

January 26, 2026 – (Vol. X, No. 10)

Provi supply: There are fast starts, then there are *fast starts*

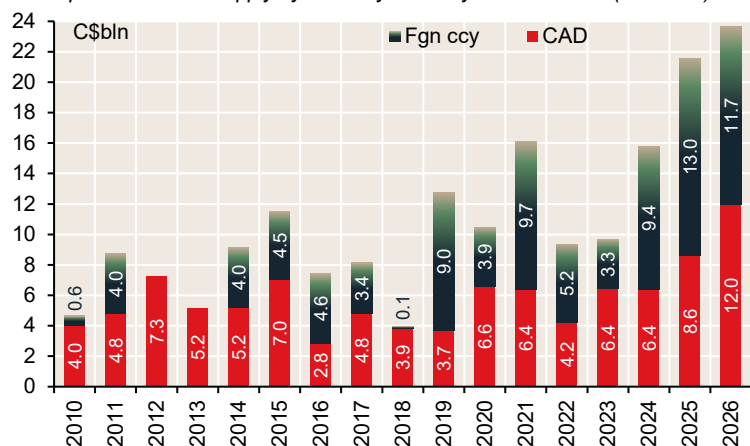
By Warren Lovely

There are still a few days to cross off the calendar, but January 2026 has already proven to be an extraordinary month for provincial bond supply. Consider where things stand (based on deals priced as of January 26th): 10 unique issuers have so far priced 21 issues; with a weighted average size of C\$1.1 billion, the month-to-date total sits at C\$23.7 billion. That's the fastest-ever start to a calendar year for the provincial sector (Chart 1).

Outsize proceeds owe a major assist to international markets. Bond supply trends point to January as having the highest international funding share (on average) of any month (Chart 2). While there's nothing terribly unusual about provinces accessing foreign markets, the efficiency of these trades remains striking. Quebec and Ontario both tapped the U.S. dollar market, with combined proceeds from these two dollar deals (>C\$11 billion) essentially substituting for a dozen or more 'green banners' (i.e., regular domestic benchmark deals). And the month isn't over. Manitoba's inaugural EUR benchmark deal has to be factored in. Others are sniffing around the domestic market. So January will likely end up as the third largest month of provincial supply on record (Chart 3).

Chart 1: Fastest-ever start to calendar year funding

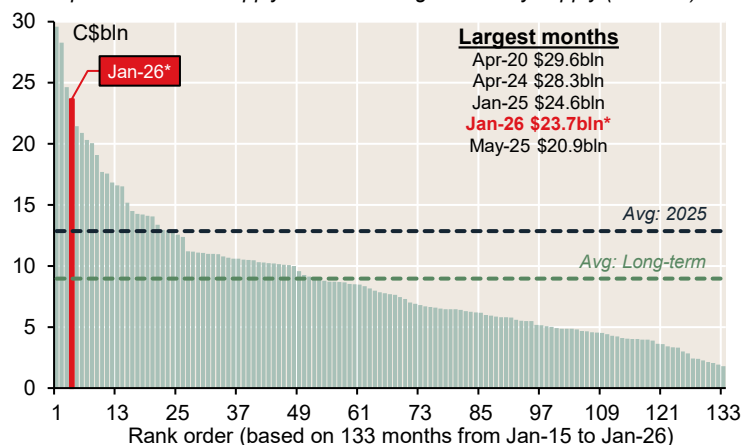
Gross provincial bond supply by currency: January month-to-date (as of 26th)



Source: NBC, BBG | Note: Based on marketable deals priced as of 26-Jan each year

Chart 3: Jan-26 likely to end up as 3rd largest month ever

Gross provincial bond supply: Rank ordering of monthly supply (2015-26)



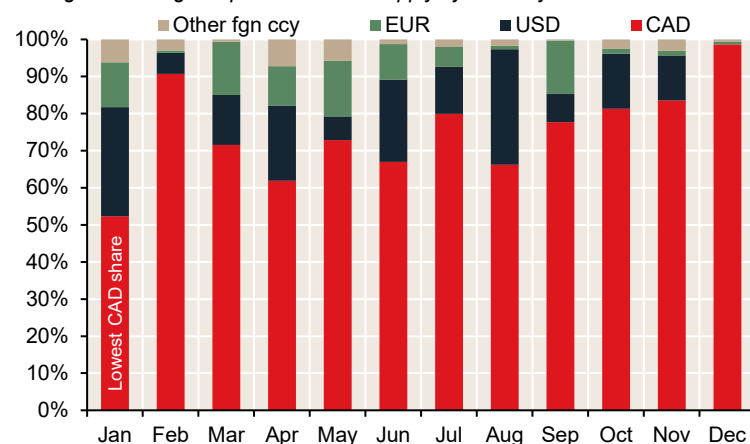
Source: NBC, BBG | Note: Jan-26 is month-to-date (as of 26th)

How are provincial spreads holding up in the face of this supply onslaught? Swimmily. At +42 bps, Ontario's 10-year constant maturity G-spread has tightened ~5 bps this month. You will find Ontario 10s at cyclical tight, residing 2.7 standard deviations inside the long run mean and (at least) 15 bps 'rich' to traditional 'fair value' indicators.

Though it strikes some as counter-intuitive, we've long highlighted the tendency for chunky supply months to go hand in hand with *tighter* not *wider* spreads (Chart 4). For one, provinces often issue into strength. Then there's the psychological spread relief that attends jumbo international deals (since a CAD-equivalent dollar sourced from foreign markets is a dollar domestics needn't offer up). Call that a 'zero sum' funding equation, in the same way that current pre-funding theoretically reduces the underlying requirement for 2026-27. If only 'all else was equal'. Sadly, geopolitical risk is once-more on the boil, economic growth looks tepid, health care/affordability pressures linger, capital needs are appreciable and in some cases an election is to be held. Makes the rather fast start to the calendar year the smart (and perhaps necessary) move.

Chart 2: January's foreign currency skew no real surprise

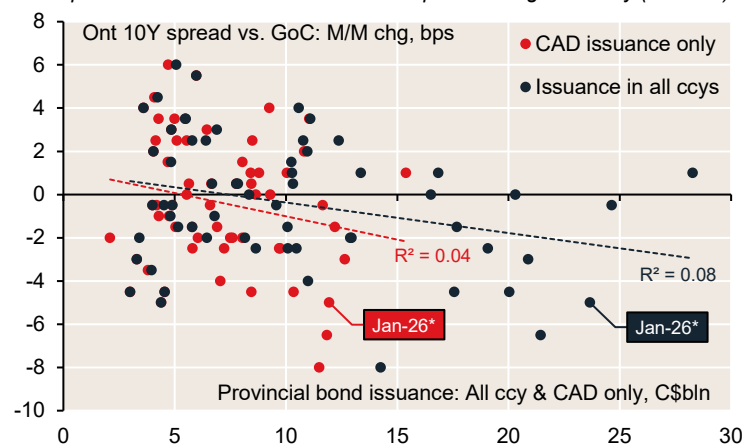
Average share of gross provincial bond supply by currency & month: 2021-25



Source: NBC, BBG | Note: Based on average monthly supply from 2021-25 (5Y)

Chart 4: The counter-intuitive supply-spread relationship

Gross provincial bond issuance & domestic spread change: Monthly (2021-26)



Source: NBC, BBG | Note: Monthly from 2021; Jan-26 is month-to-date (as of 26th);



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NBC.EconomicsStrategy@nbc.ca

To contact us:
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Jocelyn Paquet
Senior Economist
jocelyn.paquet@nbc.ca

Kyle Dahms
Senior Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Senior Economist
alexandra.ducharme@nbc.ca

Daren King, CFA
Senior Economist
daren.king@nbc.ca

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.schleich@nbc.ca

Ethan Currie
Strategist
ethan.currie@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Nathalie Girard
Senior Coordinator
n.girard@nbc.ca

Giuseppe Saltarelli
Desktop Publisher
giuseppe.saltarelli@nbc.ca

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