working with highly-rated, well-capitalized institutions is what our clients are looking for, as they look to their investment

policies to make sure that they are within the concentration limits, they have the investment alternatives they're using of the appropriate ratings, the financial ratios of the institutions that they work with are very strong and that the alternatives that they're using are approved by policy.

Cash utility in this environment is very high, although return in various investment alternatives are not all that important. What is important is ready access to your cash, transaction flexibility, cash flow management and preservation of your principal.

Thank you for your time today. I hope you found this information helpful and we hope to work with you soon.