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Wall Street Boosts States' Credit Scores as Recession Worries Cloud Outlook.

- **Upgrades from Illinois to New Jersey show how US aid helped**
- **Analysts say a deep economic contraction would darken outlook**

The flood of US pandemic aid that flowed into state treasuries helped balance budgets and raise bond ratings. Now the question is whether a recession will halt states' financial progress.

"If we have a very deep and sustained recession, we might see the credit quality or the ratings being adjusted," said Dora Lee, director of research for Belle Haven Investments. "If we have a pretty mild recession, it is highly unlikely that these upgrades will be reversed."

Illinois, Massachusetts and New Jersey this year have garnered higher credit scores from rating companies, including brighter outlooks for the states as well. The upgrades also helped shrink bond yield spreads in the primary and secondary municipal markets, signaling investor perception of state debt is improving.

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