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ASSET BACKED COMMERCIAL PAPER WEEKLY NEWSLETTER

9.18.2009

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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

This week was a markedly busy one on CP market participants' calendars as many commercial paper market professionals attended the iiBIG Commercial Paper Executive Summit in New York. Additionally, the ABCP market, along with the broader CP market, completed another test as the US Treasury guarantee for money market funds expired today. At the time that this was being penned, we had not heard about any money exiting money market funds due to the elimination of the guarantee nor of any large or out of the ordinary redemptions. Another sign of healing is the fact that some ABCP issuers are getting some paper done out into March, which is past the expiration of the AMLF. The rule changes to the AMLF have put the program back in line with its true purpose – a backstop Liquidity Facility that can be used only if there is a run on the money fund; however, we still view this as a positive sign for ABCP. LIBOR 3 months and in continues to trend downward ever so slightly as the flattening of the very front end of the curve becomes more pronounced. Spreads for top tiered issuers have been basically unchanged this past week, with the expectation for that to continue throughout next week in front of quarter-end. For some issuers, we would expect the over the year-end turn trade spring board to start coiling next week and begin in earnest the following week.

This past weeks CP data was just more of the same:
Total CP outstandings decreased by $0.5 bn to **$1.176 tn** for the week ending 9/16/09. Declines were seen in both financial and asset-backed commercial paper.
Money market fund assets decreased by $62.6 bn this week to $3.482 trillion. Taxable (non-gov) assets decreased by $32.5 bn to $1.923 trillion, with a $5.75 bn drop in retail assets and a $26.75 bn decline in institutional assets.
Of the total CP market:
-Corporate outstandings increased by $5.8 bn for the week ($134.3 bn vs $128.5 bn last week)
-Financial outstandings decreased by $0.2 bn for the week ($544.1 bn vs $544.3 bn last week)
-ABCP outstandings experienced a weekly decline of $6.2 bn ($497.3 bn vs $503.5 bn last week)

CPFF usage declined by $2.7 bn this week to **$38.5 bn (face value)** from $41.25 bn last week.
AMLF usage remained unchanged at **$79 mn**.
The **MMIFF** continues to remain unutilized.
The **Fed's exposure** to the total CP market declined to **3.3%** through these two programs.
(Source: Federal Reserve website, Investment Company Institute website)

Corporate/Financial Commentary

Small Signs of Recovery in Corporate Commercial Paper
At the beginning of 2009, the US commercial paper market outstandings stood at $1.6 trillion however, by September 16, 2009, that number has fallen to $1.176 trillion. On Tuesday and Wednesday of this week, money funds lost $55 billion* ahead of the expiration of the Fed's guarantee of money markets set back in

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September 2008. The loss of $55 billion may or may not have anything to do with the expiration of the guarantee. Money market funds typically see high outflows in mid-September (and mid-June) due to tax deadlines. Across all the products there has been a slow and constant move from low risk product to higher risk product. The loss in CP outstandings this week and for the previous 9 months can also be explained by this move back to risk. That said, money funds continue to maintain $3.5 trillion in outstandings, helping to absorb the $1.176 trillion in USCP outstandings. The new and rather surprising number this week was that corporate CP saw a gain of $5.8 billion (an increase of $2.9 billion each for Tier 1 and Tier 2 corporates). The highest level that Corporates got to were $316 billion in outstandings in 2000 and then fell for years. During that time, most of the growth in total CP came from ABCP. In 2008, the corporate CP market had been recovering and reached $182 billion. Yet the gains were not sustained and by August of 2009 the Corporate CP market seemed to have bottomed at $129 billion. This week, corporates rose and are now back to $136 billion. Although this is no reason to bring out the champagne bottles and pop the corks, it is a sign that corporates are borrowing more than they had been. The reasons for the increased borrowing are still unknown, yet with the long-term markets wide open, coming to CP does not mean it is the only funding alternative. We will be watching closely how this story develops.

*Source: Reuters article, "Investors Pull Out of Money Market Funds as Guarantee Ends," September 17th 2009.

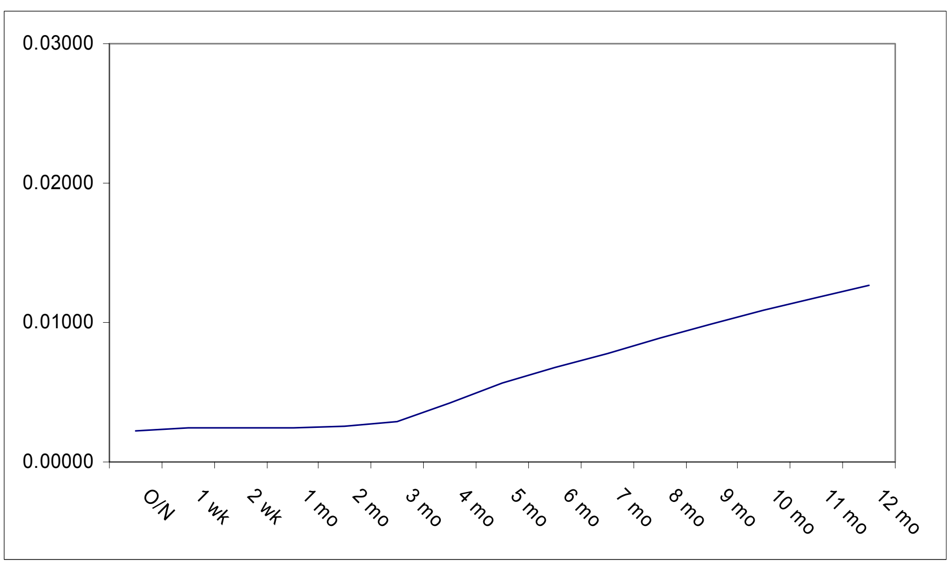
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (9/16/09)	Prior Week	Peak	Facility Effective Date
AMLF	0.79	0.79	152.1 (10/1/08)	9/19/08
CPFF	38.531 (face)	41.252 (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 (9/18/09):

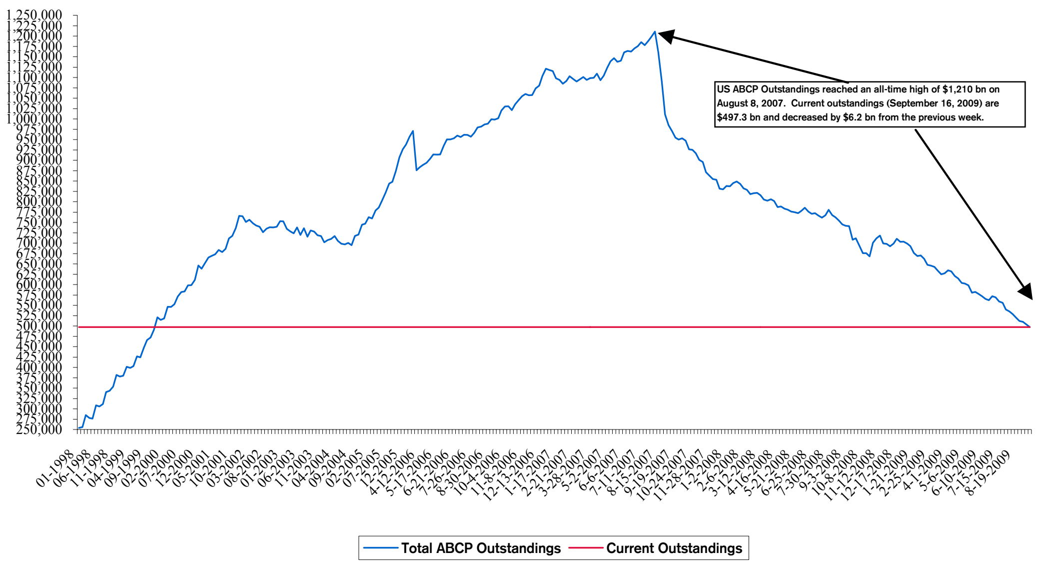


O/N	.21750%
1 wk	.24188%
2 wk	.24375%
1 mo	.24625%
2 mo	.25750%
3 mo	.28938%
4 mo	.42750%
5 mo	.56813%
6 mo	.67563%
7 mo	.78250%
8 mo	.89125%
9 mo	.99375%
10 mo	1.08375%
11 mo	1.17813%
12 mo	1.27188%

ABCP Outstandings

U.S. ABCP Outstandings decreased by $6.2 billion for the week ending September 16, 2009 to **$497.3 bn** outstanding from $503.5 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, September 16, 2009
(in millions)



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