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Canadian debt issuers + foreign investors: A timely re-coupling

By Warren Lovely

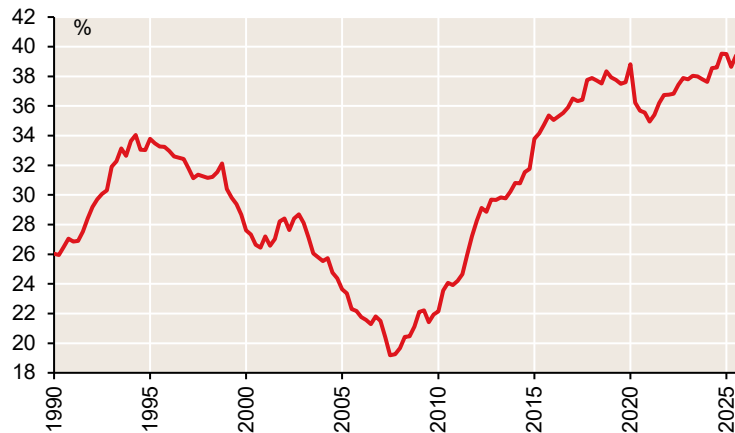
Over the years, Canadian debt issuers and foreign investors have struck up a symbiotic relationship, each offering (and receiving from) the other something they ultimately need/desire. For Canadian issuers, ready access to deep pools of foreign cash helped finance current operations and large-scale capital aspirations (without having to lean too heavily on domestic investors). In return, foreign investors received Canada's high quality, liquid paper with some yield (and/or spread) attached.

This issuer-investor interplay worked nicely, even if the balance of power wasn't always perfectly balanced. The fruits of this union included record foreign ownership of outstanding Canadian debt. At the end of 2024, non-residents controlled precisely 39.5% of all available Canadian debt securities.

Then came a first-half hiatus. Foreign investors grew guarded, tempering their enthusiasm for marginal Canadian debt. That was understandable, given the trade-related uncertainty attaching itself to Canada in the early days of the Trump 2.0 regime. The geopolitical picture remains murky, but we've nonetheless witnessed a timely re-coupling of foreign investors and Canadian debt issuers.

Chart 1: Cdn issuers have leaned on foreign investors

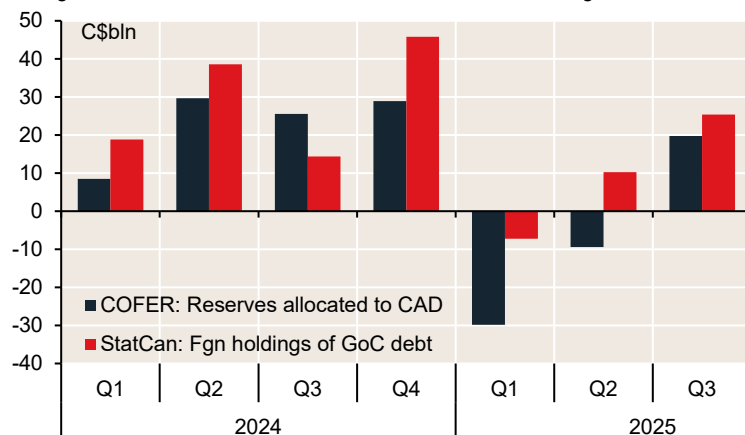
Foreign ownership share of outstanding Canadian debt (all issuers, all currencies)



Source: NBC, StatCan | Note: Based on book value of all Cdn debt, incl. fgn ccy issues

Chart 3: For GoC, foreign re-attachment a welcome story...

Change in FX reserves allocated to CAD & non-resident holdings of GoC debt



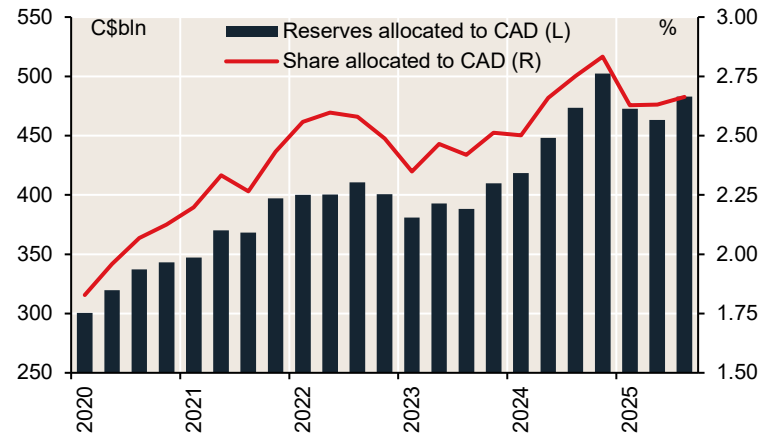
Source: NBC, IMF, StatCan | Note: Q/Q change; GoC debt is domestic only (T-bills+bonds)

Recent releases add useful context/colour... Freshest of all, IMF official FX reserve or COFER data show reserve managers collectively added to their CAD holdings in Q3. Make no mistake, CAD is still a comparatively minor slice of allocated reserves (2.6%). Nor has the loonie's share recovered from back-to-back quarters of net divestment in the first half of 2025. Still, the apparent return of 'official' money is welcome news.

This COFER narrative dovetails with complementary data from StatCan on international transactions in Canadian securities. Here we find broader evidence of renewed foreign interest in Canadian debt securities (beyond purely FX managers). We always caution that the reported buying of 'Canadian' debt includes activity in international markets. But isolating for the one issuer needing to raise the most cash domestically—the Government of Canada—it seems that non-residents are once more lending a helping hand. Foreign investors acquired a net \$25 billion of GoC debt (T-bills + bonds) in Q3 or ~60% of what was made available. Non-resident added another \$20 billion in October alone, getting Q4 off to a nice start. If not a sacred union, this is certainly a beneficial arrangement for a Canadian issuer with big plans for the year(s) ahead.

Chart 2: FX reserve managers return to CAD in Q3

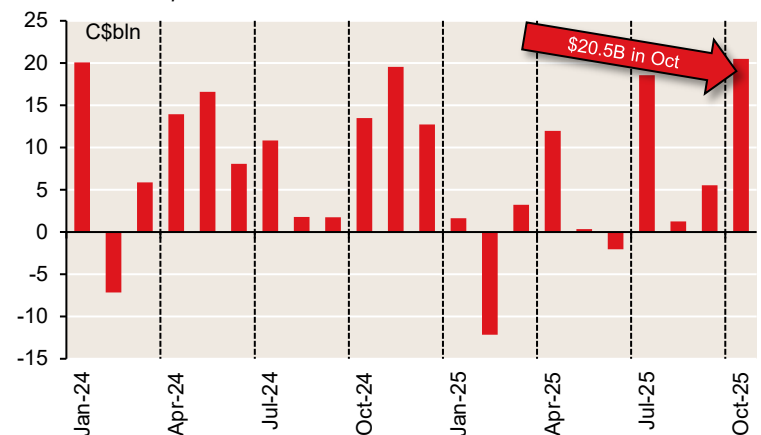
Official FX reserves allocated to CAD: Domestic ccy level & share of total reserves



Source: NBC, IMF | Note: Data reported in USD; converted to CAD at qtr-end FX rate

Chart 4: ... with net foreign buying extending into October

Non-resident net purchases of GoC debt



Source: NBC, StatCan | Note: GoC debt is domestic only (T-bills+bonds)



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