

# October bond volumes: Safe to go back in the water

By Warren Lovely & Taylor Schleich

You've seen *Jaws*? It's a cinematic classic. Well, in an alternative, fixed income universe, you could cast sticky inflation, higher-for-longer policy rates, irresponsible fiscal policy and/or disengaged foreign investors as the menace lurking below the surface.

But after taking a serious bite out of markets in September, bond market monsters retreated in October (to an extent). Judging from IIROC's latest batch of bond market trading stats, more than a few market participants felt it was once more safe to go back into water.

Some reflections on an exceptionally vigorous month of trading in Canada's bond market:

→ Total domestic bond trading was up 26% Y/Y in October. The increase in the bedrock GoC sector—which accounts for the vast majority of secondary trade—was even more striking (+37% Y/Y);

→ There's seasonality in Canada's bond market and October can be active. But the volume increase was still pretty striking on a seasonally adjusted basis (+15% M/M, based on a standard X-11 process);

→ The C\$1.25 trillion of GoC bonds that changed hands in October were the third largest tally for the sector in the MTRS 2.0 regime, trailing

only Mar-20 and Mar-22—both pretty extraordinary months. All counterparty types were more active, with non-residents accounting for the largest share of GoC trade (26%) since pre-BoC normalization;

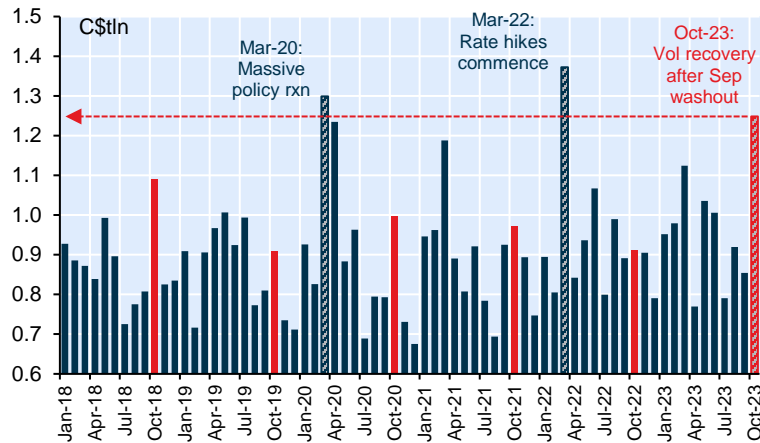
→ Curve wise, GoC volumes were up everywhere, save the orphaned RRB sector, where monthly trading is but half of what it was prior to the product's cancellation. (Don't get us started.) In nominals, action was brisk on the wings. Of particular note, trading in >10Y Canadas boomed, spiking at least 2 times higher than the five prior Octobers. This action was presumably aided by the degree of stabilization in long(er) yields at what were pretty attractive levels historically;

→ Beyond GoC bonds, secondary volumes weren't pumped up nearly as much in October. Provincial bond trading was less-than-rabid, despite a good deal of new issue supply. Corporate volumes were off 16% Y/Y, but at least here we can point to muted primary supply;

→ Meanwhile, CMB program uncertainty continues to weigh on related volumes. Trading in federal Crowns has held below-average each and every month since the program's fate was thrown into doubt. Here's hoping we get much-needed clarity via Ottawa's FES, formally scheduled for November 21<sup>st</sup>. Our calendar is marked.

**Chart 1: 3<sup>rd</sup> busiest month of GoC trading in MTRS 2.0 regime**

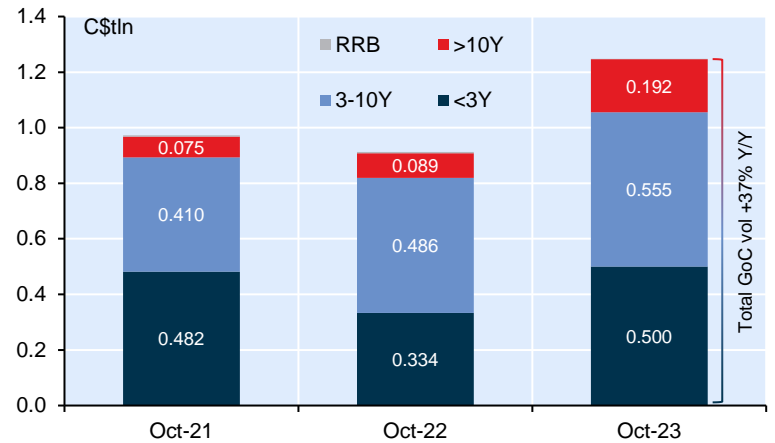
Secondary GoC bond trading: All tenors (monthly)



Source: NBF, IIROC | Note: Total trading in GoC bonds, all tenors/all counterparties

**Chart 2: GoC bond volumes give you wings! (apologies to Red Bull)**

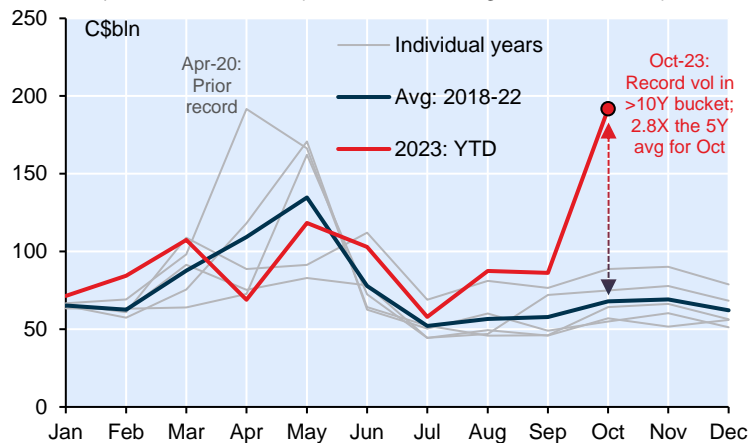
Secondary GoC bond trading by tenor (Oct-23 vs. prior years)



Source: NBF, IIROC | Note: Total trading in GoC bonds, all tenors/all counterparties

**Chart 3: Two-way action in long(er) Canadas very brisk**

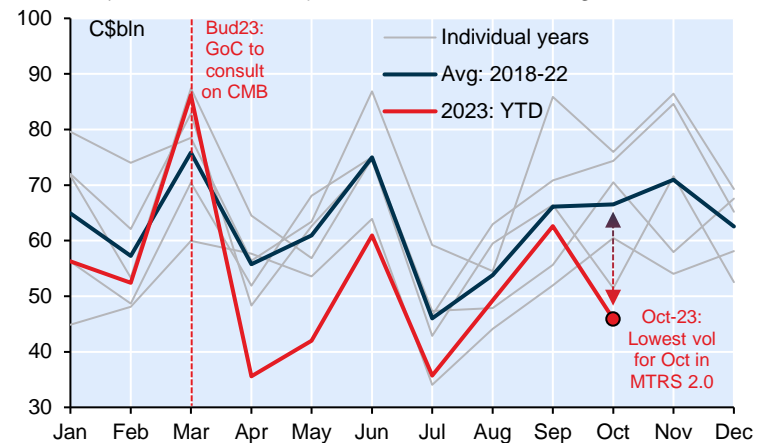
Seasonal pattern of secondary GoC bond trading: >10Y bucket only



Source: NBF, IIROC | Note: 2023 volumes available to Oct

**Chart 4: CMB uncertainty depressing crown trading volumes**

Seasonal pattern of secondary federal crown bond trading: All tenors



Source: NBF, IIROC | Note: 2023 volumes available to Oct

**Table: A detailed look at secondary trading statistics in Canada's bond market**

Canada secondary bond trading by sector/tenor: Monthly (top) & year-to-date (bottom)

C\$/bIn	All bonds	GoC					Other sectors						
		All tenors	<3Y	3-10Y	>10Y	RRBs	Crowns	Provi	Muni	Corp	MBS		
<b>Latest month: Oct-23</b>	<b>1,471.1</b>	<b>1,248.4</b>	<b>500.0</b>	<b>555.1</b>	<b>191.8</b>	<b>1.4</b>	<b>45.9</b>	<b>107.3</b>	<b>3.4</b>	<b>53.3</b>	<b>7.5</b>		
Share of total trading	100%	84.9%	34.0%	37.7%	13.0%	0.1%	3.1%	7.3%	0.2%	3.6%	0.5%		
Y/Y chg: Oct-23 vs. Oct-22	26.2%	36.9%	49.9%	14.3%	116.0%	-63.2%	-10.8%	-15.8%	29.6%	-16.1%	74.7%		
Monthly trading volumes	Last year of trading: More recent to oldest	Sep-23	1,121.6	854.5	314.5	451.8	86.3	1.8	62.6	120.9	4.2	63.9	10.6
	Aug-23	1,123.1	919.7	345.9	484.8	87.4	1.6	49.3	86.5	4.5	50.0	10.1	
	Jul-23	960.0	790.9	365.6	366.5	57.9	0.9	35.7	70.8	2.8	49.7	7.3	
	Jun-23	1,249.1	1,006.2	367.5	534.9	102.9	0.8	60.9	108.4	3.7	56.3	7.1	
	May-23	1,246.5	1,035.8	412.9	503.1	118.3	1.5	42.0	102.5	3.2	54.1	3.4	
	Apr-23	948.3	769.7	311.5	388.6	68.9	0.8	35.6	89.4	3.4	40.3	5.0	
	Mar-23	1,402.9	1,124.5	384.3	631.2	107.5	1.5	86.2	117.4	3.2	57.4	6.9	
	Feb-23	1,203.1	979.0	341.2	551.9	84.4	1.5	52.4	106.0	2.6	50.7	4.0	
	Jan-23	1,210.5	952.2	363.9	515.1	71.4	1.8	56.3	134.2	2.6	54.4	4.4	
	Dec-22	1,025.8	790.2	280.8	428.9	78.8	1.7	52.5	122.4	2.1	49.9	1.9	
	Nov-22	1,187.0	905.4	311.1	501.5	90.1	2.7	71.6	127.4	2.8	63.4	7.8	
Reference: Month (Oct)	Oct-22	1,166.0	912.1	333.6	485.8	88.8	3.9	51.4	127.4	2.6	63.6	4.3	
	Oct-21	1,233.7	972.1	482.4	410.4	74.9	4.3	76.0	131.6	2.9	46.3	4.1	
	Oct-20	1,254.3	995.8	444.2	484.8	64.2	2.6	74.4	116.4	5.1	52.9	5.2	
	Oct-19	1,151.1	908.9	396.4	455.8	55.1	1.7	70.5	104.1	3.4	47.7	8.2	
	Oct-18	1,333.5	1,089.6	537.8	492.1	57.1	2.7	60.5	118.9	2.8	49.8	5.1	
Monthly volumes (above)													
Year-to-date volumes (below)													
YTD trading volumes	<b>2023 YTD: Jan-Oct</b>	<b>11,936.2</b>	<b>9,680.8</b>	<b>3,707.2</b>	<b>4,983.0</b>	<b>976.9</b>	<b>13.7</b>	<b>526.8</b>	<b>1,043.4</b>	<b>33.5</b>	<b>530.1</b>	<b>66.4</b>	
	Share of total trading	100%	81.1%	31.1%	41.7%	8.2%	0.1%	4.4%	8.7%	0.3%	4.4%	0.6%	
	YTD chg: 2023 vs. 2022	-1.1%	1.8%	4.7%	-2.2%	15.8%	-56.1%	-15.4%	-18.8%	-8.4%	2.1%	29.9%	
	Reference: YTD (Jan-Oct)	2022	12,069.2	9,510.2	3,541.1	5,094.5	843.6	31.1	622.5	1,285.5	36.6	519.4	51.1
		2021	11,715.1	9,091.4	3,392.5	4,961.7	693.0	44.2	714.3	1,288.0	43.9	497.5	62.8
		2020	11,938.1	9,405.3	3,562.3	4,948.6	864.6	29.8	663.3	1,195.5	39.0	523.7	81.2
		2019	11,205.9	8,914.8	3,506.9	4,618.8	764.2	25.0	591.7	1,013.2	29.6	507.8	70.8
		2018	11,008.0	8,810.1	3,546.2	4,548.3	694.8	20.8	518.7	985.9	29.4	505.0	75.6

Source: NBF, IIROC | Note: NBF summary of secondary trading statistics; select sectors shown; GoC trading broken down by tenor; volumes refer to all dealers/counterparties; further details available on request



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