



# U.S. Commercial Paper Market Update

Week Ended March 22, 2024

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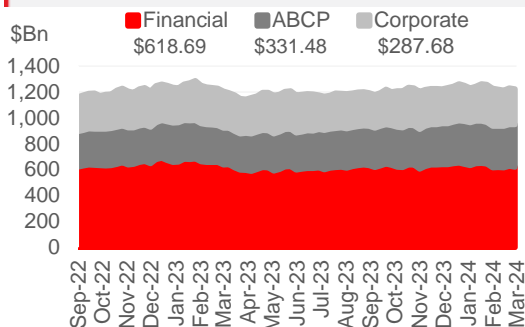
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# Market Commentary and Sell-Side Activity

## Outstanding CP

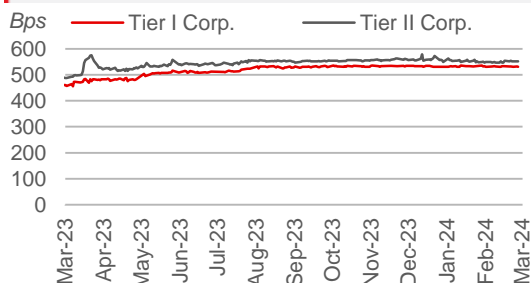


## Change in Outstanding CP

### USCP Market

| Type            | Weekly Δ        | W-o-W Δ      | Y-o-Y Δ      |
|-----------------|-----------------|--------------|--------------|
| Corporate       | \$16.88B        | 6.23%        | 5.69%        |
| Financial       | \$13.02B        | 2.15%        | 3.53%        |
| ABCP            | \$0.87B         | 0.26%        | 18.66%       |
| <b>Total CP</b> | <b>\$30.84B</b> | <b>2.55%</b> | <b>7.78%</b> |

## 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.   | 537-547 | 0.00    | 537-547 | 0.00    |
| Tier II Corp.  | 555-565 | 0.00    | 565-580 | 0.00    |
| Tier III Corp. | 595-615 | 0.00    | 600-620 | 0.00    |
| ABCP           | 538-548 | 0.00    | 538-548 | 0.00    |
| Tier I Fin.    | 538-548 | 0.00    | 538-548 | 0.00    |

### Benchmark Rates

| Type          | 3/20/2024 | W-o-W Δ | Y-o-Y Δ |
|---------------|-----------|---------|---------|
| Fed Effective | 0.00      | -533.00 | -458.00 |
| O/N GC Repo   | 0.00      | -534.00 | -458.80 |
| SOFR          | 0.00      | -531.00 | -455.00 |
| 1 M Term SOFR | 0.00      | -532.53 | -477.56 |
| 3 M Term SOFR | 0.00      | -532.93 | -487.98 |

## Commercial Paper Market Overview

Treasuries rallied and equities soared last week on renewed hopes for an economic soft-landing following Wednesday's FOMC meeting and the release of key labor market data. Fed Officials voted unanimously to keep the benchmark rate range steady at 5.25-5.50% for a fifth straight meeting. Additionally, policy makers maintained their outlook for three 25 basis point rate cuts this year, which would bring the Fed Funds rate to 4.6%. Initial Jobless Claims fell below expectations last week, decreasing to 210k (vs. 213k exp.), demonstrating the resilience of the labor market despite recent upticks in inflation. Continuing Claims were little changed, falling to 1,807k (vs. 1,811k prior). In other central bank news, the Bank of Japan hiked rates for the first time in 17 years, while Japan's inflation accelerated to the quickest pace in months. The S&P 500 index closed at a record high for the 20th time this year, reaching 5,241 on Thursday. Equities were higher on the week with the Dow, S&P, and Nasdaq up 2.0%, 2.3% and 2.9%, respectively. The 2-year closed the week at 4.59% (-14bps) and the 10-year closed at 4.20% (-11bps).

CP outstanding increased \$30.84B WoW with a \$16.88B, \$13.02B, and \$0.87B increase in Corporate paper, Financial paper, and ABCP, respectively. MUFG observed muted trading activity to start the week following residual liquidity restraints from Corporate Tax Day. In addition, market participants were highly anticipating Wednesday's FOMC meeting for clarity on the future path of rates. Powell reiterated that officials would like to see more evidence that inflation is cooling, however he explicitly confirmed that easing is expected to begin "at some point this year". The market implied probabilities of rate cuts at the May and June FOMC meetings are now 17% and 70% (up 7% and 20% WoW), respectively. The first full rate cut is not fully priced in until July 31st. When priced appropriately to reflect the likelihood of rates staying higher for longer, paper continues to be met with ample demand. MUFG observed a plethora of trading activity to close the week across all sectors including sizeable block trades in term (≤ 3-months) on Friday. Several investors continued to express interest in longer dated paper (>90 days) as they seek higher relative yields. MUFG expects trading activity to be front loaded this week due to Thursday's official early close and Friday's fixed income market close. Notably, last week the buy-side avoided placing trades maturing in the back-half of this week in preparation for the holiday weekend, which may contribute to decreased liquidity velocity. In addition, MUFG expects liquidity velocity to slow as issuers prepare to pay down CP and as Dealers prepare to close their balance sheets, as is typical for quarter-end. To the extent that issuers can, we recommend getting your funding needs taken care of by Wednesday. Usage of the Fed's RRP Facility continues to trend lower with 72 users taking \$478 billion in collateral on Friday, as cash rich investors continue to redeploy cash into the Treasury markets.

GDP and University of Michigan Sentiment Data will be released on Thursday. Personal Income, Personal Spending, and PCE Core Deflator data will be released on Friday.

# Buy-Side Activity

## Money Market Flows

| Money Market Funds (\$Bn) |           |             |           |
|---------------------------|-----------|-------------|-----------|
| Type                      | 3/20/2024 | W-o-W Δ (%) | YTD Δ (%) |
| Prime Retail              | 748.68    | 0.55        | 47.18     |
| Prime Institutional       | 649.16    | 0.95        | 3.48      |
| Government Retail         | 1,249.86  | 0.20        | 21.21     |
| Government Institutional  | 1,988.12  | -3.17       | 10.19     |
| Treasury Retail           | 336.82    | 0.26        | 45.91     |
| Treasury Institutional    | 1,364.15  | -0.03       | 13.84     |

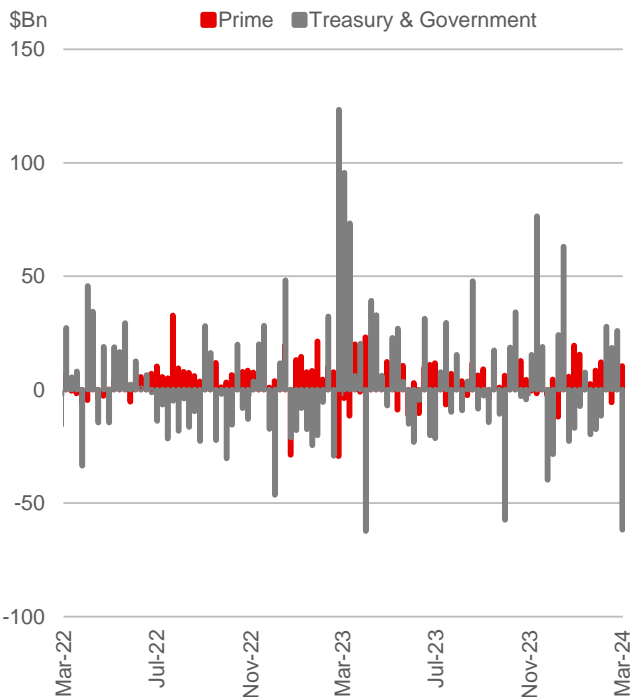
## Prime Money Fund Statistics

| Prime Money Market Funds |           |          |        |
|--------------------------|-----------|----------|--------|
| Type                     | 3/20/2024 | Weekly Δ | YTD Δ  |
| PrmRt WAM (days)         | 34.25     | -0.23    | -3.14  |
| PrmRt WAL (days)         | 55.24     | -0.08    | 13.78  |
| PrmRt 7-Day Yield (bps)  | 505.33    | -0.02    | 100.80 |
| Prmlns WAM (days)        | 37.56     | 0.18     | 4.77   |
| Prmlns WAL (days)        | 40.29     | -2.40    | -3.95  |
| Prmlns 7-Day Yield (bps) | 523.48    | -0.09    | 101.81 |

## Overview

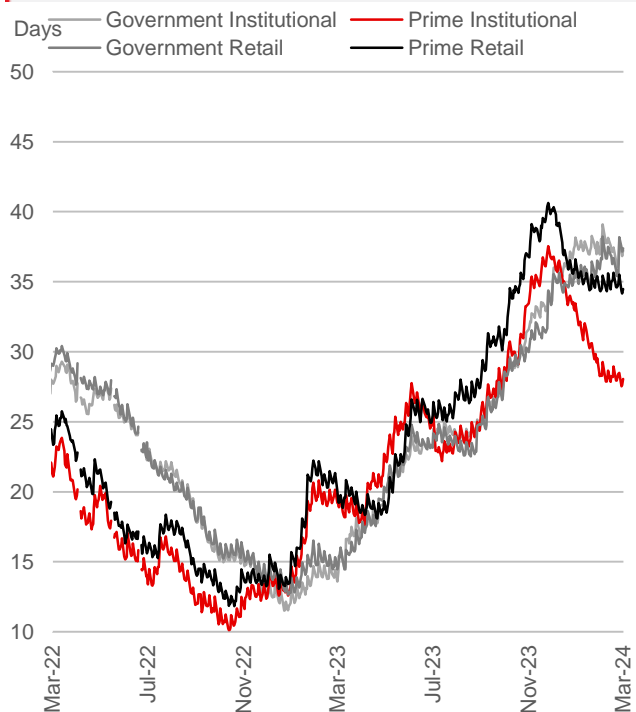
- Prime Institutional money fund WAMs increased by 0.18 days WoW to 37.56 days
- Prime Institutional 7-Day Yields decreased 0.09 bps WoW to 523.48 bps, while Prime Retail 7-Day Yields decreased 0.02 bps WoW to 505.33 bps
- Since SVB entered receivership, Prime Money Funds AUM have increased by \$227B, while Government and Treasury Funds have increased by \$536B and \$404B respectively
- Vanguard Market Liquidity Fund, the second largest Prime Institutional money market fund, has filed to "go Government," joining the largest fund, Capital Group's American Funds Central Cash, in exiting the Prime sector
- SEC Rule 2a-7 Amendments became effective on October 2nd with first implementation date in April
  - > Prime Money Market funds will 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



Source: Federal Reserve Bank, Bloomberg, Crane Data

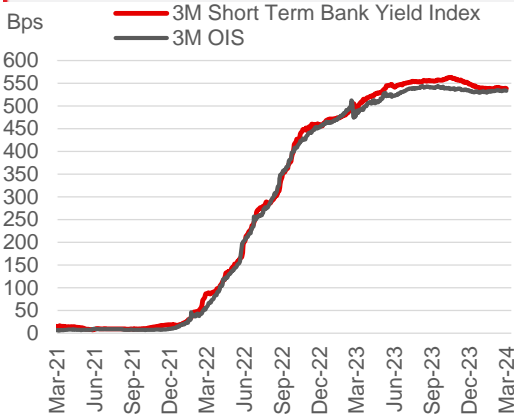
## Money Fund WAMS



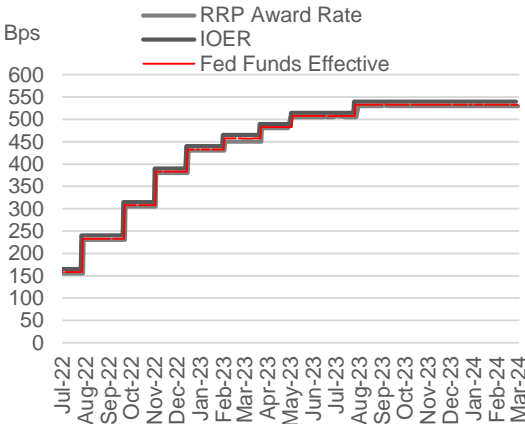


# Federal Reserve and Calendars

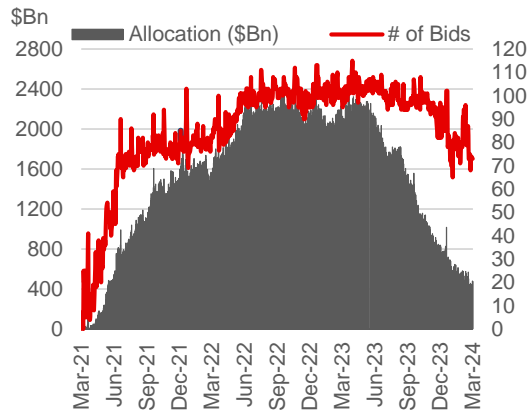
## 3-Month BSBY & 3-Month OIS



## 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

### 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 |

### JUNE

| 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 |

### 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 |    |    |    |    |    |

### JULY

| 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 |    |    |    |    |

### MAY

| 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 |    |    |

### AUGUST

| 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 |    |

## Upcoming Economic Calendar

| Date   | Time (ET) | Release                | Period | Survey | Prior  |
|--------|-----------|------------------------|--------|--------|--------|
| 25-Mar | 10:00     | New Home Sales         | Feb    | 675k   | 661k   |
| 26-Mar | 8:30      | Durable Goods Orders   | Feb P  | 1.20%  | -6.20% |
| 28-Mar | 8:30      | GDP Annualized QoQ     | 4Q T   | 3.20%  | 3.20%  |
| 28-Mar | 8:30      | GDP Price Index        | 4Q T   | 1.60%  | 1.6%   |
| 28-Mar | 10:00     | U. of Mich. Sentiment  | Mar F  | 76.5   | 76.5   |
| 29-Mar | 8:30      | Personal Income        | Feb    | 0.40%  | 1.00%  |
| 29-Mar | 8:30      | Personal Spending      | Feb    | 0.50%  | 0.20%  |
| 29-Mar | 8:30      | PCE Core Deflator MoM  | Feb    | 0.30%  | 0.40%  |
| 29-Mar | 8:30      | PCE Core Deflator YoY  | Feb    | 2.80%  | 2.80%  |
| 29-Mar | 8:30      | Retail Inventories MoM | Feb    | --     | 0.50%  |

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