

ECONOMIC UPDATE

Marine Bank provides quarterly economic updates as a service to its customers. If you would prefer to receive this newsletter electronically, please contact:

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About John J. Terril

John "Joe" Terril is the president of Terril & Company, an independent wealth management firm based in St. Louis, Missouri. Terril & Company oversees retirement plans, IRAs and individual investment portfolios for corporate executives, successful professionals, professional athletes, and small business owners. After 27 years in business, an important cornerstone of Terril & Company's philosophy remains ensuring that no conflicts of interest exist between the company and its clients.

Joe Terril and Marine Bank's Annette Piper team up to provide outstanding investment management services with a *personal touch* that is classic Marine. For a free, unbiased and totally objective analysis of how your own assets can be most effectively managed call Annette Piper today at 217.726.0661.

OUTLOOK REMAINS CAUTIOUS ON ECONOMY

By John J. Terril

Economic historians will struggle to properly record the first quarter of 2008. How do you describe a quarter in which oil rose to more than \$100 a barrel, gold exceeded \$1,000 per ounce, the U.S. dollar fell like Newton's apple, the Fed lowered interest rates close to all-time lows, and a major investment bank (Bear Stearns) was saved from overnight bankruptcy with a government-initiated shot-gun marriage? Adding to the "eventful" quarter were dismal numbers on housing sales, negative employment figures and failed auctions of investment grade securities. A legitimate question centers on how the stock market managed to avoid a major rout during this late winter blizzard of economic events.

Results from the first quarter of 2008 could very well be repeated during the balance of the year, although we doubt the stock market can look the other way forever. As we have suggested in previous quarterly updates, the Federal Reserve Bank is the predominate reason for all of the "action." The central bank is running a



very reckless monetary policy. Maintaining short-term interest rates almost 3% below the rate of inflation is considered by almost all schools of economic thought to be "reckless." This is confirmed by the lack of central bankers around the world willing to join us in an attempt to monetize problems away. Perhaps some of the blame falls to our citizenry for refusing to accept any type of temporary economic downturn. This refusal to allow a short-term slowdown will make the eventual downturn more severe. We do not envy the three remaining major candidates for the presidency. One of them is going to walk into a firestorm beyond their political control.

Until the Fed reverses

course and raises interest rates, we remain cautious on the economy. We expect negative economic growth for the balance of the year. This will be somewhat muted by the booming energy and agriculture sectors. The U.S. dollar (some say "peso"), will continue to lose value. Most commodity prices will move yet higher. The stock market fall will be tempered by the cheap dollar. Our stock prices look inexpensive to foreign investors holding appreciated currency. We will see more bank and finance company failures. The investments of choice will continue to be foreign dollar bond funds, commodity stocks and distressed debt abandoned by investors not for credit reasons, but

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TRUST BASICS SEMINAR



We were excited to share some valuable information on trusts and estate planning with our Mariner Club members and other friends at our seminar on March 4.



Thanks to all who braved the day's snowstorm to attend! Pictured at left are: **Cathy Hanlon, Sarah Delano Pavlik, George Laubner, Annette Piper, and Carol Fuson.** Watch for more seminars to come this fall!

OUTLOOK

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for liquidity. New York Stock Exchange listed partnerships with ownership of energy infrastructure are also timely.

We hope the Fed will soon change course. There is the possibility foreign institutions will force a reversal upon the Fed. Until the Fed appears ready to change course, we will maintain a direct correlation between the time the Fed keeps up this "bail everyone out of every problem" policy and our growing bearish outlook.

SAVE THE DATE!

We're teeing up for our second annual LPGA Tournament Par-Tee! Plan to join us for good company, great food and a fabulous view of the course.

Saturday, July 19
Home of Annette Piper
Panther Creek

Details to come!



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