

municipal bonds in the secondary market. Trading transactions are usually purchases or sales of bonds for cash.

The bond trader must have an accurate knowledge of the location of blocks of particular bonds, both new issues and bonds available in the secondary market; current bond prices and local credit information, general market factors and recent developments affecting prices; the trend of the market; and the locations of buying interest for certain maturities or issues. The trading department of an investment banking firm usually trades alone, but occasionally a group of firms form a joint trading account to handle a large block of bonds which makes it desirable to spread the risk among two or more firms. Such joint trading accounts in the secondary market operate similarly to an underwriting account for a new issue, except that the agreement is often much less formal and in some cases is simply a verbal agreement.

Most investment banking firms with a municipal bond trading department fix a "position" limit which determines the amount ("position") of bonds which the department may hold at any one time. In small firms where the new issue underwriting and secondary market trading functions are handled by the same people a general "position" limit may be fixed on the aggregate amount of municipal bonds which the firm can hold in new issues and trading positions. These positions or holdings in the secondary market range from \$200,000 to well over \$25 million in the larger dealers and dealer banks.

Most of the dealers who maintain trading positions are capable and willing to bid their clients for their own accounts. They also bid other dealers and brokers competitively on blocks or even odd lots. This is one of the greatest contributions to the underlying strength in the municipal bonds secondary market.

The municipal bond broker confines his business solely to dealers and dealer banks. He never takes a position in municipal bonds, that is, he never buys municipal bonds for his own account, but always acts only as a broker for a commission. By accepted practice brokers trade bonds for a commission of one-eighth of a point (\$1.25 per \$1,000 bond) and one-fourth of a point (\$2.50 per \$1,000) on odd lots (\$10,000 or less) unless a different commission has been agreed upon previously.

It would not be unreasonable to assume that brokers trade 10 to 15 percent of the total volume in the secondary market or \$2½ to \$3 billion per annum.

Since both the trader and the broker must have up-to-the-minute information on current offerings of bonds and proposed new issues, they rely heavily on certain trade publications and rapid communication facilities. Many years ago most bond houses prepared a daily or weekly offering list of the bonds they owned and offered for sale, and traders and brokers were confronted with the task of tabulating the available bonds. Today the "Blue List" is published every business day carrying most of the current offerings of all dealer subscribers. The offerings (with prices) are listed under the general headings of each of the States with subheadings for certain special bonds. Thus, the "Blue List" is a central listing of all available municipal bonds that dealers are publicly offering, and it also carries advertisements of new issues. This of course includes unsold balances of recent new issues. Each day the "Blue List" carries the total of par value of all bonds listed the previous day and this figure is accepted as the best estimate of the floating supply of municipal bonds (although it is