



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

*Commentary by Credit Suisse's US ABCP Trading Desk*

### ABCP Commentary

There were no scary surprises on this Friday the 13<sup>th</sup> (fun fact: this is the last of 3 "Friday the 13<sup>th</sup>" occurrences in 2009). The week was business as usual for the ABCP market, as we continued to see very good flows throughout the curve. Prices tightened again this week by 1 to 2 bps, mainly due to the decrease in outstanding commercial paper issuance. Investors have plenty of cash to invest, but with customer pay downs and few new deals getting done, issuers have been unable to satisfy investor demand.

As of Wednesday, 35% of all Commercial Paper outstanding and 32.5% of all ABCP outstanding had been placed over the turn. Next week will be the last full week for issuance this month before the Thanksgiving Holiday and month-end. We expect to continue to see the same strong interest throughout the week.

The weekly CP data was as follows:

**Total CP** outstandings decreased by \$7.0 bn to **\$1.162 tn** for the week ending 11/11/09. Outstandings declined across all three types of CP.

Please note that there was, again, a substantial gap between the seasonally adjusted versus not seasonally adjusted Fed data (ie total CP down \$77 bn adjusted vs. \$7 bn unadjusted). To reiterate, we use the non-adjusted numbers.

Money market fund assets decreased by \$3.7 bn this week to \$3.335 trillion. Taxable (non-gov) assets increased by \$4.5 bn to \$1.871 trillion, with a \$2.4 bn drop in retail assets and a \$7 bn increase in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$1.9 bn for the week (\$120.5 bn vs \$122.4 bn last week)
- Financial outstandings decreased by \$2.4 bn for the week (\$568.2 bn vs \$570.5 bn last week)
- ABCP outstandings experienced a weekly decrease of \$2.8 bn (\$451.9 bn vs \$454.7 bn last week).

**CPFF** usage declined marginally this week to **\$9.78 bn (face value)** vs \$9.98 bn (face value) last week.

**AMLF** usage remained at zero.

The **Fed's exposure** to the total CP market remained steady at less than 1% this week.

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

### Corporate/Financial Commentary

This week seemed uneventful as investors continued their trend of buying either very short paper (overnight to 1 month) or extending out into 3 and 6 month maturities. There seems to be a delicate

**Maureen Coen**  
212.325.3531  
[maureen.coen@credit-suisse.com](mailto:maureen.coen@credit-suisse.com)

**Joseph Soave**  
212.325.1802  
[joseph.soave@credit-suisse.com](mailto:joseph.soave@credit-suisse.com)

**Brian Rogers**  
212.325.1802  
[brian.rogers@credit-suisse.com](mailto:brian.rogers@credit-suisse.com)

**Stephanie Gentile**  
212.325.4713  
[stephanie.gentile@credit-suisse.com](mailto:stephanie.gentile@credit-suisse.com)

**Galit Kursman**  
212.325.3358  
[galit.kursman@credit-suisse.com](mailto:galit.kursman@credit-suisse.com)

**Emily Lao Chua**  
212.325.9817  
[emily.laochua@credit-suisse.com](mailto:emily.laochua@credit-suisse.com)

**Danielle Melchione**  
212.325.0943  
[danielle.melchione@credit-suisse.com](mailto:danielle.melchione@credit-suisse.com)

balancing act happening between gaining yield by extending and keeping very short in case of redemptions. Until there is a fundamental change in rates and/or money market outflows, one can only surmise that the bar selling trades will continue until year-end. As mentioned above, the Investment Company Institute reported continued declines in money market mutual funds, falling from its high of \$3.92 trillion on Jan. 14<sup>th</sup> to \$3.335 trillion on November 11<sup>th</sup>. How far this number will fall is anyone's guess.

## Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

| Facility | Current Week (11/11/09) | Prior Week            | Peak            | Facility Effective Date |
|----------|-------------------------|-----------------------|-----------------|-------------------------|
| AMLF     | 0                       | 0                     | 152.1 (10/1/08) | 9/19/08                 |
| CPFF     | 9.779 (face)            | 9.979 (face)          | 350.3 (1/22/09) | 10/27/08                |
| MMIFF    | n/a (program expired)   | n/a (program expired) | n/a             | 11/24/08                |

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

## Commercial Paper Maturing after December 31, 2009:

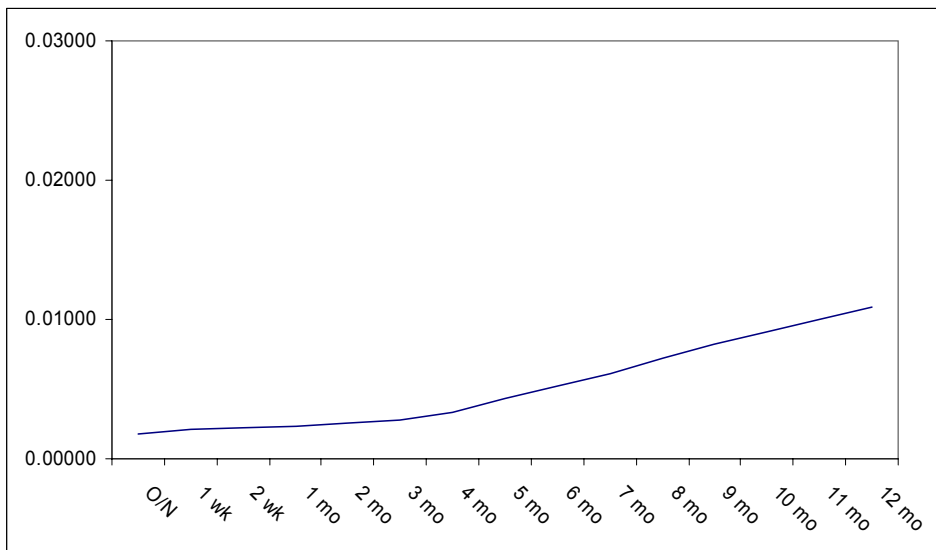
All amounts in USD billions; Percent of Total Current Outstandings for Category;

ABCP is also included in the Total, Tier 1 and Tier 2 categories

| CP Type | Current Week (11/11/09) | Prior Week      |
|---------|-------------------------|-----------------|
| ABCP    | \$147.0 (32.5%)         | \$124.9 (27.5%) |
| Tier 1  | \$355.8 (38.4%)         | \$315.4 (33.9%) |
| Tier 2  | \$6.0 (15.4%)           | \$4.9 (12.3%)   |
| Total   | \$403.5 (35.3%)         | \$353.8 (30.8%) |

Data source: <http://www.federalreserve.gov/releases/cp/yrend.htm>

## LIBOR Curve (11/13/09):

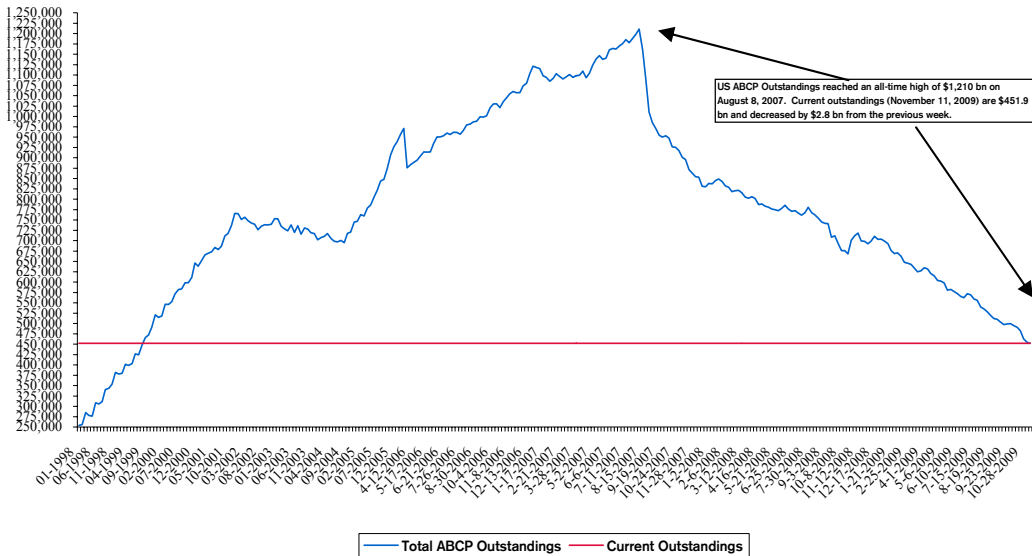


|       |          |
|-------|----------|
| O/N   | .17813%  |
| 1 wk  | .21625%  |
| 2 wk  | .22625%  |
| 1 mo  | .23750%  |
| 2 mo  | .25031%  |
| 3 mo  | .27250%  |
| 4 mo  | .33625%  |
| 5 mo  | .42875%  |
| 6 mo  | .52063%  |
| 7 mo  | .61375%  |
| 8 mo  | .71938%  |
| 9 mo  | .81875%  |
| 10 mo | .91000%  |
| 11 mo | 1.00188% |
| 12 mo | 1.09063% |

## ABCP Outstandings

U.S. ABCP Outstandings decreased by \$2.8 billion for the week ending November 11, 2009 to **\$451.9 bn** outstanding from \$454.7 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, November 11, 2009  
(in millions)





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CREDIT SUISSE  
Eleven Madison Avenue  
New York City, NY  
10010  
U.S.A.  
[www.credit-suisse.com](http://www.credit-suisse.com)

