



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

A fairly quiet second week of the month as the ABCP market continues to shrink and it feels like the bulk of issuers' financing needs for the month have been met. Levels for some issuers are starting to creep slightly higher, especially in 1 month, as Fed Funds traded closer to the high end of the target. The notion of the Fed raising rates this year after a better than expected Employment Situation last Friday got over-baked and dissipated as the week went on. Something weighing on both issuers' and investors' minds is the continued decline in supply, which is showing no signs of abating. The Fed's weekly CP program data came in as expected and was benign.

The weekly CP data was as follows:

Total CP outstandings decreased by \$13.1 bn to **\$1.311 tn** for the week ending 6/11/09. The decline was the result of a drop in financial CP and ABCP outstandings.

Money market funds saw outflows of \$16.3 bn this week to \$3.747 trillion. Taxable (non-gov) assets fell \$6.31 bn to \$1.981 trillion, with a \$10.1 bn drop in retail assets and a \$3.8 bn gain in institutional assets. Of the total CP market:

- Corporate outstandings increased by \$0.5 bn for the week (\$158.9 bn vs \$158.4 bn last week)
- Financial outstandings decreased by \$8.3 bn for the week (\$580.8 bn vs \$589.1 bn last week)
- ABCP outstandings experienced a weekly decrease of \$5.4 bn (\$571.7 bn vs \$577.1 bn last week)

CPFF usage declined again this week to **\$135.3 bn** vs \$139.6 bn last week.

AMLF usage decreased to **\$20.2 bn** from \$23.6 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to 11.9% through these two programs.

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

Corporate/Financial Commentary

Fears of inflation and higher rates left most investors on the sidelines this week. However, after a benign 30-year Treasury auction on Wednesday, fears abated, sending Eurodollar futures rallying. With that in the backdrop, it was a relatively quiet week in the commercial paper market for corporates and financials. Investors stayed short, buying mostly overnights with some money going out 2 and 3 months for good bank and corporate names. Tier 2 corporate spreads tightened slightly 2 to 5 bps (depending on name) as the lack of supply helped improve funding levels. All and all, spreads remained unchanged from last week. Investors continue to be cautious at these tight levels, fearing that a sudden back up in rates will leave them underwater.

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Headlines Affecting the CP Market (Bloomberg):

- 6/9 JPMorgan, Morgan Stanley Among 10 Banks Repaying TARP
- 6/11 Treasuries Gain as Bonds Yield Most at an Auction Since 2007
- 6/12 Consumer Confidence in US Climbs a Fourth Month as Job Losses Moderate
- 6/12 FASB to Alter Securitizations/Special Purpose Entities Accounting

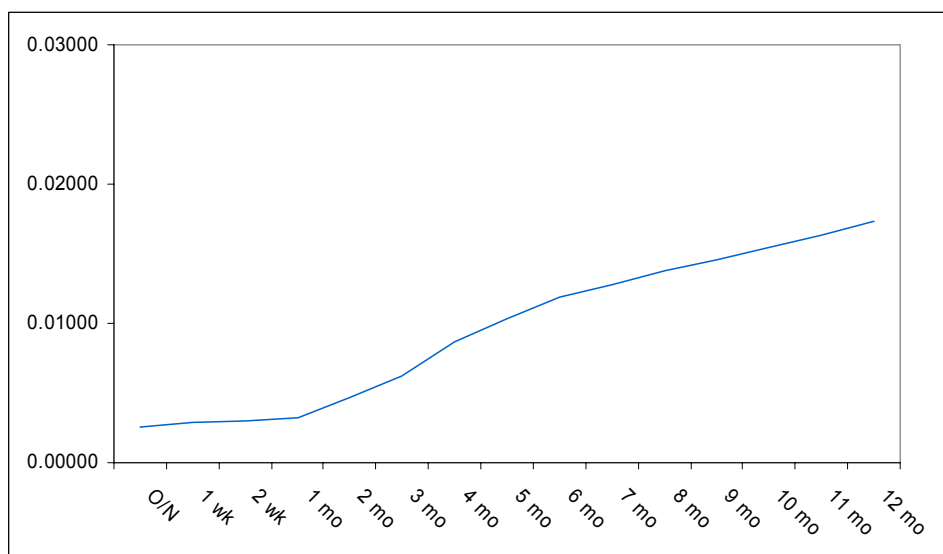
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (6/10)	Prior Week	Peak	Facility Effective Date
AMLF	20.194	23.635	152.1 (10/1/08)	9/19/08
CPFF	135.3 (face)	139.6 (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 (6/12/09):

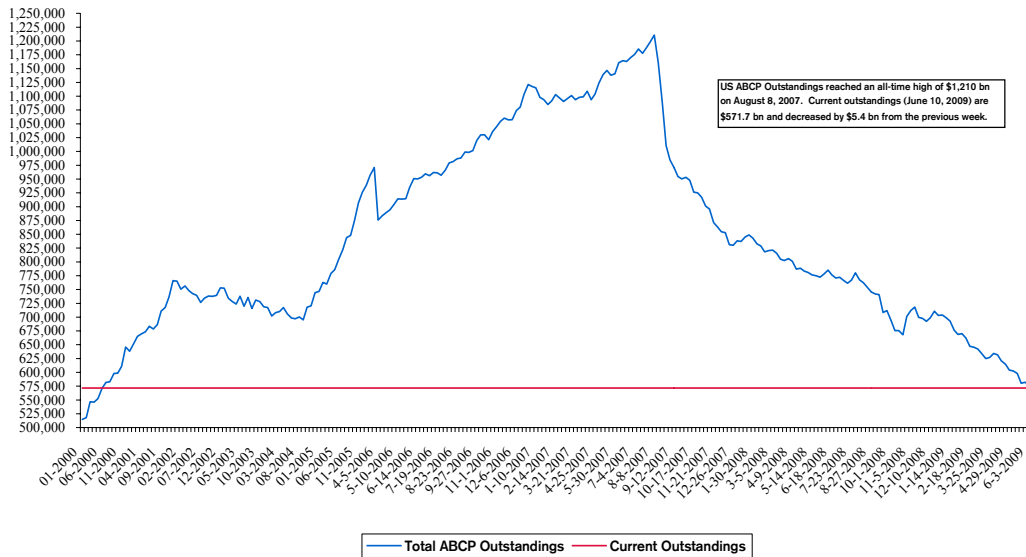


O/N	.26000%
1 wk	.29000%
2 wk	.30000%
1 mo	.31813%
2 mo	.46438%
3 mo	.62438%
4 mo	.86375%
5 mo	1.03375%
6 mo	1.18375%
7 mo	1.28125%
8 mo	1.37375%
9 mo	1.45875%
10 mo	1.54875%
11 mo	1.63625%
12 mo	1.73250%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$5.4 billion for the week ending June 10, 2009 to **\$571.7 bn** outstanding from \$577.1 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, June 10, 2009
(in millions)



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