



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

*Commentary by Credit Suisse's US ABCP Trading Desk*

### ABCP Commentary

Two down, less than half of one to go. The CP market is inching ever closer towards weaning itself off of the Fed's life support programs, with the AMLF and MMIFF having zero utilization and the CPFF dwindling down towards zero. This week and next week represent large maturities in the CPFF facility. As evidenced by the data released by the Fed on Thursday, there was a sizable decrease in the CPFF by \$20.5 bn along with a sizable decrease in ABCP of \$18.9 bn. This would leave one to believe that the decrease in the CPFF was mostly ABCP. If that is the case, and just for sake of argument, we assume that the remaining \$14.6 bn outstanding in the CPFF is ABCP, then we just might be getting closer to a bottoming point for ABCP outstandings. The other major potential wrinkles in this argument could be the accounting changes and the stability of the economic recovery. Levels for most issuers were basically unchanged for the week along with the LIBOR curve 6 months and in. We continue to see plenty of investor interest over the turn which is setting the stage for a very manageable year-end. Although there is a Fed meeting next week and some important economic data being released we don't expect flows to be too choppy, but will probably be much better the following week.

The weekly CP data was as follows:

**Total CP** outstandings decreased by \$13.3 bn to **\$1.169 tn** for the week ending 10/28/09. Financial CP was the only area of the CP market that had growth in outstandings this week, up \$11.7 bn.

Money market fund assets decreased by \$2.27 bn this week to \$3.370 trillion. Taxable (non-gov) assets decreased by \$1.28 bn to \$1.886 trillion, with a \$4.7 bn drop in retail assets and a \$3.4 bn gain in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$6.1 bn for the week (\$122.1 bn vs \$128.2 bn last week)
- Financial outstandings increased by \$11.7 bn for the week (\$582.4 bn vs \$570.8 bn last week)
- ABCP outstandings experienced a weekly decrease of \$18.9 bn (\$463.3 bn vs \$482.2 bn last week).

**CPFF** usage declined by \$20.5 bn this week to **\$14.6 bn (face value)** vs \$35.1 bn (face value) last week. This week marks the one year anniversary of the facility (launched the week of October 27, 2008).

**AMLF** usage remained at zero.

The **MMIFF** continues to remain unutilized. The program is set to expire today (October 30, 2009).

The **Fed's exposure** to the total CP market declined to 1.2% this week.

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

### Corporate/Financial Commentary

The week led into quarter-end and it was one of the quietest weeks we have experienced in a while. Although volatility was high in the equity and Treasury markets this week, the short-end did not experience

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any of that. The Federal Funds rate remained unchanged (in a range between a low of .08 and a high of .14). Funds primarily traded in the lower end of that range. LIBOR levels out to 3 months stayed the same throughout the week. The Euro-dollar futures contracts, which predicts 3 month LIBOR into the future, rallied from the June 2010 contract on out. Basically, the LIBOR curve became flatter and flatter. Slowly, potential tightenings by the FOMC have been taken out of the short end.

Flows remained muted and concentrated in the overnight to 1 week market. Next week is a new month and hopefully it will bring with it something exciting for the commercial paper market.

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### Short-Term Fed Facility Usage:

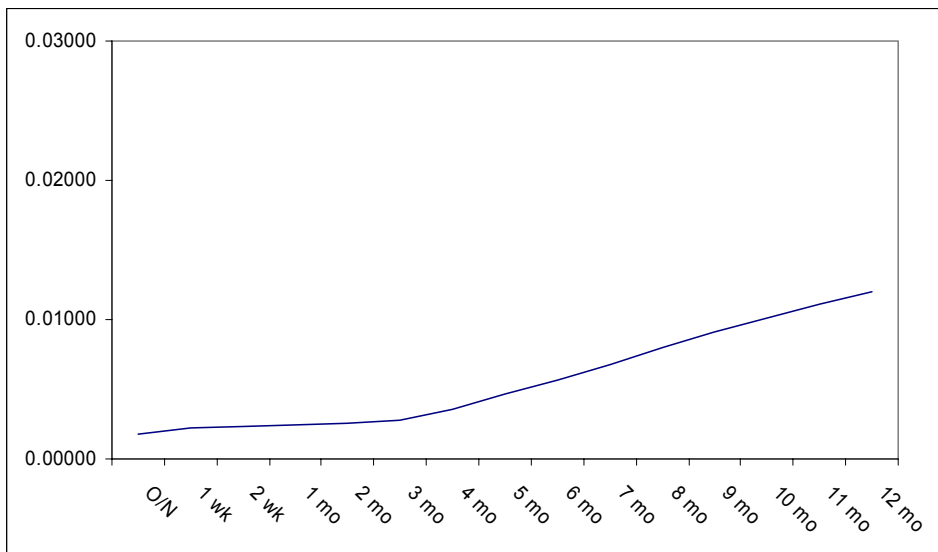
All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (10/28/09)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	0	0	152.1 (10/1/08)	9/19/08
CPFF	14.563 (face)	35.113 (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>

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### LIBOR Curve (10/30/09):



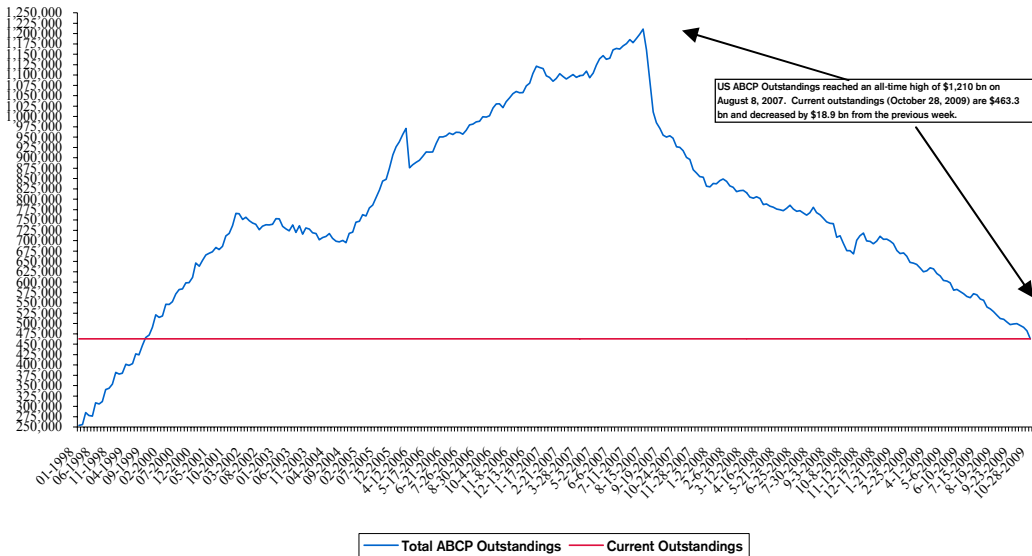
O/N	.17875%
1 wk	.22125%
2 wk	.23375%
1 mo	.24350%
2 mo	.25781%
3 mo	.28063%
4 mo	.35813%
5 mo	.46363%
6 mo	.56438%
7 mo	.67688%
8 mo	.79875%
9 mo	.90813%
10 mo	1.00750%
11 mo	1.10750%
12 mo	1.19938%

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## ABCP Outstandings

U.S. ABCP Outstandings decreased by \$18.9 billion for the week ending October 28, 2009 to **\$463.3 bn** outstanding from \$482.2 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, October 28, 2009  
(in millions)





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