



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

The recent decline in supply in the ABCP market has improved levels for most issuers and is causing compression in the front end; however, the focus is bound to shift from a functioning market to a dwindling market. Although the recent CP data yesterday came in as expected and benign, this consumer based product's decline in volume is showing no signs of bottoming. With interest rates expected to be unchanged for the foreseeable future coupled with the ABCP supply issue, the 3 month and in flat line will eventually be a reality. We would expect the same sort of rhythm next week as we head into the dog days of summer.

The weekly CP data was as follows:

Total CP outstandings decreased by \$24.5 bn to **\$1.241 tn** for the week ending 7/15/09. The sharpest weekly decline was seen in Financial CP outstandings.

Money market fund assets decreased by \$21.1 bn this week to \$3.647 trillion. Taxable (non-gov) assets increased by \$700 mn to \$1.970 trillion, with a \$1.77 bn increase in retail assets and a \$1.0 bn decrease in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$4.0 bn for the week (\$138.0 bn vs \$142.0 bn last week)
- Financial outstandings decreased by \$10.6 bn for the week (\$544.5 bn vs \$555.1 bn last week)
- ABCP outstandings experienced a weekly decrease of \$10.0 bn (\$559.3 bn vs \$569.3 bn last week)

CPFF usage declined again this week to **\$107.3 bn** vs \$109.2 bn last week.

AMLF usage decreased to **\$5.5 bn** from \$9.6 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to **9.0%** through these two programs.

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

Corporate/Financial Commentary

Just when spreads seemed as though they could not go tighter, they did. This week saw the lowest Federal Funds rate that we have seen in weeks. Fed Funds traded around 17 bps, forcing investors out the curve and they bought in droves. Three month bank paper traded between .27 and .29 discount or 3 month LIBOR - .21 to - .23 basis points. Corporate paper traded as low as .19 discount for the same period. One can only surmise, from these levels, that 3 month LIBOR will continue to fall. At this time, there seems to be no impetus on the horizon that will force rates to change direction.

Since levels have become so unappealing in the A-1/P-1 space, many investors have begun to reach for yield in weaker credits. A-2/P-2 names have seen a surge in demand and their cost of funds have collapsed as well. Lack of supply in the short end coupled by demand for yield is helping all credits across

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

the short-end curve.

The big question in the market place is the new rules proposed by the SEC for money funds (which is out for public comment until September 8th). In advance of any new rules, many money funds are preparing for some of the proposed changes. Should the rules be passed, the effects should therefore be minimal. If the rules do not pass, we expect demand past 6 months would increase substantially as funds look for yield out the curve. We expect next week to be similar to this week.

Headlines Affecting the CP Market (Bloomberg):

- 7/15 US Economy: Factory Gauges Signal Stabilization
- 7/16 US Commercial Paper Market Slumps for 14th Week
- 7/17 Housing Starts in U.S. Climb to Seven-Month High

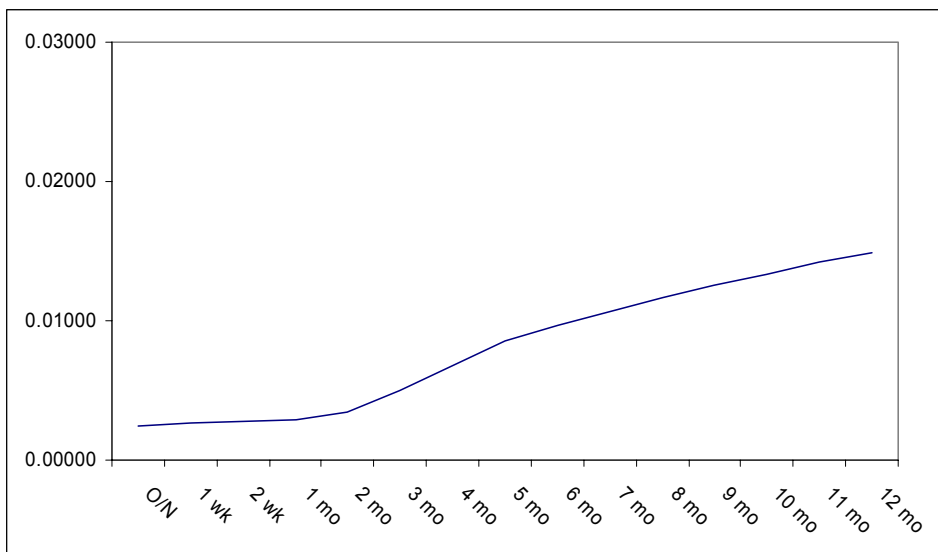
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (7/15/09)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	5.469	9.555	152.1 (10/1/08)	9/19/08
CPFF	107.303 (face)	109.235 (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 (7/17/09):



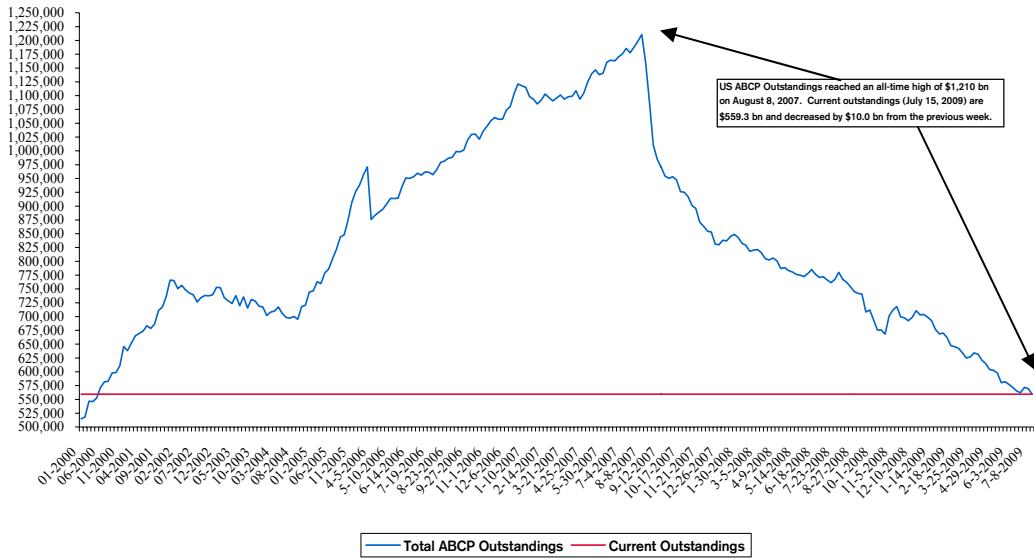
O/N	.24000%
1 wk	.26688%
2 wk	.27688%
1 mo	.28625%
2 mo	.35000%
3 mo	.50375%
4 mo	.67750%
5 mo	.85875%
6 mo	.97125%
7 mo	1.06563%
8 mo	1.16438%
9 mo	1.25625%
10 mo	1.33750%
11 mo	1.42000%
12 mo	1.49125%



ABCP Outstandings

U.S. ABCP Outstandings increased by \$10.0 billion for the week ending July 15, 2009 to **\$559.3 bn** outstanding from \$569.3 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

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



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

