MarketWatch

MARINE BANK
Trust & Investment Management

Conference Call Summary

Joe Terril, Terril & Company, Featured Speaker

With over 40 years of observations and experience in the professional investment business, it seems impossible to believe we are living through a voluntary shut down of the world economy. During this time of uncertainty, our opinion is a little more optimistic than others, predicated on two "*ifs.*" First, *if* the economy begins to open up on May 1 on a "soft" basis (e.g., letting businesses open for shortened hours, letting restaurants and bars operate at a lower occupancy rate than previously permitted, etc.), then we will begin to see a recovery. Second, *if* people are not afraid to get out of their houses once businesses begin to re-open, that will further the recovery. Our optimism is predicated upon the premise that people will get back to work sooner rather than later, and, when that happens, people will participate in the economy as long as they see the number of virus cases continuing to drop.

The number of cases in the United States and Europe is falling every day. Although we are certainly not infectious disease specialists, it appears that the worst of the virus is behind us. South Korea has begun operating with a full economy and is doing okay. Some of the European countries, Italy included, are openly talking about re-opening the economy. Governor Cuomo of New York has been adamant that New York City needs to get back to work. The governors of California, Washington, and Oregon are talking together about the best way is to re-start their economies. Some countries, such as Brazil and Sweden, did not do social distancing and did not shut their economies down. This leaves many anxiously waiting to see the results. If their results are okay, it should encourage others to re-open sooner rather than later.

The markets fell faster, farther, and quicker than any time in history predicated upon the belief that the virus was going to be a devastating pandemic. However, that did not happen. Country by country, the results varied. This encouraged world investors and markets rallied. With what is likely the worst of the pandemic behind us, the markets are waiting to see how fast economies will re-open and how quickly people will participate in the economies. Everyone is expecting the economic figures to come out as horrible, depression-like figures. You cannot shut down 75% of the world economy and not see ugly figures. At Terril & Co., we believe the lows in stock prices occurred back on March 23. Yes, the economic news for the next 2 to 3 months is going to be horrible. However, we believe politicians realize the importance of getting the economy going again as quickly as possible and that people will respond. Consequently, we anticipate the economic statistics will begin to turn more positive just as rapidly as they fell.

Regarding current investment markets, we are willing to purchase, at the lower prices, dividend-paying companies that we think will remain in business. This includes Verizon with cellphone and high-speed internet, Nutrien with farm fertilizer, and International Paper with cardboard boxes and paper. When we come out of this, which we will, interest rates are going to stay down. The Federal Reserve is going to be very careful to keep interest rates down. As we move into next year, we will see further inflationary pressures, and that is okay. Most economies around the world will face higher inflation. In anticipation of higher inflation, we continue to hold our Newmont gold position.

The initial reaction in the fixed income market was to freeze the market. No credit for anybody until things were sorted out. Back in the third week of March 2020, credit markets were a disaster. Since then, mainly because the Fed recently announced that they would be a buyer of all types of bonds and ETF bond funds, we are slowly, day by day, seeing the bond market recover and begin to function. We are optimistic that this trend will continue, and, when we are on the other side

of this, you will see interest rates remain low. Consequently, this supports our theory that good, dividend-paying companies are the place to invest.

Finally, we want to mention two of the hardest-hit areas — first, airlines, which we own in many portfolios. Airlines went from planes that were full to empty in a matter of a week or ten days. The reason we are holding the stocks is that they have a deal with the Federal Government for all the funds they need to keep their bills paid for at least another year. The generally accepted figure is that airlines need to run at about 45% occupancy to break even. We think if the economy re-opens and people see that the virus is not spreading and is continuing to die out, the airlines will be able to meet that figure – not in May or June, but as the summer goes along. It will be a big positive for the stocks if they get to the point where they are breaking even.

The second devastated area is energy. The demand for energy has grown uninterrupted every year since around 1950 (post-World War II), through recessions, 9-11, etc. Now, for the first time in years, demand for energy is lower. Much lower. The price of energy stocks has followed the demand for the commodity. Getting economies re-opened could go a long way towards a demand recovery. The dilemma also carries over into utilities. The amount of electricity being sold by electric utilities is down 30% or 40% because office buildings and businesses are closed. We don't see utilities in danger of going broke and anticipate the demand for energy recovering when the economy re-opens.

It is not a matter of being bullish about the two hardest-hit areas. It is a matter of prices selling literally as if the firms are all going bankrupt. We do not see any merit in selling, rather than holding. While it is probably going to take longer to recover than other areas, we do think you will see a recovery.

ClientQuestions

Question: Joe, what if the economy does not open until June or July?

Response: If the economy does not open until June or July, we would become pessimistic and would begin to think about selling some things even at these low prices. It is our belief that you can't keep the world economy locked down like it is right now for another 60 to 90 days. It would bankrupt too many businesses and consumers. It would be extremely difficult to recover. It is imperative that some type of soft opening happen as soon as possible. We are optimistic to see governors, particularly Governor Cuomo of New York, openly stating this importance. If New York City gets back to work and people see there is no surge in new virus cases, we believe it will force the hand of other officials to re-open. If the economy does not re-open until June or July, it will be devastating.

MarketWatch

Monthly conference calls with time for your questions about the state of the markets are just one of the many personalized services offered by Marine Bank's Investment Management Team. This **Market**Watch update is a summary of our monthly call.

Our next monthly conference call will be:
May 20th 2020
June 17th 2020
July 15th 2020
at **10:30 a.m.**

To participate, dial
1.866.210.1669

When prompted, enter code **8558354#**

Email your questions to Annette in advance:
amcclure@ibankmarine.com

MARINE BANK
Trust & Investment Management

Investments are subject to risk, including possible loss of principal. Investments are not deposits of or guaranteed by Marine Bank, and are not insured by the FDIC.

Marine Bank's
Annette McClure
Executive Vice President
Trust & Investment Management
amcclure@ibankmarine.com
217.726.0661

John "Joe" Terril
President of Terril & Company, a St. Louis based, independent wealth management firm. Terril & Company has been overseeing retirement plans, IRAs and individual investment portfolios for over 37 years, an important keystone of Terril & Company's philosophy remains ensuring no conflicts of interest exist between the company and its clients.