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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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