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Muni Mutual Funds See Longest Stretch of Outflows in 15 Months.

U.S. municipal-bond mutual funds suffered net withdrawals for the third straight week, the longest stretch in 15 months, as individual investors raised cash for tax bills.

Investors pulled out about \$486 million in the week through April 15, the most since July, according to Lipper US Fund Flows data released Thursday. They've yanked a combined \$820 million over the three-week span.

The outflows are curbing returns: Tax-exempt bonds have gained about 0.1 percent this month, compared with 0.2 percent for Treasuries and 0.5 percent for investment-grade corporate securities, Bank of America Merrill Lynch data show.

Muni mutual funds experienced weekly outflows seven times in 2014, as state and local debt gained in each month of the year for the first time in at least 25 years. The last time investors withdrew money for three straight weeks was the stretch through Jan. 8, 2014, at the end of a record wave of outflows that started in 2013 as interest rates rose and Detroit filed for bankruptcy.

If history is any guide, the municipal market will rally to end the month. Tax-exempt debt hasn't declined in April since 2006, Bank of America data show.

Benchmark 10-year yields in the past five years have fallen by 0.22 percentage point on average during April, more than any other month, data compiled by Bloomberg show. Through April 16, they've declined 0.02 percentage point.

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