



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

We saw strong investor demand for ABCP early in the week primarily for 1 to 3 month paper; however, as issuers tightened their pricing with LIBOR's drop each day, investors balked at the levels and flows diminished. It felt like we may have reached the lows in our market at least temporarily as Eurodollar futures began to sell off on Thursday afternoon. By the end of the week, 1 month LIBOR was basically unchanged, 2 month was better by .1075%, 3 months by .125% and 6 months by .11125%.

With Eurodollar futures selling off further on Friday, it looks like LIBOR will reset higher on Tuesday, particularly in the longer part of the curve. Next week brings us into month-end and we expect to see good investor flows, especially if pricing increases with LIBOR.

The weekly CP data was as follows:

Total CP outstandings decreased by \$6.9 bn to **\$1.347 tn** for the week ending 5/20/09. The decline was the result of a drop in ABCP outstandings, which is likely being driven by pay downs and general contraction of consumer credit assets. This coincided with \$2.54 bn of inflows to institutional taxable (non-gov.) money market funds and \$1.02 bn in outflows for retail taxable (non-gov.) funds for the week. Of the total CP market:

- Corporate outstandings increased by \$7.8 bn for the week (\$163.6 bn vs \$155.8 bn last week)
- Financial outstandings increased by \$3.0 bn for the week (\$602.9 bn vs \$599.9 bn last week)
- ABCP outstandings experienced a weekly decline of \$17.7 bn (\$580.5 bn vs \$598.2 bn last week)

CPFF usage declined again this week to **\$154 bn** vs \$160 bn last week. Usage of the CPFF facility is down 56% from its peak of \$350.3 bn (January 22, 2009).

AMLF usage decreased marginally to **\$27.3 bn** from \$28.6 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to 13.5% through these two programs.

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

Corporate/Financial Commentary

The Trend Continues

Business activity remained strong this week as buyers capitulated to the drop in LIBOR and bought financial and corporate commercial paper at much tighter spreads that were unimaginable a couple of weeks ago. As the Eurodollar market continued to believe that governments were behind every financial institution and therefore risk of failure had to be taken out of the market, spread between overnight and term LIBOR collapsed. It made no sense that any significant spread should continue to exist. At the tightest levels in 2003-2004, 1 month LIBOR was a 5 basis point spread. 3 month LIBOR in the same period tightened to 7 basis points over the Federal Funds rate. In 2004-2005 the 3 month LIBOR to

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

Federal Funds was 25 basis points. This is just a historical perspective to compare where we are today. Funds have averaged 20 bps this week so 1 month LIBOR is just 11 bps over Funds and 3 month LIBOR is 46 bps. This is hardly the tight levels we saw, but much closer to them than anything that has transpired in the last year and a half.

On Thursday, however, the Eurodollar sentiment seemed to change on a dime. The dramatic move lower in Eurodollars has not been captured yet in LIBOR. If the Eurodollar selling continues, we do expect a retrenchment in LIBOR.

Headlines Affecting the CP Market (Bloomberg):

- 5/18 LIBOR Decline Accelerates as Central Banks Flood Credit Markets with Cash
- 5/19 LIBOR has Biggest Two-Day Drop in Four Months Amid Banking Recovery Signs
- 5/19 US Housing Starts Unexpectedly Fall to Record-Low Pace; Permits Decline

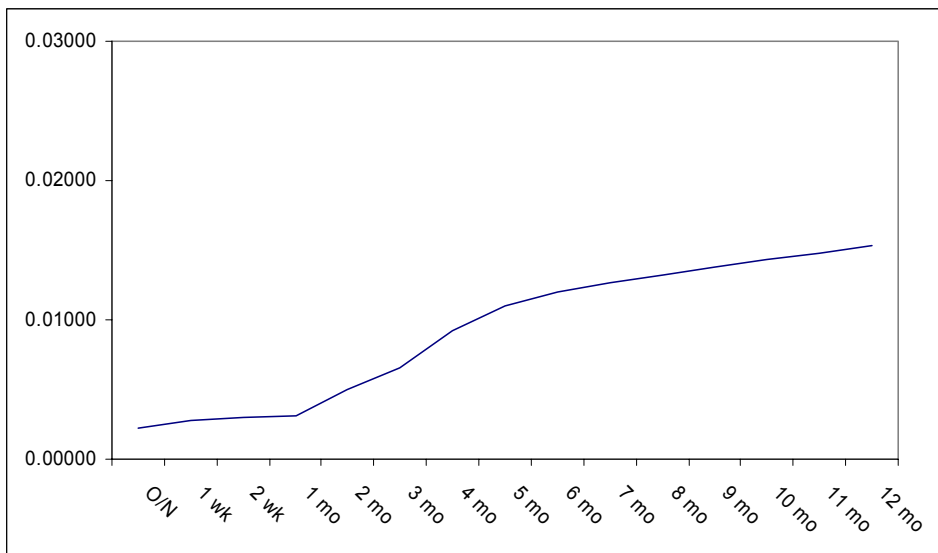
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (5/20)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	27.291	28.616	152.1 (10/1/08)	9/19/08
CPFF	154.3 (face)	160.6 (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 (5/22/09):

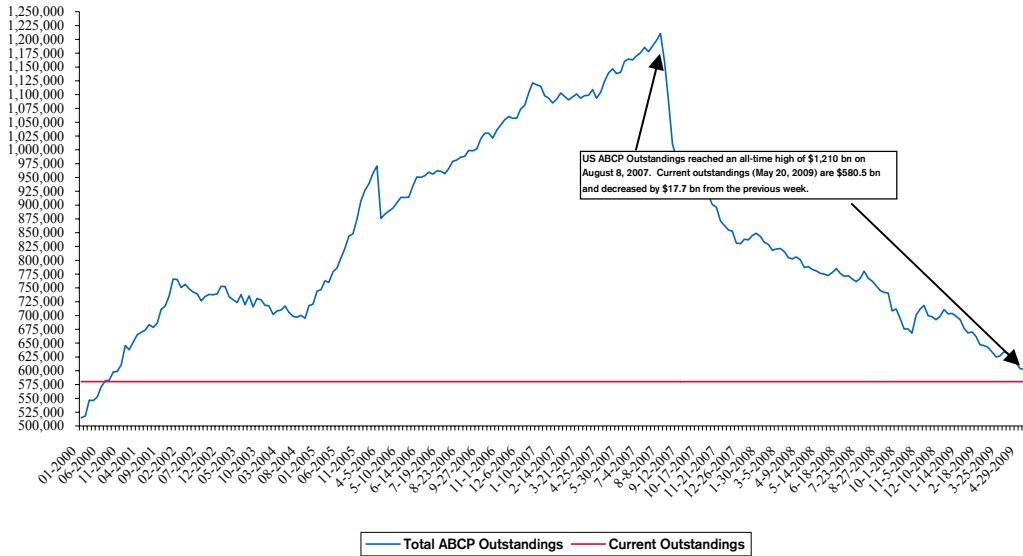


O/N	.22625%
1 wk	.28188%
2 wk	.29688%
1 mo	.31313%
2 mo	.50500%
3 mo	.66000%
4 mo	.92625%
5 mo	1.10125%
6 mo	1.20125%
7 mo	1.26625%
8 mo	1.32250%
9 mo	1.37750%
10 mo	1.42875%
11 mo	1.47875%
12 mo	1.53125%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$17.7 billion for the week ending May 20, 2009 to **\$580.5 bn** outstanding from \$598.2 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, May 20, 2009
(in millions)



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

