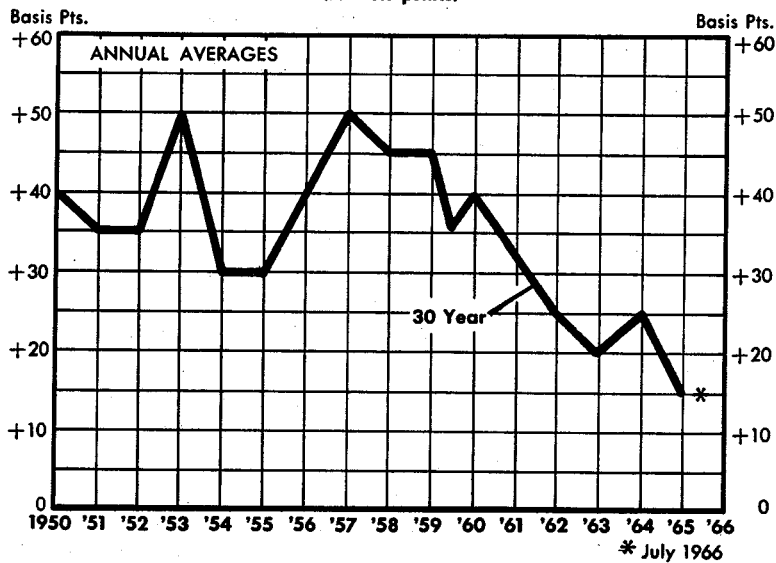


CHART III

Municipal Yield Spreads — Good Grade vs Prime
(in basis points)



The yield comparisons made by Chart III, however, do not extend to truly second grade municipal bonds, but are confined to two quality groups within the broad field of quality investments. However, there are many municipals of quality well below the "good grade," and these yield still more. Nevertheless, even in the case of outright second grades the differentials have narrowed strikingly in recent years. In the depression years of the 1930's for example, there were times when the bonds of shaky cities sold to yield 6% or more, while simultaneously the bonds of prime credits were selling to yield below 3%. At one time New York City (medium grade) long 4's were selling at 60, while simultaneously New York State (prime) long 4's were selling at twice the price, i.e., 120.

For the future, it seems probable that the differentials between prime and lower quality municipals will again widen. Furthermore, if municipal debt increases too rapidly in the years ahead, it is certain that at least a few