



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Well another summer in the ABCP market is upon us and hopefully it is nothing like 2007 and 2008. With safety nets in tow, everyone can break out the beach blankets and dip their toes in the ocean (don't forget about enjoying a margarita or two!). This past week felt very similar to the previous week in terms of investor interest. Supply of ABCP remains on the low side, which is as expected given that we are in a major recession and a large percentage of assets in these programs are consumer-based. LIBOR stopped its freefall and actually started to creep slightly higher towards the end of the week. Levels for issuers remained primarily unchanged and month-end pressure was basically non-existent. We would expect the typical start of the month flows next week with most interest focused on a looming GM bankruptcy and the employment situation being released on Friday. This past week's CP data was benign and predictable.

The weekly CP data was as follows:

Total CP outstandings decreased by \$11.2 bn to **\$1.335 tn** for the week ending 5/27/09. The decline was the result of a drop in corporate and financial CP outstandings.

Of the total CP market:

- Corporate outstandings decreased by \$9.1 bn for the week (\$154.5 bn vs \$163.6 bn last week)
- Financial outstandings decreased by \$3.8 bn for the week (\$599.1 vs \$602.9 bn last week)
- ABCP outstandings experienced a weekly increase of \$1.7 bn (\$582.2 vs \$580.5 bn last week)

CPFF usage declined again this week to **\$146.5 bn** vs \$154 bn last week.

AMLF usage decreased slightly to **\$25.9 bn** from \$27.3 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined slightly this week to 12.9% through these two programs.

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

Corporate/Financial Commentary

A Very Slow Week

Nothing really happened in the short end this week. LIBOR seems to have found a resting place here with 3 month LIBOR around .66%. This lack of action has caused the short-end to be uninspiring. Levels are much tighter than they were a month ago and many investors have spent money out the curve to capture some yield. The focus seems to be on yieldier A-2/P-2 and lower credits in the corporate world. The bank space has seen tremendous issuance over the past month in long maturities and the need for new funding has diminished. Issuers have no real axe to get trades done and therefore investors are questioning buying paper at these very tight levels. We expect this environment to persist until term paper starts to mature.

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Headlines Affecting the CP Market (Bloomberg):

- 5/26 Lowest LIBOR Hides 'Exceptionally Wide' Bank Spreads
- 5/26 Home Prices in 20 US Cities Fall More than Forecast
- 5/28 GM Said to Plan June 1 Bankruptcy as Debt Plan Gains
- 5/28 Mortgage Delinquencies, Foreclosures, Rates Increase

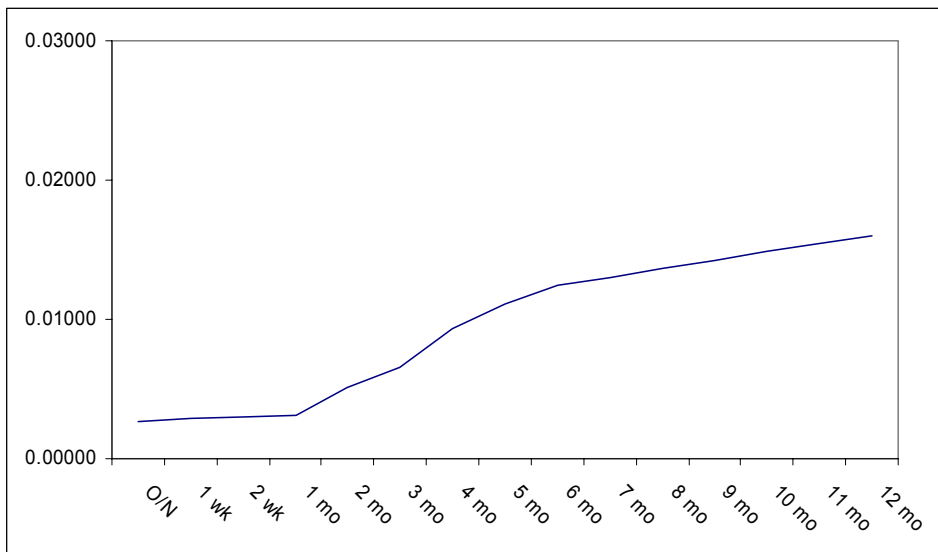
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

Facility	Current Week (5/27)	Prior Week	Peak	Facility Effective Date
AMLF	25.944	27.291	152.1 (10/1/08)	9/19/08
CPFF	146.5 (face)	154.3 (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 (5/28/09):

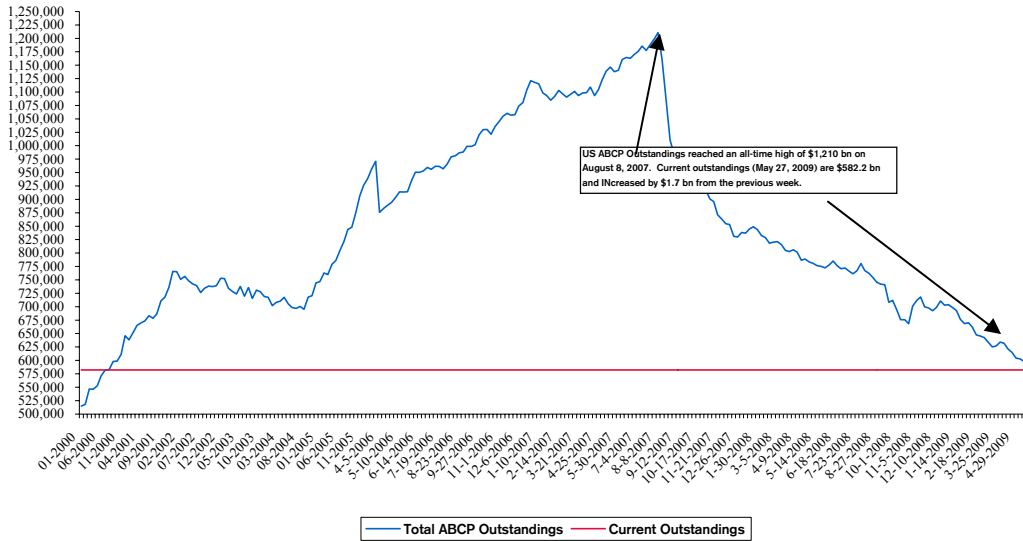


O/N	.27125%
1 wk	.29125%
2 wk	.30125%
1 mo	.31625%
2 mo	.50938%
3 mo	.65625%
4 mo	.92875%
5 mo	1.11250%
6 mo	1.24000%
7 mo	1.30500%
8 mo	1.36500%
9 mo	1.42500%
10 mo	1.48750%
11 mo	1.54250%
12 mo	1.60000%

ABCP Outstandings

U.S. ABCP Outstandings increased by \$1.7 billion for the week ending May 27, 2009 to **\$582.2 bn** outstanding from \$580.5 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, May 27, 2009
(in millions)



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