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Muni Market Starved for Bonds Gets Most Supply in Three Months.

Localities in the $3.7 trillion municipal market are planning the largest wave of debt sales in almost three months, bucking a trend of diminished borrowing that's pushed yields to the lowest since June.

States and cities have set $8.6 billion of bond sales over the next 30 days, according to data compiled by Bloomberg. That's 35 percent above this year's average, and close to the highest since March, when Puerto Rico issued $3.5 billion of general obligations in the largest muni deal of 2014.

At 2.26 percent, benchmark 10-year muni yields are sinking as demand for tax-exempt securities outpaces the slowest period for bond sales since 2011. Investors have added $2.9 billion to muni mutual funds in the past four weeks, the most in 16 months, Lipper US Fund Flows data show. A wave of maturing and refinanced debt in coming months is poised to add to demand.

"We're coming into the reinvestment season and there seems to be cash on the sidelines," said Ken Kollar, a trader with Arbor Research & Trading Inc. in New York. "Supply will be easily absorbed."

Next week, Phoenix, the Miami-Dade County Expressway Authority, the Chicago Park District and Portland, Oregon, join issuers offering $5.9 billion in debt, compared with almost $5 billion in this holiday-shortened week. Miami-Dade will borrow to upgrade highways and Portland's debt will help finance a bridge.

Phoenix and the Chicago Park District are refinancing debt. Muni bondholders are set to receive $92 billion from maturing and refunded bonds in the three months through August, Citigroup Inc. estimates. That may exceed issuance by $20 billion.

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