



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Within the backdrop of what seems to be never ending negative financial headlines and government stimulus initiatives that have both pros and cons, the ABCP market saw moderate interest this past week. Although volumes were off, the ABCP market flew under the radar with its trusty safety nets in tow. The weekly CP data released by the Fed showed ABCP was down about \$15 billion week over week, which explains the low supply being shown in the market. Money Market investors continue to look for a minimum of 50 bps in 1 month paper, which is effectively the floor to use the AMLF facility. Rates for most issuers remained unchanged during the shortened trading week. We do not expect volume to pick up much next week as we approach month end.

The weekly CP data was as follows:

Total CP outstandings decreased by \$32.5 bn to **\$1.463 tn** for the week ending 2/18/09. The most significant portion of this drop came from financial and asset-backed CP (dropped approx. \$15 bn each this week).

Of the total CP market:

- Corporate outstandings decreased by \$2.5 bn for the week (\$184.4 bn vs \$187 bn last week)
- Financial outstandings declined by \$15.3 bn for the week (\$630.4 bn vs \$645.7 bn last week)
- ABCP outstandings experienced a WoW decrease of \$14.8 bn (\$647.5 bn vs \$662.3 bn last week)

CPFF usage had a WoW decline of \$2.6 bn to **\$247.9 bn** vs \$250.5 bn last week.

AMLF usage decreased to \$12.7 bn from **\$14.2 bn** from \$16.933 bn

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market through these two programs remained virtually unchanged from last week at **17.8%**.

Corporate/Financial Commentary

As Liquidity Turns

The corporate and financial commercial paper sector saw sporadic liquidity this week. Although cash inflows into money funds remained steady (please see below), it seems as though the majority of the liquidity in maturities 6 months and out has been moving towards the agency discount note market. Specifically, money market funds seem to be barrelling between CP and agencies, buying shorter dated CP while gaining duration by buying longer dated agencies. This implies that money market funds' risk appetite remains only in the 1 to 3 month range which is consistent with the flows that we have been seeing.

The LIBOR rates in the 1 to 3 month area have stabilized for weeks now. These rates are significantly

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higher than T-bills or agency discount notes and provide investors with significant return when compared to the alternatives. Supply of CP is declining primarily due to issuers terming out debt. With financials and corporates needing less cash in the immediate future, we may see new issue posted levels go lower.

Assets of Money Market Mutual Funds <i>(billions of dollars)</i>				
	2/4/2009	2/11/2009	2/18/2009	Change
Taxable Government	1,442.58	1,439.28	1,413.07	-26.21
Retail	252	249.75	248.59	-1.16
Institutional	1,190.58	1,189.54	1,164.48	-25.05
Taxable Non-Government	1,976.86	1,981.63	1,985.08	3.45
Retail	803.41	803.01	801.95	-1.07
Institutional	1,173.46	1,178.62	1,183.13	4.52
Tax-Exempt	486.65	481.98	480.5	-1.49
Retail	297	293.5	291.93	-1.57
Institutional	189.65	188.48	188.57	0.08
Total	3,906.09	3,902.89	3,878.65	-24.25
Retail	1,352.41	1,346.26	1,342.47	-3.79
Institutional	2,553.68	2,556.64	2,536.18	-20.46

Source: ICI Investment Company Institute

Headlines Affecting the CP Market (Bloomberg):

- 2/19 US Commercial Paper Market Contracts for Sixth Straight Week

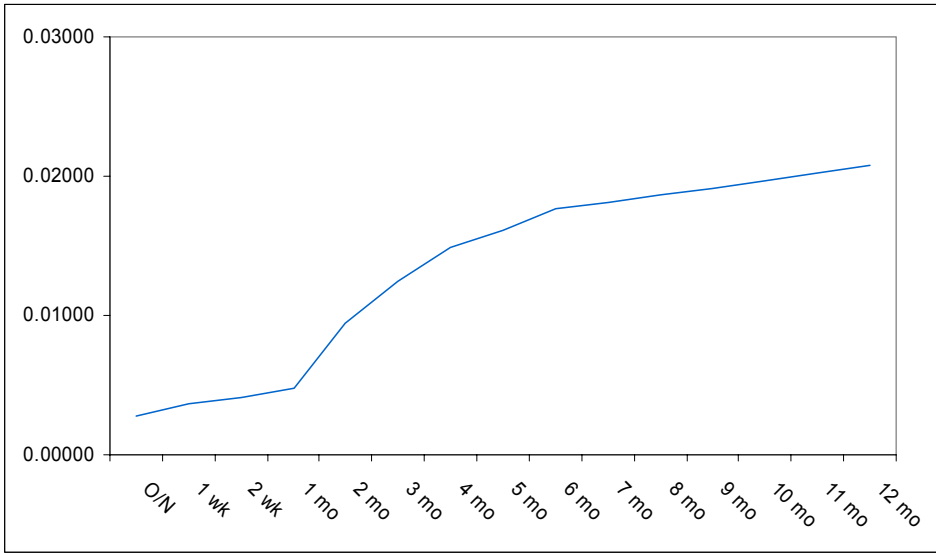
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (2/19)	Prior Week	Peak	Facility Effective Date
AMLF	12.7	14.2	152.1 (10/1/08)	9/19/08
CPFF	247.9 (face)	250.5 (face)	350.3 (1/22/09)	10/27/08
MMAFF	0	0	n/a	11/24/08

Data source: <http://www.federalreserve.gov/releases/h41/Current>

LIBOR Curve (2/20/08):

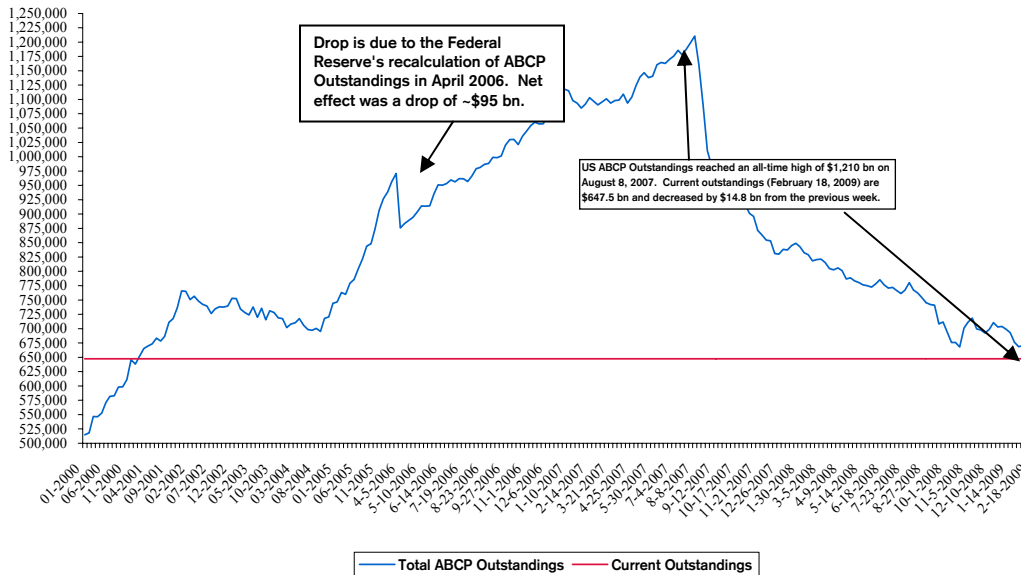


O/N	.27813%
1 wk	.36875%
2 wk	.41500%
1 mo	.47250%
2 mo	.94813%
3 mo	1.24875%
4 mo	1.48500%
5 mo	1.60813%
6 mo	1.76188%
7 mo	1.81438%
8 mo	1.86750%
9 mo	1.91625%
10 mo	1.96875%
11 mo	2.02125%
12 mo	2.07500%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$14.8 billion for the week ending February 18, 2009 to \$647.5 bn outstanding from \$662.3 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, February 18, 2009
(in millions)



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