



U.S. Commercial Paper Market Update

Week Ended June 7, 2024



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MUFG Short Term Credit Products Team

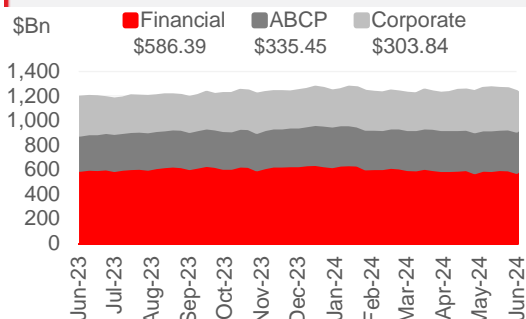
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Market Commentary and Sell-Side Activity

Outstanding CP

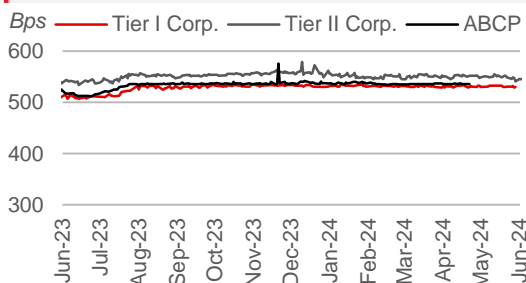


Change in Outstanding CP

USCP Market

Type	Weekly Δ	W-o-W Δ	Y-o-Y Δ
Corporate	-\$3.71B	-1.21%	4.74%
Financial	-\$19.47B	-3.21%	-3.14%
ABCP	-\$0.23B	-0.07%	16.86%
Total CP	-\$23.3B	-1.86%	3.76%

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.	537-548	0.00	538-549	2.00
Tier II Corp.	552-567	0.00	565-580	2.00
Tier III Corp.	600-615	0.00	608-623	1.00
ABCP	540-550	0.00	542-552	1.00
Tier I Fin.	540-550	0.00	542-552	1.00

Benchmark Rates

Type	6/5/2024	W-o-W Δ	Y-o-Y Δ
Fed Effective	533.00	0.00	25.00
O/N GC Repo	539.00	-0.50	30.30
SOFR	533.00	0.00	28.00
1 M Term SOFR	532.79	-0.13	19.67
3 M Term SOFR	533.75	-0.98	9.94

Commercial Paper Market Overview

Treasury yields whipsawed throughout the week and ended mostly lower as market participants reacted to conflicting labor market data. The ISM Manufacturing gauge contracted to 48.7 (49.5 exp.) on Monday, the weakest in three months. However, the ISM Services index came in stronger than expected, rising from 49.4 to 53.8. Tuesday's JOLTS report showed US job openings falling to 8059K, the lowest since 2021. Friday's Change Nonfarm Payrolls report came in hotter than expected at 272k (180k exp.). Following the NFP release, treasury yields spiked 10-15 bps across the curve with Fed swaps now pricing in the first cut for December instead of November. The Unemployment Rate also ticked up to 4.0% (3.9% exp) for the first time since January 2022. In global central bank news, the ECB cut rates by 25 bps on Thursday, its first adjustment of the benchmark rate since September 2023. Equities were higher on the week with the Dow, S&P, and Nasdaq up 0.3%, 1.3% and 2.4%, respectively. The 2-year closed the week at 4.89% (+1bps) and the 10-year closed at 4.44% (-6bps).

CP outstanding decreased \$23.3B WoW with a \$3.71B, \$19.47B, and \$0.23B decline in Corporate paper, Financial paper, and ABCP, respectively. CP Daily Traded Volume has averaged \$127B so far in June, off -4.0% from the May average. Last week MUFG observed solid trading activity in term for Tier I paper and ABCP. Tier II paper also traded smoothly in shorter dated tenors as supply and demand dynamics continues to favor CP issuers. The Investment Company Institute reported money market mutual fund assets rising for the seventh straight week to \$6.093 trillion, just \$18 billion below their April 3 record of \$6.111 trillion, as is typical when there is volatility in the long end of the curve. Institutional MMF AUM are up \$48 billion, or 1.6% year-to-date. Even with ample supply on the buy side, the CP market overall continues to trade in a narrow range with the Fed having last raised rates in July. In many cases, MUFG has observed a 1-2bps differential between where issuers would like to price and where investors would clear their paper. There is currently a 10% and 54% market implied probability of a 25bps cut in July and September, respectively. The first rate cut not fully priced-in until December 18th. Ultimately, paper that is priced to reflect the likelihood of "higher for longer" is expected to be met with ample demand. Usage of the Fed's RRP Facility continues to trend lower with 72 users taking \$378 billion in collateral on Thursday, as cash rich investors continue to redeploy cash into the Treasury markets.

CPI data and the FOMC rate decision will be on Wednesday. PPI data will be released on Thursday. University of Michigan sentiment data will be released on Friday.

Buy-Side Activity

Money Market Flows

Money Market Funds (\$Bn)			
Type	6/5/2024	W-o-W Δ (%)	YTD Δ (%)
Prime Retail	769.80	0.54	40.32
Prime Institutional	622.63	-1.57	-4.93
Government Retail	1,257.37	-0.12	14.71
Government Institutional	1,984.47	0.30	1.09
Treasury Retail	341.50	0.71	26.15
Treasury Institutional	1,365.37	0.46	12.88

Prime Money Fund Statistics

Prime Money Market Funds			
Type	6/5/2024	Weekly Δ	YTD Δ
PrmRt WAM (days)	32.65	-0.17	-4.74
PrmRt WAL (days)	52.85	0.04	11.39
PrmRt 7-Day Yield (bps)	503.01	-0.04	98.48
Prmlns WAM (days)	34.07	-0.76	1.28
Prmlns WAL (days)	26.84	-1.32	-17.40
Prmlns 7-Day Yield (bps)	520.20	-0.02	98.53

Overview

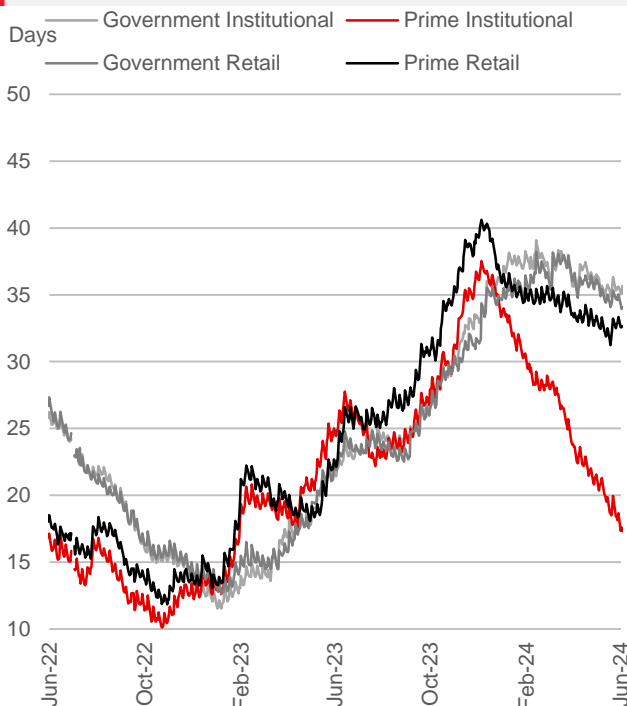
- Prime Institutional money fund WAMs decreased by 0.76 days WoW to 34.07 days
- Prime Institutional 7-Day Yields decreased 0.02 bps WoW to 520.20 bps, while Prime Retail 7-Day Yields decreased 0.04 bps WoW to 503.01 bps
- Since SVB entered receivership, Prime Money Funds AUM have increased by \$222B, while Government and Treasury Funds have increased by \$540B and \$411B respectively
- SEC Rule 2a-7 Amendments became effective on last October 2nd
 - > In April, Prime Money Market funds increased their daily liquid asset bucket from 10% to 25%; and their weekly liquid asset bucket from 25% to 50%
 - > In October, Prime Funds will need to implement mandatory fees should net redemptions exceed 5% in one day. To date, Vanguard, Capital Group, Goldman Sachs Asset Management, and Dreyfus have announced plans to shutter 2a-7 Prime funds; ~\$220B in AUM

Weekly Money Market Flows: Prime vs. Treasury/Government



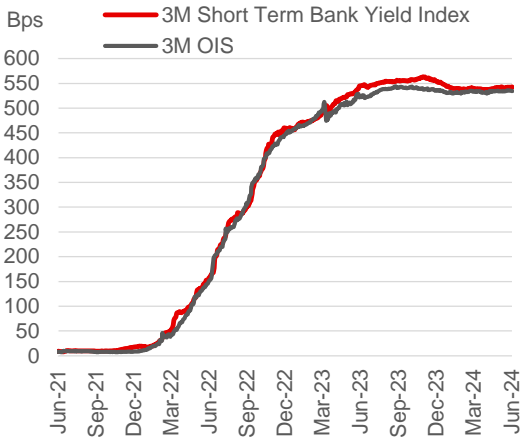
Source: Federal Reserve Bank, Bloomberg, Crane Data

Money Fund WAMS

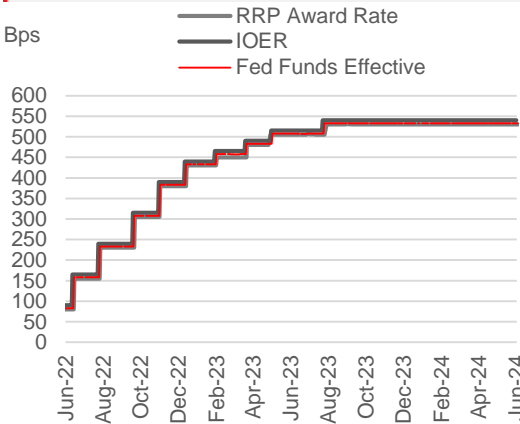


Federal Reserve and Calendars

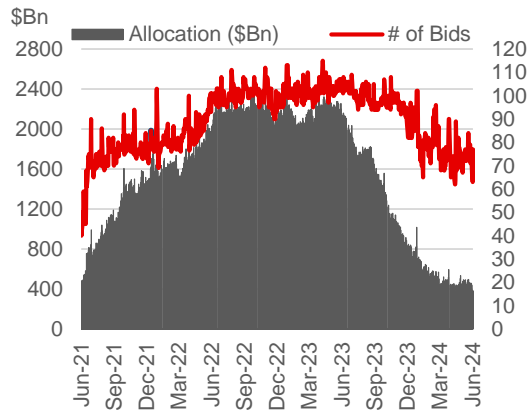
3-Month BSBY & 3-Month OIS



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

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

SEPTEMBER

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				

OCTOBER

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	

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	

Upcoming Economic Calendar

Date	Time (ET)	Release	Period	Survey	Prior
12-Jun	7:00	MBA Mortgage Applications	7-Jun	--	-5.2%
12-Jun	8:30	CPI MoM	May	0.1%	0.3%
12-Jun	8:30	CPI Ex Food and Energy MoM	May	0.3%	0.3%
12-Jun	8:30	CPI YoY	May	3.4%	3.4%
12-Jun	8:30	CPI Ex Food and Energy YoY	May	3.5%	3.6%
12-Jun	14:00	FOMC Rate Decision (Upper Bound)	12-Jun	5.5%	5.5%
13-Jun	8:30	Initial Jobless Claims	8-Jun	220k	229k
13-Jun	8:30	PPI Final Demand MoM	May	0.1%	0.5%
13-Jun	8:30	PPI Final Demand YoY	May	2.5%	2.2%
14-Jun	10:00	U. of Mich. Sentiment	Jun P	73.0	69.1

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