



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

This past week was fairly quiet with the bulk of investor interest in names that were already funded for the month. When the stronger named issuers are mostly on the sidelines, the lower-tiered names would typically attract some interest, but that was just not the case this week, forcing many into the overnight market. It remains to be seen if the market needs to continue to shrink, but with the CPFF covering at least 17% of the broader CP market since its inception, the clock is ticking. Rates for most issuers remained unchanged to slightly higher mainly due to month-end pressures. We would expect next week to start off with the usual month-end hangover and see flows improve in the middle of the week only to slow down again in front of the employment situation on Friday. Two down Ten to Go.

The weekly CP data was as follows:

Total CP outstandings were virtually unchanged for the week ending 2/25/09, down \$0.4 bn to **\$1.463 tn**.

Of the total CP market:

- Corporate outstandings increased by \$0.8 bn for the week (\$185.2 bn vs \$184.4 bn last week)
- Financial outstandings increased by \$1.3 bn for the week (\$631.7 bn vs \$630.4 bn last week)
- ABCP outstandings experienced a WoW decrease of \$1.9 bn (\$645.6 bn vs \$647.5 bn last week)

CPFF usage had a WoW decline of \$2.6 bn to **\$241.6 bn** vs \$247.9 bn last week.

AMLF usage decreased to **\$9.98 bn** from \$12.7 bn the week prior.

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 **17.24%**

Corporate/Financial Commentary

Liquidity was spotty this week which was not a surprise given it was the week before month-end. That said, we did see large block trades (\$100mm-\$500mm) in the bank/financial sector. Maturities were mostly in the two and three month area with some longer dated trades (6 months and out) flowing into sovereign CP. Fed Funds remained high in the .23-.31 range this week, forcing Tier 1 corporates to widen their levels by 3 to 5 bps across the curve. Tier 2s continued to trade well, with a handful of split rated 2s (A-2/P-3 or A-3/P-2) and Tier 3s (A-3/P-3) getting overnight to 1 week liquidity. This is significant in that these rating categories were previously shut out of the market post-Lehman.

Total CP outstandings remained flat over last week and are currently at \$1.46 trillion. The most significant increase is in Tier 2 outstandings, which grew 39% from the prior week to \$95 billion.

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Headlines Affecting the CP Market (Bloomberg):

- 2/26 Commercial Paper Market Expands for First Time in Seven Weeks
- 2/26 Lower-Rated Commercial Paper Reaches 7-Year High on Downgrades
- 2/27 US Economy Shrank 6.2% in Fourth Quarter, Weakest Performance Since 1982

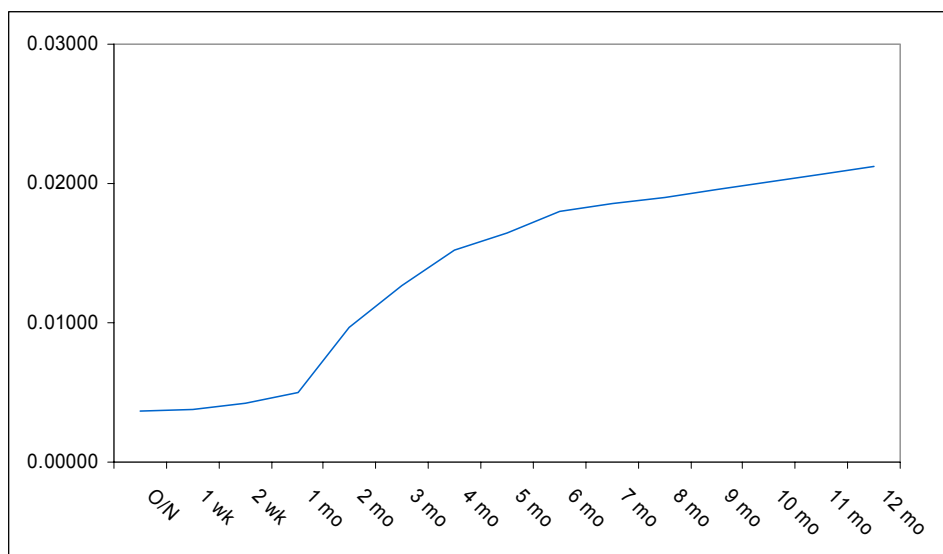
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (2/25)	Prior Week	Peak	Facility Effective Date
AMLF	9.98	12.7	152.1 (10/1/08)	9/19/08
CPFF	241.6 (face)	247.9 (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 (2/27/08):

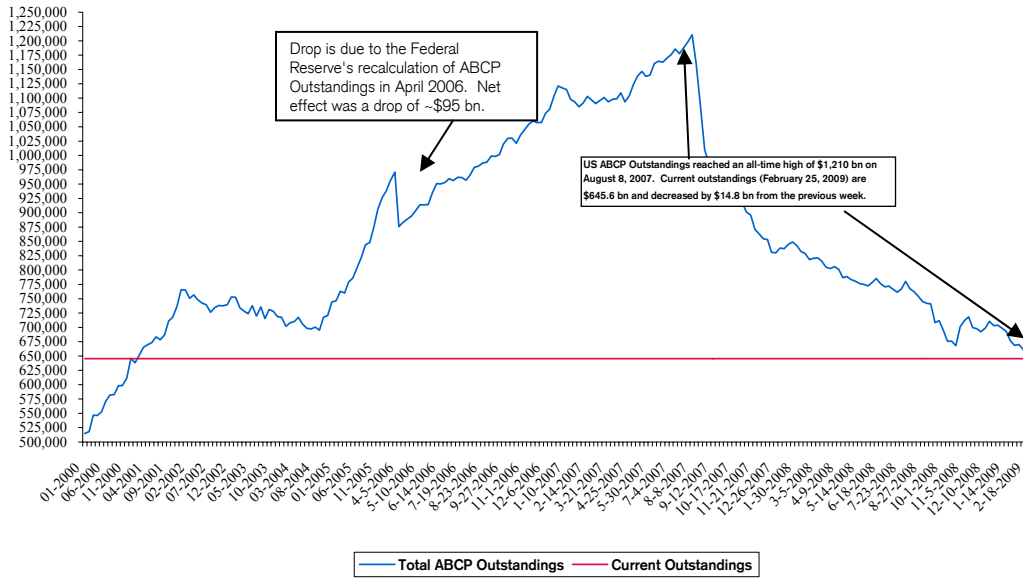


O/N	.36250%
1 wk	.37750%
2 wk	.41875%
1 mo	.49625%
2 mo	.96313%
3 mo	1.26438%
4 mo	1.51813%
5 mo	1.64875%
6 mo	1.80313%
7 mo	1.85250%
8 mo	1.90188%
9 mo	1.95625%
10 mo	2.01250%
11 mo	2.06375%
12 mo	2.11938%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$1.9 billion for the week ending February 25, 2009 to \$645.6 bn outstanding from \$647.5 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, February 25, 2009
(in millions)



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