



U.S. Commercial Paper Market Update

Week Ended July 12, 2024



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MUFG Short Term Credit Products Team

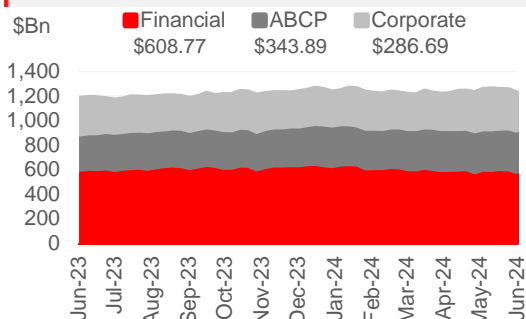
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Market Commentary and Sell-Side Activity

Outstanding CP

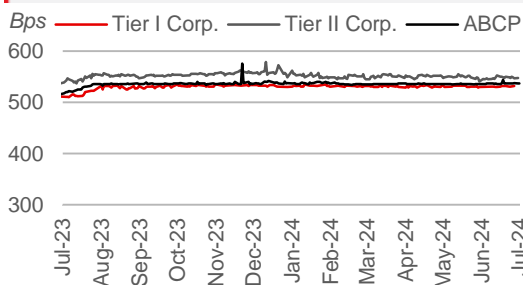


Change in Outstanding CP

USCP Market

Type	Weekly Δ	W-o-W Δ	Y-o-Y Δ
Corporate	\$1.59B	0.56%	9.73%
Financial	\$7.55B	1.26%	-0.65%
ABCP	\$0.19B	0.06%	14.29%
Total CP	\$9.29B	0.75%	5.59%

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	539-549	0.00
Tier II Corp.	552-567	0.00	565-580	0.00
Tier III Corp.	600-615	0.00	608-623	0.00
ABCP	540-550	0.00	542-552	0.00
Tier I Fin.	540-550	0.00	542-552	0.00

Benchmark Rates

Type	7/10/2024	W-o-W Δ	Y-o-Y Δ
Fed Effective	533.00	0.00	25.00
O/N GC Repo	539.90	2.60	29.60
SOFR	534.00	1.00	29.00
1 M Term SOFR	532.87	-0.34	12.65
3 M Term SOFR	530.41	-1.02	-0.70

Commercial Paper Market Overview

Equities climbed and US Treasuries rallied last week as markets digested key inflation data and FedSpeak renewing bets of sooner-than-expected rate cuts. In his semi-annual testimony to Congress, Fed Chair Jerome Powell noted that the Fed has made “considerable progress” toward its goal of lowering inflation to the target of 2%, but emphasized the need for “more good data”. US headline and core CPI eased more than expected in June, following a soft May inflation print. Headline inflation decelerated to 3.0% year-over-year, down from 3.3% year-over-year in May, while the monthly measure decreased (-0.1%), the first decline since the onset of the pandemic. Core inflation increased 0.1% month-over-month and 3.3% year-over-year, the slowest monthly and annual gains in more than three years. Following the softer inflation reading, the market is now pricing in over a 100% chance of the first cut in September versus a November start, previously. Meanwhile, Friday’s PPI Final Demand rose 0.2% month-over-month (vs. 0.1% exp.), offsetting a second month of declines in the cost of goods. On Wednesday, the S&P 500 topped 5,600 for the first time in history and set the 37th record close this year. Equities were higher on the week with the Dow, S&P, and Nasdaq up 1.59%, 0.87%, and 0.25%, respectively. The 2-year closed the week at 4.45% (-16bps) and the 10-year closed at 4.18% (-9bps).

CP outstanding increased \$9.29B WoW with a \$1.59B, \$7.55B, and \$0.19B increase in Corporate paper, Financial paper, and ABCP, respectively. Given continued pent up demand from the 4th of July holiday truncated week, MUFG observed robust trading in all sectors, as expected, during the first half of the week. Following Wednesday’s softer-than-expected CPI print, there is now price discovery for paper that matures after the September 18th FOMC meeting. With the markets now pricing in a 100% probability that the Fed is going to ease 25 basis points in September, MUFG observed more trading activity in shorter-dated CP (< 3-months), and expects the trend to continue as both issuers and investors reassess where longer dated CP should trade. However, MUFG expects overall demand for CP to remain high as market participants presume that rates have now peaked, with two cuts now fully priced-in before year-end. 71 users took \$404B in collateral on Thursday from the Fed’s RRP Facility, as cash rich investors continue to redeploy cash into the Treasury markets.

MUFG expected decreased liquidity on Monday given Corporate Tax Day. On the data front, Empire Manufacturing data will be released on Monday; Retail Sales Advance will be released on Tuesday; MBA Mortgage Applications, Housing Starts, and Industrial Production data will be released on Wednesday; Initial Jobless Claims will be released on Thursday.

Buy-Side Activity

Money Market Flows

Money Market Funds (\$Bn)			
Type	7/10/2024	W-o-W Δ (%)	YTD Δ (%)
Prime Retail	784.27	0.53	37.33
Prime Institutional	416.12	0.61	-35.16
Government Retail	1,269.09	0.08	14.69
Government Institutional	2,203.91	0.18	14.58
Treasury Retail	345.82	0.09	24.45
Treasury Institutional	1,379.63	-0.21	13.92

Prime Money Fund Statistics

Prime Money Market Funds			
Type	7/10/2024	Weekly Δ	YTD Δ
PrmRt WAM (days)	32.68	-0.22	-4.71
PrmRt WAL (days)	53.59	0.12	12.13
PrmRt 7-Day Yield (bps)	501.52	-0.83	96.99
Prmlns WAM (days)	34.15	0.17	1.36
Prmlns WAL (days)	23.78	-1.31	-20.46
Prmlns 7-Day Yield (bps)	516.96	-0.95	95.29

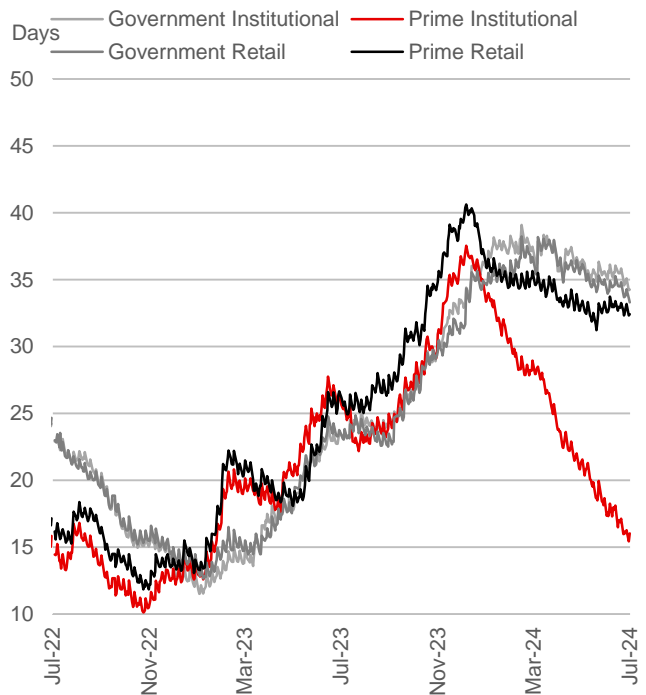
Overview

- Prime Institutional money fund WAMs increased by 0.17 days WoW to 34.15 days
- Prime Institutional 7-Day Yields decreased 0.95 bps WoW to 516.96 bps, while Prime Retail 7-Day Yields decreased 0.83 bps WoW to 501.52 bps
- Since SVB entered receivership, Prime Money Funds AUM have increased by \$30B, while Government and Treasury Funds have increased by \$771B and \$429B 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



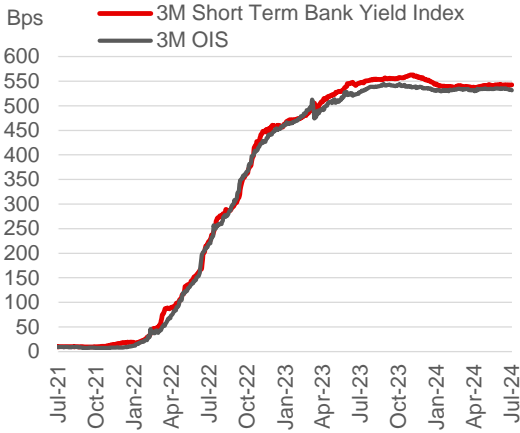
Money Fund WAMS



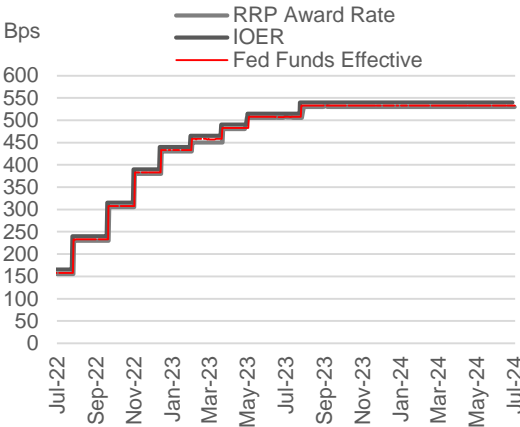
Source: Federal Reserve Bank, Bloomberg, Crane Data

Federal Reserve and Calendars

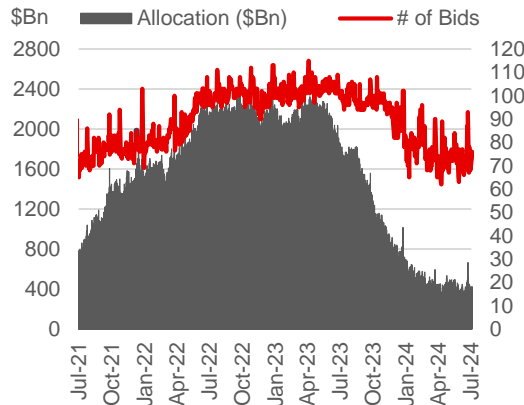
3-Month BSBY & 3-Month OIS



Fed Funds Effective Rate



Reverse Repo Facility Usage



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

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	

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						

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					

Upcoming Economic Calendar

Date	Time (ET)	Release	Period	Survey	Prior
16-Jul	8:30	Retail Sales Advance MoM	Jun	-0.20%	0.10%
16-Jul	8:30	Import Price Index MoM	Jun	-0.20%	-0.40%
16-Jul	8:30	Export Price Index MoM	Jun	-0.10%	-0.60%
17-Jul	7:00	MBA Mortgage Applications	12-Jul	--	-0.20%
17-Jul	8:30	Building Permits	Jun	1398k	1386k
17-Jul	8:30	Housing Starts	Jun	1300k	1277k
17-Jul	8:30	Housing Starts MoM	Jun	1.80%	-5.50%
17-Jul	9:15	Industrial Production MoM	Jun	0.30%	0.90%
18-Jul	8:30	Initial Jobless Claims	13-Jul	230k	222k
18-Jul	8:30	Continuing Claims	6-Jul	1857k	1852k

Sources: Federal Reserve Bank, Bloomberg

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