

NORTHWESTERN Banker Newsletter

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Inflation and Interest Rate Trends

"The United States is in the grip of a rare type of powerful inflation which cannot be cured by old-fashioned remedies."

This is the comment made recently by Sidney Homer, limited partner of Salomon Brothers, New York, who projects the following thoughts on interest rates and inflation:

"We must recognize the dual nature of our problem; a powerful short term trend superimposed on an even more powerful long term trend.

"Right now, with accelerating recession, the short term trend towards lower yields should become more forceful. However, with a continuing disastrous rate of inflation the long term trend towards higher rates is still powerful. Thus we have recently had big zigzags in long yields and it is just this that we should expect for the rest of this year.

Conflicts

"Recently in another area there have developed conflicting market trends. The serious nature of this recession and the many political and economic uncertainties around the world have led to a sudden preference for prime quality investments. Thus, we have lately seen prime bonds advance in price while good medium grade issues have

declined. Ratings have been reduced and some erstwhile market favorites, for example the electric utilities, are under a cloud. Indeed a low level of liquidity throughout our economy has been created by



the inflation. Inflation builds up liabilities much faster than capital funds can be accumulated. Thus, there is a fear of insolvencies. It looks as though a preference for prime credits, especially governments, will be a feature of our bond market for some time to come.

"I might now mention other technical forces within our market which should effect medium term price movements and to some extent temporarily offset the continued overriding power of the inflation. With the worsening of the recession, which will probably continue through most of this year, business demands for short term credit should decline sharply in 1975 both in the banking system

and in the open market. Therefore, given a more accommodating monetary policy, the banking system should be able to help finance a large government deficit and also assist the depressed market for municipal bonds. Again, while the mortgage market may recover later in the year, its requisitions for the year as a whole should be far below the huge 1973 volume. On the other hand, low liquidity assures a very heavy volume of corporate bond financing, especially during the first half year and concentrated in prime credits, and also probably a large volume of stock financing. Government agencies should be smaller borrowers and lenders. Consumer credit demands should continue depressed.

Lower Prime

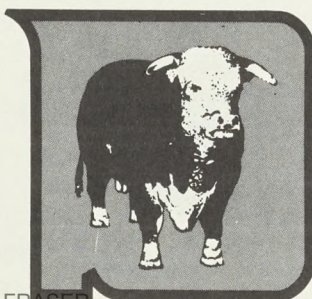
"On the other side of the equation, the flow of non-bank institutional funds to the market should increase moderately and the expansion of bank credit should rise substantially. There is also a good chance of increased foreign investment in our market. Thus, on balance, an easier statistical picture presents itself for prime credits which suggests the obvious -- that in a recession short term trends are in the direction of lower prime yields.

"It is not enough to watch the
(Turn to back page, please)

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Iowa News

BATTLE CREEK: Application by the First State Bank here to move its home office to Ida Grove has been denied.

CHARLES CITY: First Security Bank & Trust Co. has announced the following promotions: Stanley Attleson, a.v.p., and Myrtle Towner and Ruth Uetz, a.c.

DES MOINES: Paul Dunlap, pres., Hawkeye Bancorporation, has announced the following promotions: Robert W. Murray, sr. v.p.; Stephan L. Jones, v.p.; James Lyon, a.v.p.; Michael Smith, asst. controller, and Dorothy Crouthamel, asst. secy. Charles Chapman was elected pres. of Hawkeye Mortgage Company. Bernard M. Kirke was named pres. of Firststate Lifeco and David

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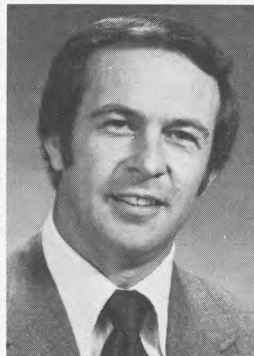
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Cedar Rapids Iowa 52401 A BANKS OF IOWA BANK

Rogers, a.v.p. & mgr. of CNA General Agency. Betty Hejda and Kay Neuschwanger were advanced to administrative asst.

ELDORA: Promoted to new positions at the Hardin County Savings Bank are Clarence W. Cockerham from cash. to v.p., and Roger W. Martin from a.c. to cash.

HILLS: Charles W. Gay has been elected vice chmn. and J. J. Swaner v.p. of the Hills Bank & Trust Co.

IOWA CITY: James R. Schulze recently was elected exec. v.p. of Hawkeye State Bank. He had been v.p. of the Community State Bank at Clear Lake. Dr. Carroll B. Larson was elected chmn.

MINGO: The Board of Governors of the Federal Reserve System has announced its approval of the application of Mingo Insurance Agency to form a bank holding company through the acquisition of Mingo Trust & Savings Bank and to continue to engage in its insurance activities.

OTTUMWA: The 4th annual Cornbelt Cow-Calf Conference will be held at The Coliseum Sat., Feb. 22 beginning at 7:30 a.m. and ending at 4:15 p.m. It is sponsored by the Ottumwa area Chamber of Commerce and the Extension Service of Iowa State University, Ames.

SIGOURNEY: Thomas A. Bates has joined the Keokuk County State Bank as v.p. Formerly he was a FDIC examiner out of Burling-

ton. Kristie Linnenkamp has been promoted to a.c.

SLOAN: Stockholders recently approved a 100% stock dividend which raises the capital stock to \$200,000 at the Sloan State Bank. Surplus is \$300,000. Gene Smith was promoted to exec. v.p., Lillian Peterson to v.p. & Mike Smith to cash.

WATERLOO: Controlling interest of Peoples Bank and Trust Company has been purchased by a group of local investors from Carl R. Pohlad of Minneapolis, Minn., for a purchase price in excess of \$3 million. The announcement was made January 31 by R. K. Sverdahl, president of Peoples Bank. He said the investors are individuals, business and professional people in the Waterloo-Cedar Falls area.

Nebraska News

CRETE: Carleton G. Flynn, Jr., has been named pres. of City Nat'l Bank here. Fred W. Kerst has resigned as pres. but will remain as chmn. Mr. Flynn most recently served as v.p. of Cache Nat'l Bank at Greeley, Colo.

HASTINGS: Hastings State Bank has announced the promotions of R. Terry Hunter to v.p. & cash., and Jackie C. Jackson to a.c. The bank increased its capital to \$300,000.

LINCOLN: Citibank & Trust Co. has named John W. Lofgren v.p., mgr. of consumer lending.



Voldy Vanags

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NORFOLK: Don Smejkal was promoted from v.p. to sr. v.p. at The DeLay First Nat'l Bank & Trust Co. Ruth Raasch was elected a.c.

PLATTSMOUTH: Carl Schneider has been elected chmn. of the Plattsmouth State bank and his son, Ronald D. Schneider, has been elected pres.

TAYLOR: Guy Fletcher has retired as v.p. of the Bank of Taylor where he had served since 1927.

Minnesota News

ALTURA: Altura State Bank has increased its capital from \$50,000 to \$100,000 by stock dividend.

DULUTH: Two officers have been advanced at the Duluth Nat'l Bank. They are Leonard W. Becker to marketing off. and Gary T. Bowen to aud.

DUNNELL: Roger Swanson has succeeded his father as pres. of the First Nat'l Bank. Carl E. Swanson remains a dir.

LE CENTER: Jerry Scheffert and Mary Kay Fried have been promoted to a.c. at the First State Bank.

MINNEAPOLIS: First Nat'l Bank has added a vice chmn. and named 4 exec. v.p. Ronald H. Thuleen was elected a dir. and vice chmn. He will share responsibilities with George H. Dixon, chmn., pres., and c.e.o. and Clinton Morrison, vice chmn. Elected exec. v.p. are DeWalt H. Ankeny, Jr., bond, marketing services, resources management and planning dept. and retail business; Joseph R. Kingman III, commercial banking; Donald R. Koessel, head of trusts & investment management; and J. C. Welman, Jr., head of operations and control. James L. Hetland, Jr., v.p., was given additional responsibility for the bank's legal dept.

ST. CLOUD: First American Nat'l

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Bank has announced three promotions: Mike Leonard, v.p.; Albert Pool, v.p. of marketing, and John Herges, a.c.

STEWARTVILLE: Three have been promoted at First Nat'l Bank. They are Gary Madison, cash. and Hazel Stover and Elrose Douglas, a.c.

Illinois News

CHICAGO: Three top men at the First State Bank of Chicago all have moved up one step: C. F. Potter, from pres. to vice chmn.; Robert K. Behr from exec. v.p. to pres., and Joseph Zizzo from senior to exec. v.p.

MORTON GROVE: A permit to organize the First State Bank has been issued. Total capitalization will be \$1,500,000.

ROLFE: Susan Johnson has been elected a.c. at the Rolfe State Bank.

North Dakota News

DEVILS LAKE: Ramsey Nat'l Bank has announced the promotions of Mary Bosch to a.c. and John Hagen & James Ridley to loan off.

GRAND FORKS: Sharon Rice has been named a.c. & mgr. of the northside office of Valley Bank & Trust Co. Pat Grinde was appointed a.t.o. & loan off.

Montana News

CHINOOK: Fred H. Mielke has been elected pres. & dir. of the Blaine Bank of Montana. He joins the bank from Citizens Bank of Montana, Havre, where he served as v.p. & dir.

Colorado News

DENVER: Guaranty Bank & Trust Co. has announced the following promotions: Dorothy Brown & John Gardner, a.v.p., Lucille Ekstrom & Mary Kent Oliver, a.c., and Ken Turrentine, aud.

NORTHGLENN: First Nat'l Bank has announced two officer promotions. They are Robert L. Niehoff, a.v.p., and Terry K. Crest, operations off.

STERLING: James A. Miller has been promoted to v.p. & cash. of Security State Bank. He previously was cash. Robert E. Wenger, Jr., was promoted from loan off. to a.v.p.



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Inflation.....
(Continued from Page One)

business cycle. The great inflation is still with us and its disastrous consequences around the world have not yet been fully exposed and our credit markets are still overextended.

"Until the long term inflation is controlled it is hard to see any sustained trend to lower long term yields. But the analyst must be alert to events which will spell the end of the inflationary boom. It may end itself, as most booms have done, by a financial breakdown. Alternatively, it may end by the not impossible development of effective long range government policy. In either event, short term and long term trends, would then coincide in favor of substantially lower interest rates."

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POSITION WANTED

Bankers with ten years experience seeks position in a small to medium size financial institution as Chief Executive Officer or other senior officer with opportunity of advancement. Write Box GMH, c/o NORTHWESTERN BANKER, 306 15th St., Des Moines, Ia. 50309.

Credit Insurance Licensing School

The Iowa Automobile Dealers Association, with the cooperation of Life Investors Insurance Company of America, will sponsor an eastern Iowa Credit Insurance Licensing School in Cedar Rapids, February 17, from 8:30 a.m. to 4:00 p.m. at the Town House Motel. The Licensing Test will be given the following day starting at 8:15 a.m. in Marquis Hall at Coe College in Cedar Rapids. Additional information may be obtained by contacting the Credit Life division of Life Investors... 319-393-7100.

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