



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Although we were coming into month-end this past week, ABCP had another good week in terms of investor interest. With yields on the stronger names barely above sea level, some investors went out to 100 days in an attempt to pick up some extra yield. Investors also sought to go down the credit spectrum and take on a bit more risk with the intentions of picking up some yield. We would expect volume to pick up next week as we start a new month, as most issuers try to take care of their financing needs early on in the month. The weekly CP data was very encouraging as we saw a material decrease in the CPFF. Since we have no way of knowing what type of CP makes up the CPFF, we do not know how much ABCP makes up the \$179.4 bn currently outstanding, but it should not be 100%. The AMLF ticked up this week, but it is probably due to some expected downgrades due to occur for some ABCP issuers this past week.

The weekly CP data was as follows:

Total CP outstandings decreased by \$28.0 bn to **\$1.392 tn** for the week ending 4/29/09. The decline can be attributed to a drop in Financial CP and ABCP outstandings.

Of the total CP market:

- Corporate outstandings decreased by \$0.5 bn for the week (\$156.9 bn vs \$157.4 bn last week)
- Financial outstandings decreased by \$16.8 bn for the week (\$630.0 bn vs \$646.7 bn last week)
- ABCP outstandings experienced a WoW decline of \$10.8 bn (\$604.0 bn vs \$614.8 bn last week)

CPFF usage had a WoW decrease of \$61 bn (25%) to **\$179.4 bn** vs \$240.4 bn last week. This week represented the second major 3-month roll since the facility began in October 2008.

AMLF usage increased to **\$3.7 bn** from \$804 mn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market is now **13%** through these two programs, which is a departure from the approximate 17% level we had been seeing the past several weeks.

(Source: Federal Reserve website)

Corporate/Financial Commentary

On August 5th, 2008, the Federal Funds rate was 2%, 1 month LIBOR was 2.46% and 3 month LIBOR was 2.80%. At that time, the market was functioning well, liquidity in the short-end was good and investors bought financial CP out 6 months. Then came the Lehman bankruptcy. Today, the Federal Funds rate is 0% to 0.25%, 1 month LIBOR is at 0.414% and 3 month LIBOR is at 1%. Spreads to funds are now tighter than pre-Lehman. Liquidity in the short-end is good and investors are buying term. Things in the market are indeed much better.

With so much liquidity in the short-end, many banks and corporates have gotten all the funding that they need and in term. Issuance and demand for cash is shrinking. We expect this trend to continue into next week and beyond.

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Headlines Affecting the CP Market (Bloomberg):

- 5/1 US Bank Stress Test Results Delayed as Conclusions Debated
- 4/30 Fed Commercial Paper Holdings Fall \$61 bln to \$179.4 bln
- 4/30 US Commercial Paper Outstanding Falls \$49.7 bln
- 4/28 Longer-Term Commercial Paper Sales Jump to Most in Three Months
- 4/30 Chrysler to Partner with Fiat and File for Bankruptcy

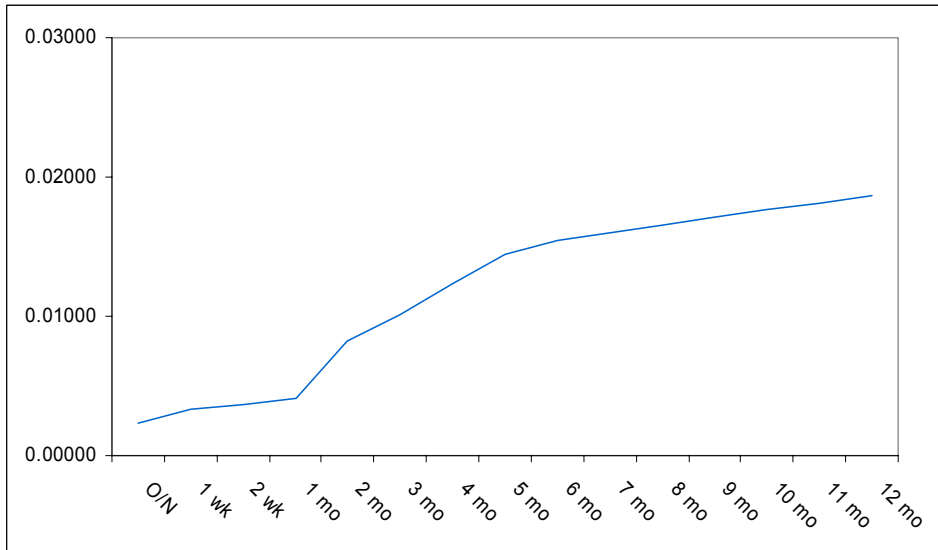
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (4/29)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	3.699	0.804	152.1 (10/1/08)	9/19/08
CPFF	179.4 (face)	240.4 (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 (5/1/09):

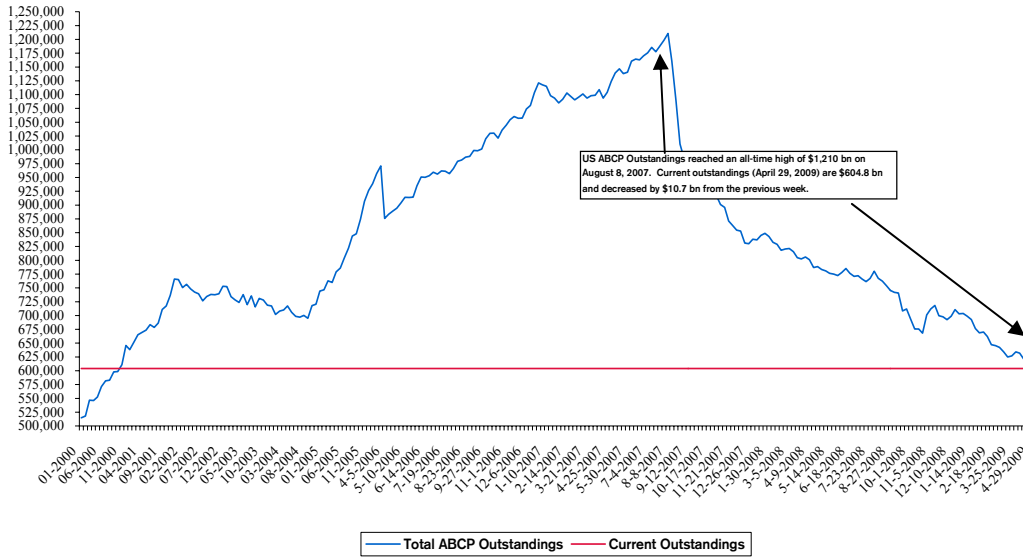


O/N	.23625%
1 wk	.33125%
2 wk	.37125%
1 mo	.41438%
2 mo	.82250%
3 mo	1.00688%
4 mo	1.23875%
5 mo	1.44000%
6 mo	1.54938%
7 mo	1.60500%
8 mo	1.65750%
9 mo	1.70625%
10 mo	1.76375%
11 mo	1.81250%
12 mo	1.86438%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$10.8 billion for the week ending April 29, 2009 to **\$604.8 bn** outstanding from \$614.8 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, April 29, 2009
(in millions)



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