



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

The week started off slow with corporate tax day on Monday, which helped Fed Funds to stay around the 25 bp open level and caused investors to have little new cash to spend in the term market.

With overnight commercial paper trading at roughly the same yield as one month paper, investors were incentivized to either purchase paper overnight or move out the curve beyond two months in order to pick up extra yield. Demand in three months continued to remain strong with some very large trades going through, but not nearly the amount of diversified accounts investing as in previous weeks.

LIBOR stayed in a tight 1 to 2 bp range for the week, but with the lack of new cash going into the market, issuers had to widen their spread from previous weeks in order to attract investors' interest.

Next week we hope to see better cash flows in our market; however, with quarter-end drawing near and the July 4th holiday approaching, we are not so sure that will be the outcome.

The weekly CP data was as follows:

Total CP outstandings decreased by \$19.0 bn to **\$1.292 tn** for the week ending 6/17/09. The decline was the result of a drop across all types of CP outstanding.

Money market funds saw outflows of \$72.85 bn this week to \$3.675 trillion. Taxable (non-gov) assets fell \$33.1 bn to \$1.948 trillion, with a \$3.5 bn drop in retail assets and a \$29.6 bn decline in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$4.3 bn for the week (\$154.7 bn vs \$158.9 bn last week)
- Financial outstandings decreased by \$8.0 bn for the week (\$572.8 bn vs \$580.8 bn last week)
- ABCP outstandings experienced a weekly decrease of \$6.7 bn (\$565.0 bn vs \$571.7 bn last week)

CPFF usage declined again this week to **\$128.8 bn** vs \$135.3 bn last week.

AMLF usage decreased to **\$18.6 bn** from \$20.2 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to 11.4% through these two programs.

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

Corporate/Financial Commentary

Summer started early this year as flows have significantly slowed. The lack in volumes could be attributed to many factors: the approaching quarter-end, the high Fed Funds rate, and/or the possible movement out of the short-end to higher yielding investments. Whatever it may be, the slowness in the market seems to have had little impact on issuers as many are either in no need of cash or are seeing ample liquidity in other outlets (Euro, CDs, Fed...etc). It is possible that we may sit here for the next few months

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as the capital markets continue to tread along into some unknown but seemingly slightly-bullish/not-so-bad destination. On Thursday, news of the potential inclusion of additional banks quoting LIBOR resulted in a sell-off in Eurodollar futures but stabilized by Friday afternoon. This week, banks saw liquidity at 24 to 26 bps in 1 month, 30 to 33 bps in 2 months and 35 to 40 bps in 3 months. Tier 1 corporates traded at 22 to 23 bps in 1 month, 25 to 30 bps in 2 months and 31 to 35 bps in 3 months. Tier 2 levels were around 50 to 60 bps in the 1 month area. Next week, we may start to see the beginning of the quarter-end window dressing. We expect Fed Funds to continue to be in the 25 bp and up range.

Headlines Affecting the CP Market (Bloomberg):

- 6/19 Unemployment Exceeds 10% in Quarter of U.S. States, Threatening Recovery
- 6/18 Commercial-Paper Market Marks Worst Slump on Record
- 6/17 U.S. Banks Slide After S&P Rating Cuts on Regulation

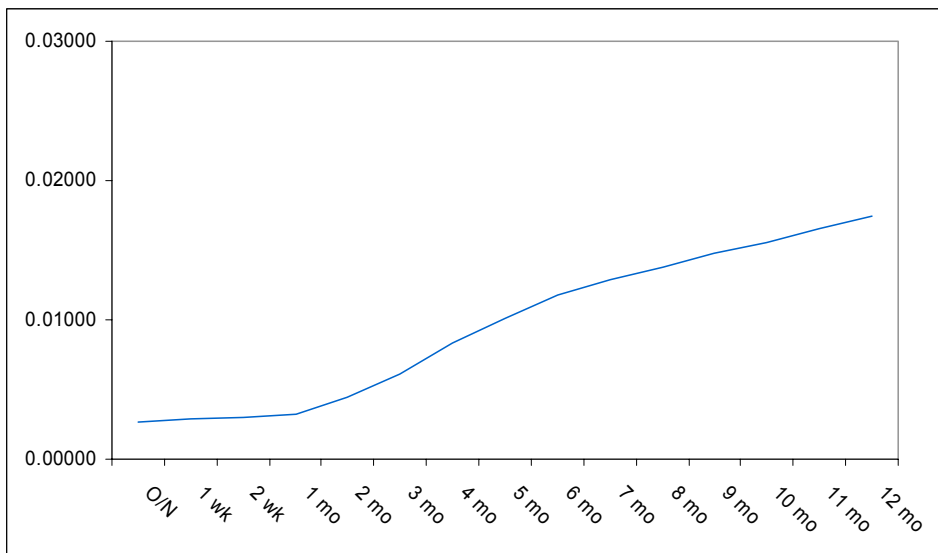
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (6/17)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	18.598	20.194	152.1 (10/1/08)	9/19/08
CPFF	128.8 (face)	135.3 (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 (6/19/09):

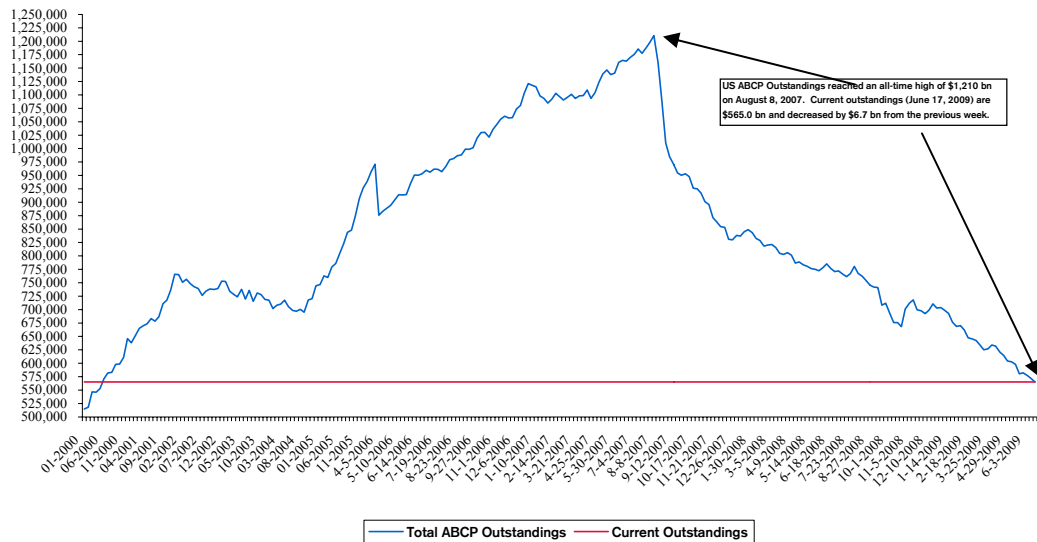


O/N	.26750%
1 wk	.28875%
2 wk	.30000%
1 mo	.31688%
2 mo	.44625%
3 mo	.61188%
4 mo	.83250%
5 mo	1.01375%
6 mo	1.18250%
7 mo	1.28375%
8 mo	1.38000%
9 mo	1.47250%
10 mo	1.56000%
11 mo	1.65125%
12 mo	1.74000%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$6.7 billion for the week ending June 17, 2009 to **\$565.0 bn** outstanding from \$571.7 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, June 17, 2009
(in millions)



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