



U.S. Commercial Paper Market Update

Week Ended November 10, 2023

Table of contents

1 Commercial Paper Market Commentary and Sell-Side Activity 3

> *Close to 50% of CP Placed into 2024*

2 Buy-Side Activity 4

> *Demand for Longer Maturities Increases Despite Hawkish Fed Commentary*

3 Federal Reserve and Calendars 5

> *Fed Chair Powell Committed to Bringing Inflation Down to 2% Target*

MUFG Short Term Credit Products Team

MUFG Securities Americas Inc.

1221 Avenue of the Americas, 6th Floor

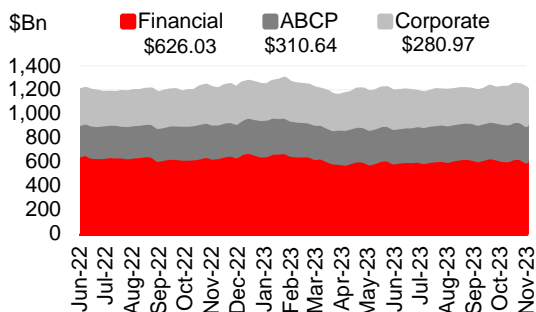
New York, NY 10020-1001

Email: MUFGCP@mufgsecurities.com

Name & Title	Business Contact Details	
Capital Markets (Private Side)		
Stephany Bushweller <i>Head, Short Term Credit Products</i>	Tel:	+1 212 405 7364
	Email:	Stephany.Bushweller@mufgsecurities.com SBushweller3@bloomberg.net
Alexandra (Ola) Wojciak <i>Analyst</i>	Tel:	+1 212 405 6607
	Email:	Alexandra.Wojciak@mufgsecurities.com Awojciak5@bloomberg.net
Trading		
Short Term Credit Trading		
Michael Graham <i>Director</i>	Tel:	+1 212 405 7324
	Email:	Michael.Graham@mufgsecurities.com MGraham62@bloomberg.net
Jason Psiroganes <i>Director</i>	Tel:	+1 212 405 7324
	Email:	Jason.Psiroganes@mufgsecurities.com JPsirogane3@bloomberg.net
Short Duration Sales		
Robert Reardon <i>Head, Short Duration Sales</i>	Tel:	+1 212 405 7344
	Email:	Robert.Reardon@mufgsecurities.com RReardon11@bloomberg.net
Middle Markets Sales		
Ed Todd <i>Head, Middle Markets Sales</i>	Tel:	+1 212 405 7094
	Email:	Edward.Todd@mufgsecurities.com ETodd2@bloomberg.net
Credit Sales		
John Karabelas <i>Head, IG Credit Sales</i>	Tel:	+1 212 405 7167
	Email:	John.Karabelas@mufgsecurities.com Jkarabelas3@bloomberg.net

Market Commentary and Sell-Side Activity

Outstanding CP

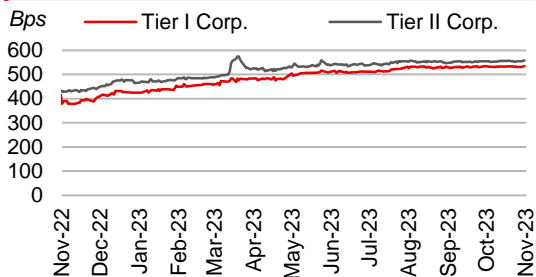


Change in Outstanding CP

USCP Market

Type	Weekly Δ	W-o-W Δ	Y-o-Y Δ
Corporate	-\$11.62B	-3.97%	3.75%
Financial	\$20.18B	3.33%	-2.70%
ABCP	\$4.47B	1.46%	10.22%
Total CP	\$13.03B	1.08%	1.85%

1-Month Average CP Rates



Change in Rates

Indicative Offering Levels (bps)

Type	1M	W-o-W Δ	3M	W-o-W Δ
Tier I Corp.	543-553	0.00	545-560	-5.00
Tier II Corp.	565-580	0.00	575-585	0.00
Tier III Corp.	620-640	0.00	640-660	0.00
ABCP	545-555	0.00	565-575	0.00
Tier I Fin.	545-555	0.00	565-575	0.00

Benchmark Rates

Type	11/8/2023	W-o-W Δ	Y-o-Y Δ
Fed Effective	533.00	0.00	150.00
O/N GC Repo	538.60	-0.90	160.00
SOFR	532.00	0.00	154.00
1 M Term SOFR	532.13	-0.14	152.55
3 M Term SOFR	536.91	-2.28	111.15

Commercial Paper Market Overview

Last week started off on a positive note, but Hawkish comments from Fed Chair Jerome Powell and a weak 30-Year Treasury Auction increased volatility in equities and Treasuries. On Thursday, Fed Chair Powell addressed the IMF and stated “if it becomes appropriate to tighten policy further, we will not hesitate to do so”, signaling that the Fed may still have room to go in its fight to bring down inflation to its 2% target. The 30-Year Treasury Auction on Thursday was one of the lowest bid bond auctions of the past decade, producing significantly higher-than-expected yields (compounded by settlement issues resulting from a ransomware attack), and causing a selloff in the Treasury market. On the economic data front, more employment data metrics showed signs of a cooling labor market with Initial Jobless Claims remaining elevated at 217k (vs. 218k exp.). Continuing Claims were reported at 1.834MM (vs. 1.820MM exp.). On Friday, Moody’s cut the US outlook to negative from stable, causing a selloff in rates to end the week. Equities were higher on the week with the Dow, S&P, and Nasdaq up 0.7%, 1.3% and 2.4%, respectively. The 2-year closed the week at 5.07% (+23bps) and the 10-year closed at 4.65% (+7bps).

CP outstanding increased \$13.03B WoW with a \$20.18B increase in Financial paper and a \$4.47B increase in ABCP outpacing an \$11.62B decline in corporate paper. Following Hawkish comments from Fed Chair Powell, the current market implied probability of a 25bps hike at the December 13th meeting rose from 0% to ~14%. MUFG continued, though, to observe investor appetite for longer dated (>3-month) paper at prices consistent with those prior to Chair Powell’s statement. Although many participants believe interest rates are no longer rising this calendar year, year-end liquidity restraints are still anticipated given traditional year-end redemptions for balance sheet dressing, and investors desire to close books for the year. The risk of a government shutdown on November 17th could exacerbate expected year-end volatility, although reports over the weekend suggest House Speaker Johnson has a stop-gap funding proposal. Regardless, we recommend completing funding needs proactively in order to avoid historical year-end price widening. Total CP placed into 2024 now sits at ~45% (+6% WoW), with 51% of each of Tier 1 CP and ABCP, but only 26% of Tier 2 CP sold into the New Year. Appropriately priced paper continues to trade orderly and efficiently. We recommend issuers begin to plan funding needs in advance of the Thanksgiving holiday week, as trading desks will be lightly-staffed the Wednesday prior to, and Friday following, November 23rd. The Fed’s RRP facility fell below \$1.0 trillion for the first time in over two years with 94 users taking ~\$993 billion in collateral on Thursday as cash rich investors continue to redeploy cash into the Treasury markets.

CPI data will be released on Tuesday. PPI date will be released on Wednesday. Corporate Tax Day is also on Wednesday.

Buy-Side Activity

Money Market Flows

Money Market Funds (\$Bn)			
Type	11/8/2023	W-o-W Δ (%)	YTD Δ (%)
Prime Retail	665.30	0.69	90.73
Prime Institutional	629.98	1.97	-4.80
Government Retail	1,174.28	0.18	19.78
Government Institutional	1,914.40	0.21	10.58
Treasury Retail	309.53	-0.18	94.27
Treasury Institutional	1,274.40	0.29	19.17

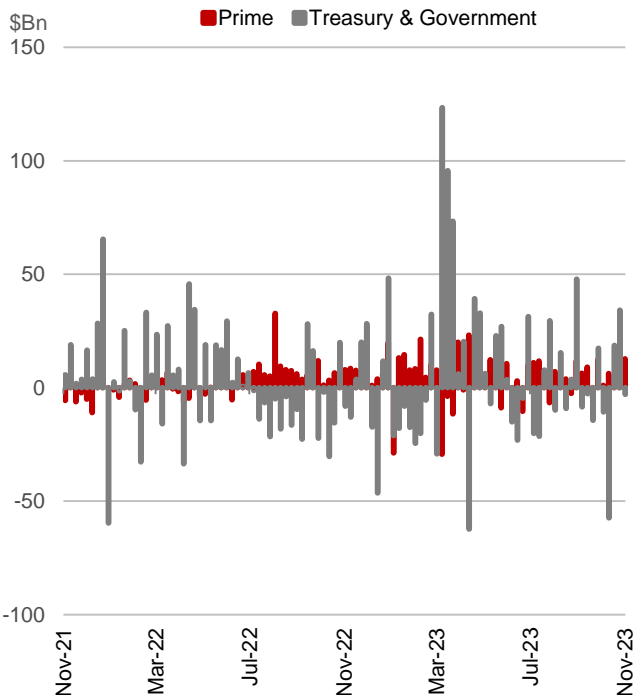
Prime Money Fund Statistics

Prime Money Market Funds			
Type	11/8/2023	Weekly Δ	YTD Δ
PrmRt WAM (days)	36.53	1.92	-0.86
PrmRt WAL (days)	56.80	2.54	15.34
PrmRt 7-Day Yield (bps)	510.05	-0.75	105.52
Prmlns WAM (days)	29.32	-0.03	-3.47
Prmlns WAL (days)	51.11	2.96	6.87
Prmlns 7-Day Yield (bps)	528.33	-0.92	106.66

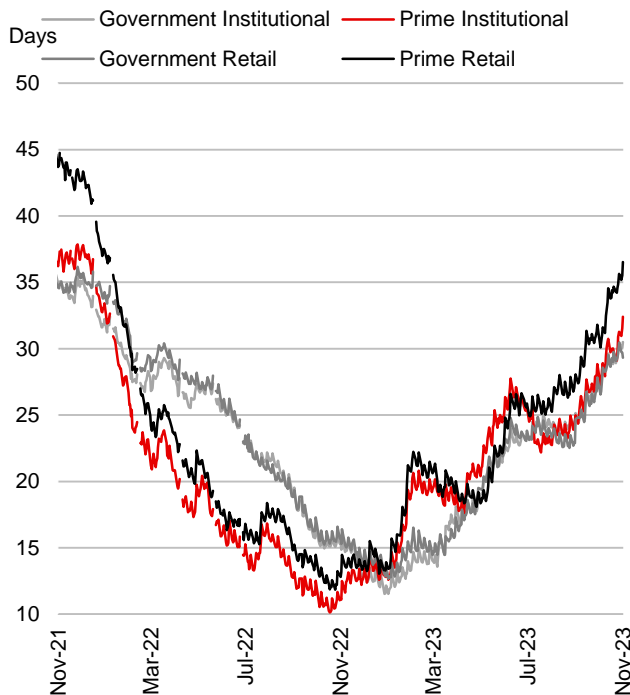
Overview

- Prime Institutional money fund WAMs increased by 0.05 days WoW to 29.35 days
- Prime Institutional 7-Day Yields decreased 0.92 bps WoW to 528.33 bps, while Prime Retail 7-Day Yields decreased 0.75 bps WoW to 510.05 bps
- Since SVB entered receivership, Prime Money Funds AUM have increased by \$125B, while Government and Treasury Funds have increased by \$387B and \$288B respectively
- SEC Rule 2a-7 Amendments became effective on October 2nd with first implementation date in 6 months
 - > Prime Money Market funds will need to increase their daily liquid asset bucket from 10% to 25%; and their weekly liquid asset bucket from 25% to 50%
 - > Expected to drive CP tenors shorter, putting upward pricing pressure on Tier I CP maturities > 1 week

Weekly Money Market Flows: Prime vs. Treasury/Government



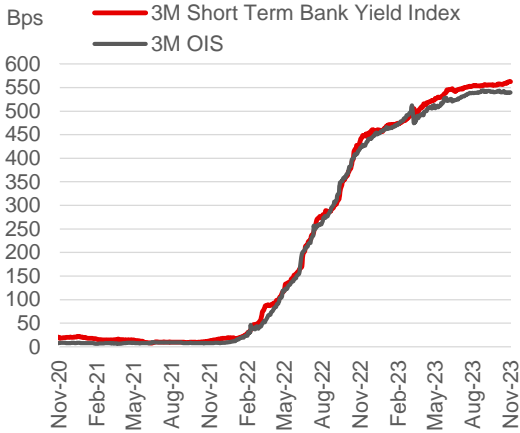
Money Fund WAMS



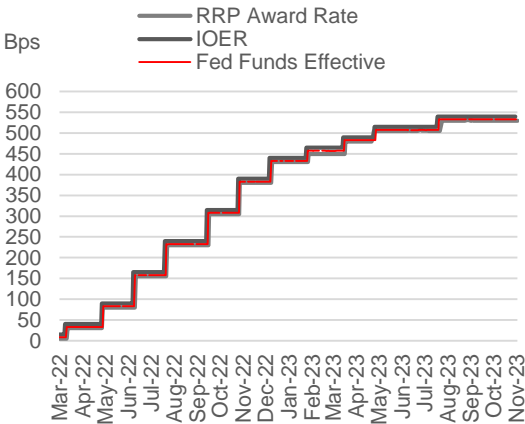
Source: Federal Reserve Bank, Bloomberg, Crane Data

Federal Reserve and Calendars

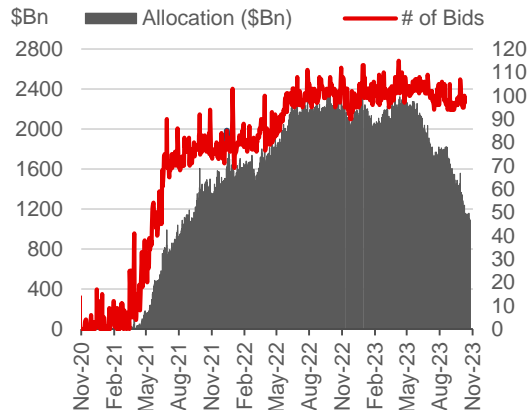
3-Month BSBY & 3-Month OIS



Fed Funds Effective Rate



Reverse Repo Facility Usage



Sources: Federal Reserve Bank, Bloomberg

Issuance Calendar

■ Favorable – see Economic Release table below
 ■ SIFMA Holiday
■ Month-, Quarter-, Year-End, Corp. Tax Day
 ■ BOE, BOJ, and/or ECB meeting
■ FOMC Meetings

NOVEMBER

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

FEBRUARY

M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29			

DECEMBER

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

MARCH

M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

JANUARY

M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

APRIL

M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Upcoming Economic Calendar

Date	Time (ET)	Release	Period	Survey	Prior
14-Nov	8:30	CPI MoM	Oct	0.1%	0.4%
14-Nov	8:30	CPI Ex Food and Energy MoM	Oct	0.3%	0.3%
14-Nov	8:30	CPI YoY	Oct	3.3%	3.7%
14-Nov	8:30	CPI Ex Food and Energy YoY	Oct	4.1%	4.1%
15-Nov	7:00	MBA Mortgage Applications	10-Nov	--	2.5%
15-Nov	8:30	Retail Sales Advance MoM	Oct	-0.3%	0.7%
15-Nov	8:30	PPI Final Demand MoM	Oct	0.1%	0.5%
15-Nov	8:30	PPI Final Demand YoY	Oct	--	2.2%
16-Nov	8:30	Initial Jobless Claims	11-Nov	--	217k
16-Nov	9:15	Industrial Production MoM	Oct	-0.4%	0.3%

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