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Muni Market's Mega Rally 'Likely Unsustainable,' BlackRock Says.

BlackRock Inc. says the municipal-bond market's rip-roaring rally is probably unsustainable.

US state and local debt posted a historic return of more than 6% in November and another 0.7% already in the first part of December. Those types of gains are very unusual for the traditionally staid muni market where investors are accustomed to monthly returns less than 1%.

After the rally that began in November, US state and local debt has gotten expensive compared to US Treasuries. BlackRock's muni team said in a note that the "trajectory of the rally is likely unsustainable" and noted the high valuations.

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