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by Karen Pierog – May 05, 2020

CHICAGO, May 5 (Reuters) – Illinois, the U.S. state in the worst fiscal straits even before the COVID-19 pandemic, faces high borrowing costs when it sells $2.2 billion of debt starting on Wednesday, in part to deal with the economic fallout from the virus.

A BofA Global Research report on Friday said: “Ultimately, we think there is a better than 50-50 chance that Illinois will be downgraded to below investment grade by the end of 2020 by at least one rating agency. That does not mean, however, that we expect the state to default on its debts.”

As long as it retains one investment-grade rating, most funds can continue to buy the state’s debt, according to John Mousseau, president and CEO of Cumberland Advisors. The fact that Illinois bonds have “yield in spades” could draw overseas buyers thirsting for yield to the $300 million of taxable bonds the state is selling next week, he said. “Having a wider audience, particularly if you are a credit that has issues, is better,” he said.

Full story at Reuters: https://www.reuters.com/article/usa-illinois-bonds/illinois-to-sell-debt-as-fiscal-woes-worsen-in-coronavirus-outbreak-

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