

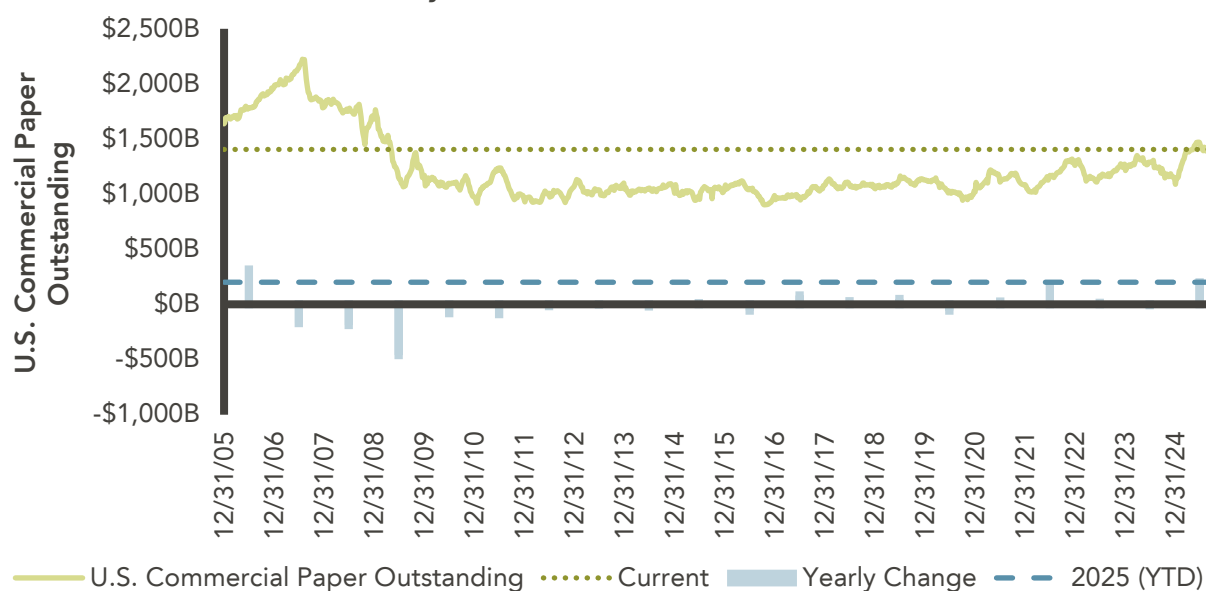
# Chart of the Week

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## Getting That Paper

EVAN FRAZIER, CFA, CAIA, SENIOR RESEARCH ANALYST

➤ Outstanding U.S. commercial paper is now close to multi-year highs, as year-to-date issuance has climbed to levels not seen in nearly two decades



Source: Bloomberg, the Federal Reserve Bank of New York as of August 31, 2025

Commercial paper is a type of unsecured debt instrument that can be utilized by companies to finance short-term liabilities. The U.S. commercial paper market, which eclipsed \$2 trillion in total value in 2007, was decimated in the aftermath of the Global Financial Crisis, with ultra-low interest rates pushing most companies toward longer-term obligations. That said, this method of financing is currently experiencing a revival, as 2025 has seen more than \$200 billion in new U.S. commercial paper issuance. This is the highest figure notched in a calendar year since 2006. Indeed, major corporations including Uber, Netflix, Coca-Cola, PepsiCo, Philip Morris, and Honeywell have recently ventured into the commercial paper market, collectively raising billions through instruments that usually mature within one to three months. Total U.S. commercial paper outstanding stood at more than \$1.4 trillion at the end of August.

The recent growth of the commercial paper market reflects a notable change in how U.S. companies are choosing to finance operations. With borrowing costs elevated and trade tensions persisting, firms have opted to bolster cash reserves while avoiding the higher expense of long-term debt, particularly as potential interest rate cuts from Federal Reserve loom. This trend is consistent with the approach of the U.S. Department of the Treasury, which has relied heavily on short-term T-bill issuance to cover government funding needs. It is important to note, however, that commercial paper utilization exposes issuers to certain risks. For instance,

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if long-term interest rates remain high, companies could be forced to regularly roll over short-dated obligations. A surge in short-term borrowing by both businesses and the government may also increase competition for investors, raising funding costs further. ■

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## PREPARED BY MARQUETTE ASSOCIATES

180 North LaSalle St, Ste 3500, Chicago, Illinois 60601    PHONE 312-527-5500  
CHICAGO BALTIMORE MILWAUKEE PHILADELPHIA ST. LOUIS    WEB [marquetteassociates.com](http://marquetteassociates.com)

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