



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Another snoozer this past week in the ABCP market. Demand outweighed supply and levels crept in ever so slightly. The only point of interest was the major rolls that took place in the CPFF facility this past week, which will continue into the week of August 3rd. As expected, we saw a significant decline in the CPFF's outstandings and would expect more declines next week; however the amount should not be nearly as much as this week. We expect there will be approximately \$50 billion remaining in the CPFF after August 6th, which is probably there for the long haul. Whether those particular issuers that remain in the CPFF either can not re-enter the traditional market and are unable to find alternative financing or this is still the cheapest option all things being considered, the Fed must be pleased with the natural wind-down of the program. On Friday, August 7th we get the all important Employment Situation coupled with the normal, beginning of the month flows the rest of the week.

The weekly CP data was as follows:

Total CP outstandings decreased by \$43.8 bn to **\$1.204 tn** for the week ending 7/29/09. The drop can be largely attributed to issuers opting out of rolling their CPFF paper. As mentioned, this week represented the 3rd major maturity roll week for CPFF users (roll 1: week of January 27, 2009, roll 2: week of April 27, 2009, roll 3: week of July 27, 2009). The sharpest weekly decline was seen in Financial CP outstandings.

Money market fund assets decreased by \$21.9 bn this week to \$3.634 trillion. Taxable (non-gov) assets decreased by \$15 bn to \$1.974 trillion, with a \$5 bn drop in retail assets and a \$9.8 bn decline in institutional assets.

Of the total CP market:

- Corporate outstandings decreased marginally, down \$2.9 bn for the week (\$136.2 vs \$139.1bn last week)
- Financial outstandings decreased by \$24.6 bn for the week (\$528.2 bn vs \$552.8 bn last week)
- ABCP outstandings experienced a weekly decline of \$16.3 bn (\$539.7 bn vs \$555.9 bn last week)

CPFF usage declined by over 40% this week as some issuers opted not to roll maturing paper in the facility. Total CPFF outstandings dropped to **\$63.2 bn** this week vs \$106.0 bn last week.

AMLF usage decreased to **\$806 mn** from \$2.3 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market declined to **5.3%** through these two programs.

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

Corporate/Financial Commentary

Selective buying seemed to be the theme this week as investors prepared for month-end. The flows that were seen gravitated towards higher yielding bank names in the finance sector. Other investors chose to reach for yield by extending duration, buying 6 months and out. In corporates, demand continues to be

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strong for non-headline issuers across all rating categories. Tier 1 corporates are trading as tight as LIBOR -5 to -15 bps in 1 to 3 months while Tier 2 names are trading at LIBOR +8 to +15 bps in the 1 and 2 month area. Although we've seen some Tier 2 names execute into the 3 month space, volumes are still relatively small. In general, there continues to be a lack of product versus demand in the corporate space which has contributed to the tighter levels in this sector.

Headlines Affecting the CP Market (Bloomberg):

- 7/27 US New-Home Sales Climb 11%, Most in Eight Years
- 7/27 Recession Probably Abated Last Quarter: US Economy Preview
- 7/30 US Initial Jobless Claims Rise by 25,000 to 584,000

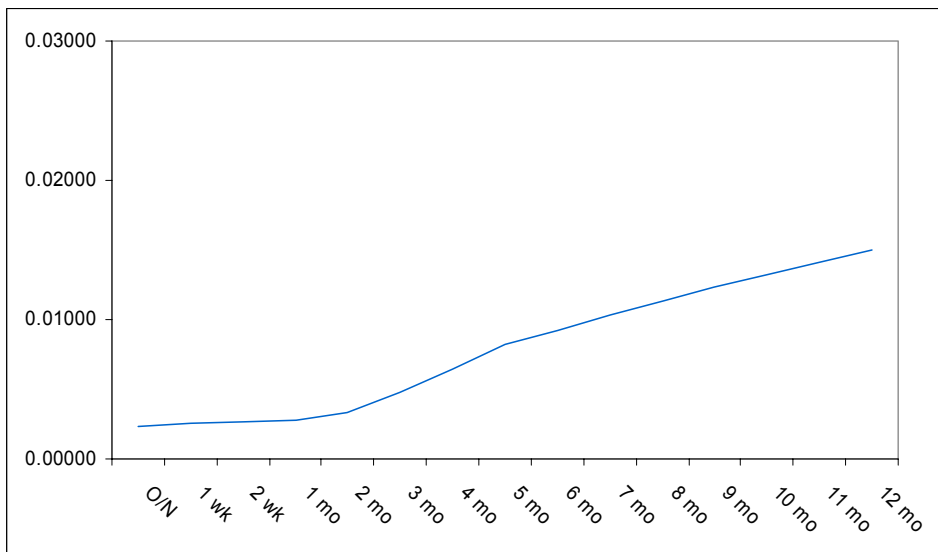
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

| <u>Facility</u> | <u>Current Week (7/29/09)</u> | <u>Prior Week</u> | <u>Peak</u> | <u>Facility Effective Date</u> |
|-----------------|-------------------------------|-------------------|-----------------|--------------------------------|
| AMLF | 0.806 | 2.227 | 152.1 (10/1/08) | 9/19/08 |
| CPFF | 63.206 (face) | 106.009 (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 (7/31/09):



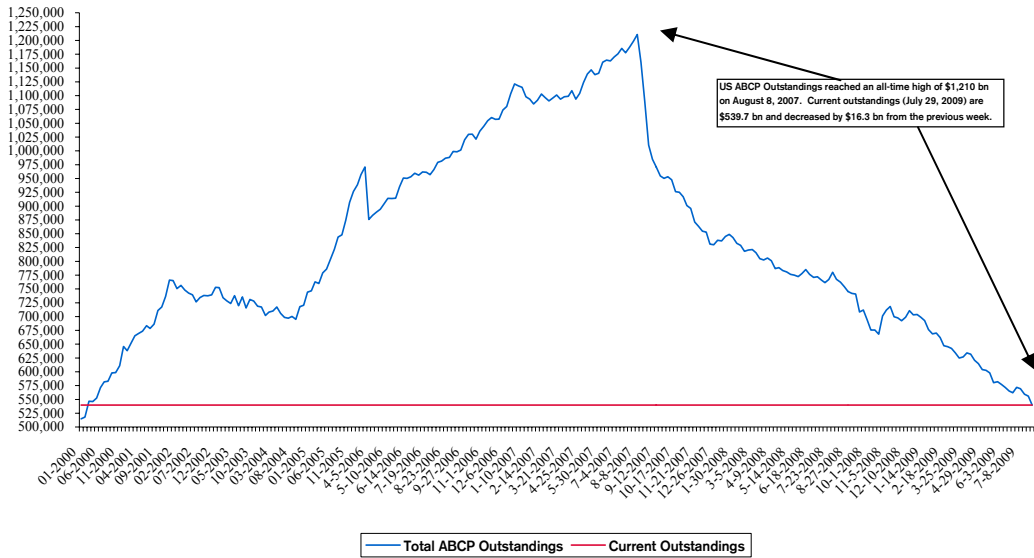
| | |
|-------|----------|
| O/N | .23500% |
| 1 wk | .25875% |
| 2 wk | .27000% |
| 1 mo | .27938% |
| 2 mo | .33000% |
| 3 mo | .47938% |
| 4 mo | .64375% |
| 5 mo | .81750% |
| 6 mo | .92500% |
| 7 mo | 1.02938% |
| 8 mo | 1.13375% |
| 9 mo | 1.23750% |
| 10 mo | 1.32750% |
| 11 mo | 1.41438% |
| 12 mo | 1.49750% |



ABCP Outstandings

U.S. ABCP Outstandings decreased by \$16.3 billion for the week ending July 29, 2009 to **\$539.7 bn** outstanding from \$555.9 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, July 29, 2009
(in millions)



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