FORM N-30B-2

Periodic and interim reports mailed to investment company shareholders (other than annual and semi-annual reports mailed to shareholders pursuant to Rule 30e-1)

Filing Date: **1994-01-07** | Period of Report: **1993-11-30**
SEC Accession No. 0000900092-94-000006

(HTML Version on secdatabase.com)

FILER

MERRILL LYNCH CALIFORNIA BOND FUND OF ML CALIF MUN SERIES TR

CIK:**765199**| State of Incorp.:**NJ** | Fiscal Year End: **0831**
Type: **N-30B-2** | Act: **40** | File No.: **811-04264** | Film No.: **94500717**

Mailing Address
P.O. BOX 9011
PRINCETON NJ 08543-9011

Business Address
800 SCUDDERS MILL RD
PLAINSBORO NJ 08543
6092823319

MERRILL
LYNCH
CALIFORNIA
MUNICIPAL
BOND FUND

FUND LOGO

Quarterly Report November 30, 1993

This report is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Fund unless accompanied or preceded by the Fund's current prospectus. Past performance results shown in this report should not be considered a representation of future performance. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

Merrill Lynch California
Municipal Bond Fund
Merrill Lynch California
Municipal Series Trust
Box 9011
Princeton, New Jersey
08543-9011

TO OUR SHAREHOLDERS

The US economy began to show some signs of improvement during the November quarter with little evidence of an appreciable increase in the rate of inflation. The industrial sector is demonstrating growing strength, yet capacity utilization is still well below the levels associated with rising inflation. Consumer spending has improved, but the labor market remains soft. Despite the areas of economic weakness that persist, concerns arose during the quarter that the rate of business activity might increase inflationary pressures.

Other developments during the November quarter had significant long-term implications for the US financial markets. Although Boris Yeltsin's swift and apparently decisive victory over his hard-line opponents in Russia created little immediate disruption in the world financial markets, the future of political and economic reform in the former Soviet Union is far from certain. Evidence of greater progress toward a free-market economy and democratic government in Russia would have more positive implications for the US financial markets over the longer term. The outline for proposed healthcare reform is also very important for the US economy. As the various healthcare reform proposals are debated, investors will focus on their potential effects on the Federal budget, the US economy and the quality of healthcare delivery in the United States. Finally, the ratification of the North American Free Trade Agreement (NAFTA) by the US Congress was important not only for the prospect of expanding trade with Canada and Mexico, but also as a positive influence on the recently concluded round of negotiations on the General Agreement on Tariffs and Trade (GATT). Further economic integration and growth through trade liberalization would be positive for the capital markets in the United States and around the world.

The Municipal Market

The municipal bond market exhibited considerable volatility during the quarter ended November 30, 1993. From September through mid-October, municipal bond yields continued their earlier decline. By mid-October, yields on tax-exempt revenue bonds maturing in 30 years, as reflected by the Bond Buyer Revenue Bond Index, had declined an additional 15 basis points (0.15%) to another record low of 5.41%. However, the municipal bond market then reacted sympathetically to a nervous US Treasury bond market during the remainder of the quarter, and tax-exempt bond yields rose to end the quarter at 5.47%. Despite the increase in bond yields late in the quarter, it is important to note that tax-exempt bond yields have declined approximately 70 basis points since the beginning of 1993.

The pace of new municipal bond issuance slowed during the November quarter. More than $62 billion in tax-exempt securities were issued over the last three months, an increase of more than 5% versus the November 1992 quarter's issuance. In recent quarters, however, new bond issuance had been increasing at a rate of approximately 25%. Even this relative decline in supply was unable to provide any technical support for the municipal bond market as investors became extremely concerned that economic growth would dramatically accelerate during the last calendar quarter of 1993 and continue into early 1994. This projected growth and expected associated inflationary pressures combined to cause yields to rise significantly in late October and November.

A number of additional factors have been involved in the recent increase in tax-exempt bond yields. Individual investors have demonstrated only limited interest in the municipal bond market over the last month. This probably has been related to a combination of seasonal factors and the desire to avoid the tax liability resulting from the large capital gains expected to be declared by most bond funds this year. Also, many larger institutional investors have been reluctant participants in the markets in order not to jeopardize their already strong year-to-date performances. Consequently, recent interest rate volatility has been intensified by this decline in demand. By early 1994, however, it is likely that demand will increase significantly. The proceeds from bond maturities, bond calls and coupon payments beginning in January will all need to be reinvested. The new higher marginal Federal tax rates will also go into effect in January. Given the ongoing attractive after-tax benefits municipal bonds provide, it is likely that both individual and institutional investors will return to the tax-exempt bond market. This increased demand should serve to stabilize the market in early 1994.

Portfolio Strategy

Merrill Lynch California Municipal Bond Fund has benefited from the general decline in long-term interest rates by maintaining a relatively low cash equivalent reserve position of 4% of total assets. Our basic strategy in terms of the Fund's composition over the past quarter involved the sale of certain higher-coupon holdings that have limited capabilities for further price appreciation because they have been prerefunded or contain short-call provisions. We sold these holdings, along with some serial maturity positions, and are temporarily keeping the proceeds in short-term reserves.

This additional liquidity allowed the Fund to purchase more performance-oriented coupons as the market traded off. We also took advantage of a seasonally high primary calendar of new issuance to invest these proceeds in California municipal bonds that will participate more fully if yields should decline again into the next year. We have also paid close attention to a general widening of credit yield spreads for lower-rated California bonds. In conjunction with our research department, we purchased some lower-rated credits to seek to enhance the current return to the shareholder. However, we do not intend to significantly alter the Fund's credit makeup. Currently, more than 64% of the Fund's assets are rated AA or better by Moody's Investors Service, Inc. or Standard & Poor's Corp.

We appreciate your ongoing interest in Merrill Lynch California Municipal Bond Fund, and we look forward to serving your investment needs and objectives in the months and years to come.

Sincerely,

(Arthur Zeikel)
Arthur Zeikel
President

(Vincent R. Giordano)
Vincent R. Giordano
Vice President and Portfolio Manager

December 17, 1993

<TABLE>
PERFORMANCE DATA

None of the past results shown should be considered a representation of future performance. Investment return and principal value of Class A and Class B Shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

<CAPTION>
Performance Summary--Class A Shares

	Net Asset Value		Capital Gains		
Period Covered	Beginning	Ending	Distributed	Dividends Paid*	% Change**
<S>	<C>	<C>	<C>	<C>	<C>
10/25/88--12/31/88	$11.02	$10.99	--	$0.148	+ 1.08%
1989	10.99	11.31	--	0.761	+10.14
1990	11.31	11.22	--	0.755	+ 6.14
1991	11.22	11.61	$0.031	0.751	+10.79
1992	11.61	11.64	0.125	0.807	+ 8.60
1/1/93--11/30/93	11.64	12.20	--	0.609	+10.28
			Total $0.156	Total $3.831	

Cumulative total return as of 11/30/93: +56.80%**

<FN>

*Figures may include short-term capital gains distributions.
**Figures assume reinvestment of all dividends and capital gains distributions at net asset value on the payable date, and do not include sales charge; results would be lower if sales charge was included.

<CAPTION>
Performance Summary--Class B Shares

Period Covered	Net Asset Value Beginning	Net Asset Value Ending	Capital Gains Distributed	Dividends Paid*	% Change**
<S>	<C>	<C>	<C>	<C>	<C>
9/30/85--12/31/85	$10.00	$10.60	--	$0.175	+ 8.00%
1986	10.60	11.63	$0.046	0.763	+17.80
1987	11.63	10.73	--	0.745	- 1.45
1988	10.73	10.99	--	0.707	+ 9.28
1989	10.99	11.32	--	0.705	+ 9.69
1990	11.32	11.22	--	0.698	+ 5.51
1991	11.22	11.62	0.031	0.694	+10.33
1992	11.62	11.64	0.125	0.748	+ 7.96
1/1/93--11/30/93	11.64	12.20	--	0.555	+ 9.79
			Total $0.202	Total $5.790	

Cumulative total return as of 11/30/93: +107.38%**

<FN>
*Figures may include short-term capital gains distributions.
**Figures assume reinvestment of all dividends and capital gains distributions at net asset value on the payable date, and do not reflect deduction of any sales charge; results would be lower if sales charge was deducted.

</TABLE>

Average Annual Total Return

	% Return Without Sales Charge	% Return With Sales Charge**
Class A Shares*		
Year Ended 9/30/93	+13.97%	+9.41%
Inception (10/25/88) through 9/30/93	+ 9.84	+8.93

[FN]
*Maximum sales charge is 4%.
**Assuming maximum sales charge.

	% Return Without CDSC	% Return With CDSC**
Class B Shares*		
Year Ended 9/30/93	+13.40%	+9.40%
Five Years Ended 9/30/93	+ 9.47	+9.47
Inception (9/30/85) through 9/30/93	+ 9.74	+9.74

[FN]
*Maximum contingent deferred sales charge is 4% and is reduced to 0% after 4 years.
**Assuming payment of applicable contingent deferred sales charge.

<TABLE>
PERFORMANCE DATA (concluded)
<CAPTION>
Recent Performance Results*

	11/30/93	8/31/93	11/30/92	12 Month % Change	3 Month % Change
<S>	<C>	<C>	<C>	<C>	<C>
Class A Shares	$12.20	$12.38	$11.76	+ 4.86%(1)	-1.45%
Class B Shares	12.20	12.38	11.77	+ 4.77(1)	-1.45
Class A Shares--Total Return				+11.73(2)	-0.10(3)
Class B Shares--Total Return				+11.08(4)	-0.23(5)
Class A Shares--Standardized 30-day Yield	4.53%				
Class B Shares--Standardized 30-day Yield	4.21%				

<FN>
*Investment results shown for the 3-month and 12-month periods are before the deduction of any sales charges.
(1) Percent change includes reinvestment of $0.125 per share capital gains distributions.
(2) Percent change includes reinvestment of $0.766 per share ordinary income dividends and $0.125 per share capital gains distributions.
(3) Percent change includes reinvestment of $0.168 per share ordinary income dividends.
(4) Percent change includes reinvestment of $0.705 per share ordinary income dividends and $0.125 per share capital gains distributions.
(5) Percent change includes reinvestment of $0.153 per share ordinary income dividends.
</TABLE>

PORTFOLIO COMPOSITION

For the Quarter Ended November 30, 1993

Distribution by Market Sector*

Other Revenue Bonds	36.7%
General Obligations & Tax Revenue Bonds	33.1
Prerefunded Bonds**	17.6
Utility Revenue Bonds	12.6

Total	100.0%
	=====

Net assets as of November 30, 1993 were $881,982,078.
[FN]
*Based on total market value of the portfolio as of November 30, 1993.
**Backed by an escrow fund.
++Temporary investments in short-term municipal securities.

GRAPHIC AND IMAGE MATERIAL APPEARS HERE. SEE APPENDIX 1, ITEM 1.

Officers and Trustees

Custodian
The Bank of New York
110 Washington Street
New York, New York 10286

Transfer Agent
Financial Data Services, Inc.
4800 Deer Lake Drive East
Jacksonville, Florida 32246-6484
(800) 637-3863

APPENDIX 1. ITEM 1:

Merrill Lynch California Municipal Bond Fund

Quality Rating*
(Based on Nationally Recognized Rating Services)

A pie chart illustrating the following percentages:

AAA/Aaa	46%
AA/Aa	20%
A/A	18%
BBB/Baa	6%
Other++	1%
NR	9%

[FN]
*Based on total market value of the portfolio as of November 30, 1993.
++Temporary investments in short-term municipal securities.