



Inside Global ABCP

2024 Update

S&P Global
Ratings

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This report does not constitute a rating action

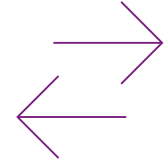
Global ABCP Key Themes



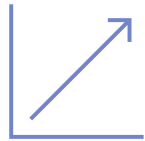
ABCP sector performance and rating is expected to remain stable across U.S. and EMEA.



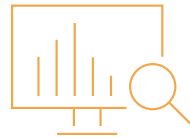
Derivative financing arrangements (total return swaps, repurchase agreements, securities lending agreements etc.) are steadily increasing in both U.S. and EMEA ABCP.



Bank ratings supporting ABCP are expected to be resilient despite higher interest rates.



Current issuance and utilization rates of ABCP in EMEA are at a decade high.



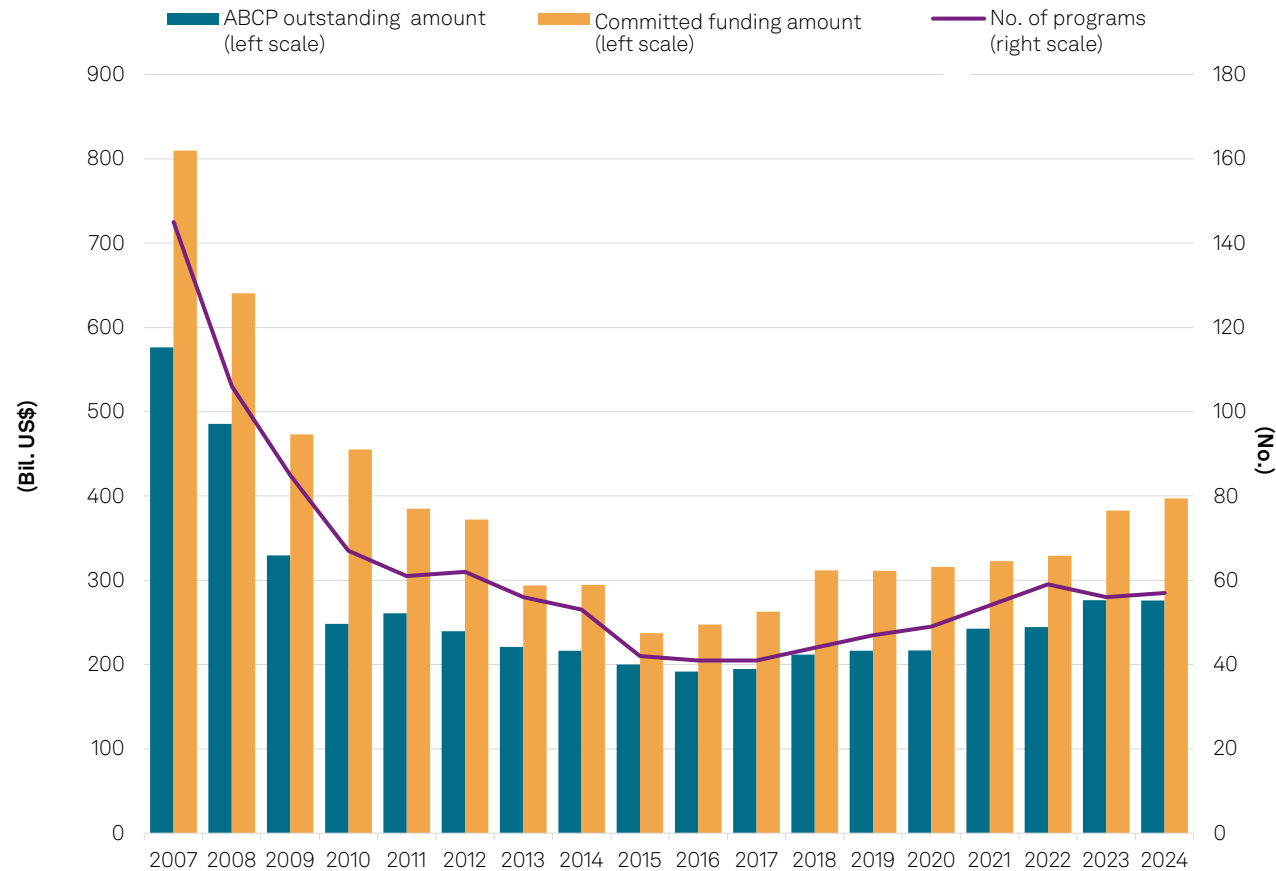
Although limited at this stage, we expect Green ABCP issuance in EMEA to rise in the long term with increased investor demand for “Green” or “Sustainable” ABCP.



France has recently been downgraded to ‘AA-’ and we do not anticipate immediate impact on the current ratings of French ABCP programs.

ABCP--Asset-backed commercial paper. Source: S&P Global Ratings.

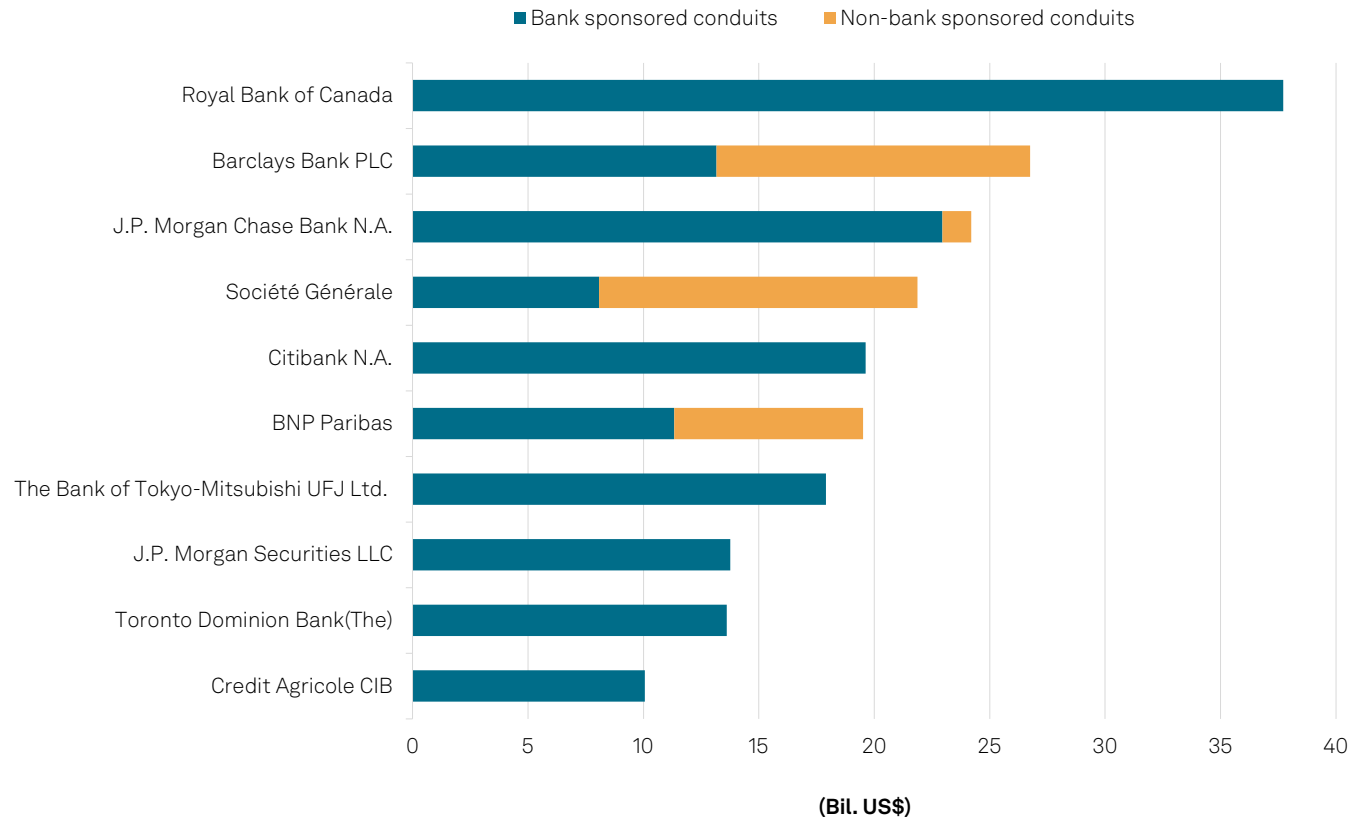
U.S. S&P Global Ratings-Rated ABCP Market Trends And Issuance*



*The data presents values as of December for each year 2007-2023 and as of April 2024. ABCP--Asset-backed commercial paper. Source: S&P Global Ratings.

- U.S. ABCP outstanding reached a peak of \$337 billion as of year-end 2023 and has remained steady in 2024.
- S&P Global Ratings-rated ABCP is slightly lower, at \$275.8 billion (59 conduits), compared to year-end 2023, at \$276.4 billion (56 conduits). However, derivative-backed financing arrangements from non-bank sponsors comprises a larger component of the outstanding ABCP.
- Due to its high credit quality, asset-backed commercial paper (ABCP) has been an attractive investment for non-2(a)-7 funds, including Local Government Investment Pools (LGIPs), seeking ABCP with longer maturities to lock in higher rates.
- As of July 2024, we have assigned our ratings to ABCP issued by four new conduits (Ionic Funding LLC's series III and MCP I, Brigantine Funding Co. LLC, Overwatch Bravo Funding LLC, and Parabelle Funding LLC); one new series to an existing conduit (Concord Minutemen Capital Co. LLC's series D); and withdrew our ratings on ABCP issued by two conduits (Alpine Securitization Ltd. and Alpine Securitization LLC).
- We expect softer economic growth and still-elevated interest rates to continue to pressure consumer-related sectors. Despite the resilient labor market, households' financial health has shown signs of weakness, straining many of the weakest borrowers. Delinquencies of auto loans and credit cards have been rising, which, together with potentially lower long-term rates in late 2024, could hinder ABCP growth beyond current levels.

U.S. Top 10 ABCP Invested Amount By Support Provider*



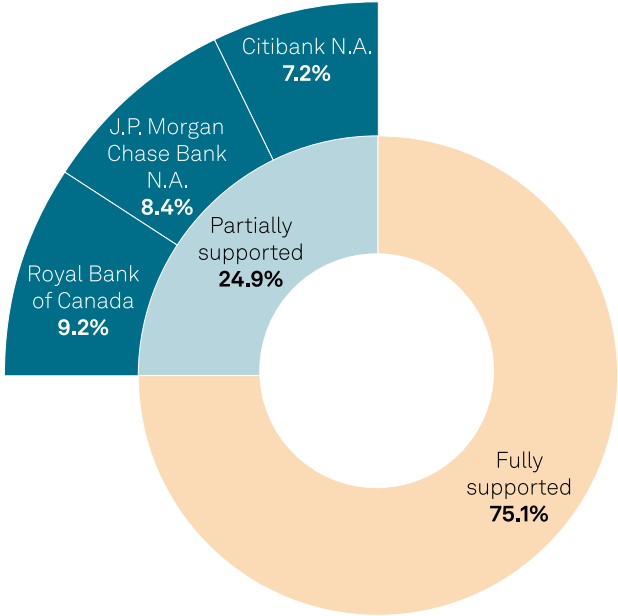
- Banks that support ABCP continue to remain stable due to good performance, although growth of the banking sector is likely to be constrained by high interest rates despite an increase in deposits over the past two quarters. Banks are expected to maintain adequate contingent liquidity, despite having relatively low cash balances and significant unrealized losses on their securities. There is uncertainty about the timing and extent of potential changes to the Basel III endgame proposal by regulators, which could negatively affect capital standards for banks.
- We did not take any rating actions over the past six months, which reflects the stable outlook on support providers and high credit quality of funded assets. We continue to surveil support provider ratings and collateral performance.
- 81% of the U.S. ABCP outstanding are rated 'A-1', and 19% are rated 'A-1+'; ABCP is predominantly denominated in U.S. dollars.
- Approximately 75% of U.S. ABCP we rate is issued by fully-supported conduits, which includes alternative financing, such as repurchase agreements, total return swaps, and securities lending agreements.

*The data presents values as of April 2024. ABCP--Asset-backed commercial paper. Source: S&P Global Ratings.

U.S. Key Trends In Program Composition

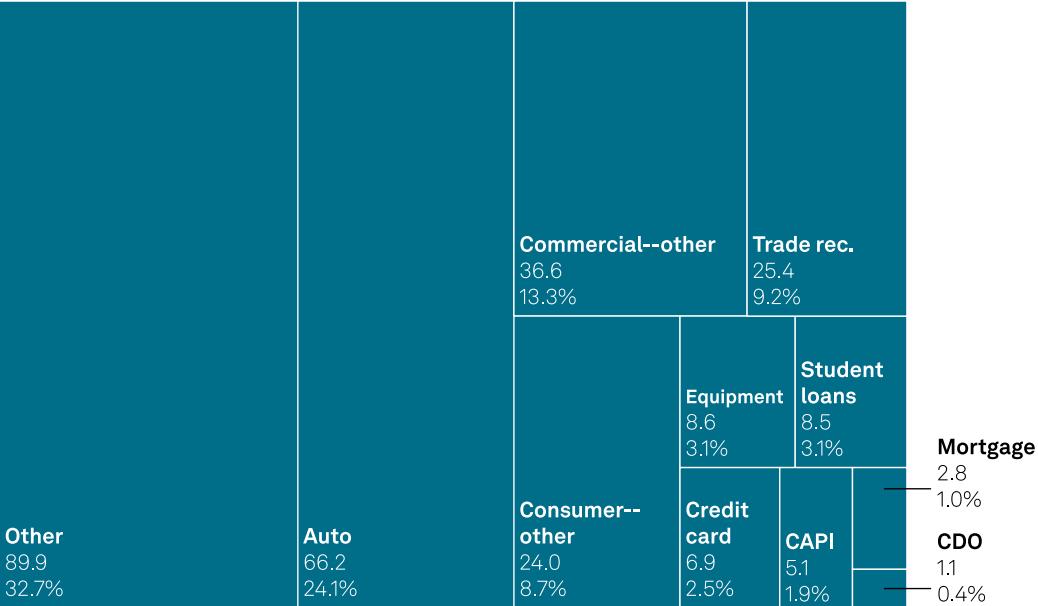
- Three sponsors (Citibank N.A., J.P. Morgan Chase Bank N.A., and Royal Bank of Canada) account for nine partially supported programs totaling \$68.6 billion (24.9%) of the ABCP we rate. About 60.8% (\$41.7 billion) of these are partially supported transactions.
- The remaining 50 programs are fully supported, accounting for the remaining \$207.3 billion (75.1%) of the total U.S. ABCP that we rate.
- We have observed a slight change in the asset portfolio composition where "other" assets, at \$89.9 billion (32.7%), have now surpassed the "auto loans and leases", at \$66.1 billion (24.1%). "Other" assets include derivative financing arrangements, such as total return swaps, repurchase and loan agreements in conduits, which offer capital relief solutions for banks as jurisdictional regulations continue to evolve.

Fully vs. partially supported conduit breakout by ABCP outstanding*



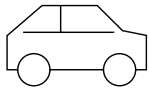
*As of April 2024. Source: S&P Global Ratings.

Asset types based on invested amount (Bil. \$)§†



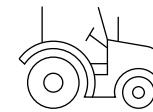
§As of March 2024. †Includes both partially and fully supported assets. Other--Comprises specific collateral types such as servicer advance, contract payment rights, repossessions, etc. Commercial--other--Comprises specific collateral types such as commercial loans, leases, railcar/container, fleet lease, floorplan, etc. Consumer--other--Comprises specific collateral types such as personal loans, mobile handsets, etc. CAPI--Cash and permitted investments. CDO--Collateralized debt obligation. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary*



Asset-backed security	Collateral performance outlook	Rating trends
Prime auto loan	Somewhat weaker	Stable
Subprime auto loan	Weaker	Stable to negative
Auto lease	Stable	Stable

- In line with auto loan and auto lease ABS issuance, ABCP-financed autos has remained stable compared to year-end 2023. At 51% of the total invested amount backed by partially supported assets, auto continues to be the largest asset class.
- Performance of ABCP transactions is strong with 336x coverage of short tail losses by reported credit enhancement.
- ABS auto loan performance across prime and subprime portfolios has weakened as cumulative net losses continue to rise, reflecting inflationary pressure and lower recoveries driven by consumers' transition to lower-priced entry-level vehicles.
- We expect ABS losses will continue to rise across prime and subprime portfolios due to the impact of lower incomes, higher debt levels, and depleted savings from pandemic.

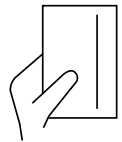


Asset-backed security	Collateral performance outlook	Rating trends
Auto dealer floorplan	Stable	Stable
Commercial equipment	Stable	Stable

- ABCP dealer floorplan net investment decreased to \$869 million from \$1.3 billion as of year-end 2023. At the same time, net investment in equipment (including fleet leases) has decreased slightly to \$3.1 billion from \$3.7 billion at year-end 2023.
- Performance of ABCP is very strong, with 719x coverage of short tail losses by reported credit enhancement.
- In dealer floorplan, monthly payments remain above transaction trigger levels with easing supply chain constraints and fulfillment of pent-up demand.
- In ABS fleet lease, we expect low losses and continued demand for fleet vehicles, with a slight decline in deliveries year over year, keeping issuance volume in line with 2023 levels.
- We expect ABS equipment losses to remain muted in light of neutral to positive outlooks for the agriculture, transportation, construction, and small-ticket sectors.

*As of March 2024. Note: All credit enhancement multiples are a weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed are \$0 when net investment is \$0. The loss horizon is consistent with funding under respective liquidity agreements. ABS--Asset-backed securities. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary (cont.)*



Asset-backed security	Collateral performance outlook	Rating trends
Credit cards	Somewhat weaker	Stable

- ABCP-financed credit card net investment dipped by 11.9%, compared with year-end 2023, and stands at \$2.7 billion. Bank cards as a percentage of year-end 2023 net investment decreased by 19.7% as banks remain flush with deposits, while retail cards remained stable.
- Similar to credit card ABS, U.S. bank card ABCP performance remains satisfactory, with 22x coverage of short-tail losses by reported credit enhancement, despite an increase in losses.
- The high interest rates, persistent inflation and rising unemployment rates will continue to affect consumers' purchasing power along with a toll on their savings in this asset class.




Asset-backed security	Collateral performance outlook	Rating trends
FFELP student loan	Somewhat weaker	Stable
Private student loan	Somewhat weaker	Stable

- ABCP-financed FFELP and private student loans remained stable at \$7.7 billion of net investment, with 78.4% comprised of FFELP loans.
- Student loan performance remains strong, with 42x coverage of short-tail losses by reported credit enhancement.
- Credit quality of ABS FFELP student loan is expected to remain stable as it relies on the U.S. government's guarantee on underlying loans. The SAVE plan, a new income-driven repayment option introduced by the U.S. Department of Education, appears to be the most generous plan, potentially attracting borrowers who seek more manageable federal student loan payments.
- We continue to monitor ABS student loan performance, where delinquencies in private student loan transaction has increased due to slower prepayments and higher inflation.

*As of March 2024. Note: All credit enhancement multiples are weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed were \$0 when net investment is \$0. The loss horizon is consistent with funding under respective liquidity agreements. ABS—Asset-backed securities. Source: S&P Global Ratings.

U.S. Partially Supported Assets Summary (cont.)*



Asset-backed security	Collateral performance outlook	Rating trends
ABS - unsecured consumer loans	Somewhat weaker	Stable to negative

- Consumer-other receivables financed by ABCP has remained stable at \$4.2 billion since year-end 2023.
- Collateral performance was very strong, with 675x coverage of short-tail losses by reported credit enhancement.
- We expect borrowers to be affected by inflationary environment and with slightly higher unemployment rate this year, which could potentially increase the delinquency rates for this asset class.



Asset-backed commercial paper	Rating trends
Trade receivables	Stable

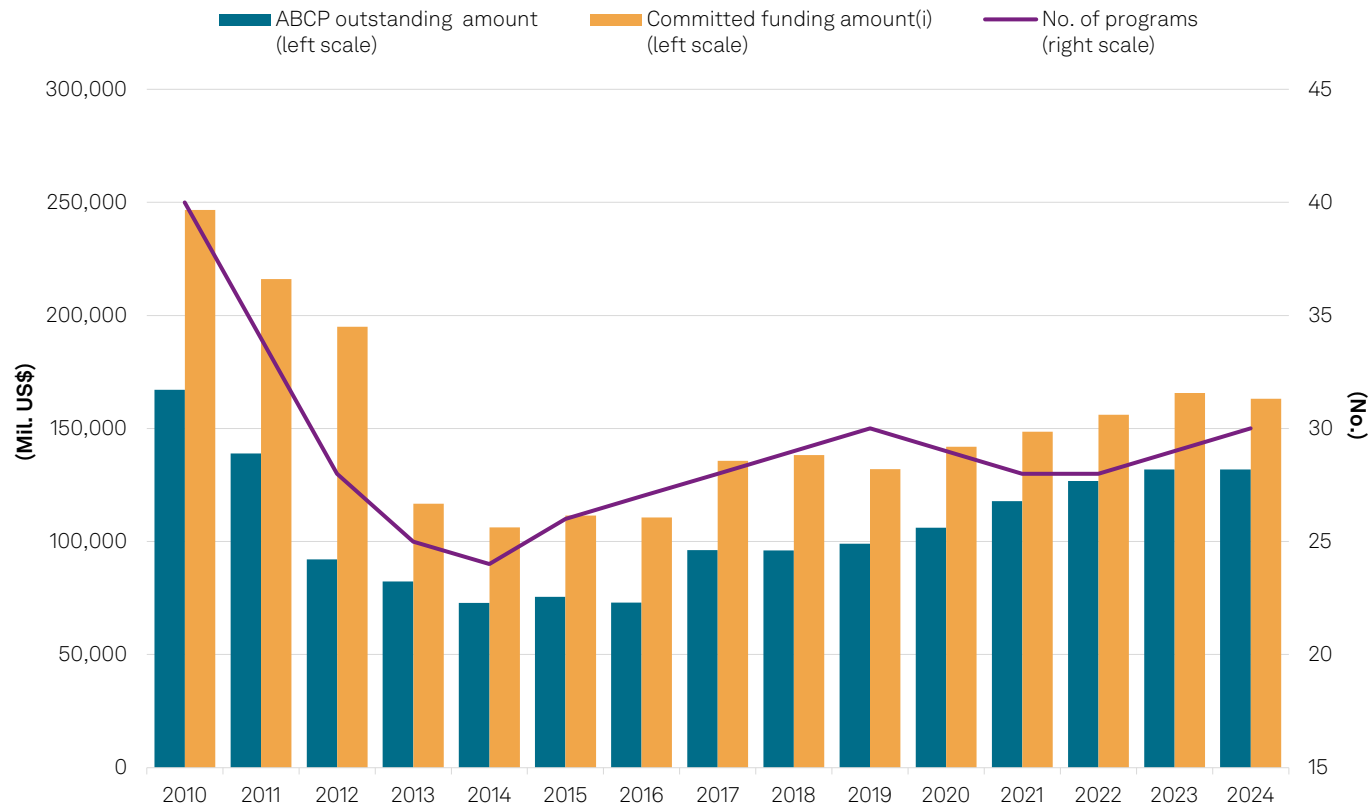
- Net investments for trade receivables increased by 42% to \$1.6 billion from \$1.1 billion since year-end 2023.
- The trade receivables portfolio includes several distinct sectors like utilities (which make up the largest share at 71% of net investment), energy, consumer products, steel products, and health equipment.
- Trade receivables performance is satisfactory, with 36x coverage of short-tail losses by reported credit enhancement.
- Our outlook for the utilities sector remains stable due to enhanced financial performance over the past year, driven by a slower rise in inflation.

*As of March 2024. Note: All credit enhancement multiples are weighted average based on net investments of each transaction and sponsor-reported credit enhancement. Losses assumed were \$0 when net investment is \$0. The loss horizon is consistent with funding under respective liquidity agreements. ABS—Asset-backed securities. Source: S&P Global Ratings.

Impact Of CDOR Cessation On Bankers' Acceptance Market

- The Banker's Acceptance (BA) market has been one of Canada's core funding markets and a key source of financing for small- and medium-size corporate borrowers.
- The Canadian Dollar Offered Rate (CDOR) serves as the basis for pricing BA related credit facilities that are sold to money market investors. With the cessation of CDOR's publication (similar to LIBOR in mid-2023), the BA-based lending model discontinued and ceased as of June 2024.
- A majority of BA issuance lies in the one-month tenor, and a single instrument is not expected to replace BAs, which affords ABCP an opportunity to serve as a potential investment substitute for money market investors.
- This bodes well for the ABCP market in general and could help sustain its current elevated levels throughout 2024.

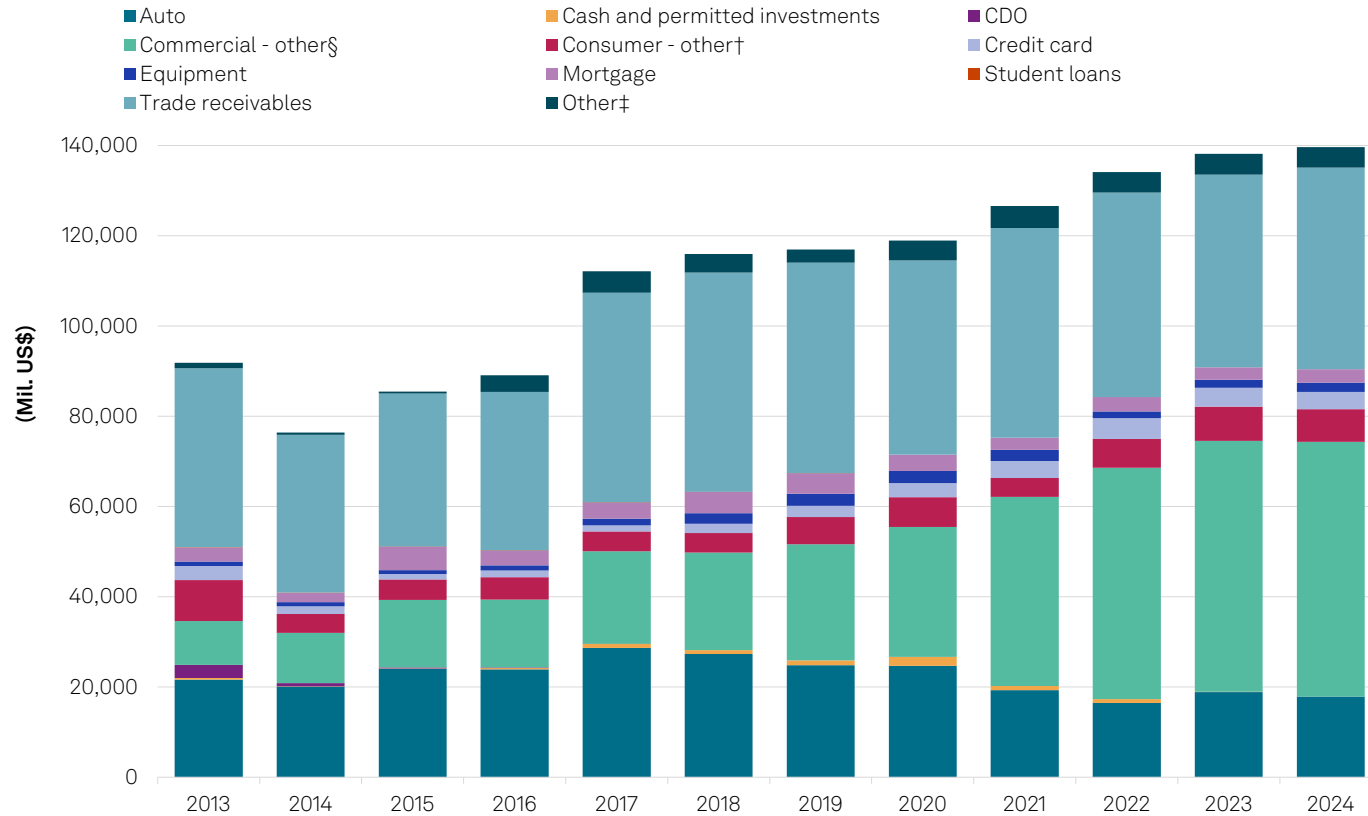
EMEA ABCP Market Trends And Issuance*



- ABCP outstanding from conduits domiciled in EMEA reached \$131.8 billion in April 2024.
- Committed funding amounts are rising steadily, and the European ABCP market growth is expected to be moderate.
- There are 29 programs as of April 2024, including one additional program since August 2023. We rated the new issuance of Mainbeach Funding DAC in December 2023.
- A new conduit, Verto Capital, was announced in May 2024. We published the presale on May 23, 2024.
- Conduits funding investment contracts represent 40.5% of total ABCP outstanding.
- Macroeconomic conditions remain uncertain; however, our outlook on ABCP programs is stable, as they are fully supported by global systemically important banks.
- Our GDP growth forecasts for the eurozone economy are 0.7% and 1.3% in 2024 and 2025, respectively. Our forecasts for inflation are 2.6% in 2024 and 2.1% in 2025, close to the ECB inflation target.

*The data present values as of December for each year and as of April 2024. Our internal rates were applied for currency conversion, unless performance reports stipulate specific rates. (i) Represents total funding commitments. ABCP--Asset backed commercial paper. Source: S&P Global Ratings.

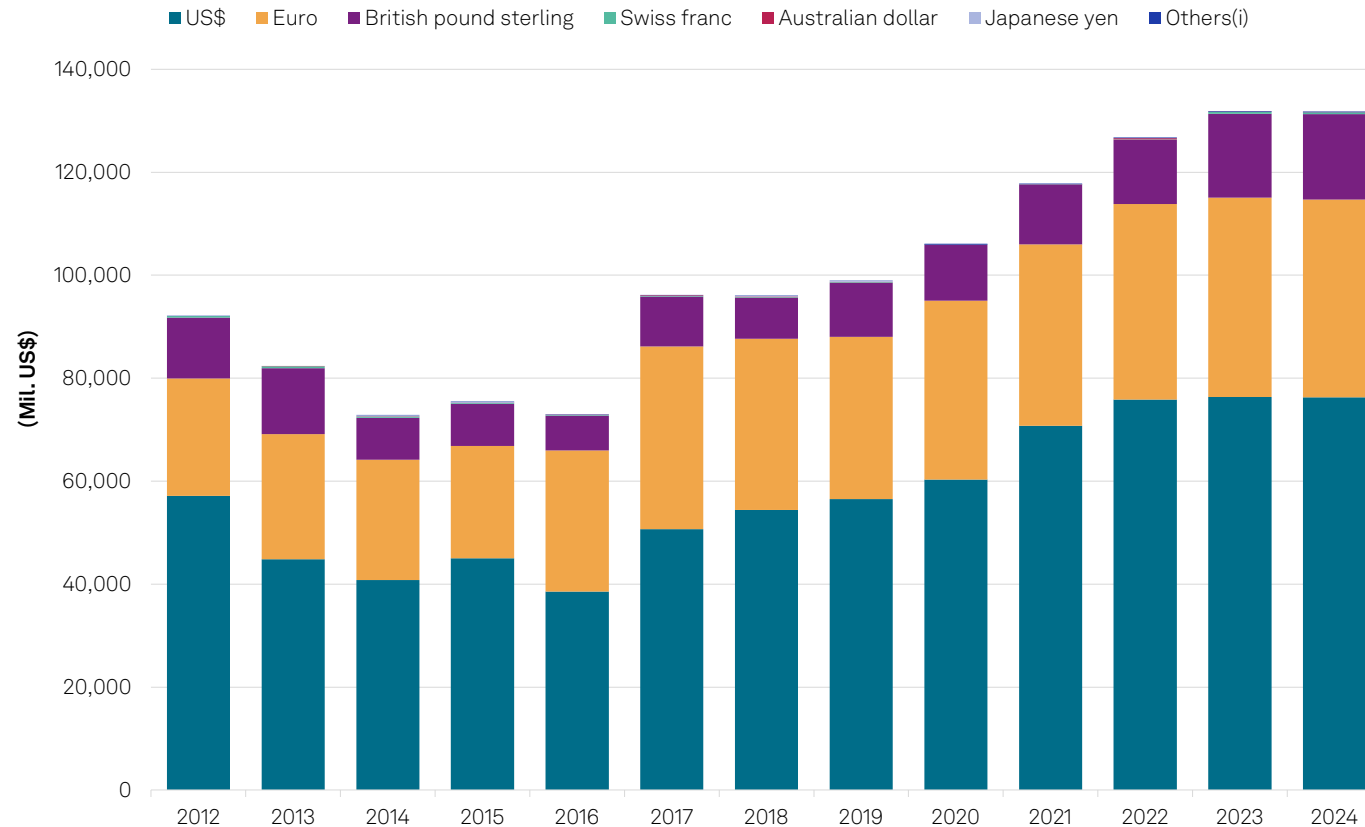
EMEA Amount Invested Based On Asset Type*



- In EMEA, both auto and trade receivables outstanding decreased in relative terms in favor of investments contracts (i.e., commercial- other).
- Investment contracts (i.e., repos, swaps) increased in volume to 40.5% from 11.0% since 2013, becoming the most dominant asset class financed in European ABCP, which is a significant shift for a market that was originally considered a real economy financing tool.
- We expect new non-bank sponsors to support a surge in derivative financing arrangements.
- Approximately 32% of the assets financed are trade receivables, while autos represent 12.8%, in contrast to 23.5% in 2013.

*The data present values as of December for each year 2013-2023 and as of March 2024. ‡Comprises specific collateral types such as sukuk, future flows etc. †Comprises specific collateral types such as consumer loans, etc. §Comprises specific collateral types such as swaps, bonds, repos, whole business securitization etc. CDO--Collateralized debt obligation. Source: S&P Global Ratings.

EMEA Historical ABCP Outstanding By Currency*
















*The data present values as of December for each year 2012-2023 and as of April 2024. §Other currencies include Swedish krona, Canadian dollars, Norwegian kroners, Singapore dollars, Polish zloty, and Hong Kong dollars. ABCP--Asset backed commercial paper. Source: S&P Global Ratings.

- European ABCP currency mix is stable.
- Almost all ABCP outstanding issued by European conduits are denominated in U.S. dollars, euros, and British pound sterling. The shares of all three currencies remain largely unchanged since December 2022.
- Of the three currencies, U.S. dollars represent 57.9%, with some European programs issuing ABCPs denominated in U.S. dollars only.

Global Top 10 Sponsors

Based on ABCP outstanding as of April 2024

		% of S&P Global Ratings-rated U.S. and EMEA conduits	
		April 2024	December 2023
	JPMorgan Chase Bank N.A.	10.6	11.3
	Royal Bank of Canada	9.4	10.0
	Northcross Capital Management Ltd.	7.6	7.7
	Credit Agricole Corporate and Investment Bank	6.9	7.8
	BNP Paribas	6.5	6.0
	Nearwater Liquid Markets LLC	6.1	5.0
	Guggenheim Treasury Services LLC	6.1	6.1
	Société Générale	5.4	5.6
	Bank of Tokyo-Mitsubishi UFJ Ltd., New York	5.3	5.2
	BSN Holdings Ltd./BSN Capital Partners Ltd.	5.2	4.6

-  Only U.S. conduits
-  Only EMEA conduits
-  U.S. and EMEA conduits

Source: S&P Global Ratings.

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Related Research And Appendix

- [Global Credit Conditions Q3 2024 Soft Landing, Fragmenting Trajectories](#), July 1 2024
- [Credit Conditions Europe Q3 2024 Keep Calm, Carry On](#), June 25, 2024
- [Economic Outlook Eurozone Q3 2024: Growth Returns, Rates Fall](#), June 24, 2024
- [Credit Conditions North America Q3 2024 A Brighter Outlook, Laden With Risks](#), June 25, 2024
- [Presale: Verto Capital I Compartment B](#), May 23, 2024
- [New Issue: Mainbeach Funding DAC](#), Dec 22, 2023
- [New Issue: Parabelle Funding LLC](#), May 17, 2024
- [New Issue: Overwatch Bravo Funding LLC](#), May 15, 2024
- [New Issue: Brigantine Funding Co. LLC](#), Feb. 16, 2024
- [New Issue: Ionic Funding LLC \(Series III\)](#), Feb. 7, 2024
- [New Issue: Ionic Funding LLC \(Series MCP I\)](#), Feb. 7, 2024
- [Global Banks Outlook 2024: Forewarned is Forearmed](#), Nov. 16, 2023

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