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## **Municipal Bond Risks Amid Fiscal Mismanagement: Navigating Governance Failures and Systemic Defaults**

### **Summary**

- Municipal bond markets face systemic risks from governance failures and fiscal mismanagement, highlighted by Puerto Rico's PREPA and higher education defaults.
- Distressed credits like TSFC bonds (Cusip 88880NAU3) show declining revenues and structural weaknesses, trading at steep discounts despite no full default.
- Rising municipal yields (30-year bonds >5.5%) reflect increased default risks, while policy shifts and volatility demand active hedging via CDS, futures, and duration management.
- Investors must prioritize credit discipline, sector diversification, and liquidity analysis to balance income potential with capital preservation in a destabilized market.

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