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Muni Yields Plunge to 16-Month Low on Strongest Demand Since May.

The $3.7 trillion municipal market is rallying for the fourth straight week, pushing yields to the lowest since May 2013 amid the strongest demand in five months.

Yields on benchmark 10-year munis have fallen 0.05 percentage point this week to 2.11 percent, data compiled by Bloomberg show. Top-rated 30-year bonds yield 2.97 percent, a 17-month low.

Investors added $762 million to muni mutual funds in the week through Oct. 8, the largest inflow since May 7, Lipper US Fund Flows data show. Tax-exempt debt is following gains across fixed-income assets as concern mounts that global growth is slowing. Ten-year Treasury yields are set for the biggest weekly drop in six months.

“Individuals like munis more than ever,” Alan Schankel, a managing director at Janney Montgomery Scott in Philadelphia, said by telephone. “The flows are going to continue.”

Munis have earned about 9 percent this year, outpacing a 4.7 percent gain in Treasuries, Bank of America Merrill Lynch data show.

The rally has been most pronounced in longer-maturity munis, with yields on benchmark 30-year debt sinking 0.17 percentage point in the past two weeks. The difference in interest rates between two- and 30-year bonds is 2.63 percentage points, the least in 17 months.

The drop in borrowing costs will benefit issuers from Rhode Island to Washington that are set to offer $6.7 billion in debt next week, Bloomberg data show. States and cities issued $6.1 billion this week. Bond markets are closed Oct. 13 for the U.S. Columbus Day holiday.

As the local-debt market rallied, the $3.8 billion iShares National AMT-Free Muni Bond exchange-traded fund rose to $110.32, the highest since May 2013.

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