

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.

SMALL CHANGES MAKE A WORLD OF DIFFERENCE

By John J. Terril

The Federal Reserve Bank of the United States "blinked." With the pressure of a credit crunch and a continued slowdown in housing, the Fed recently lowered U.S. interest rates by one half of one percent to 4.75%. This rather small change has huge implications, the most important of which is the inference that the Fed will sacrifice the battle against inflation to bail out institutions with bad loans and speculations gone awry. The Fed's action will create the backdrop for both fourth quarter 2007 and first quarter 2008 economic activity.

From a macro-economic standpoint, the Fed action will result in the continued "monetization" of our debt. Currency markets do not approve of this type of Central Bank action, as illustrated by the fall in the value of the U.S. dollar and the corresponding sharp rally in gold prices during the third quarter. We anticipate U.S. purchasing power to continue to decline for the next six to nine months. Any further Fed action (or, as the market would prefer, lack of action) before year-end will be extremely important to future economic activity.



The U.S. economy is growing at a 3% rate as we enter the fourth quarter of 2007. This growth rate can be expected to accelerate into year-end. Major positives are our export markets (high tech in particular), commodities and services. Major negatives continue to be housing and autos. Recent employment statistics offer a mixed picture, however, it is our belief that employment is solid and will remain favorable.

While the Fed rate cut is a near-term positive, it is a longer-term negative for investment markets. For the moment, the additional liquidity and the perception that the Fed will not allow a major problem to upset the economy, is creating a bullish sentiment. And, the lower dollar is creating

buying activity as foreign funds use expensive currencies to buy our assets. However, the Fed will ultimately be forced to answer for its bailout with an inflation problem. Lower purchasing power combined with higher food and energy prices will not help sub-prime borrowers make overdue mortgage payments.

It is without question that today we live in a world economy. What happens in China, Russia, Europe, Japan and other countries is extremely important to our domestic business results. The difference in interest rates available from country to country can be critical in attracting capital. Domestic political policy can make or break

Continued on back page

SMALL CHANGES

Continued from front

economic results. It is impossible for us to live in a world of economic isolation and, were we to do so, it would be a very costly existence. For this reason, the outlook for our economy and the financial markets is, to a large extent, in the hands of foreign institutional investors. Their ongoing reaction to a surprise change in monetary policy by our Federal Reserve Bank is for the moment omnipresent. The facts call for a cautious approach to investments.

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LPGA PAR-TEE SEPTEMBER 1



Thank you to everyone who joined us at the Marine Bank LPGA Par-Tee in Annette's backyard! We enjoyed beautiful weather and a great golf tournament. Pictured left to right are: **Coyne and Susan Richardson, Tina and Chris Zettek, Annette Piper and Joe Terril.**

OUR STAFF

Annette Piper is Vice President of Marine Bank's Trust and Investment Management division. A certified trust and financial adviser, she will develop a customized investment plan for you or your business. Annette will give professional, personal attention to make your dreams come true. Call her at 217.726.0661.



George Laubner is Marine Bank's Senior Vice President of Trust and Investment Management. He brings 27 years of experience to helping Marine's clients achieve the future of their dreams. Call him at 217.726.0275.