



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

S&P Stresses us out more than the Bank Stress tests

As the ABCP market was cruising along these past few weeks and shrugging off many of the broader markets headlines, we were bracing for the next possible hurdle which was the bank stress test data set to be released on May 7th. As information was conveniently leaked throughout the week, it wasn't the bank stress tests that posed a new hurdle for the ABCP market but, rather, S&P's decision to put 23 financial institutions on negative watch at the beginning of the week. The ramifications of S&P's decision caused money market funds to take an aggressive portfolio approach and put back the ABCP associated with some of the 23 financial institutions into the AMLF facility. The facility had a material increase of \$26 billion for the week, bringing total AMLF holdings to \$29 billion. Although the underlying conduits were not put on watch, it is evident that the market remains very risk averse to any ABCP not eligible or that has the potential to become ineligible for the Fed safety net. Late Friday afternoon, S&P affirmed ratings on some of the US Banks it took action on earlier in the week, bringing some closure to the market. Our expectation is this will help to return flows to more normal levels next week; however, some investors may remain reluctant to put these names back on their approved list quickly.

Other than that static, ABCP issuers not affected by the above announcement continue to enjoy very good demand and levels. LIBOR has resumed its downward descent, ending at 36 bps for 1 month (a 5 bp decrease from the beginning of the week) and 93 bps in 3 months (a 7 bp decrease from the beginning of the week). We would expect that demand for the very top tier names will remain strong next week. The weekly CP data in terms of the CPFF continues to be encouraging.

The weekly CP data was as follows:

Total CP outstandings decreased by \$17.8 bn to **\$1.374 tn** for the week ending 5/6/09.

Of the total CP market:

- Corporate outstandings increased by \$3.0 bn for the week (\$159.9 bn vs \$156.9 bn last week)
- Financial outstandings decreased by \$19.5 bn for the week (\$610.5 bn vs \$630.0 bn last week)
- ABCP outstandings experienced a weekly decline of \$1.3 bn (\$602.7 bn vs \$604.0 bn last week)

CPFF usage declined again this week to **\$166 bn** vs \$179.4 bn last week.

AMLF usage increased to **\$28.9 bn** from \$3.7 bn last week.

The **MMIFF** continues to remain unutilized.

The **Fed's exposure** to the total CP market increased marginally this week to 14% through these two programs.

(Source: Federal Reserve website)

Maureen Coen

212.325.3531

maureen.coen@credit-suisse.com

Joseph Soave

212.325.1802

joseph.soave@credit-suisse.com

Brian Rogers

212.325.1802

brian.rogers@credit-suisse.com

Stephanie Gentile

212.325.4713

stephanie.gentile@credit-suisse.com

Galit Kursman

212.325.3358

galit.kursman@credit-suisse.com

Emily Lao Chua

212.325.9817

emily.laochua@credit-suisse.com

Danielle Melchione

212.325.0943

danielle.melchione@credit-suisse.com

Corporate/Financial Commentary

Risk is Back in Fashion

So sentiment has turned on a dime. What was once feared and loathed is now in huge demand. The drive to get yield in a zero interest rate environment has forced investors to search out the yield curve and the risk spectrum. Banks around the world have more money than they need. As their needs decline, so does their bid for cash in the inter-bank market. This explains why LIBOR continues to grind lower and the interest in the short-end seems to be waning. Who knows what happens next in these unprecedented times. Anything is possible. However, today and next week we expect the trend to continue unabated.

Headlines Affecting the CP Market (Bloomberg):

- 5/8 US Job Losses Slowed as Economy Began to Stabilize
- 5/8 Libor-Bid Disparity Shows Some Banks Struggling for Cash
- 5/7 Fed's Bank Results 'Reassuring,' Show No Insolvency
- 5/7 Bank Stress Tests, Ratings Reviews Lead to Money-Market Flight
- 5/6 Business Model And Credit Concerns Prompt Downgrades and Negative Outlooks on German Landesbanks
- 5/5 Fed Stress Tests to Show About 10 Banks Need Capital
- 5/4 S&P: Ratings on 23 Financial Institutions Placed On CreditWatch Negative

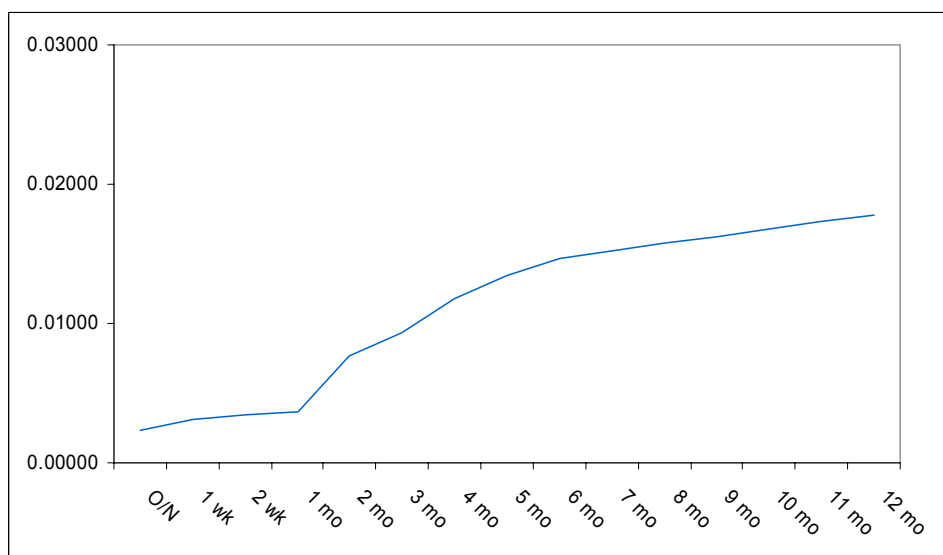
Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

<u>Facility</u>	<u>Current Week (5/6)</u>	<u>Prior Week</u>	<u>Peak</u>	<u>Facility Effective Date</u>
AMLF	28.961	3.699	152.1 (10/1/08)	9/19/08
CPFF	166.0 (face)	179.4 (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 (5/8/09):

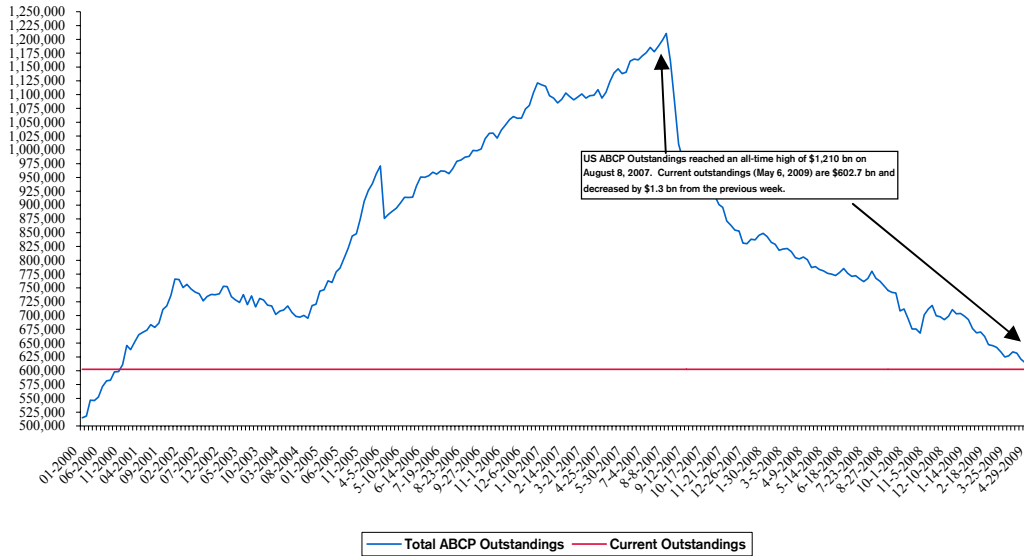


O/N	.23375%
1 wk	.30750%
2 wk	.34063%
1 mo	.36750%
2 mo	.76125%
3 mo	.93750%
4 mo	1.17625%
5 mo	1.35000%
6 mo	1.46250%
7 mo	1.51875%
8 mo	1.57375%
9 mo	1.62500%
10 mo	1.68000%
11 mo	1.73250%
12 mo	1.78125%

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$1.3 billion for the week ending May 6, 2009 to **\$602.7 bn** outstanding from \$604.0 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, May 6, 2009
(in millions)



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CREDIT SUISSE
Eleven Madison Avenue
New York City, NY
10010
U.S.A.
www.credit-suisse.com

