



U.S. ABCP Market Outlook (CP Desk Comments)

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

It was a solid week for ABCP as issuers saw strong demand for their paper 3 months and in. Three month LIBOR continued to trickle down about one basis point per day and is poised to break through 50 bps next week. As LIBOR continues its descent downwards and if Fed Funds trades towards the higher end of the target range, it will be very difficult for issuers to garner investor interest much below LIBOR. Although investors have been able to pick up some yield going out 3 months, issuer levels have moved in tandem with LIBOR's descent and the makings of a flat yield curve for 3 months and in is just around the corner. Does anyone remember the Summer of 2006 through Spring of 2007? The weekly CP data came in as expected and was benign. Next week we expect to see the same type of flows as this week, although we should get some broader market volatility from the bank earnings being released.

The weekly CP data was as follows:

Total CP outstandings decreased by \$4.0 bn to **\$1.266 tn** for the week ending 7/8/09. The sharpest weekly decline was seen in Financial CP outstandings.

Money market fund assets increased by \$4.3 bn this week to \$3.668 trillion. Taxable (non-gov) assets increased by \$10.66 bn to \$1.969 trillion, with a \$1.94 bn drop in retail assets and a \$12.6 bn increase in institutional assets.

Of the total CP market:

- Corporate outstandings increased by \$7.7 bn for the week (\$142.0 bn vs \$134.3 bn last week)
- Financial outstandings decreased by \$9.2 bn for the week (\$555.1 bn vs \$564.3 bn last week)
- ABCP outstandings experienced a weekly decrease of \$2.6 bn (\$569.3 bn vs \$571.9 bn last week)

CPFF usage declined again this week to **\$109.2 bn** vs \$111.1 bn last week.

AMLF usage decreased to **\$9.5 bn** from \$14.8 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to **9.4%** through these two programs.

(Source: Federal Reserve website, Investment Company Institute website)

Corporate/Financial Commentary

It was another slow week as we entered the second week in July. In financials, there was a lot of blocking and tackling as issuers and investors fought for that 1 or 2 extra bps, demonstrating the spread compression occurring in the market. Consequently, lower tier credits found demand as investors searched for yield. This market feels not unlike the 2003-2005 period when investors were forced to take on more and more risk to get any return causing spread differentials to tighten even further. As previously mentioned, financial outstandings decreased by \$9.2 bn versus the prior week to \$555bn. In corporates, CP outstandings increased by \$7.7bn to \$142bn. There continues to be strong demand from middle market accounts and insurance players for good quality industrials both in Tier 1 and Tier 2 markets.

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Agencies surprised the market this week by coming in with unexpected supply. Their levels in the short end widened 3 to 5 basis points. These agency levels soaked up the little liquidity from larger institutional investors in the market place and caused demand for corporates and financials to soften from this investor base.

Headlines Affecting the CP Market (Bloomberg):

- 7/10 Consumer Sentiment in U.S. Falls More than Forecast on Rising Joblessness
- 7/10 S&P Says U.S. Fed Still Absorbing A Lot of European ABCP
- 7/6 Earnings Drop Worldwide as Job Losses Hurt Consumers

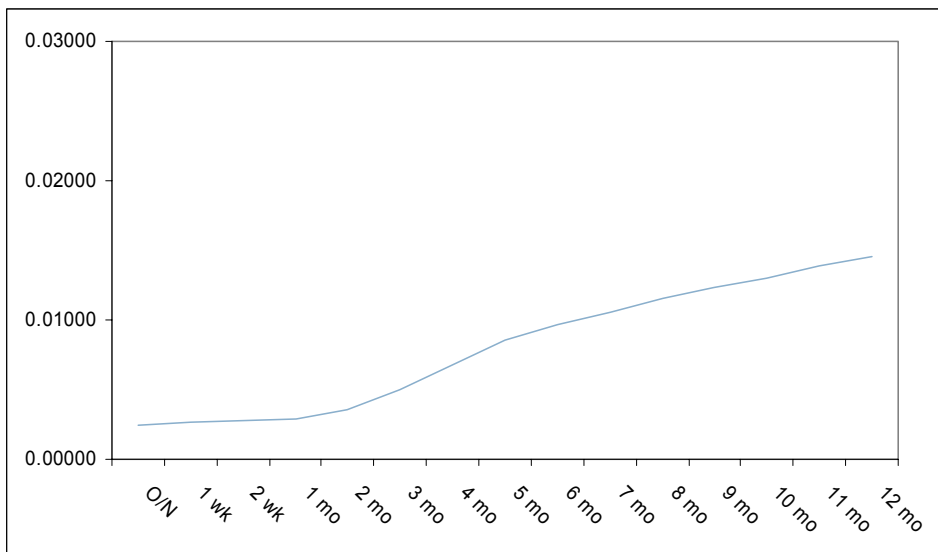
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (7/8/09)	Prior Week	Peak	Facility Effective Date
AMLF	9.555	14.807	152.1 (10/1/08)	9/19/08
CPFF	109.235 (face)	111.126 (face)	350.3 (1/22/09)	10/27/08
MMIFF	0	0	n/a	11/24/08

Data source: <http://www.federalreserve.gov/releases/h41/Current>

LIBOR Curve (7/10/09):



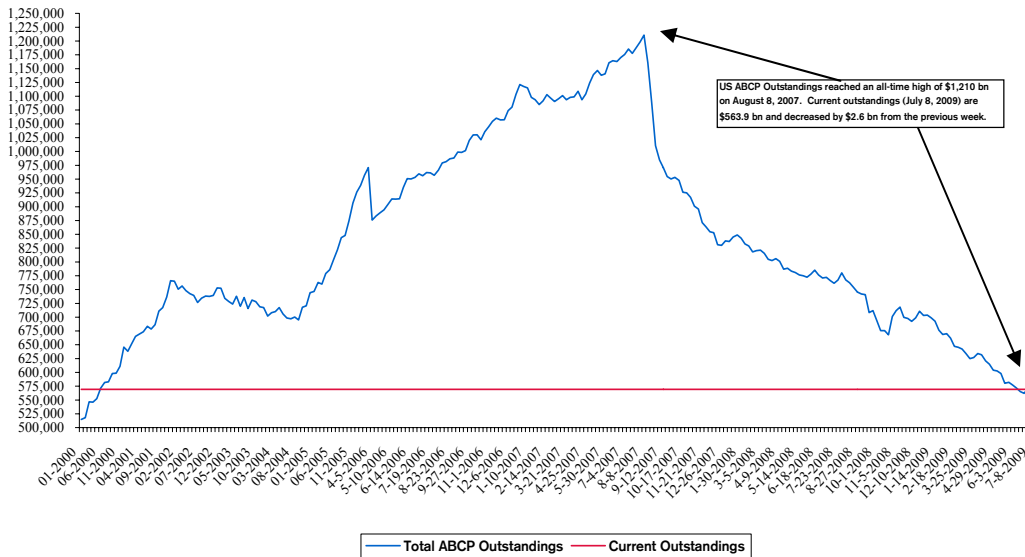
O/N	.24313%
1 wk	.27125%
2 wk	.28000%
1 mo	.29250%
2 mo	.35750%
3 mo	.50500%
4 mo	.67438%
5 mo	.85500%
6 mo	.96750%
7 mo	1.05750%
8 mo	1.15250%
9 mo	1.22875%
10 mo	1.30438%
11 mo	1.38500%
12 mo	1.45625%



ABCP Outstandings

U.S. ABCP Outstandings increased by \$4.0 billion for the week ending July 8, 2009 to **\$563.9 bn** outstanding from \$571.9 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, July 8, 2009
(in millions)



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