



ASSET BACKED COMMERCIAL PAPER WEEKLY NEWSLETTER

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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Much of the same this past week for ABCP. The FOMC meeting did little to change the front end of the market as the limited amount of supply from ABCP issuers continues to drive most of the action. Levels were able to creep down ever so slightly as Top Tiered issuers were trying to get done at .22 to .23 in 1 month and .27 to .28 in 3 months. The story out of the weekly CP data continues to be the same with outstandings down along with less usage of the Fed facilities. Next week should be more of the same with corporate tax day kicking it off and ending with some important housing data.

The weekly CP data was as follows:

Total CP outstandings decreased by \$6.8 bn to **\$1.199 tn** for the week ending 8/12/09. Declines were seen for both Corporate CP and ABCP outstandings.

Money market fund assets decreased by \$12.8 bn this week to \$3.594 trillion. Taxable (non-gov) assets decreased by \$4 bn to \$1.959 trillion, with a \$6 bn drop in retail assets and a \$2 bn increase in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$7.8 bn for the week (\$139.0 bn vs \$146.8 bn last week)
- Financial outstandings increased by \$7.4 bn for the week (\$531.3 bn vs \$523.8 bn last week)
- ABCP outstandings experienced a weekly decline of \$6.5 bn (\$528.9 bn vs \$535.3 bn last week)

CPFF usage declined by \$3 bn this week to **\$53.8 bn** (face value) from \$56.9 bn last week.

AMLF usage remained unchanged from last week at **\$113 mn**.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined to **4.5%** through these two programs.

Corporate/Financial Commentary

Where do we go from here ?

As the short-term markets have settled down, spreads have fallen all the way back to 2006 tights. Hard to believe, but it is true. The LIBOR levels make it difficult to see this since LIBOR has really become an average for banks. Some banks trade way under LIBOR at .27 to .30 discount in 3 months versus LIBOR setting on August 14th at .43. Other banks are funding at .60 in 3 months and see very little demand. Strong A-1/P-1 corporate issuers can fund themselves at .22 discount in 3 months, while the Tier 2 corporate issuers in need pay above LIBOR in 3 months. To demonstrate that we are back to the tights we need to look at actual funding levels and remove the outlier credits. Many might say that this analysis would not give a good sense of the general market. So, we will conclude that for the strongest institutions, we are back at spread tights. Until we see some volatility in the front end these tight levels should continue as long as the federal funds rate is zero to .25 basis points.

The question that remains is, where do we go from here?

We expect more of the same next week.

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Headlines Affecting the CP Market (Bloomberg):

- 8/13 Retail Sales in U.S. Unexpectedly Fall on Concern Over Job Losses, Income
 - 8/13 LIBOR-OIS Spread Drops to Greenspan's 'Normal' as Credit Thaws
 - 8/13 Fed Signals No Rush to Exit from Stimulus as Recession Ends
 - 8/12 The FOMC, as Widely Expected, Kept the Target Range for the Fed
 - 8/12 Fed Treasury Buying to Slow Before Ending in October
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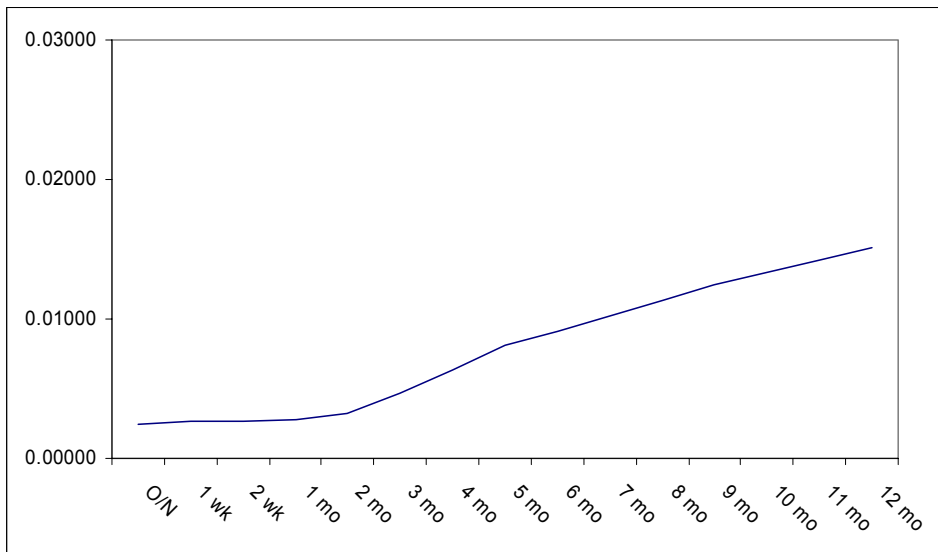
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (8/12/09)	Prior Week	Peak	Facility Effective Date
AMLF	0.113	0.113	152.1 (10/1/08)	9/19/08
CPFF	53.830(face)	56.997(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>

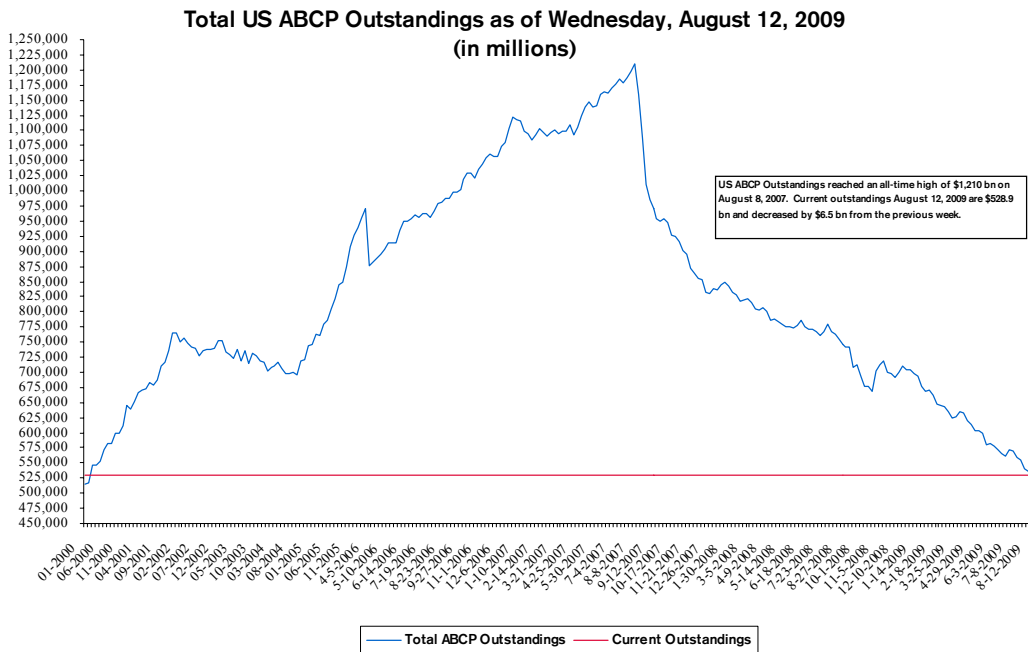
LIBOR Curve (8/14/09):



O/N	.23375%
1 wk	.26000%
2 wk	.26875%
1 mo	.27250%
2 mo	.30875%
3 mo	.42938%
4 mo	.59000%
5 mo	.74875%
6 mo	.83188%
7 mo	.94375%
8 mo	1.04500%
9 mo	1.13875%
10 mo	1.21750%
11 mo	1.30750%
12 mo	1.39000%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$6.5 billion for the week ending August 12, 2009 to **\$528.9 bn** outstanding from \$535.3 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).



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