

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1999-03-26** | Period of Report: **1999-01-31**  
SEC Accession No. **0000900092-99-000046**

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### FILER

#### **MERRILL LYNCH ARKANSAS MUNICIPAL BOND FUND OF MLMSMST**

CIK: **925857** | Fiscal Year End: **1231**

Type: **N-30D** | Act: **40** | File No.: **811-04375-15** | Film No.: **99574456**

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MERRILL LYNCH  
ARKANSAS  
MUNICIPAL  
BOND FUND

FUND LOGO

Semi-Annual Report

January 31, 1999

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. Statements and other information herein are as dated and are subject to change.

Merrill Lynch Arkansas  
Municipal Bond Fund  
Merrill Lynch Multi-State  
Municipal Series Trust  
Box 9011  
Princeton, NJ  
08543-9011

Printed on post-consumer recycled paper

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

TO OUR SHAREHOLDERS

The Municipal Market Environment

During the six months ended January 31, 1999, long-term bond yields moved significantly lower. US domestic economic growth remained moderate, with losses in the manufacturing sector offset by strong growth in service-oriented industries. Industrial commodity prices recently fell to their lowest level in over a decade. This suggests that the current positive inflationary environment is unlikely to be challenged in the near term. Additionally, the Federal Reserve Board lowered short-term interest rates in September, October and November, in part to ensure that US domestic economic growth would not be negatively impacted by ongoing weak economic growth overseas. However, various external factors, as well as increased volatility, contributed to the decline in bond yields as they have for much of the past year. Episodes of foreign economic instability generated a significant "flight to quality" rally in US Treasury securities, as well as fostering lower tax-exempt bond yields as a result. Periods of strong foreign equity market appreciation, particularly in Asia, have at times resulted in higher US bond yields as foreign investors have sold US fixed-income instruments to reinvest the proceeds in their own domestic equity markets. Additionally, the continued distraction of President Clinton's impeachment trial added to recent interest rate volatility. However, on balance, the favorable fundamental economic scenario supported lower bond yields. During the six-month period ended January 31, 1999, the yield on the US

Treasury 30-year bond fell over 60 basis points (0.60%) to 5.09%, and long-term municipal revenue bond yields declined almost 20 basis points to 5.17%, as measured by the Bond Buyer Revenue Bond Index.

Throughout most of 1998, the municipal bond market's performance was impeded by a significant increase in new-issue supply. However, in recent months, the technical position of the tax-exempt market improved. Over the last 12 months, almost \$285 billion in new long-term tax-exempt bonds was underwritten, an increase of almost 30% compared to the same period a year ago. As municipal bond yields declined in recent years, it has taken increasingly lower bond yields to generate the cost savings necessary to refinance remaining higher-coupled debt. Consequently, the rate of increases in municipal bond issuance slowed in recent quarters. During the last six months, more than \$125 billion in new tax-exempt bonds was issued, an increase of approximately 5% compared to the same period a year ago. During the January 31, 1999 quarter, \$63 billion in new long-term municipal bonds was underwritten, representing an increase of 5% compared to the January 31, 1998 quarter.

The pace of tax-exempt issuance continued to slow in 1999. January's monthly issuance was less than \$15 billion, representing a decline of almost 25% compared to January 1998's volume. Additionally, investors received more than \$22 billion in coupon payments, maturities and proceeds from early redemptions in January. Investors can also expect to receive an additional \$15 billion--\$18 billion in February for reinvestment. Consequently, investor demand has been strong in recent months, easily matching, if not at times exceeding, available supply. We will monitor this trend closely in the coming months to determine if the supply pressures exerted in 1998 are abating and fostering a more balanced supply/demand environment for 1999. Such an environment should allow the tax-exempt market's performance to more closely mirror that of its taxable counterpart.

Foreign investors have rarely been active investors in the tax-exempt bond market since they are unable to benefit from the inherent tax advantage of municipal securities. Consequently, the municipal bond market has not been able to benefit from the strong flight to quality demand enjoyed by US Treasury securities since late 1997. This inability has in large part resulted in significantly smaller declines in municipal bond yields compared to US Treasury securities. However, this has resulted in the opportunity to purchase tax-exempt securities with yields very close to or, in some instances, exceeding those of comparable US Treasury bonds. By January 31, 1999, long-term tax-exempt bond yields were at 102% of US Treasury securities of comparable maturities, nearly matching the least expensive level of the past year. Municipal bond yield ratios have averaged approximately 95% for the last six months and 92% for all of 1998. During 1997, tax-exempt bond yield ratios averaged 84%. It is likely that the combination of the increase in new-issue volume and the "safe-haven" status of US Treasury securities drove municipal bond yield ratios to their present attractive levels. Should new volume decline and/or foreign financial markets regain stability in 1999, tax-exempt bond yield ratios could quickly return to their more historic levels (85%--88%).

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

Looking ahead, the expected combination of moderate economic growth in the United States and continued negligible inflation suggests a relatively stable interest rate environment into early 1999. However, it is likely that foreign financial markets will again be a critical factor in determining US bond yields. Economic problems in Russia and Brazil remain unresolved, suggesting that additional shocks to the world's financial system are possible. On the other hand, the continued robustness of the US economy has led to some back up in interest rates. However, at present these factors indicate that there is little immediate risk of sustained significant increases in long-term bond yields.

#### Portfolio Strategy

Throughout the six months ended January 31, 1999, we maintained a constructive investment strategy for Merrill Lynch Arkansas Municipal Bond Fund. We believed that strong domestic economic growth seen in late 1998 and thus far this year would be offset by a

combination of deteriorating global economic conditions and low inflation. Consequently, as 1998 ended, we expected tax-exempt bond yields to trade in a relatively narrow range, with a bias toward lower bond yields. We maintained the Fund's fully invested position in order to seek to enhance shareholder income and participate fully in any market improvement.

Looking ahead, we expect little change in the Fund's existing structure. Current economic fundamentals and a strong domestic economy offset by the lack of significant inflationary pressures suggest that interest rates should remain stable.

#### In Conclusion

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

Sincerely,

(Terry K. Glenn)  
Terry K. Glenn  
Executive Vice President

(Vincent R. Giordano)  
Vincent R. Giordano  
Senior Vice President

(Hugh T. Hurley III)  
Hugh T. Hurley III  
Vice President and Portfolio Manager

March 11, 1999

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

#### PERFORMANCE DATA

##### About Fund Performance

Investors are able to purchase shares of the Fund through the Merrill Lynch Select Pricing SM System, which offers four pricing alternatives:

- \* Class A Shares incur a maximum initial sales charge (front-end load) of 4% and bear no ongoing distribution or account maintenance fees. Class A Shares are available only to eligible investors.
- \* Class B Shares are subject to a maximum contingent deferred sales charge of 4% if redeemed during the first year, decreasing 1% each year thereafter to 0% after the fourth year. In addition, Class B Shares are subject to a distribution fee of 0.25% and an account maintenance fee of 0.25%. These shares automatically convert to Class D Shares after approximately 10 years. (There is no initial sales charge for automatic share conversions.)
- \* Class C Shares are subject to a distribution fee of 0.35% and an account maintenance fee of 0.25%. In addition, Class C Shares are subject to a 1% contingent deferred sales charge if redeemed within one year of purchase.
- \* Class D Shares incur a maximum initial sales charge of 4% and an account maintenance fee of 0.10% (but no distribution fee).

None of the past results shown should be considered a representation of future performance. Figures shown in the "Recent Performance Results" and "Average Annual Total Return" tables assume

reinvestment of all dividends and capital gains distributions at net asset value on the payable date. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Dividends paid to each class of shares will vary because of the different levels of account maintenance, distribution and transfer agency fees applicable to each class, which are deducted from the income available to be paid to shareholders.

<TABLE>  
Recent Performance Results\*  
<CAPTION>

	12 Month Total Return	3 Month Total Return	Since Inception Total Return	Standardized 30-Day Yield As of 1/31/99
<S>	<C>	<C>	<C>	<C>
ML Arkansas Municipal Bond Fund Class A Shares	+4.80%	+1.32%	+35.25%	3.02%
ML Arkansas Municipal Bond Fund Class B Shares	+4.27	+1.29	+32.29	2.64
ML Arkansas Municipal Bond Fund Class C Shares	+4.07	+1.17	+32.27	2.54
ML Arkansas Municipal Bond Fund Class D Shares	+4.69	+1.39	+35.28	2.92

<FN>  
\*Investment results shown do not reflect sales charges; results would be lower if a sales charge was included. Total investment returns are based on changes in net asset values for the periods shown, and assume reinvestment of all dividends and capital gains distributions at net asset value on the payable date. The Fund's since inception periods are Class A & Class B Shares, from 9/30/94 to 1/31/99 and Class C & Class D Shares, from 10/21/94 to 1/31/99.  
</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

PERFORMANCE DATA (concluded)

Average Annual Total Return

	% Return Without Sales Charge	% Return With Sales Charge**
Class A Shares*		
Year Ended 12/31/98	+4.76%	+0.57%
Inception (9/30/94) through 12/31/98	+7.11	+6.09

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

	% Return Without CDSC	% Return With CDSC**
Class B Shares*		
Year Ended 12/31/98	+4.13%	+0.13%
Inception (9/30/94) through 12/31/98	+6.54	+6.54

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

	% Return Without CDSC	% Return With CDSC**
Class C Shares*		
Year Ended 12/31/98	+4.13%	+3.13%
Inception (10/21/94) through 12/31/98	+6.66	+6.66

[FN]

\*Maximum contingent deferred sales charge is 1% and is reduced to 0% after 1 year.

\*\*Assuming payment of applicable contingent deferred sales charge.

% Return Without % Return With  
Sales Charge Sales Charge\*\*

Class D Shares\*

Year Ended 12/31/98	+4.66%	+0.47%
Inception (10/21/94) through 12/31/98	+7.22	+6.19

[FN]

\*Maximum sales charge is 4%.

\*\*Assuming maximum sales charge.

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

PORTFOLIO ABBREVIATIONS

To simplify the listings of Merrill Lynch Arkansas Municipal Bond Fund's portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list at right.

AMT	Alternative Minimum Tax (subject to)
GO	General Obligation Bonds
IDR	Industrial Development Revenue Bonds
PCR	Pollution Control Revenue Bonds
S/F	Single-Family
VRDN	Variable Rate Demand Notes

<TABLE>

SCHEDULE OF INVESTMENTS

(in Thousands)

<CATION>

S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
Arkansas--85.4%				
<S>	<S>	<C>	<S>	<C>
AAA	NR*	\$ 620	Arkansas State Development Finance Authority, S/F Mortgage Revenue Bonds (b): AMT, Series A, 7.30% due 3/01/2013 (d)	\$ 659
AAA	NR*	465	(Mortgage-Backed Securities Program), Series H, 6.15% due 7/01/2016	499
AA	NR*	500	Arkansas State Development Finance Authority, Wastewater System Revenue Bonds (Revolving Loan Fund), Series A, 5.85% due 12/01/2019	544
AA	Aa3	350	Arkansas State, GO, Refunding (Waste Disposal and Pollution), Series B, 6.25% due 7/01/2020	374
NR*	A	350	Arkansas State Student Loan Authority Revenue Bonds, AMT, Sub-Series B, 7.25% due 6/01/2009	414
BBB+	Baa2	275	Baxter County, Arkansas, IDR, Refunding (Aeroquip Corp. Project), 5.80% due 10/01/2013	304
BBB+	A3	1,000	Camden, Arkansas, Environmental Improvement Revenue Bonds (International Paper Co. Project), AMT, Series A, 7.625% due 11/01/2018	1,148
A+	NR*	500	Conway, Arkansas, Public Facilities Board, Capital Improvement Revenue Bonds (Hendrix College Project), 6% due 10/01/2026	536
NR*	P1	200	Crossett, Arkansas, PCR (Georgia Pacific Corp. Project), VRDN, 2.65% due 10/01/2007 (a)	200
AAA	Aaa	350	Fort Smith, Arkansas, Water, Sewer and Construction Revenue Refunding Bonds, 6% due 10/01/2012 (f)	384
AAA	Aaa	250	Independence County, Arkansas, PCR, Refunding (Arkansas Power & Light Co. Project), 6.25% due 1/01/2021 (c)	276

BBB+	Baa2	200	Jefferson County, Arkansas, PCR, Refunding (Arkansas Power & Light Co. Project), 6.30% due 6/01/2018	214
AA	Aa3	500	Little Rock, Arkansas, GO, Refunding (Capital Improvement), 6.25% due 2/01/2008	515
AAA	Aaa	375	Little Rock, Arkansas, Municipal Airport Revenue Refunding Bonds, 6% due 11/01/2014 (f)	403
AAA	Aaa	400	North Little Rock, Arkansas, Electric Revenue Refunding Bonds, Series A, 6.50% due 7/01/2015 (f)	487
BBB+	Baa2	300	Pope County, Arkansas, PCR, Refunding (Arkansas Power & Light Co. Project), 6.30% due 12/01/2016	322
AA	Aa2	1,000	Pulaski County, Arkansas, Health Facilities Board Revenue Bonds (Catholic Health Initiatives), Series A, 5% due 12/01/2028	998

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

<TABLE> SCHEDULE OF INVESTMENTS (concluded)				(in Thousands)
<CAPTION>				
S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
Arkansas (concluded)				
<S>	<S>	<C>	<S>	<C>
A-	NR*	\$ 500	Pulaski County, Arkansas, Hospital Revenue Bonds (Arkansas Children's Hospital Project), Series A, 6.20% due 3/01/2022	\$ 528
AAA	Aaa	500	Saline County, Arkansas, Retirement Housing and Healthcare Facilities Board, Revenue Refunding Bonds (Evangelist Lutheran Project), 5.80% due 6/01/2011 (e)	548
NR*	A1	500	University of Arkansas, Various Facility Revenue Bonds (Fayetteville Campus), 5% due 11/01/2022	498
Puerto Rico--13.6%				
AAA	Aaa	325	Puerto Rico Commonwealth, GO, 6.50% due 7/01/2004 (g)	375
A	Aaa	320	Puerto Rico Commonwealth, Highway and Transportation Authority, Highway Revenue Bonds, Series T, 6.625% due 7/01/2002 (g)	358
A1+	VMIG1++	100	Puerto Rico Commonwealth, Highway and Transportation Authority, Highway Revenue Refunding Bonds, VRDN, Series X, 2.35% due 7/01/1999 (a)	100
BBB+	Baa1	500	Puerto Rico Electric Power Authority, Power Revenue Refunding Bonds, Series EE, 4.75% due 7/01/2024	482
AAA	Aaa	250	Puerto Rico Public Buildings Authority Revenue Bonds (Guaranteed Government Facilities), Series B, 5% due 7/01/2027 (e)	251
Total Investments (Cost--\$10,476)--99.0%				11,417
Other Assets Less Liabilities--1.0%				114
Net Assets--100.0%				\$11,531

<FN>

(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rate shown is the rate in effect at January 31, 1999.

(b) GNMA Collateralized.

(c) FSA Insured.

(d) FNMA Collateralized.

(e) AMBAC Insured.

(f) MBIA Insured.

(g) Prerefunded.

\*Not Rated.

++Highest short-term rating by Moody's Investors Service, Inc.

See Notes to Financial Statements.  
 </TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
 January 31, 1999

FINANCIAL INFORMATION

<TABLE>

Statement of Assets and Liabilities as of January 31, 1999

<S>	<S>	<C>	<C>
Assets:	Investments, at value (identified cost--\$10,476,349) (Note 1a)		\$ 11,416,900
	Cash		3,334
	Interest receivable		145,301
	Deferred organization expenses (Note 1e)		14,395
	Prepaid registration fees and other assets (Note 1e)		15,232
	Total assets		----- 11,595,162 -----
Liabilities:	Payables:		
	Dividends to shareholders (Note 1f)	\$ 7,168	
	Distributor (Note 2)	3,070	
	Investment adviser (Note 2)	881	11,119
	Accrued expenses and other liabilities		----- 53,427 -----
	Total liabilities		----- 64,546 -----
Net Assets:	Net assets		\$ 11,530,616 =====
Net Assets	Class A Shares of beneficial interest, \$.10 par value, unlimited		
Consist of:	number of shares authorized		\$ 26,836
	Class B Shares of beneficial interest, \$.10 par value, unlimited		
	number of shares authorized		59,088
	Class C Shares of beneficial interest, \$.10 par value, unlimited		
	number of shares authorized		11,644
	Class D Shares of beneficial interest, \$.10 par value, unlimited		
	number of shares authorized		9,205
	Paid-in capital in excess of par		10,571,587
	Accumulated realized capital losses on investments--net		(65,910)
	Accumulated distributions in excess of realized capital gains on		
	investments--net (Note 1f)		(22,385)
	Unrealized appreciation on investments--net		940,551
	Net assets		----- \$ 11,530,616 =====
Net Asset Value:	Class A--Based on net assets of \$2,898,546 and 268,360 shares of		
	beneficial interest outstanding		\$ 10.80 =====
	Class B--Based on net assets of \$6,380,193 and 590,882 shares of		
	beneficial interest outstanding		\$ 10.80 =====
	Class C--Based on net assets of \$1,257,816 and 116,439 shares of		
	beneficial interest outstanding		\$ 10.80 =====
	Class D--Based on net assets of \$994,061 and 92,052 shares of		
	beneficial interest outstanding		\$ 10.80 =====

See Notes to Financial Statements.

</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
 January 31, 1999

FINANCIAL INFORMATION (continued)

<TABLE>

Statement of Operations

<CAPTION>



		For the Six Months Ended January 31, 1999	
<S>	<S>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned		\$ 326,707
Expenses:	Investment advisory fees (Note 2)	\$	32,189
	Professional fees		26,588
	Accounting services (Note 2)		17,597
	Account maintenance and distribution fees--Class B (Note 2)		16,003
	Printing and shareholder reports		15,275
	Registration fees (Note 1e)		6,627
	Amortization of organization expenses (Note 1e)		5,997
	Account maintenance and distribution fees--Class C (Note 2)		3,616
	Transfer agent fees--Class B (Note 2)		2,118
	Pricing fees		1,947
	Transfer agent fees--Class A (Note 2)		835
	Custodian fees		744
	Account maintenance fees--Class D (Note 2)		527
	Transfer agent fees--Class C (Note 2)		367
	Trustees' fees and expenses		352
	Transfer agent fees--Class D (Note 2)		289
	Other		511
		-----	
	Total expenses before reimbursement		131,582
	Reimbursement of expenses (Note 2)		(26,336)
		-----	
	Total expenses after reimbursement		105,246
			-----
	Investment income--net		221,461
			-----
Realized & Unrealized Gain on Investments --Net (Notes 1b, 1d & 3):	Realized gain on investments--net		10,639
	Change in unrealized appreciation on investments--net		144,130
			-----
	Net Increase in Net Assets Resulting from Operations		\$ 376,230
			=====
	See Notes to Financial Statements.		

</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

FINANCIAL INFORMATION (continued)

<TABLE>

Statements of Changes in Net Assets  
<CAPTION>

		For the Six Months Ended January 31, 1999	For the Year Ended July 31, 1998
<S>	<S>	<C>	<C>
Increase (Decrease) in Net Assets:			
Operations:	Investment income--net	\$ 221,461	\$ 460,156
	Realized gain on investments--net	10,639	37,606
	Change in unrealized appreciation on investments--net	144,130	(5,006)
		-----	-----
	Net increase in net assets resulting from operations	376,230	492,756
		-----	-----
Dividends & Distributions to Shareholders (Note 1f):	Investment income--net:		
	Class A	(62,932)	(97,870)
	Class B	(115,995)	(274,166)
	Class C	(21,265)	(42,239)
	Class D	(21,269)	(45,881)
	Realized gain on investments--net:		
	Class A	(8,097)	(5,546)
	Class B	(17,602)	(24,787)
	Class C	(3,166)	(3,803)
	Class D	(2,770)	(3,470)
	In excess of realized gain on investments--net:		
	Class A	--	(3,301)
	Class B	--	(14,755)
	Class C	--	(2,264)
	Class D	--	(2,065)
		-----	-----

Net decrease in net assets resulting from dividends and distributions to shareholders		(253,096)	(520,147)
		-----	-----
Beneficial Interest Transactions (Note 4):	Net increase (decrease) in net assets derived from beneficial interest transactions	(741,819)	998,869
		-----	-----
Net Assets:	Total increase (decrease) in net assets	(618,685)	971,478
	Beginning of period	12,149,301	11,177,823
		-----	-----
	End of period	\$ 11,530,616	\$ 12,149,301
		=====	=====

See Notes to Financial Statements.

</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

FINANCIAL INFORMATION (continued)

<TABLE>  
Financial Highlights  
<CAPTION>

		Class A				
		For the Six Months Ended	For the Year Ended			For the Period Sept. 30, 1994++ to
		Jan. 31, 1999	1998	1997	July 31, 1996	July 31, 1995
		<C>	<C>	<C>	<C>	<C>
The following per share data and ratios have been derived from information provided in the financial statements.						
Increase (Decrease) in Net Asset Value:						
<S>	<S>					
Per Share Operating Performance:	Net asset value, beginning of period	\$ 10.69	\$ 10.72	\$ 10.34	\$ 10.29	\$ 10.00
	Investment income--net	.22	.47	.52	.55	.50
	Realized and unrealized gain on investments--net	.14	.03	.38	.05	.29
	Total from investment operations	.36	.50	.90	.60	.79
	Less dividends and distributions:					
	Investment income--net	(.22)	(.47)	(.52)	(.55)	(.50)
	Realized gain on investments--net	(.03)	(.04)	--	--	--
	In excess of realized gain on investments--net	--	(.02)	--	--	--
	Total dividends and distributions	(.25)	(.53)	(.52)	(.55)	(.50)
	Net asset value, end of period	\$ 10.80	\$ 10.69	\$ 10.72	\$ 10.34	\$ 10.29
		=====	=====	=====	=====	=====
Total Investment Return:**	Based on net asset value per share	3.42%+++	4.79%	8.94%	5.94%	8.13%+++
		=====	=====	=====	=====	=====
Ratios to Average Net Assets:	Expenses, net of reimbursement	1.45%*	1.18%	.83%	.49%	.11%*
	Expenses	1.90%*	1.63%	1.92%	3.17%	2.32%*
	Investment income--net	4.13%*	4.38%	4.96%	5.28%	5.94%*
		=====	=====	=====	=====	=====
Supplemental Data:	Net assets, end of period (in thousands)	\$ 2,899	\$ 3,246	\$ 1,781	\$ 1,710	\$ 2,251
	Portfolio turnover	.00%	61.45%	41.07%	28.82%	28.64%
		=====	=====	=====	=====	=====

<FN>  
\*Annualized.  
\*\*Total investment returns exclude the effects of sales loads.  
++Commencement of operations.  
+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

FINANCIAL INFORMATION (continued)

<TABLE>  
Financial Highlights (continued)  
<CAPTION>

		Class B				
		For the Six Months Ended Jan. 31, 1999	For the Year Ended 1998		July 31, 1996	For the Period Sept. 30, 1994++ to July 31, 1995
		<C>	<C>	<C>	<C>	<C>
The following per share data and ratios have been derived from information provided in the financial statements.						
Increase (Decrease) in Net Asset Value:						
<S>	<S>					
Per Share	Net asset value, beginning of period	\$ 10.69	\$ 10.71	\$ 10.34	\$ 10.29	\$ 10.00
Operating		-----	-----	-----	-----	-----
Performance:	Investment income--net	.19	.42	.46	.50	.46
	Realized and unrealized gain on investments--net	.14	.04	.37	.05	.29
		-----	-----	-----	-----	-----
	Total from investment operations	.33	.46	.83	.55	.75
		-----	-----	-----	-----	-----
	Less dividends and distributions:					
	Investment income--net	(.19)	(.42)	(.46)	(.50)	(.46)
	Realized gain on investments--net	(.03)	(.04)	--	--	--
	In excess of realized gain on investments--net	--	(.02)	--	--	--
		-----	-----	-----	-----	-----
	Total dividends and distributions	(.22)	(.48)	(.46)	(.50)	(.46)
		-----	-----	-----	-----	-----
	Net asset value, end of period	\$ 10.80	\$ 10.69	\$ 10.71	\$ 10.34	\$ 10.29
		=====	=====	=====	=====	=====
Total Investment Return:**	Based on net asset value per share	3.15%+++	4.35%	8.29%	5.39%	7.68%+++
		=====	=====	=====	=====	=====
Ratios to Average Net Assets:	Expenses, net of reimbursement	1.96%*	1.70%	1.34%	1.00%	.63%*
		=====	=====	=====	=====	=====
	Expenses	2.41%*	2.16%	2.44%	3.69%	2.83%*
		=====	=====	=====	=====	=====
	Investment income--net	3.62%*	3.89%	4.46%	4.77%	5.41%*
		=====	=====	=====	=====	=====
Supplemental Data:	Net assets, end of period (in thousands)	\$ 6,380	\$ 6,539	\$ 7,527	\$ 7,573	\$ 8,145
		=====	=====	=====	=====	=====
	Portfolio turnover	.00%	61.45%	41.07%	28.82%	28.64%
		=====	=====	=====	=====	=====

<FN>  
\*Annualized.  
\*\*Total investment returns exclude the effects of sales loads.  
++Commencement of operations.  
+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

FINANCIAL INFORMATION (continued)

<TABLE>  
Financial Highlights (continued)  
<CAPTION>

		Class C			
		For the Six Months Ended Jan. 31,	For the Year Ended July 31,		For the Period Oct. 21, 1994++ to July 31,
The following per share data and ratios have been derived from information provided in the financial statements.					

Increase (Decrease) in Net Asset Value:		1999	1998	1997	1996	1995
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Per Share	Net asset value, beginning of period	\$ 10.69	\$ 10.72	\$ 10.34	\$ 10.30	\$ 9.92
Operating Performance:	Investment income--net	.19	.41	.46	.49	.41
	Realized and unrealized gain on investments--net	.14	.03	.38	.04	.38
	Total from investment operations	.33	.44	.84	.53	.79
	Less dividends and distributions:					
	Investment income--net	(.19)	(.41)	(.46)	(.49)	(.41)
	Realized gain on investments--net	(.03)	(.04)	--	--	--
	In excess of realized gain on investments--net	--	(.02)	--	--	--
	Total dividends and distributions	(.22)	(.47)	(.46)	(.49)	(.41)
	Net asset value, end of period	\$ 10.80	\$ 10.69	\$ 10.72	\$ 10.34	\$ 10.30
Total Investment Return:**	Based on net asset value per share	3.11%+++	4.16%	8.29%	5.19%	8.13%+++
Ratios to Average Net Assets:	Expenses, net of reimbursement	2.05%*	1.80%	1.44%	1.11%	.85%*
	Expenses	2.50%*	2.25%	2.51%	3.81%	2.90%*
	Investment income--net	3.53%*	3.79%	4.36%	4.68%	5.00%*
Supplemental Data:	Net assets, end of period (in thousands)	\$ 1,258	\$ 1,202	\$ 843	\$ 681	\$ 558
	Portfolio turnover	.00%	61.45%	41.07%	28.82%	28.64%

<FN>

\*Annualized.

\*\*Total investment returns exclude the effects of sales loads.

++Commencement of operations.

+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

FINANCIAL INFORMATION (concluded)

<TABLE>

Financial Highlights (concluded)

<CAPTION>

Class D

The following per share data and ratios have been derived from information provided in the financial statements.	For the Six Months Ended	For the Year Ended	For the Year Ended	For the Period		
	Jan. 31, 1999	1998	1997	Oct. 21, 1994++ to July 31, 1995		
<S>	<S>	<C>	<C>	<C>		
Per Share	Net asset value, beginning of period	\$ 10.69	\$ 10.71	\$ 10.34	\$ 10.29	\$ 9.92
Operating Performance:	Investment income--net	.22	.46	.51	.54	.46
	Realized and unrealized gain on investments--net	.14	.04	.37	.05	.37
	Total from investment operations	.36	.50	.88	.59	.83
	Less dividends and distributions:					
	Investment income--net	(.22)	(.46)	(.51)	(.54)	(.46)
	Realized gain on investments--net	(.03)	(.04)	--	--	--
	In excess of realized gain on investments--net	--	(.02)	--	--	--

	Total dividends and distributions	(.25)	(.52)	(.51)	(.54)	(.46)
	Net asset value, end of period	\$ 10.80	\$ 10.69	\$ 10.71	\$ 10.34	\$ 10.29
Total Investment Return:**	Based on net asset value per share	3.37% <sup>+++</sup>	4.79%	8.73%	5.84%	8.54% <sup>+++</sup>
Ratios to Average Net Assets:	Expenses, net of reimbursement	1.54%*	1.29%	.92%	.60%	.29%*
	Expenses	1.99%*	1.74%	2.03%	3.31%	2.37%*
	Investment income--net	4.03%*	4.29%	4.87%	5.18%	5.64%*
Supplemental Data:	Net assets, end of period (in thousands)	\$ 994	\$ 1,162	\$ 1,027	\$ 1,081	\$ 723
	Portfolio turnover	.00%	61.45%	41.07%	28.82%	28.64%

<FN>

\*Annualized.

\*\*Total investment returns exclude the effects of sales loads.

<sup>++</sup>Commencement of operations.

<sup>+++</sup>Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

#### NOTES TO FINANCIAL STATEMENTS

##### 1. Significant Accounting Policies:

Merrill Lynch Arkansas Municipal Bond Fund (the "Fund") is part of the Merrill Lynch Multi-State Municipal Series Trust (the "Trust"). The Fund is registered under the Investment Company Act of 1940 as a non-diversified, open-end management investment company. The Fund's financial statements are prepared in accordance with generally accepted accounting principles which may require the use of management accruals and estimates. These unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim period presented. All such adjustments are of a normal recurring nature. The Fund offers four classes of shares under the Merrill Lynch Select Pricing SM System. Shares of Class A and Class D are sold with a front-end sales charge. Shares of Class B and Class C may be subject to a contingent deferred sales charge. All classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class B, Class C and Class D Shares bear certain expenses related to the account maintenance of such shares, and Class B and Class C Shares also bear certain expenses related to the distribution of such shares. Each class has exclusive voting rights with respect to matters relating to its account maintenance and distribution expenditures. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Municipal bonds and other portfolio securities are traded primarily in the over-the-counter municipal bond and money markets and are valued at the last available bid price in the over-the-counter market or on the basis of yield equivalents as obtained from one or more dealers that make markets in the securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their settlement prices as of the close of such exchanges. Short-term investments with a remaining maturity of sixty days or less are valued on an amortized cost basis, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Trust, including valuations furnished by a pricing service retained by the Trust, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Trust under the general supervision of the Trustees.

(b) Derivative financial instruments--The Fund may engage in various portfolio strategies to seek to increase its return by hedging its portfolio against adverse movements in the debt markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

\* Financial futures contracts--The Fund may purchase or sell financial rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing portfolio holdings or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(c) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

(e) Deferred organization expenses and prepaid registration fees--Deferred organization expenses are charged to expense on a straight-line basis over a period not exceeding five years. Prepaid registration fees are charged to expense as the related shares are issued.

(f) Dividends and distributions--Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. Distributions in excess of realized capital gains are due primarily to differing tax treatments for futures transactions and post-October losses.

## 2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner. The Fund has also entered into a Distribution Agreement and Distribution Plans with Merrill Lynch Funds Distributor ("MLFD" or "Distributor"), a division of Princeton Funds Distributor, Inc. ("PFD"), which is a wholly-owned subsidiary of Merrill Lynch Group, Inc.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee based upon the average daily value of the Fund's net assets at the following annual rates: 0.55% of the Fund's average daily net assets not exceeding \$500 million; 0.525% of average daily net assets in excess of \$500 million but not exceeding \$1 billion; and 0.50% of average daily net assets in excess of \$1 billion. For the six months ended January 31, 1999, FAM earned fees of \$32,189, of which \$26,336 was voluntarily waived.

Pursuant to the Distribution Plans adopted by the Fund in accordance

with Rule 12b-1 under the Investment Company Act of 1940, the Fund pays the Distributor ongoing account maintenance and distribution fees. The fees are accrued daily and paid monthly at annual rates based upon the average daily net assets of the shares as follows:

	Account Maintenance Fee	Distribution Fee
Class B	0.25%	0.25%
Class C	0.25%	0.35%
Class D	0.10%	--

Pursuant to a sub-agreement with the Distributor, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a subsidiary of ML & Co., also provides account maintenance and distribution services to the Fund. The ongoing account maintenance fee compensates the Distributor and MLPF&S for providing account maintenance services to Class B, Class C and Class D shareholders. The ongoing distribution fee compensates the Distributor and MLPF&S for providing shareholder and distribution-related services to Class B and Class C shareholders.

For the six months ended January 31, 1999, MLFD earned underwriting discounts and MLPF&S earned dealer concessions on sales of the Fund's Class A and Class D Shares as follows:

	MLFD	MLPF&S
Class A	\$5	\$ 69
Class D	\$8	\$113

For the six months ended January 31, 1999, MLPF&S received contingent deferred sales charges of \$2,189 relating to transactions in Class B Shares.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of ML & Co., is the Fund's transfer agent.

Accounting services are provided to the Fund by FAM at cost.

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

NOTES TO FINANCIAL STATEMENTS (concluded)

Certain officers and/or trustees of the Fund are officers and/or directors of FAM, PSI, FDS, PFD, and/or ML & Co.

3. Investments:

Sales of investments, excluding short-term securities, for the six months ended January 31, 1999 were \$283,750.

Net realized gains for the six months ended January 31, 1999 and net unrealized gains as of January 31, 1999 were as follows:

	Realized Gains	Unrealized Gains
Long-term investments	\$ 10,639	\$ 940,551
	-----	-----
Total	\$ 10,639	\$ 940,551
	=====	=====

As of January 31, 1999, net unrealized appreciation for Federal income tax purposes aggregated \$940,551, all of which related to appreciated securities. The aggregate cost of investments at January 31, 1999 for Federal income tax purposes was \$10,476,349.

4. Beneficial Interest Transactions:

Net increase (decrease) in net assets derived from beneficial interest transactions was \$(741,819) and \$998,869 for the six months ended January 31, 1999 and for the year ended July 31, 1998, respectively.

Transactions in shares of beneficial interest for each class were as follows:

Class A Shares for the Six Months Ended January 31, 1999	Shares	Dollar Amount
Shares sold	17,881	\$ 193,734
Shares issued to shareholders in reinvestment of dividends and distributions	4,259	45,853
	-----	-----
Total issued	22,140	239,587
Shares redeemed	(57,361)	(619,397)
	-----	-----
Net decrease	(35,221)	\$ (379,810)
	=====	=====

Class A Shares for the Year Ended July 31, 1998	Shares	Dollar Amount
Shares sold	171,813	\$ 1,840,104
Shares issued to shareholders in reinvestment of dividends and distributions	4,902	52,499
	-----	-----
Total issued	176,715	1,892,603
Shares redeemed	(39,318)	(419,167)
	-----	-----
Net increase	137,397	\$ 1,473,436
	=====	=====

Class B Shares for the Six Months Ended January 31, 1999	Shares	Dollar Amount
Shares sold	20,082	\$ 216,713
Shares issued to shareholders in reinvestment of dividends and distributions	4,200	45,185
	-----	-----
Total issued	24,282	261,898
Shares redeemed	(45,077)	(486,777)
	-----	-----
Net decrease	(20,795)	\$ (224,879)
	=====	=====

Class B Shares for the Year Ended July 31, 1998	Shares	Dollar Amount
Shares sold	41,745	\$ 446,670
Shares issued to shareholders in reinvestment of dividends and distributions	9,094	97,266
	-----	-----
Total issued	50,839	543,936
Shares redeemed	(141,770)	(1,516,844)
	-----	-----
Net decrease	(90,931)	\$ (972,908)
	=====	=====

Class C Shares for the Six Months Ended January 31, 1999	Shares	Dollar Amount
Shares sold	11,532	\$ 123,484
Shares issued to shareholders in reinvestment of dividends and distributions	1,988	21,403
	-----	-----
Total issued	13,520	144,887
Shares redeemed	(9,471)	(102,002)



Net increase	----- 4,049 =====	----- \$ 42,885 =====
--------------	-------------------------	-----------------------------

Merrill Lynch Arkansas Municipal Bond Fund  
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Class C Shares for the Year Ended July 31, 1998	Shares	Dollar Amount
Shares sold	42,286	\$ 450,449
Shares issued to shareholders in reinvestment of dividends and distributions	4,009	42,904
	-----	-----
Total issued	46,295	493,353
Shares redeemed	(12,517)	(133,300)
	-----	-----
Net increase	33,778	\$ 360,053
	=====	=====

Class D Shares for the Six Months Ended January 31, 1999	Shares	Dollar Amount
Shares sold	295	\$ 3,179
Shares issued to shareholders in reinvestment of dividends and distributions	1,303	14,029
	-----	-----
Total issued	1,598	17,208
Shares redeemed	(18,251)	(197,223)
	-----	-----
Net decrease	(16,653)	\$ (180,015)
	=====	=====

Class D Shares for the Year Ended July 31, 1998	Shares	Dollar Amount
Shares sold	15,871	\$ 170,444
Shares issued to shareholders in reinvestment of dividends and distributions	2,427	25,954
	-----	-----
Total issued	18,298	196,398
Shares redeemed	(5,458)	(58,110)
	-----	-----
Net increase	12,840	\$ 138,288
	=====	=====

Merrill Lynch Arkansas Municipal Bond Fund  
January 31, 1999

OFFICERS AND TRUSTEES

Arthur Zeikel, President and Trustee  
James H. Bodurtha, Trustee  
Herbert I. London, Trustee  
Robert R. Martin, Trustee  
Joseph L. May, Trustee  
Andre F. Perold, Trustee  
Terry K. Glenn, Executive Vice President  
Vincent R. Giordano, Senior Vice President  
Hugh T. Hurley III, Vice President  
Kenneth A. Jacob, Vice President  
Donald C. Burke, Vice President and Treasurer  
Robert E. Putney, III, Secretary

Gerald M. Richard, Treasurer of Merrill Lynch Arkansas Municipal Bond Fund has recently retired. His colleagues at Merrill Lynch Asset Management, L.P. join the Fund's Board of Trustees in wishing

Mr. Richard well in his retirement.

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Boston, MA 02101

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