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Trump's Federal Policies and the Municipal Bond Market: Navigating Political Risks and Credit Uncertainty

Overview

– Trump-era policies reshaped municipal bond markets and local governance spending through deregulation, tax reforms, and funding cuts.

– The 2017 TCJA increased borrowing costs by $824B over a decade by eliminating tax exemptions for advance refunding bonds and threatening PABs.

– Medicaid and education funding cuts, plus climate risks, exposed fiscal vulnerabilities in states like Kansas and Washington, D.C., triggering credit downgrades.

– Deregulation and policy uncertainty heightened political risks, forcing investors to prioritize diversification and hedging against credit stress.

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