

NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

April 28, 1980

"A Tilt in the Interest Rates"

By HENRY KAUFMAN
General Partner
Salomon Brothers
New York, New York

IN LIGHT of recent developments, it is now likely that money rates have reached their cyclical peaks and will decline irregularly. In the long-term bond market, the sustained cyclical rise in yields has ended and is being replaced by a broad trading range within which yields may fluctuate between their March highs and somewhat below current levels. The fundamentals for a bond rally of cyclical proportions, however, are not yet in place.

We are at the precipice of another economic recession. Consumer spending is being thwarted by the onslaught of inflation and a tighter credit policy and, after a considerable delay, new housing activity is contracting now in typical cyclical fashion. Only spending by business for inventory and plant and equipment are the lingering supports for the economy. Business, however, cannot continue to ignore consumer weakness. It is as yet too early to quantify the magnitude and duration of the economic contraction.

Government Policy

Governmental policy cannot deal promptly with the economic contraction. Indeed, official policy pro-

nouncements accept the recession, and a reversal of official policy will be difficult to justify considering the continuing long-term threat of inflation. Monetary policy cannot soon open the credit valves enough to restart the economic engine for fear of fanning an already serious inflation. Only a new wave of inflationary expectations kindled by a decisive easing in money policy can give this business expansion a last—but not lasting—gasp of life.



HENRY KAUFMAN

Money Market

A significant easing in money rates right away is unlikely. Another large increase in money supply cannot be ruled out this month. Furthermore, foreign exchange rate considerations may limit the extent of any monetary easing. More importantly, business short-term borrowings are much too strong. In the second half of the

year, when short-term credit demand subsides, the prime loan rate may move below 15%, leaving the cyclical trough to be reached thereafter.

Bond Market

A somewhat different set of circumstances seems to prevail in the bond market. Key institutional investors are not capable of driving the market forward. Insurance companies will not find instant relief from policy loans and slow corporate payments of pension contributions. Assuming the Fed perseveres with restraint, commercial banks will hardly be in a position to increase their investments in securities.

The long bond market will also have to labor under two supply handicaps. One is the continued issuance of a large volume of long Governments. The other is the imminent need of corporations to finance long and to pay off short-term liabilities.

For long interest rates to fall sharply, total net external financing by business must contract, and this tilt in business finance is still ahead of us. It is unlikely that new issue high-grade utility bond yields will decline below the 10½% to 11% range in the coming bull market unless the long-term trend of inflation is turned, which is improbable. In the meantime, the preference for quality may intensify over the near term. □

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Iowa News

CEDAR RAPIDS: Jerry Trudo has been advanced to vice president at Merchants National Bank. He is in the correspondent department.

DES MOINES: Funeral services for Milford N. Baird, 67, were held in mid-April. Mr. Baird retired from Bankers Trust Company as a senior vice president in 1978. He was a past president of the Iowa Mortgage Bankers Association.

LYNNVILLE: Bryce Gause has joined the First State Bank here as executive vice president. He was formerly an assistant vice president and trust officer at Peoples Trust & Savings Bank, Indianola.

MASON CITY: Calvin D. Hubregtse has been elected an agricultural loan officer, and Robert Sleep named a correspondent banking officer at the First National Bank here.

Nebraska News

The Nebraska Bankers Association will sponsor a series of statewide workshops on customer relations and sales training for bank staff members in the coming weeks. Dates and locations include: May 12, Norfolk Holiday Inn; May 13, Omaha New Tower; May 14, Lincoln Hilton; May 15, Grand Island Ramada Inn; May 19, Kearney Ramada Inn; May 20, North Platte Holiday Inn; May 21, Deer Park Country Club, Valentine, and May 22, Scottsbluff Inn.

Registration at each site begins at 4:30 p.m., with cocktails at 5 p.m., dinner at 5:30 p.m. and program at 6:30. Staff members from Financial Shares Corp., a Chicago-based marketing and training consulting firm, will conduct the seminars. The objective is to stress how the service concept is important in today's banking environment and how marketing, communications, sales and human behavior can profit the bank and its employees.

GRAND ISLAND: Roger L. Kozišek has joined the First National Bank here as credit analyst to head the newly-created central credit department. He was formerly a national bank examiner with the Comptroller of the Currency.

OMAHA: Mid City Bank has received consent from the FDIC to open a detached tellers facility at 13483 W. Center Road here.

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"C"

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STEINAUER: Bob Gyhra and Charles Jasa are the new owners of The Bank of Steinauer. Mr. Jasa is president and Mr. Gyhra is vice president. John Steinauer, the former president, has been named chairman.

United Mo. Lowers Prime

R. Crosby Kemper, chairman of United Missouri Bancshares, Inc., Kansas City, announced that all United Missouri banks across the state lowered their prime lending rate to 19½% on April 17. United Missouri was one of the first major banks in the country and the first bank in the state to lower its prime a full one-half percent.

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NEW ISSUE

SALE DATE 4/21/80

\$1,300,000
CITY OF ENGLEWOOD, COLORADO
(ARAPAHOE COUNTY)
General Obligation Water Bonds, Series 1980

MOODY'S: A 1

Dated: June 1, 1980

Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due December 1, 1980) payable at the First National Bank of Englewood, Englewood, Colorado.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES.

MATURITIES

	<u>8.00%</u>			<u>6.60%</u>	
\$ 10,000	December 1, 1981	6.70	\$250,000	December 1, 1986*	6.65
10,000	December 1, 1982	6.70		<u>6.70%</u>	
10,000	December 1, 1983	6.70	250,000	December 1, 1987*	6.70
10,000	December 1, 1984	6.70		<u>6.75%</u>	
	<u>7.80%</u>		250,000	December 1, 1988*	6.75
250,000	December 1, 1985	6.60		<u>6.80%</u>	
			260,000	December 1, 1989*	6.80

*Optional in inverse numerical order beginning December 1, 1985 at 101.50%.

LEGALITY TO BE APPROVED BY LAMM, EDSTROM & STOWE, ATTORNEYS, DENVER, COLORADO

The City of Englewood, second largest city in Arapahoe County, is located immediately adjacent to and directly south of the City and County of Denver, the State Capital and population center of the State. The economy of the City is closely related to the economy of Metropolitan Denver and is the hub of the south suburban trade area with complete business and professional services. There are approximately 2,000 business establishments in the City of Englewood at the present time, including four commercial banks with combined deposits in excess of \$210,640,000. The City is in the center of a commercial, manufacturing and fabricating area that parallels the main-line railroad right of way that extends south from Denver. Light industrial and fabricating plants in or near the City include General Ironworks, Precision Tool, Air Control Products, Bingo King Company, Canada Dry Bottling Company and Lowdermilk Corporation.

These bonds are being issued pursuant to the Constitution of the State of Colorado for the purpose of paying the costs and expenses of extending and improving the municipal water system of the City. The debt service will be paid primarily from the net revenues of the water system. In the opinion of counsel, these bonds are also legal and binding general obligations of Englewood, Colorado, and all taxable property located therein is subject to the levy of sufficient taxes to pay the principal of and interest on the bonds without limit as to rate or amount should the net revenues prove insufficient.

FINANCIAL STATEMENT

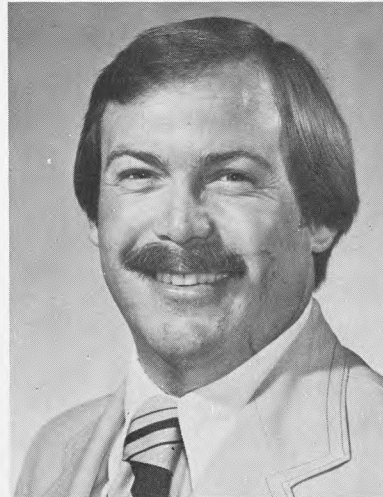
Actual value taxable property, 1979	\$697,761,505
Assessed value taxable property, 1979	132,574,686
Direct debt, including this issue	7,910,000
Net direct debt, excluding self-supporting	-0-
Total direct, overlapping and underlying debt	3,248,391
Population, 1980 estimate: 37,203	
	Direct debt per capita: \$212.62
	Net direct debt per capita: -0-
	Total debt per capita: 87.32

Tax collections have approximated 99.48% of taxes levied for the past six years.

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion:

The information contained herein is not guaranteed, but is derived from sources we deem reliable and is that on which our purchase of these bonds was based. Offered subject to prior sale and change in price.

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And if you're attending Group Meetings, look for Gary. He welcomes the opportunity to visit with you.

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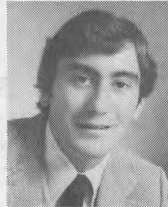
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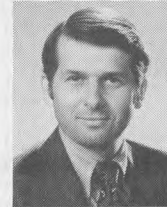


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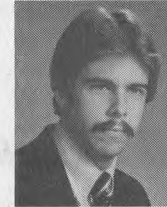
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Tony Paugoulatos
Asst. Vice President
234-2647



John Henderson
Vice President
234-2463



Rusty Reese
Sales Representative
234-2674

Minnesota News

AITKIN: Three officers have been promoted at Security State Bank of Aitkin, Robert H. Hammond to vice president and cashier, Carol Carlson to auditor and Lorraine Malmgren to personal banking officer and time savings manager.

LE ROY: First Noble Holding Co. has received consent from the Federal Reserve Bank of Minneapolis to become a bank holding company by acquiring the First National Bank of Le Roy.

MINNEAPOLIS: Veteran legislator and savings and loan trade executive Vernon S. Welch, 73, died April 11. He had served for 30 years as general counsel and executive vice president of the Savings League of Minnesota before retiring to Colorado in 1971.

Illinois News

CHICAGO: Funeral services were held last week for John F. Regan, 35, vice president at Lake View Trust & Savings Bank. Mr. Regan was formerly with LaSalle National Bank here.

CHICAGO: John A. Michas has been elected senior vice president and cashier of Aetna Bank. He was formerly vice president and cashier.

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Bernie Miller,
Correspondent Banker



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Federal Reserve Bank of St. Louis

Mary Przytarski was promoted to personnel officer.

CHICAGO: Patrick W. Dooley has been elected senior vice president-loans at the Bank of Commerce & Industry. He was formerly a vice president. Ann Marie Baumann was named assistant cashier, and Susan M. Jensen was promoted to administrative assistant to the president.

CHICAGO: Tsvaiter Financial Corporation here has received consent from the Federal Reserve Board to become a bank holding company by acquiring the Garfield Ridge Trust and Savings Bank.

WEST FRANKFORT: First Community Bank of West Frankfort has received permission from the FDIC to establish a facility at 603-607 W. Main St. here.

Colorado News

DENVER: Mark L. Swanson has been named manager of the economic development department of United Banks of Colorado, Inc. He was formerly assistant director of property planning and management.

DENVER: Jerry C. Starks has been promoted to vice president in the operations division at Central Bank of Denver. Eileen S. Neill and Jerry W. Keel were promoted to the position of assistant vice president. James S. Fallon was named a correspondent banking officer.

Wyoming News

CHEYENNE: W. Robert Dubois, chairman, and Herbert W. Read have retired from active service on the board of the First National Bank & Trust Co. of Wyoming here. Bernard R. Weber, president, has been elected chairman succeeding Mr. Dubois.

TORRINGTON: Wyoming Bancorporation has filed an application

with the Comptroller of the Currency to establish a new bank here. The proposed bank would be capitalized at \$1 million.

Montana News

Montana Bankers Association Group Meetings will be held in the coming weeks as follows: May 2—Group 6, War Bonnet Inn, Butte; May 3—Group 7A, Riverside Country Club, Bozeman; May 5—Groups 2 and 7B, Crossroads Inn, Miles City; May 6—Group 4, Golden Wheel Night Club, Plentywood; May 8—Groups 5A and 5B, Yogo Inn, Lewistown; May 9—Group 1, Marias Valley Golf Club, Shelby, and May 10—Groups 3A and 3B, Outlaw Inn, Kalispell.



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Experience preferred. Write Box 250, Miles City,
Montana 59301. (PA)

Cashier—Southeast Minnesota bank of \$20 million is
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tions, EDP, reports and lending. Excellent salary and
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Banker. (PA)

Ag Loan Officer/Office Manager—Immediate opening
in southeast Iowa bank of \$25 million; experience
necessary. Send resume and background to Farmers
& Merchants Savings Bank, Lone Tree, IA 52755. (PA)

INSURANCE AGENCY MANAGER—Person with in-
surance agency manager experience or experienced,
fully licensed agent as manager for agency in west
central Minnesota. Long established agency with
potential for sound growth located in county seat
town, good trade center. Good starting salary and
fringe benefits with incentive program. Reply to file
KBF, c/o Northwestern Banker. (PA)

Loan Officer with agricultural lending experience in
\$65 million bank near Iowa City. Contact John
Hughes, President, Hills Bank and Trust Company,
Hills, IA 52235; (319)679-2291. (PA)

PARTIAL LIST OF AVAILABLE APPLICANTS

Three years installment experience	\$14,000
Cashier, BA and one year experience	15,000
Consumer Banker with large bank	14,000
Farm Manager for large bank wants ag lending	16,000
Loan Officer with good operations experience	12,000
AVP & Trust Officer, has insurance licenses	18,000
Ag Lender, five years experience	\$16,000
Heavy mortgage experience, VA/FHA/ CONV	17,500
Trust Officer, small bank experience	23,000
AVP & Branch Manager, a generalist	20,000
Commercial credit and loan experience, large bank	17,500
VP with solid experience in all areas	23,000
VP/Real Estate Analyst for mortgage company	25,000
President in \$22MM bank, wants larger bank	30,000
President, stable background, varied experience	35,000

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ag overlines. No travel. 30,000

BRANCH OFFICER—Metro Iowa location. Prefer con-
sumer loan and supervisory background. 20,000

INSTALMENT LOAN—Major midwestern bank needs
second man for instalment department. Must have
solid background in indirect financing. 25,000

JUNIOR OFFICER—Large Minnesota bank will train
individual with degree and 1-2 years general bank ex-
perience for correspondent position. 16-18K

OPERATIONS—Management position in \$60MM
Minnesota bank. Prefer data processing background
and in metro bank experience. 25,000

PRESIDENT—\$75MM suburban Kansas bank. Degree
and commercial loan experience in a large bank re-
quired. Open

CASHIER—Several openings in rural Iowa, Kansas,
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PRESIDENT—\$8MM rural bank close to college com-
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