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Canada-U.S. portfolio flows: A mutually beneficial arrangement

By Warren Lovely

With U.S. trade policies remaining top-of-mind, you've likely heard Canadian politicians (and economists) emphasize the mutually beneficial nature of tariff-free trade between the United States and Canada. One suspects this message will be repeated as USMCA negotiations get going in earnest. But beyond the traditional focus on two-way trade in goods (and even services), international capital flows reveal a genuinely mutually beneficial arrangement between Canada and the U.S. ...

Canadian debt issuers benefit from U.S. demand: If you've not noticed, Canada has loads of debt to issue these days. There's a sizeable bond crop originating from government, where operational deficits and strategic infrastructure investments are the orders of the day. Elsewhere, key public sector entities are building out debt programs. Canadian banks and non-financial corporations have plenty to borrow too. Rather than swamp domestic investors, Canadian issuers have (time and again) sold their securities abroad. Last year, no country heeded Canada's call more than the United States. Fresh StatCan data show U.S.-based investors

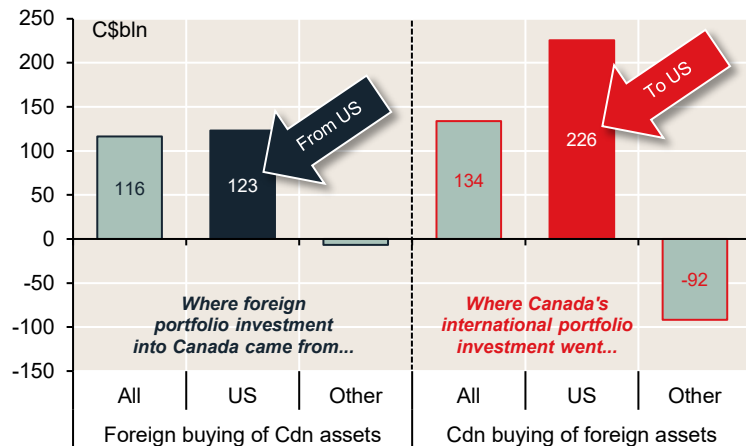
purchased a record amount of Canadian debt in 2025. With net borrowing needs to remain lofty in 2026 (and beyond), Canadian issuers are presumably keen to maintain strong and broad U.S. engagement.

U.S. corporations benefit from Canadian equity demand: Despite President Trump's protestations to the contrary, Canada has plenty the U.S. can benefit from... including valuation-enhancing equity inflows. Despite all the 'Buy Canada' noise, where it arguably mattered most Canadians were eager buyers of U.S. stocks in 2025. [Ed. note: The next time a self-righteous Canuck brags about shunning American products in favour of home-made alternatives, ask to see their latest portfolio statement. It's apt to have plenty of U.S. equity exposure.] Whatever the underlying motivation, Canadian demand surely bolstered U.S. stock values (and by extension American wealth). You're welcome. Why, Canadian investors have even been net buyers of U.S.-issued bonds too.

Call this an example of two nations each giving each other something they can use. Mutually beneficial; we might wish to keep things that way.

Chart 1: Canada-U.S. portfolio flows mutually beneficial

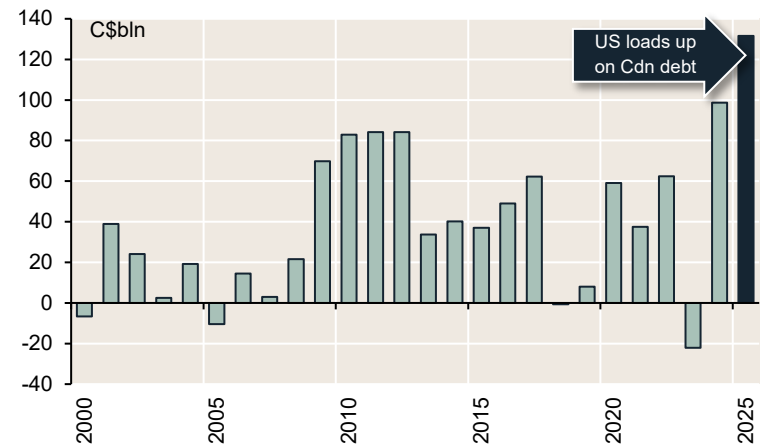
Net foreign buying of Cdn securities & net Cdn buying of foreign securities: 2025



Source: NBC, StatCan | Note: 12M flow in all portfolio securities (money market, bonds, equities/IFs); negative values imply net divestment in 2025

Chart 2: U.S. investors buying record amounts of Cdn debt

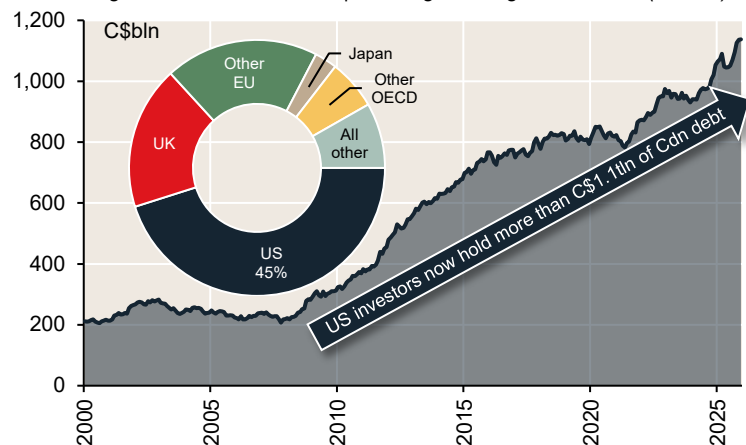
Net buying of Cdn debt securities by U.S.-based investors: Annual



Source: NBC, StatCan | Note: Full-year flow in Cdn debt securities (all sectors, all ccys); U.S.-based investors only; negative values imply net divestment; 2025 was record tally (C\$132bln)

Chart 3: Canada has ample exposure to U.S. debt investors

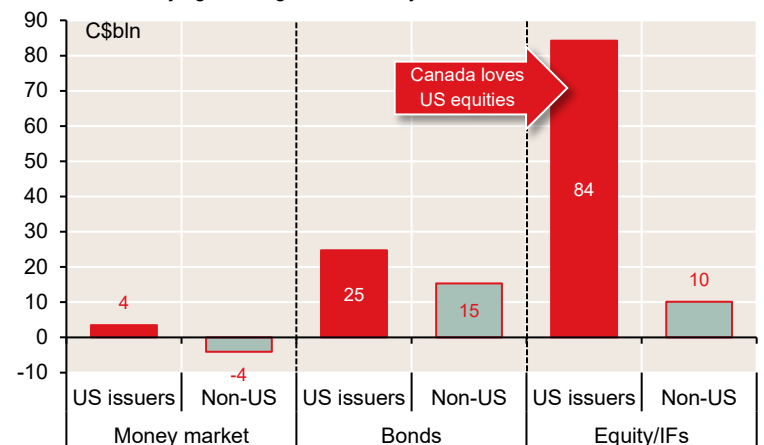
U.S. holdings of Cdn debt securities | Inset: Fgn holdings of Cdn debt (Dec-25)



Source: NBC, StatCan | Note: Main chart is book value of U.S. holdings of Cdn debt securities (all sectors, all ccys) to Dec-25; inset is latest share of fgn holdings of Cdn debt by country

Chart 4: Canadian investors eager buyers of U.S. stocks

Net Canadian buying of foreign securities by asset class & issuer: 2025



Source: NBC, StatCan | Note: Negative values imply net divestment in 2025; C\$84bln net investment in US equities/IFs was second highest annual tally (trailing only 2021's C\$95bln)



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