



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

ABCP issuers enjoyed a good week in terms of flows and levels. Due to a weakening in supply, flat demand, and increased dealer participation, most ABCP issuers filled their financing needs very quickly throughout the week. Spreads to LIBOR for some issuers improved by as much as 5 to 10 bps and for those issuers who did not change their pricing, they saw increased volume. As we were all bracing for a possible repeat of late January, the banks' earnings did not kick us in the stomach and now we can move on to the bank stress tests due to be released May 4th. Due to the nature of the underlying assets, it does not seem plausible that there will be any material increases in ABCP outstandings over the next few months and therefore, we could see this same sort of action of low to flat supply accompanied by continued pricing power for the issuer. As we all know, we can get kicked in the teeth at any time from another piece of negative financial news; however, we probably will go into the summer in this sort of sweet spot for ABCP issuers. The weekly CP data on an adjusted basis shows ABCP decreased by \$11.1 billion week-over-week. The Fed CP programs had immaterial declines and still represent around 17% of the total CP market.

The weekly CP data was as follows:

To recap the weekly Fed announcements with respect to CP:

Total CP outstandings decreased by \$15.8 bn to **\$1.413 tn** for the week ending 4/15/09. The decline can be attributed to a drop in ABCP and Financial CP outstandings (down \$11.1 bn and \$10.6 bn, respectively).

Of the total CP market:

- Corporate outstandings increased by \$5.8 bn for the week (\$162.3 bn vs \$156.5 bn last week)
- Financial outstandings decreased by \$10.6 bn for the week (\$629.0 bn vs \$639.6 bn last week)
- ABCP outstandings experienced a WoW decline of \$11.1 bn (\$620.8 bn vs \$631.8 bn last week)

CPFF usage had a WoW decrease of ~\$13 bn to **\$236.6 bn** vs \$249.5 bn last week

AMLF usage decreased to **\$2.0 bn** from \$3.6 bn last week

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market is **16.9%** through these two programs

(Source: Federal Reserve website)

Corporate/Financial Commentary

We've reached the tights. Early on in the week, investors were chasing after yield as bank/financial issuers consistently tightened new issue levels. This buying stopped mid-week after tax day on the 15th. Flows for the rest of the week were spotty, with investors mostly buying odd lots. Corporates (both Tier 1 and Tier 2) muddled along, keeping their spreads intact from last week. Supply was on the low side which helped the corporates that did need to fund. On Friday, Eurodollar futures began to sell off which is not surprising considering the unknowns in the market place, including: earnings, the bank's stress tests, and the viability of the Fed's toxic asset purchase plan.

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Headlines Affecting the CP Market (Bloomberg):

- 4/17 Bernanke Says Fallout From Credit Collapse Is Likely to be 'Long-Lasting'
- 4/7 Consumer Sentiment Advances to a Seven-Month High
- 4/17 Fitch: No Impact on North American ABCP Ratings Following Auto Dealer Floorplan ABS Downgrades
- 4/16 Asset-Backed Commercial Paper Market Slumps to Four-Year Low

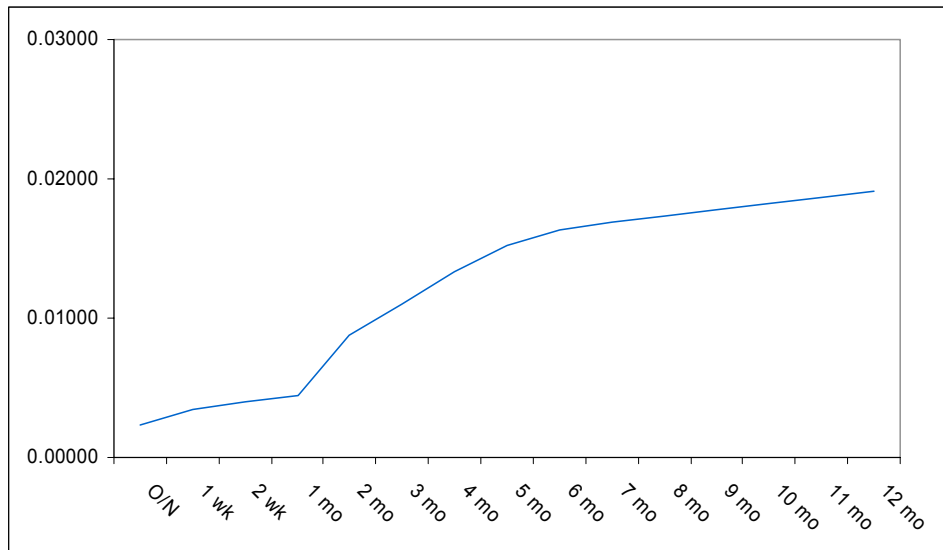
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (4/15)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	2.013	3.664	152.1 (10/1/08)	9/19/08
CPFF	236.6 (face)	249.5 (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 (4/17/09):

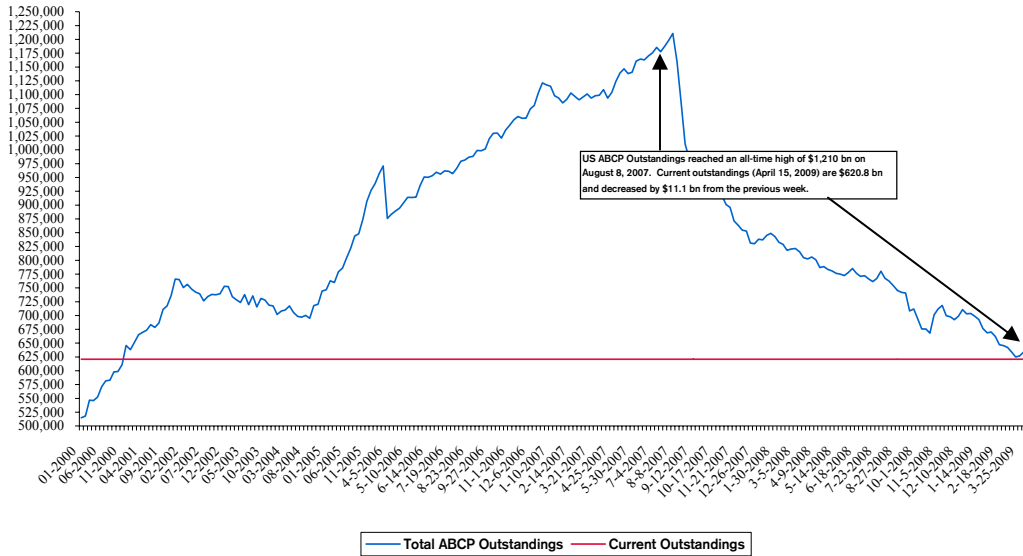


O/N	.23500%
1 wk	.34750%
2 wk	.39688%
1 mo	.44750%
2 mo	.88094%
3 mo	1.10188%
4 mo	1.33625%
5 mo	1.52563%
6 mo	1.63625%
7 mo	1.68688%
8 mo	1.73375%
9 mo	1.78125%
10 mo	1.82250%
11 mo	1.86750%
12 mo	1.91500%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$11.1 billion for the week ending April 15, 2009 to **\$620.8 bn** outstanding from \$631.8 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, April 15, 2009
(in millions)



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