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Munis Extend Record Rally to 11th Month With Gains Seen in 2015.

The $3.7 trillion municipal market extended a record win streak in November, rallying to end the month as state and local debt reached the cheapest relative to Treasuries since December.

Munis earned 0.14 percent in November, Bank of America Merrill Lynch data show. The 11th-straight month of gains in 2014 marked an unprecedented stretch to start a year since the data began in 1989. The market has advanced 9.1 percent this year, the most since 2011. It may generate a 0.68 percent return in 2015, according to the most likely scenario presented in a report today by Michael Zezas at Morgan Stanley.

Benchmark 10-year munis yield 2.21 percent, compared with 2.17 percent on similar-maturity Treasuries, data compiled by Bloomberg show. The ratio of the yields, about 102 percent, is close to an 11-month high, signaling that state and city bonds are relatively cheap compared with their federal counterparts heading into year-end.

“People can balk at the absolute yields because they’re so low, but when you look at that relative basis, there’s still some attractive value in munis,” said Dan Toboja, senior vice president of muni trading at Ziegler, a Chicago broker-dealer.

Money managers have bought state and local debt amid signs of demand. Individuals added $1.8 billion to muni mutual funds in the three weeks through Nov. 26, the most since May, Lipper US Fund Flows data show.

In a challenge to the performance streak, issuers have already scheduled $20.4 billion of bond sales for the next 30 days, the most since 2010, Bloomberg data show. That includes $15.5 billion of sales planned for this week.

Zezas, chief muni strategist at Morgan Stanley in New York, projects $354 billion of supply in 2015, up about 15 percent from this year. The bigger risk to another year of gains is if individuals switch to pulling money from mutual funds, he said.

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