

above Treasury issues of comparable maturities, apparently due in part to investor uneasiness about FNMA's current and prospective earnings.

STATE AND LOCAL GOVERNMENT SECURITY OFFERINGS  
(Monthly averages, billions of dollars, s.a.)

	1980	1981					
	Q4	Q1	Q2 <sup>e</sup>	May	June	July <sup>e</sup>	Aug. <sup>f</sup>
Total	6.05	5.63	7.40	8.84	7.20	5.70	5.20
Long-term	3.60	3.40	4.00	3.15	3.50	3.30	3.00
Short-term	2.45	2.23	3.40	5.69	3.70	2.40	2.20

e--estimate. f--forecast.

Yields in the long-term tax-exempt securities market have risen to record levels since the last FOMC meeting, maintaining a roughly stable relationship to corporate bond rates. Despite the high rates, municipal bond volume totaled \$3.3 billion (seasonally adjusted) in July--down \$200 million from the amount sold in June but considerably above the 1979-80 pace of offerings exclusive of mortgage revenue bond issues. The supply of municipal issues has been sustained in part because some states have removed or increased their statutory interest rate ceilings that had thwarted previous attempts to sell securities. In addition, issues of revenue bonds, which currently account for about 70 percent of tax-exempt volume, typically are less sensitive to high interest costs, especially in the case of utilities faced with rigid annual funding needs and scheduled payments for construction that is underway. In July, postponements of municipal bonds of all types totaled about \$525 million, slightly above the monthly average for all of 1981 but less than half the amount postponed when municipal bond interest rates peaked in December 1980.