



HEAVY SALES DUE IN TAX-FREE BONDS

**Volume of State and Local
 Government Financings
 to Be Big This Week**

By JOHN H. ALLAN

Last Thursday, the Continental Telephone Company of California, a utility that provides service from Lake Tahoe, Nev., to San Bernadino, Calif., decided that it would not try to sell \$10-million of bonds tomorrow morning.

With interest rates on lower medium grade bonds yielding well over 9 per cent, the company decided instead to sell commercial paper and wait to see what the bond market looked like late next spring.

By that time, long-term interest rates ought to be lower and its \$10-million bond sale could be made more easily, it was reasoned. Did the company make a good bet?

Many investment bankers, including quite a few of the syndicate men who met last week at the annual Investment Bankers Convention at Boca Raton, Fla., are still voicing serious doubts that interest rates are likely to move down for the foreseeable future.

Substantial Volume

This week, the volume of new fixed-income securities for sale remains substantial, especially in the tax-exempt sector.

The volume of state and local government bond issues for sale this week will be the largest in 14 months.

The corporate bond market recently bounced up from the bottom it hit on Dec. 2 when the Pacific Telephone & Telegraph Company's record-setting \$150-million of debentures were sold at a yield of 9.10 per cent.

Last Friday, these securities were quoted approximately 2¾ points above their original offering price, an advance big enough to reduce the return on the bonds to 8.81 per cent.

Late last week, however, the rally in the corporate bond market seemed to lose some of

Continued on Page 78, Column 2

Tax-Free Bonds Facing a Week Of Several Sizable Offerings

Continued From Page 77

strength, or as one leading trader described it, the corporate bond market became "indifferent."

The 30-basis-point recovery in the corporate bond market appeared a natural rebound from the steep decline in the market that lasted from mid-October until very early December.

The dearth of trading activity that characterized the market late last week, however, was regarded by some dealers as a sign that "technical" rebound had about run its course.

In short, the mood of Wall Street's bond dealer community is just the opposite from the Continental Telephone of California's attitude.

Assessment Awaited

As Moody's Bond Survey concluded last week, "We are not convinced that inflation will be effectively controlled, and until there is evidence that dictates otherwise, a cautious bond market outlook remained justified."

Many bond dealers, perhaps a majority, now appear to agree with Moody's assessment. Only time will tell, of course, whether Wall Street or the corporations deciding to put off long-term financing a while are correct.

The assessment of the future of the bond market is complicated now by the uncertain outlook for fiscal restraint and also by the debate over the current state of monetary restraint.

Last Thursday, the Senate passed a tax-reform measure that would cause a loss of \$5-billion in Government revenue in fiscal 1971. President Nixon has stated that he will veto such a bill, and the House version of the bill wouldn't result in so much new Federal debt.

Worrisome Proposal

Nevertheless, the Senate's proposal to cut tax revenues at the same time the income tax surcharge is being phased out was clearly worrisome to credit market analysts.

Monetary policy, meanwhile, is being scrutinized even more than usual to determine whether the Federal Reserve has shifted toward a slightly less restrictive stance.

Several analysts last week, however, dismissed the idea of such a Federal Reserve move.

The Federal Reserve Bank of St. Louis, for example, stated that "no clear change in monetary trends is apparent in re-

cent weeks. While the money stock showed a slight rise from late October to late November, such a fluctuation is often due to temporary conditions and may be of little significance by itself."

Sidney Homer and Henry Kaufman reached the same conclusion from their "reading of the monetary entrails."

The Salomon Brothers partners wrote on Friday that a broader look at the money market "suggests that there has been no fundamental change in the policy of restraint."

The tax-exempt bond sector of the capital markets will be busiest this week. According to the Bond Buyer, some \$428.59-million of bonds are scheduled for sale at competitive bidding, the largest weekly total since October, 1968.

This week's major local government issues are:

MONDAY: Woodhaven, Mich., \$12-million;
TUESDAY: Owensboro, Ky., \$52-million;
Ohio, \$50-million; Seattle, Wash., \$16-million;
Peabody, Mass., \$15.91-million; Oakland County, Mich., \$11.98-million;
WEDNESDAY: Los Angeles, \$39-million;
THURSDAY: Pennsylvania, \$125-million.

In short-term tax-exempt financing, almost all the securities to be sold this week will be the Renewal Assistance Administration's \$320,178,000 of project notes scheduled tomorrow.

Renewal Assistance Issue

In the corporate bond market, four utility issues totaling \$135-million are expected this week along with more than \$200-million of convertible securities — a schedule regarded as not particularly burdensome to Wall Street. This "corporate calendar" is:

MONDAY: Southwestern Electric Power Company, \$35-million, competitive;
TUESDAY: General Telephone Company of California, \$60-million bonds, competitive; Pennsylvania Company, \$50-million exchangeable debentures, First Boston; M.G.I.C. Investment Corporation, \$50-million convertible debentures, Goldman Sachs;
WEDNESDAY: Central Telephone and Utilities Corporation, \$25-million debentures, Dean Witter; South Carolina Electric & Gas Company, \$15-million bonds, Kidder Peabody; Mohawk Data Science Corporation, \$25-million convertible debentures, A.G. Becker;
THURSDAY: Eastern Airlines, \$80-million convertible debentures, Smith Barney.

In addition, a \$45-million offering of Pennzoil United debentures, originally scheduled in early January, is now expected this week, according to White, Weld & Co.

In the Federal agency market, \$286-million of Banks for Cooperatives 6-month debentures are scheduled for sale tomorrow.

The Federal Intermediate Credit Banks also will price an offering Wednesday for sale Thursday. The banks have \$524.5-million of securities maturing shortly.