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## Pre-December 1<sup>st</sup>: Seasonal shortcomings?

By Warren Lovely &amp; Taylor Schleich

Tired of reading and talking about Canada's supposedly super-sized seasonals? Hate to break it to you, but with the really 'big days' (i.e., December 1<sup>st</sup>, 2<sup>nd</sup>, 15<sup>th</sup>) still to come, even those marginally attached the Canadian bond market will be on cashflow/bond roll/duration watch for a bit yet. As you may have gathered, we have more to say on the matter.

As the 'ex-ante hypothesis' goes, December's outsized cashflows and meaningful index extensions should drive a few trading biases: 'long Canada vs. the U.S.' and 'yield curve flatteners' are two commonly cited seasonal tendencies in rates. The conventional wisdom argues that one should position for these super-seasonals (well) ahead of time. We satisfied early demand for seasonal analysis ([here](#)), putting predicted patterns to the empirical test. But we stressed then and emphasize once again that seasonal tendencies must be interpreted with utmost caution. To us, the econometrician's standard caveat (cop-out) of 'ceteris paribus' is a major problem. Rarely is all else equal. If you doubted it, consider how 2025's pre-December seasonal window has (so far) played out.

Has a 'long Canada' cross-market strategy worked in the run-up to December? Not overwhelmingly. Notwithstanding outperformance on publication day, Canadas have generally lagged over recent weeks, most

notably down the curve. Blame the BoC's 'hawkish' October rate cut... and/or a Canadian jobs bonanza... and/or steamier-than-expected Canadian inflation. Residual BoC easing has been all-but-priced out, whereas conviction around the FOMC's ability to validate the median 'dot' via a December 10<sup>th</sup> cut has firmed of late. Nor have 'curve flatteners' paid broad-based dividends, which may seem ironic given the abandonment of BoC easing hopes. The problem? Directional support for the front end (emanating from USTs), particularly in recent sessions.

For the unabashed seasonal devotee, all may not be lost. Controlling for the underlying Treasury market, Canadian yield curves have in most cases 'outflattened' the U.S. That is expressed via shallower/flatter/tighter Canada-U.S. yield boxes. Here again, some (much?) of the relative curve adjustments may be down to policy rate re-pricing (BoC vs. FOMC).

Before you ask, there's not a strong empirical case supporting continued 'outflattening' of Canadian curves vs. U.S. equivalents through December (i.e., in the T-plus period). But what did we already say? Treat historical averages/tendencies and past success rates with a grain of salt. After all, this December 1<sup>st</sup> is in some respects **'bigger than ever'**.

**Table: Testing performance in Canadian rates (x-mkt, curves, boxes) in lead up to a special December 1<sup>st</sup>**

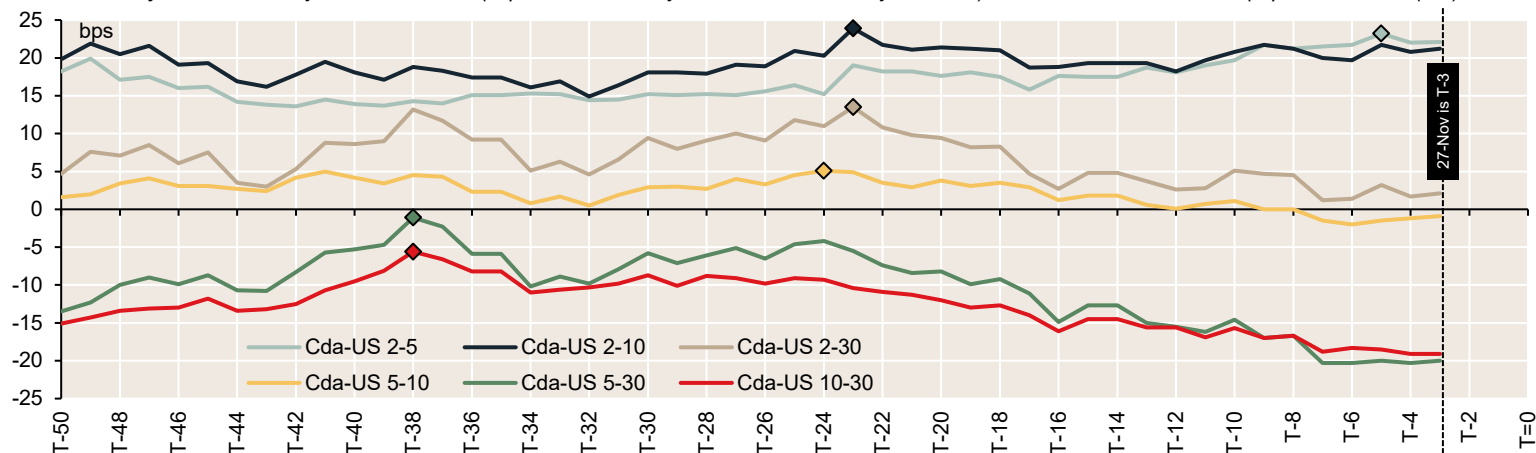
Change in Canada-U.S. yield differentials, Canada yield curves & Canada-U.S. yield curve boxes vs. pre-December waypoints | As of 27-Nov-25 (T-3)

All values in bps		Latest (T-3) 27-Nov	Level change: Latest vs. select pre-December waypoints					"Pass"/"Fail" vs. expected direction					Comment	
			(T-30)	(T-20)	(T-10)	(T-5)	Opt Entry*	Test	(T-30)	(T-20)	(T-10)	(T-5)		Opt Entry*
Cda-US	2	-108.1	2.5	10.1	3.7	-0.6	-4.0	Tighter	Fail	Fail	Fail	Pass	Pass	Long Cda vs. US: Putting this on early hasn't necessarily worked (at least not yet). BoC easing has been stripped out vs. more conviction on a Dec cut from the FOMC. Note that today's performance (27-Nov) helps on short-term comps.
	5	-86.0	9.4	14.6	6.1	-1.7	10.7		Fail	Fail	Fail	Pass	Fail	
	10	-86.9	5.6	9.9	4.1	-1.1	4.8		Fail	Fail	Fail	Pass	Fail	
	30	-106.0	-4.8	2.8	0.7	-1.7	-1.1		Pass	Fail	Fail	Pass	Pass	
Cda curve	2-5	31.2	4.3	1.9	-0.2	-1.4	2.3	Flatter	Fail	Fail	Pass	Pass	Fail	Flatter Cda curve: Notwithstanding reduced odds of BoC easing, directional (as in US-led) support for the front end has short-circuited some 'flattening' bets. Saying that, a few of the big curves (e.g., 5s10s, 5s30s, 10s30s) have bent flatter, especially if put on early. Today's flattening move (on 27-Nov) means a clear 'pass' vs. T-5 levels.
	2-10	72.9	2.3	1.0	-0.8	-1.6	3.6		Fail	Fail	Pass	Pass	Fail	
	2-30	118.4	-2.4	0.4	0.7	-2.1	-2.4		Pass	Fail	Fail	Pass	Pass	
	5-10	41.7	-2.0	-0.9	-0.6	-0.2	-2.0		Pass	Pass	Pass	Pass	Pass	
	5-30	87.2	-6.7	-1.5	0.9	-0.7	-4.7		Pass	Pass	Fail	Pass	Pass	
	10-30	45.5	-4.7	-0.6	1.5	-0.5	-3.2		Pass	Pass	Fail	Pass	Pass	
Cda-US box	2-5	22.1	6.9	4.5	2.4	-1.1	4.6	Outflatten	Fail	Fail	Fail	Pass	Fail	Outflattening of Cda vs. US: On the face of it, this has worked better. Aside from 2s5s, most Cda-US boxes have generally snuggled up (i.e., outflattening the US) in the weeks leading up to 1-Dec. Beyond cash/duration considerations, moves have been influenced by relative policy rate re-pricing and data surprises. So ya, all else rarely is equal.
	2-10	21.2	3.1	-0.2	0.4	-0.5	1.5		Fail	Pass	Fail	Pass	Fail	
	2-30	2.1	-7.3	-7.3	-3.0	-1.1	-5.5		Pass	Pass	Pass	Pass	Pass	
	5-10	-0.9	-3.8	-4.7	-2.0	0.6	-3.3		Pass	Pass	Pass	Fail	Pass	
	5-30	-20.0	-14.2	-11.8	-5.4	0.0	-11.3		Pass	Pass	Pass	Fail	Pass	
	10-30	-19.1	-10.4	-7.1	-3.4	-0.6	-4.8		Pass	Pass	Pass	Pass	Pass	

Source: NBC, BBG | Note: As of 27-Nov-25 14:00; waypoints (e.g., T-30) refer to weekdays vs. 1-Dec-25; 'pass' / 'fail' binary tests are relative to the expected pre-Dec direction (e.g., Cda curve flatter); 'Opt Entry' refers to notional optimal entry day based on 15Y post-GFC average path; optimal entry dates are specific to each relationship varying from T-50 to T-6

### Chart: Seasonal salvation? Canadian curves have mostly 'outflattened' underlying Treasury curves (for what it's worth)

Evolution of major Canada-U.S. yield curve 'boxes' (expressed Canada yield curve minus U.S. yield curve) relative to start of 1-Dec-25 | Up to 27-Nov-25 (T-3)



Source: NBC, BBG | Note: Charts shows evolution of boxes relative to 1-Dec-25, with T-50 denoting 23-Sep and T-3 being latest available level from 27-Nov-25 14:00



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