



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

The ABCP market saw very good flows this week, particularly in the 3 month and shorter maturity range (with a few large investors taking interest in the six month range). Pricing levels came in by about 1 basis point across the board, as demand continued to out weigh supply. We expect pricing levels to remain tight through the end of the year, with little to no pricing increases from issuers. Currently, the total commercial paper outstanding in the market maturing after 12/31/09 is 31%, with ABCP at 27.5%.

The FOMC meeting on Wednesday brought no new surprises, as the Fed talk was mainly dovish with a statement that short term rates would remain low for an extended period of time.

We expect to see good flows continue through next week despite the market closure on Wednesday Nov. 11th in observance of Veteran's Day.

The weekly CP data was as follows:

Total CP outstandings decreased by \$20.1 bn to **\$1.149 tn** for the week ending 11/4/09. Financial CP saw the biggest drop in outstandings, down \$11.9 bn after being up \$11.7 bn the week prior.

Please note that there was a large gap this week between the seasonally adjusted versus not seasonally adjusted Fed data (i.e. total CP down \$62 bn adjusted vs. \$20 bn unadjusted). To reiterate, we use the non-adjusted numbers in our newsletter.

Money market fund assets decreased by \$31 bn this week to \$3.339 trillion. Taxable (non-gov) assets decreased by \$15 bn to \$1.871 trillion, with a \$0.6 bn drop in retail assets and a \$15 bn decline in institutional assets.

Of the total CP market:

- Corporate outstandings increased by \$0.3 bn for the week (\$122.4 bn vs \$122.1 bn last week)
- Financial outstandings decreased by \$11.9 bn for the week (\$570.5 bn vs \$582.4 bn last week)
- ABCP outstandings experienced a weekly decrease of \$8.6 bn (\$454.7 bn vs \$463.3 bn last week).

CPFF usage declined by \$4.6 bn this week to **\$9.98 bn (face value)** vs \$14.6 bn (face value) last week.

AMLF usage remained at zero.

The **MMIFF** program expired on October 30, 2009 with zero utilization.

The **Fed's exposure** to the total CP market declined to less than 1% this week.

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

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Corporate/Financial Commentary

No Back-Up in Short-Term Rates

For weeks now, the repeated saying in the short-end has been "this is as low as rates are going to go". Well, the market behavior this week, especially after the FOMC meeting on Wednesday, has put those wishes to rest. The Eurodollar futures continue to rally in the longer-end and rates in the short-end have stayed put. Many investors who have kept their powder dry in the very short-end have started to capitulate, with some purchasing paper out 6 to 9 months. Even 1 year trades have become popular again. The need for yield has forced buyers to extend regardless of their beliefs about the future direction of rates. This is reminiscent of times gone by. But one cannot deny what Ben Bernanke has said over and over again that rates will remain low for an "extended period of time". What choice do investors have but to extend?

We expect to see this capitulation continue next week as short paper matures and demand for long paper heats up. They say "the trend is your friend" and right now the trend is lower rates in the 6 months to 1 year sector.

Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (11/4/09)</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	9.979 (face)	14.563 (face)	350.3 (1/22/09)	10/27/08
MMIFF	n/a (program expired)	0	n/a	11/24/08

Data source: <http://www.federalreserve.gov/releases/h41/Current>

Commercial Paper Maturing after December 31, 2009:

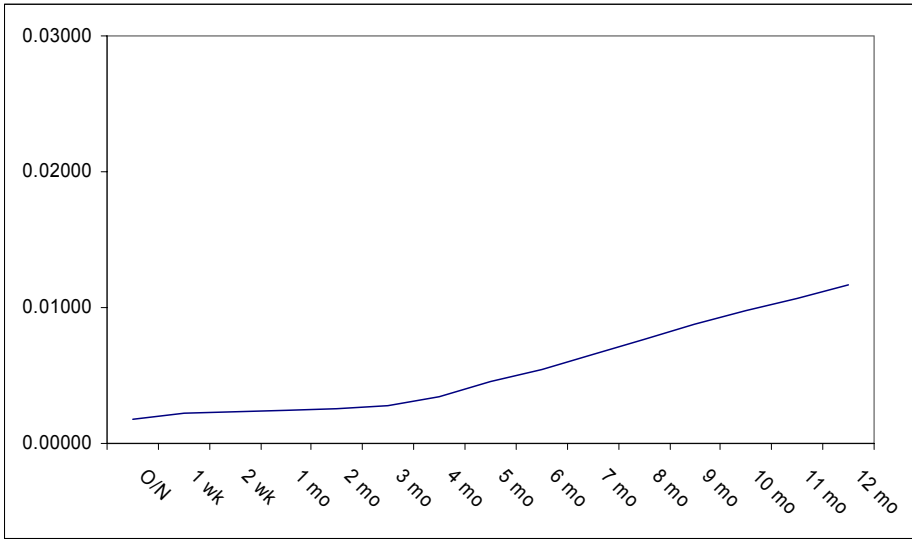
All amounts in USD billions; Percent of Total Current Outstandings for Category;
ABCP is also included in the Total, Tier 1 and Tier 2 categories

<u>CP Type</u>	<u>Current Week (11/4/09)</u>	<u>Prior Week</u>
ABCP	\$124.9 (27.5%)	\$106.2 (22.9%)
Tier 1	\$315.4 (33.9%)	\$272.1 (28.8%)
Tier 2	\$4.9 (12.3%)	\$7.3 (17.2%)
Total	\$353.8 (30.8%)	\$307.3 (26.3%)

Data source: <http://www.federalreserve.gov/releases/cp/yrend.htm>



LIBOR Curve (11/6/09):

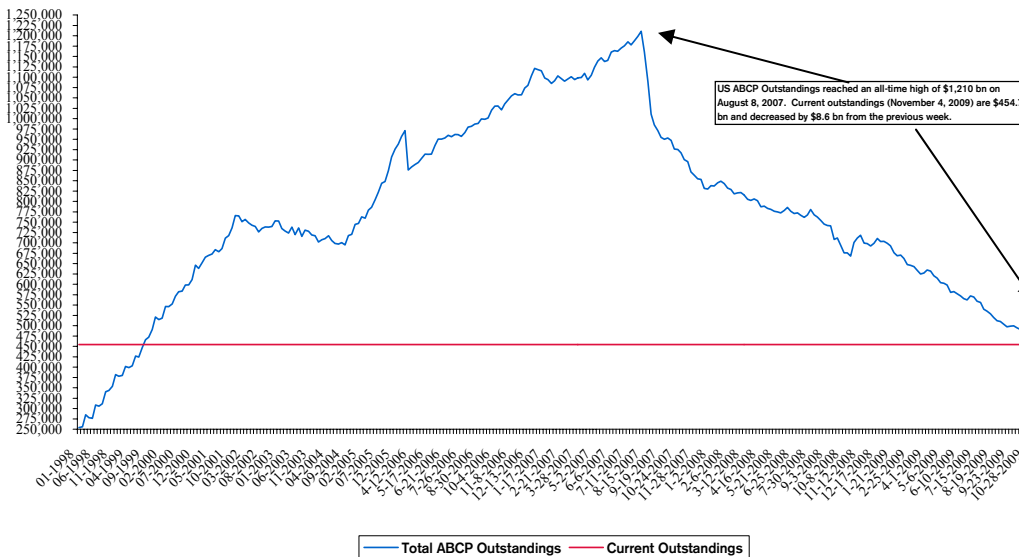


O/N	.17713%
1 wk	.21688%
2 wk	.22875%
1 mo	.24156%
2 mo	.25313%
3 mo	.27406%
4 mo	.35000%
5 mo	.45063%
6 mo	.55000%
7 mo	.65625%
8 mo	.76813%
9 mo	.87375%
10 mo	.97438%
11 mo	1.07063%
12 mo	1.16125%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$8.6 billion for the week ending November 4, 2009 to **\$454.7 bn** outstanding from \$463.3 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, November 4, 2009
(in millions)





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