

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:

Stacy Foli
217.726.0276
sfoli@ibankmarine.com

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.

THE WORLD ECONOMY WILL SURVIVE

By John J. Terril

The world economy will survive. There is an unprecedented movement by central bankers worldwide to inject massive amounts of liquidity into economies. This may result in inflation a few years from now, but it rarely results in "deflation." The price of energy is falling. The lower price of gasoline and heating/cooling costs is a stimulus to economies. The "sub-prime" mortgage crisis is solvable. Some 76% of the loans are current. If regulators will give financial institutions time, they will work through the problem. Citicorp and the conservative Wells Fargo fighting over Wachovia, and its mortgage portfolio may be an indication of the degree of the problem. Wells Fargo asks for no government help or government guarantees. There is also an attitude by many U.S. consumers to continue to live their current lifestyles without regard for the problems of Wall Street.



Consumers in developing countries are very unlikely to stop their march toward higher standards of living. The taste for housing, autos, jewelry, and travel in many developing countries is unlikely to disappear.

The above facts, coupled with the somewhat ridiculous prices of investments, push us mildly into the bullish camp for both equities and fixed income investments. Now is the time to buy fixed income. We reject the notion "everyone is going bankrupt." The worldwide economy will suffer a recession, but not a depression. This may last for a year or 18 months. During this time, income will be sought after. Investors

around the world are unlikely to sit in "safe funds" forever when other investments are paying double digit rates. We like many equities. Exxon and BP are bargains. Johnson & Johnson, Merck and Intel are good values. Many

utility stocks are trading at 8% to 9% yields. Is electricity a thing of the past? AT&T and Verizon are buys. Together they own the majority of the backbone of the internet. How many people keep or drop their cell phone service in a poor economy is not important at current stock prices. The infrastructure the firms own is literally irreplaceable. Energy infrastructure partnerships are paying double digit rates of return. NuStar, Sunoco Logistics and Kinder Morgan Energy Partners are all good investments at today's prices. Bank of America and American Express are good bargains.

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HOLIDAY SEMINAR!

Thursday, December 11th

5 p.m.

Panther Creek Country Club

Join us for cocktails and hors d'oeuvres as investment professional Joe Terril discusses current economic conditions.

Please RSVP to Stacy Foli at 726-0276 or sfoli@ibankmarine.com.

SURVIVING . . .

We are cognizant of the problems the world currently faces. The most important of the problems is the completely frozen credit market. This problem is serious. When banks refuse to loan money to each other, investors are correct in questioning the credit of all banks. When banks refuse to lend money to major blue-chip corporations, investors are correct to question why. We believe the refusal is more an attempt by banks to retain all of their capital rather than a comment on corporate credit. The credit freeze is capable of thawing as pressure builds on banks to lend money. Holding money is not a widely profitable action for financial institutions.

