



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

Commentary by Credit Suisse's US ABCP Trading Desk

ABCP Commentary

Month-end falling on Monday right after the Thanksgiving Holiday weekend made for a very quiet beginning of the week, as most issuers and investors stayed in the overnight market. For the remainder of the week, there continued to be demand for term issuance at levels higher than issuers' postings. Spreads appeared to have leveled off as the curve remained very flat 3 months and in.

The much anticipated Employment data on Friday gave the market an unexpected surprise as the unemployment rate dropped and job losses came in much lower than expected. We will now have to wait for next month's numbers to see if this trend is accurate and will continue or if it was just a one time occurrence.

Next week will hopefully bring in better cash flows (particularly over the turn) as issuers and investors start to set up for their year-end balance sheet numbers.

The weekly CP data was as follows:

Total CP outstandings decreased by \$8.8 bn to **\$1.156 tn** for the week ending 12/2/09. All types of CP were slightly down for the week.

Money market fund assets decreased by \$8.36 bn this week to \$3.319 trillion. Taxable (non-gov) assets decreased by \$950 mn to \$1.872 trillion, with a \$2.9 bn drop in retail assets and a \$2 bn increase in institutional assets.

Of the total CP market:

- Corporate outstandings decreased by \$0.6 bn for the week (\$122.2 bn vs \$122.8 bn last week)
- Financial outstandings decreased by \$2.2 bn for the week (\$588.7 bn vs \$590.9 bn last week)
- ABCP outstandings experienced a weekly decrease of \$1.9 bn (\$443.7 bn vs \$445.6 bn last week).

CPFF usage decreased marginally this week to **\$10.469 bn (face value)** vs \$10.499 bn (face value) last week.

AMLF usage remained at zero.

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

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

Corporate/Financial Commentary

Liquidity was robust at the beginning of the week as we saw large size buyers in the 3 to 6 month space for strong financial names and overnight to 3 month area for Tier 1 corporates. Tier 2 investors continued to buy inside of December with only a handful extending into the new year. By mid-week, it seemed as if most of the money was spent as flows became stagnant. By Friday, investors stayed on the sidelines as

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a strong unemployment number pointed to a greater possibility of a Fed tightening sooner in 2010. Next week, investors may very well demand a premium for CP maturities past March 2010. However, with a looming decrease in supply in December (as issuers finish their year-end funding needs), the net supply/demand balance may leave rates relatively unchanged.

Short-Term Fed Facility Usage:

All amounts in USD billions (except where noted)

| Facility | Current Week (12/2/09) | Prior Week | Peak | Facility Effective Date |
|----------|------------------------|---------------|-----------------|-------------------------|
| AMLF | 0 | 0 | 152.1 (10/1/08) | 9/19/08 |
| CPFF | 10.469 (face) | 10.499 (face) | 350.3 (1/22/09) | 10/27/08 |

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

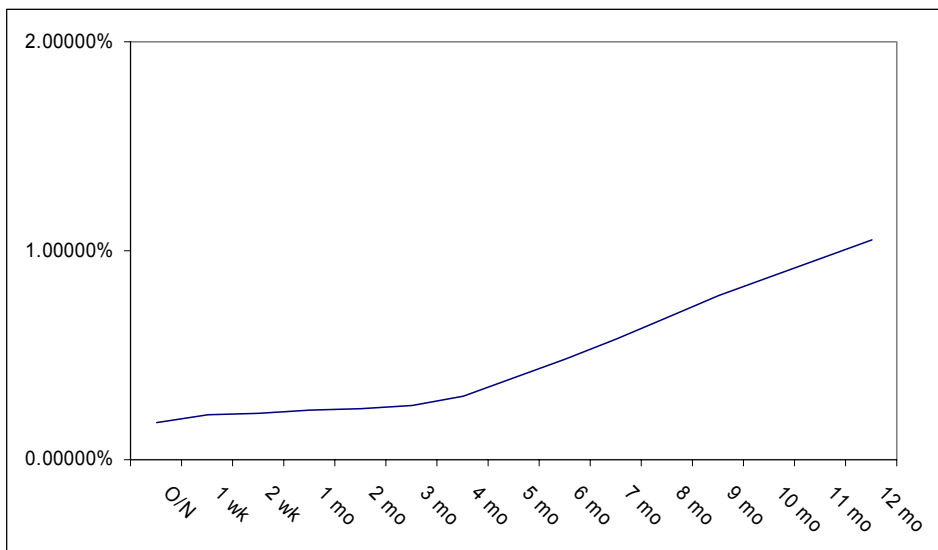
Commercial Paper Maturing after December 31, 2009:

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

| CP Type | Current Week (12/2/09) | Prior Week |
|---------|------------------------|-----------------|
| ABCP | \$231.7 (52.2%) | \$203.0 (45.5%) |
| Tier 1 | \$537.4 (57.0%) | \$481.8 (50.6%) |
| Tier 2 | \$11.6 (30.3%) | \$9.7 (25.0%) |
| Total | \$633.5 (54.8%) | \$560.3 (48.1%) |

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

LIBOR Curve (12/4/09):

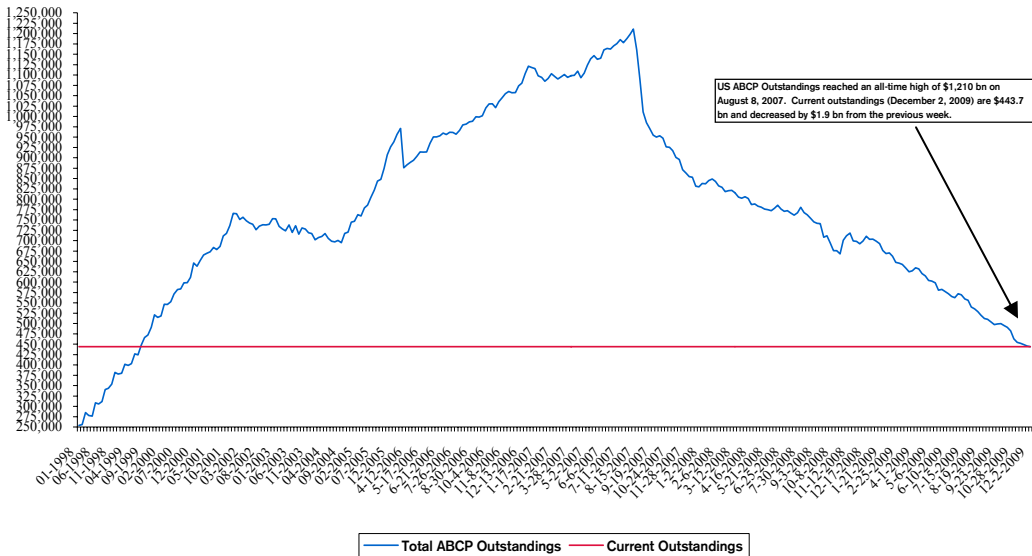


| | |
|-------|----------|
| O/N | .18125% |
| 1 wk | .21438% |
| 2 wk | .22375% |
| 1 mo | .23469% |
| 2 mo | .24438% |
| 3 mo | .25656% |
| 4 mo | .30563% |
| 5 mo | .39125% |
| 6 mo | .48438% |
| 7 mo | .57813% |
| 8 mo | .68125% |
| 9 mo | .78188% |
| 10 mo | .87250% |
| 11 mo | .96125% |
| 12 mo | 1.05438% |

ABCP Outstandings

U.S. ABCP Outstandings decreased by \$1.9 billion for the week ending December 2, 2009 to **\$443.7 bn** outstanding from \$445.7 billion outstanding (Source: Federal Reserve, *Not Seasonally Adjusted data*).

Total US ABCP Outstandings as of Wednesday, December 2, 2009
(in millions)



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