

Thus, the basic pattern of the entire municipal market has usually been: the longer the maturity, the higher the yield. However, the slope of this "yield curve" is highly variable. The curve tends to become flatter when money is tight and all yields are rising as, for example, in 1957, 1959, and currently, while it tends to become steeper in periods of easy money. This shift in the slope of the yield curve is due to the fact that short yields are much more sensitive to changes in the money market than are long yields and, therefore, fluctuate over a wider area. When all yields are rising, short yields usually rise more than long yields; when all yields are falling, short yields fall more.

Chart IV shows the history of the yield curve for prime municipals in terms only of the differential between the shortest and the longest maturities. It also shows the history of the U. S. Government yield curve, net after income tax. The chart shows that in the case of Govern-

CHART IV

**Yield Curves: 30 Year vs 1 Year Prime Municipals
30 Year vs 1 Year Governments Net After Tax**

