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Risky Muni Yields Hit Decade Low.

The typically sleepy market for municipal bonds is on a hot streak.

Investors have piled into muni bonds, sending yields to historically low levels. The yield on the Bloomberg Barclays Municipal Bond High Yield Index, which tracks riskier muni borrowers, fell to 3.11% last week as bond prices rallied, the lowest level of the past decade, FactSet data show. They've hovered in that range since, settling at 3.14% on Tuesday.

Borrowers like state and local governments as well as universities and local school districts tap the muni market to fund projects.

The high-yield corner of the market is typically reserved for lower-rated borrowers like retirement communities and charter schools, which don't have the backing of a state or local government. It has boomed in recent years as investors have searched for higher returns, with Treasuries and other safer debt offering meager yields. The run in high-yield munis comes as Treasury yields have tumbled, falling for five consecutive weeks.

Investors have piled into riskier munis and extended a lifeline to some troubled corners of the market, helping the sector, according to research firm Municipal Market Analytics. That's kept some projects from running into trouble and kept default rates surprisingly low.

As a result, the high yield muni market has swelled to 13% of the muni market, up from 10% last year, the firm said.

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