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CREDIT SUISSE SECURITIES (USA) LLC

ASSET BACKED COMMERCIAL PAPER WEEKLY NEWSLETTER

9.11.2009

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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

ABCP flows were mixed coming off of the holiday weekend. We saw investors for the most part roll their positions but their appetite seemed limited. The sheer fact that the curve is flat 3 months and in (with 3 month LIBOR at 29 bps, 1 month LIBOR 25 bps, and overnight LIBOR at 22 bps), which has stopped the extension trade, will push cash to the very front end of the curve. We might see term appetite for ABCP if the issuer community is willing to part with some of the spreads being shown under LIBOR. Compression can be an enemy to issuer spreads to LIBOR, but unfortunately this situation may be around for the rest of the year.

As this market continues to heal and we get used to the "new normal", we will look towards both the broader markets and sister markets to ABCP in order to gauge where our market is headed. We are constantly asked when the US ABCP market will stop dropping in terms of outstandings and we must be constantly reminded that we are still in a severe consumer recession, the term securitization market is still operating with a government lifeline, and the ABCP market itself still has government lifelines pumping through it; however, thankfully, the ABCP-related government programs are only being marginally used. Also let's not forget another huge hurdle in front of the ABCP market is the change in accounting rules that loom over most issuers as well as the pending announcement of changes to Rule 2a-7.

The weekly CP data seen was in line with expectations and relatively benign:
Total CP outstandings decreased by $11.0 bn to **$1.177 tn** for the week ending 9/9/09. Declines were seen across all types of CP outstandings.
Money market fund assets decreased by $15.3 bn this week to $3.543 trillion. Taxable (non-gov) assets decreased by $6.7 bn to $1.955 trillion, with a $1.2 bn drop in retail assets and a $5.5 bn decline in institutional assets.
Of the total CP market:
-Corporate outstandings decreased by $3.3 bn for the week ($128.5 bn vs $131.8 bn last week)
-Financial outstandings decreased by $1.0 bn for the week ($544.3 bn vs $545.3 bn last week)
-ABCP outstandings experienced a weekly decline of $6.7 bn ($503.5 bn vs $510.2 bn last week)

CPFF usage declined by $2 bn this week to **$41.25 bn** (face value) from $43.28 bn last week.
AMLF usage remained unchanged at **$79 mn**.
The **MMIFF** continues to remain unutilized.
The **Fed's exposure** to the total CP market declined to **3.6%** through these two programs.
(Source: Federal Reserve website, Investment Company Institute website)

Maureen Coen
212.325.3531
maureen.coen@credit-suisse.com

Joseph Soave
212.325.1802
joseph.soave@credit-suisse.com

Brian Rogers
212.325.1802
brian.rogers@credit-suisse.com

Stephanie Gentile
212.325.4713
stephanie.gentile@credit-suisse.com

Galit Kursman
212.325.3358
galit.kursman@credit-suisse.com

Emily Lao Chua
212.325.9817
emily.laochua@credit-suisse.com

Danielle Melchione
212.325.0943
danielle.melchione@credit-suisse.com

Corporate/Financial Commentary

Change is on the Horizon for the Short-end

It was a short year ago when Lehman was allowed to fail. One of the unintended consequences was The Reserve Fund breaking the buck due to exposure to Lehman's Commercial Paper - short-term debt that was assumed to pay off at par and then was not going to. This event ignited massive liquidation for money market funds. As fear took hold, no one trusted what these funds owned or what they were exposed to. In order to stop the hemorrhaging, the US Treasury put a money market guarantee program in place that allowed eligible 2a-7 money market funds to pay a fee in exchange for a guarantee of funds held at par ($1 NAV) as of the close of business on 9/19/2008. The liquidation slowed as a result of this program being put in place. Of course, several other policies were then implemented to provide money funds with liquidity in the case of another shock but this guarantee was the first. It will also be the first guarantee to expire, which will occur on Friday, 9/18/2009.

The other changes on the horizon are the proposed new rules by the SEC to govern money market funds. The SEC's public comment period on its Rule 2a-7 proposal ended on September 8, 2009. It remains to be seen which of the SEC's points from its initial proposal will be included in the amended rule. Many 2a-7 funds have already voluntarily adopted the ICI Money Market Working Group Recommendations for money market funds. We will keep you posted on any announced changes from the SEC.

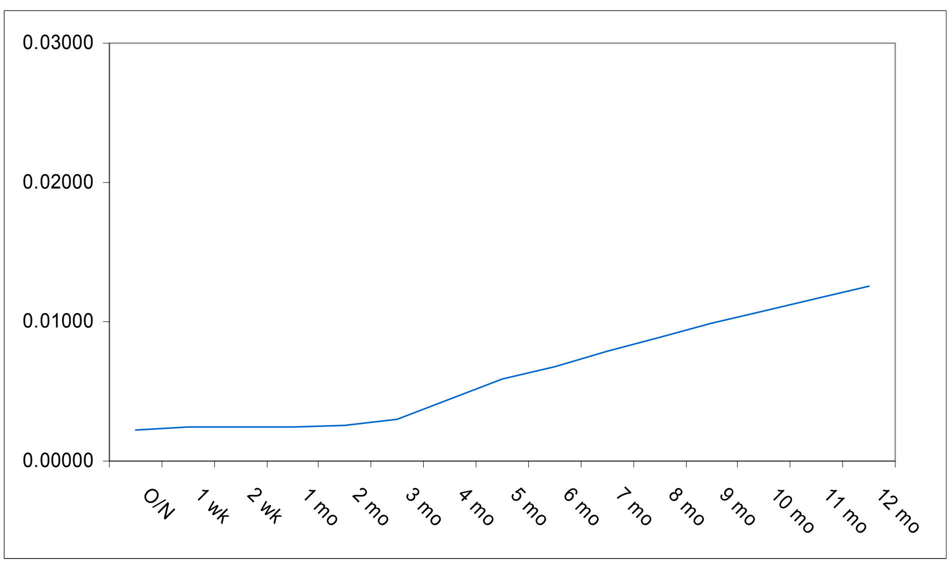
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (9/10/09)	Prior Week	Peak	Facility Effective Date
AMLF	0.79	0.79	152.1 (10/1/08)	9/19/08
CPFF	41.252 (face)	43.285 (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 (9/11/09):

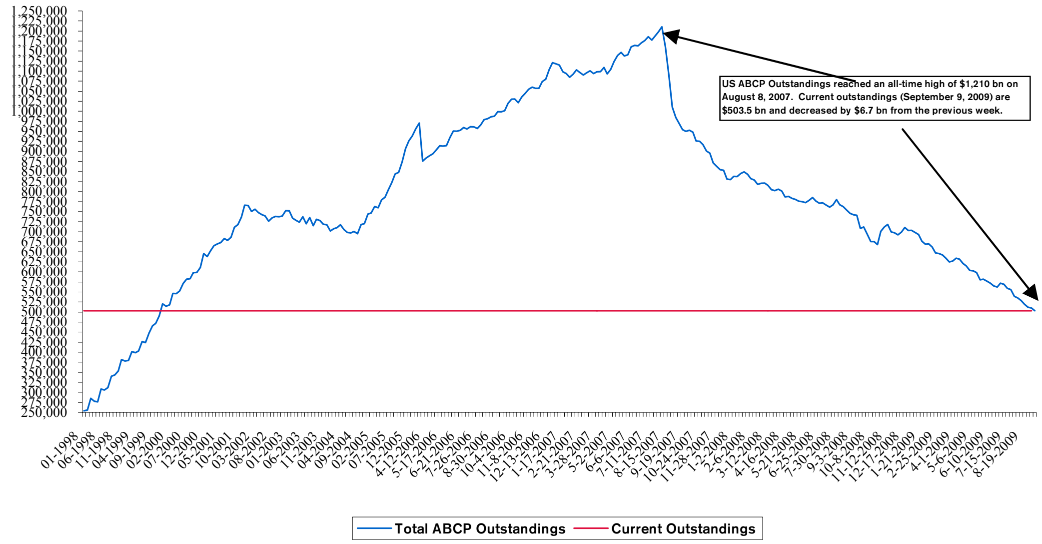


O/N	.21875%
1 wk	.24025%
2 wk	.24338%
1 mo	.24338%
2 mo	.25713%
3 mo	.29900%
4 mo	.44375%
5 mo	.59000%
6 mo	.67750%
7 mo	.78750%
8 mo	.89375%
9 mo	.99125%
10 mo	1.07500%
11 mo	1.16125%
12 mo	1.25375%

ABCP Outstandings

U.S. ABCP Outstandings decreased by $6.7 billion for the week ending September 9, 2009 to **$503.5 bn** outstanding from $510.2 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, September 9, 2009
(in millions)



CREDIT SUISSE
Eleven Madison Avenue
New York City, NY
10010
U.S.A.
www.credit-suisse.com