

What the “One Big Beautiful Bill” Means for Muni Investors

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Kevin Flanagan

Head of Investment and Fixed Income Strategy

Key Takeaways

- The Fed's policy stance remains skewed toward potential rate cuts, creating a supportive backdrop for municipal bonds.
- Relative value and attractive taxable equivalent yields provide opportunities for munis for the second half of the year.
- Credit fundamentals in the muni space remain strong, and investors are being rewarded for moving out on the yield curve, particularly in intermediate maturities.

Policy Landscape Supports the Muni Outlook

Municipal bonds are entering a renewed phase of opportunity, driven by two converging forces: Federal Reserve policy and uncertainty surrounding the tax-exempt status of munis being removed from the equation. For investors seeking tax-advantaged income and credit quality, the current environment may offer compelling entry points.

Fed Rate Cuts Still on the Radar: A Tailwind for Munis

Recent remarks from Fed Chairman Powell reiterated that monetary policy remains skewed toward potential rate cuts later this year. Monetary policy decision-making will be highly data-dependent, but a reasonable case scenario still revolves around one or two easing moves by year-end.

For municipal bond investors, this policy direction should be a supporting factor.

Muni Tax-Exempt Status Unchanged

A visible headwind for municipals earlier this year was the concern that the “One Big Beautiful Bill” could potentially remove or alter their traditional tax-exempt status at the federal level. Based on the legislation President Trump signed, there will be no changes on this front, removing a large area of uncertainty for muni investors, accordingly.

Strong Credit, Steep Curve Create Opportunities

Municipal credit fundamentals are among the strongest in years. Many states have built up record-level rainy day funds, and revenue streams have stabilized. This resilience allows investors to take advantage of a steep muni yield curve, particularly in intermediate maturities where yields are especially attractive relative to the risk.

The combination of solid credit quality and a steep curve is a rare alignment—and one that encourages active duration management. Investors willing to move slightly out on the curve can potentially enhance returns without compromising quality.

Strategy and Portfolio Application

For those looking to align portfolios with these favorable conditions, the [WisdomTree Core Laddered Municipal Fund \(WTMU\)](#) and [WisdomTree High Income Laddered Municipal Fund \(WTMY\)](#) offer an active, diversified and laddered approach across the muni maturity spectrum. Their design provides natural rebalancing opportunities while maintaining exposure to income-generating segments of the curve.

Conclusion

With strong credit backdrops and compelling curve dynamics, investors have reason to revisit their approach to tax-exempt fixed income. Whether used as a core holding or a complement to existing bond allocations, [WTMU](#) and [WTMY](#) are well-positioned to benefit from a relatively attractive investment backdrop within the muni market.

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