

Start of a new season (of government bond supply)

By Ethan Currie

Spring training is wrapped up and it's time to kick off a fresh season, which of course brings renewed optimism to Blue Jays fans. Perhaps more importantly for this audience, it also marks the start of a new Government of Canada fiscal year (and related supply schedule). We have already previewed what this new season of issuance will bring through our DMS analysis ([here](#)) as well as our QBS Snapshot ([here](#)). Supplementing our earlier work, this *Market View* assesses the trends emerging in GoC auction uptake. With new data available from the Bank of Canada in 2025-26, we observe operation allotments alongside more traditional measures in coverage and pricing. In this context, it's also important to assess the players within the GoC bond market.

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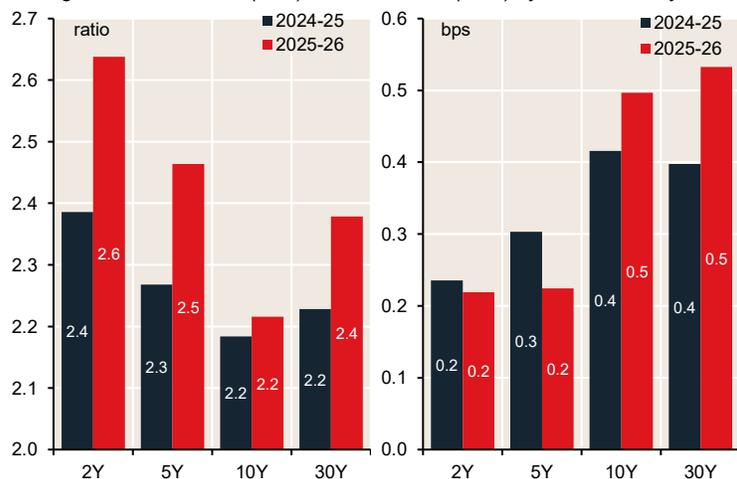
- Average auction coverage was strong this fiscal year, picking up across tenors relative to 2024-25. Coverage was particularly robust in 2s and 5s, as the average bid-to-cover ratio was the best in seven and five prior years, respectively. Price competitiveness on game day was also notable as auction tails were tighter down the curve relative to 2024-25, but slipped a little wider in the 10- and 30-year tenors. However, tails across the board were generally tighter when compared to historical averages. Competitive pricing comes at a time when rates volatility has gradually stepped down in recent years but remains lofty to a pre-COVID setting.
- While strong auction results have been aided by lower (but not low) rates volatility in the outgoing fiscal year, this has been tested more recently as conflict in the Middle East escalates. While the sample size is admittedly small, auctions in March haven't necessarily been star players. Coverage was softer in recent 2Y and 5Y taps, while tails were relatively wider. Recent auction results were mixed up the curve

but held up relatively better (see tables on page 3). While recent auctions appear soft relative to what was otherwise an exceptionally strong year, we expect GoC primary performance to remain solid in 2026-27.

- Consistent (and in some cases, especially high) auction allotments to customer accounts reflects robust demand and is consistent with tighter pricing overall. Meantime, non-domestic accounts took up over 30% of primary GoC issuance in 2025-26 and in some cases represented slightly more than half of the take-home. International activity in the secondary market remains healthy too, again flagging the importance of these accounts to the underlying GoC market.
- The BoC notes that most hedge funds that buy GoC bonds are foreign. These increasingly important sluggers in the market have been more active in auctions, submitting a larger share of bids, and subsequently being awarded more of each issue over the last decade. A strong, positive relationship exists between the size of the (growing) GoC bond stock and the activity of these funds in primary—attributable to the economies of scale that can be deployed from more levered funds. The expanding role of hedge funds, and non-resident accounts more broadly, also extends into the secondary market.
- There are pros and cons of growing HF participation in the GoC market. Greater involvement from these accounts supports efficiencies at auction and improves two-way liquidity in secondary. However, hedge funds have been noted to exacerbate illiquidity in times of severe market stress ([link](#)). Their outsized presence also poses risks related to repo market strain and investor flight. In fact, among GoC-hedge fund trading, the largest five entities account for over half of activity, highlighting exposure / concentration risks. As we welcome a new fiscal year of fresh GoC supply, monitoring demand for government debt, in primary and secondary, will continue to be vital for assessing the health of the Canadian bond market.

Chart 1-2: Demand & auction pricing held up well this year...

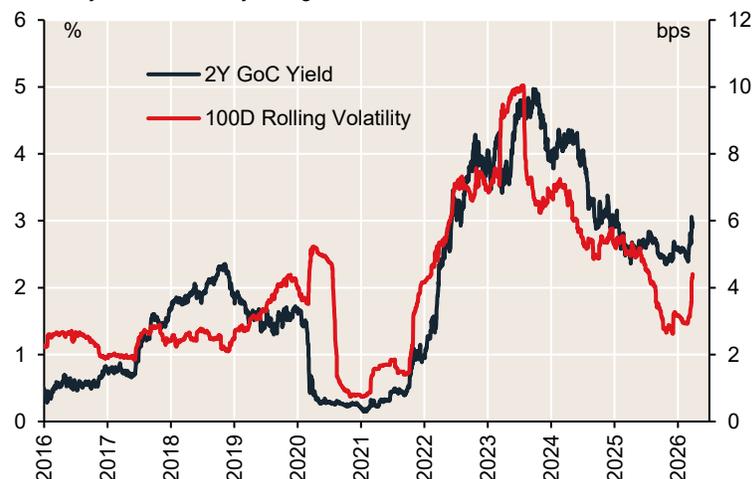
Average bid-to-cover ratio (LHS) and auction tail (RHS) by tenor & fiscal year



Source: NBC, BoC | Note: Simple average of operation metrics

Chart 3: ... aided by low(er) volatility for much of 2025-26

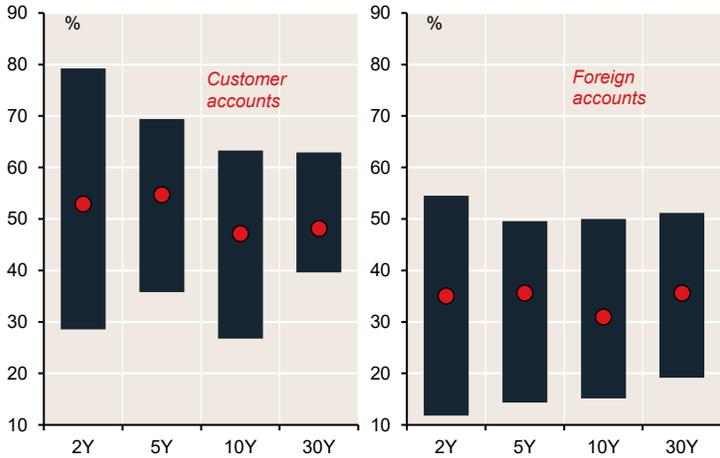
GoC 2Y yield and 100-day rolling standard deviation



Source: NBC, Bloomberg

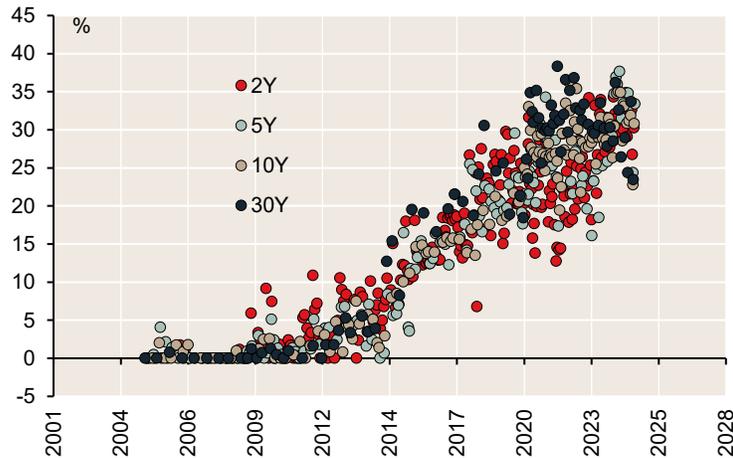


Chart 4-5: Steady customer & foreign appetite in primary...
GoC auction allotment to customer (LHS) and non-resident accounts (RHS)



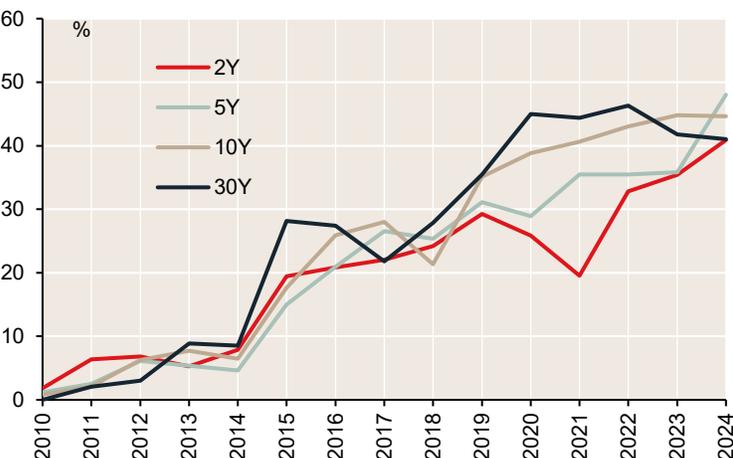
Source: NBC, BoC | Note: For fiscal year 2025-26 only (when these data became publicly available); Blue bars denote full range of allotment share for a given tenor, with the red dot representing the FY average

Chart 7: HF's an increasingly active player on auction roster
Hedge fund bids as a share of total bids in GoC bond auctions



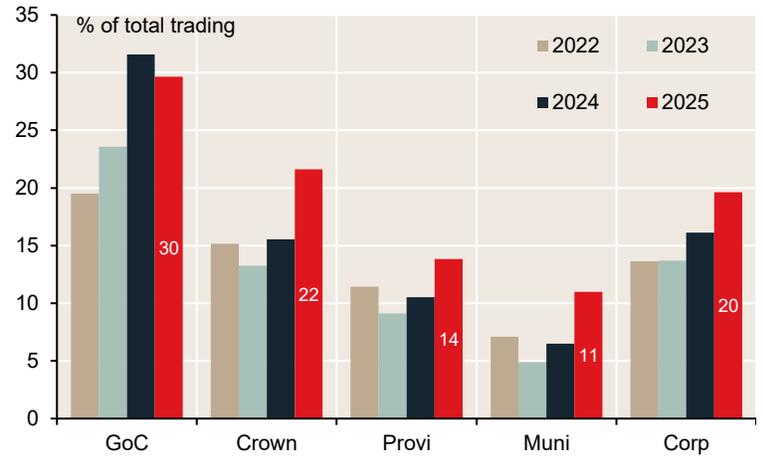
Source: NBC, BoC

Chart 9: From zero to hero, HF's a big player in primary
Hedge fund allocation as a % of total auction value, by tenor



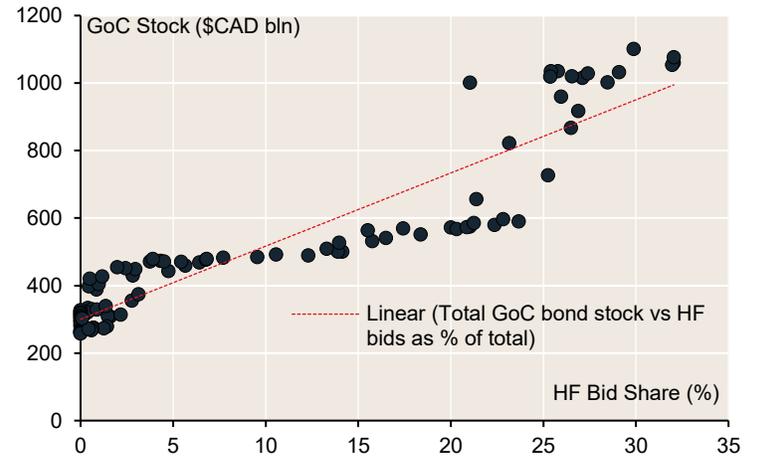
Source: NBC, BoC

Chart 6: ... as non-residents are a key presence in secondary
Non-resident share of total Cdn secondary bond market trading by sector & year



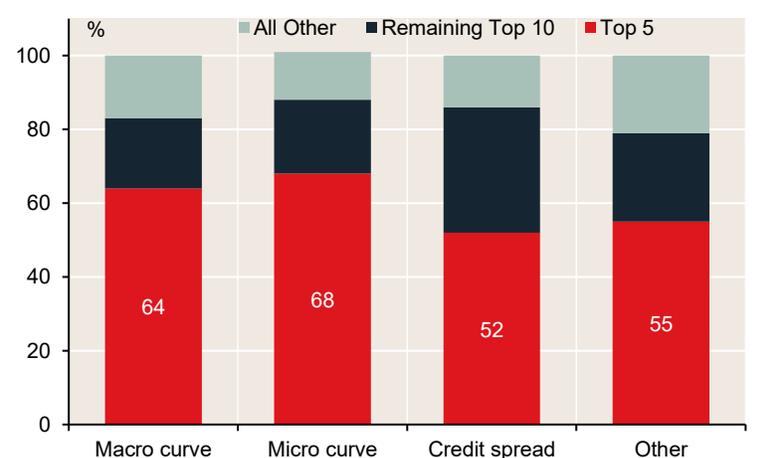
Source: NBC, CIRO

Chart 8: Larger bond stock accommodating more HF activity
Total GoC bond stock vs hedge fund bids as a share of total bids in GoC auctions



Source: NBC, BoC

Chart 10: The notable concentration of HF GoC trading
Contribution to trading volume, by strategy type



Source: NBC, BoC | Note: 'Other' strategies include cash-futures basis activity

**Table: Recent GoC Auction Statistics**

Details on the latest, and 10 most recent auctions, by tenor (for more details / coverage, refer to our QBS Snapshot, Auction Previews, and / or Primary Market Monitor)

2-Year														
	Latest	Prior 10 Auctions										Max	Min	Avg
	11-Mar-26	26-Feb-26	11-Feb-26	22-Jan-26	7-Jan-26	11-Dec-25	26-Nov-25	13-Nov-25	30-Oct-25	8-Oct-25	10-Sep-25	Past 100	Past 100	Past 20
Bond	2.5% May-28	2.5% May-28	2.5% May-28	2.25% Feb-28	2.25% Feb-28	2.25% Feb-28	2.25% Feb-28	2.25% Feb-28	2.5% Nov-27	2.5% Nov-27	2.5% Nov-27	-	-	-
Tail	0.29	0.17	0.10	0.12	0.160	0.13	1.01	0.07	0.13	0.19	0.17	1.05	0.03	0.26
Bid-to-Cover	2.37	2.42	2.60	2.82	2.80	2.70	2.76	2.96	2.87	2.63	2.76	3.03	2.09	2.45
% to Customers	52.9	28.6	59.2	35.1	46.0	79.2	48.2	46.1	69.4	53.2	64.0	79.20	28.58	52.91
% to Distributors	47.1	71.4	40.8	64.9	54.0	20.8	51.8	53.9	30.6	46.8	36.0	71.42	20.80	47.09
% to Foreign	42.9	28.6	32.4	32.5	25.2	46.1	31.4	27.6	54.5	42.2	44.4	54.52	11.78	35.06
% to Domestic	57.1	71.4	67.6	67.5	74.8	53.9	68.6	72.4	45.5	57.8	55.7	88.22	45.48	64.94
Issue Amt (C\$ bln)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00	3.50	5.15

5-Year														
	Latest	Prior 10 Auctions										Max	Min	Avg
	19-Mar-26	18-Feb-26	4-Feb-26	14-Jan-26	17-Dec-25	19-Nov-25	5-Nov-25	1-Oct-25	3-Sep-25	20-Aug-25	6-Aug-25	Past 100	Past 100	Past 20
Bond	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Mar-31	2.75% Sep-30	2.75% Sep-30	2.75% Sep-30	-	-	-
Tail	0.33	0.30	0.16	0.10	0.250	0.09	0.17	0.17	0.35	0.23	0.22	2.44	0.05	0.34
Bid-to-Cover	2.52	2.75	2.73	2.65	2.47	2.51	2.65	2.56	2.49	2.34	2.28	2.89	1.99	2.39
% to Customers	48.8	62.7	57.7	46.1	68.8	62.6	69.4	68.5	46.7	60.5	53.6	69.43	35.78	54.71
% to Distributors	51.2	37.3	42.4	53.9	31.2	37.5	30.6	31.5	53.4	39.5	46.4	64.22	30.57	45.29
% to Foreign	39.3	33.7	44.5	39.2	49.6	49.5	38.4	37.4	36.1	39.2	24.6	49.58	14.32	35.59
% to Domestic	60.8	66.3	55.5	60.8	50.4	50.5	61.6	62.6	63.9	60.8	75.4	85.68	50.42	64.41
Issue Amt (C\$ bln)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	6.00	3.00	4.45

10-Year														
	Latest	Prior 10 Auctions										Max	Min	Avg
	25-Mar-26	12-Mar-26	25-Feb-26	29-Jan-26	18-Dec-25	3-Dec-25	6-Nov-25	22-Oct-25	24-Sep-25	27-Aug-25	7-Aug-25	Past 100	Past 100	Past 20
Bond	3.25% Jun-36	3.25% Jun-36	3.25% Jun-36	3.25% Jun-36	3.25% Dec-35	-	-	-						
Tail	0.30	0.27	0.19	0.28	0.380	0.23	0.29	0.57	0.33	0.43	1.13	1.97	0.16	0.53
Bid-to-Cover	2.27	2.25	2.49	2.46	2.25	2.46	2.49	2.28	2.42	2.09	2.13	2.61	1.85	2.24
% to Customers	48.7	38.4	58.3	46.2	57.9	63.0	58.9	42.1	63.3	44.5	42.6	63.30	26.79	47.14
% to Distributors	51.3	61.6	41.8	53.9	42.2	37.0	41.1	58.0	36.7	55.5	57.4	73.21	36.70	52.86
% to Foreign	27.9	32.8	33.1	39.0	44.1	50.0	47.1	30.9	44.4	26.5	28.3	50.00	15.12	30.94
% to Domestic	72.1	67.2	67.0	61.0	55.9	50.0	52.9	69.1	55.6	73.5	71.7	84.88	50.00	69.06
Issue (C\$ bln)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	6.00	2.20	4.43

30-Year														
	Latest	Prior 10 Auctions										Max	Min	Avg
	5-Mar-26	21-Jan-26	20-Nov-25	15-Oct-25	25-Sep-25	16-Jul-25	21-May-25	23-Apr-25	27-Feb-25	23-Jan-25	27-Nov-24	Past 100	Past 100	Past 20
Bond	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	3.5% Dec-57	2.75% Dec-55	-	-	-
Tail	0.35	0.16	0.35	0.60	0.820	0.93	0.30	0.75	0.42	0.39	0.47	2.24	0.09	0.47
Bid-to-Cover	2.37	2.49	2.70	2.29	2.68	2.03	2.39	2.08	2.10	2.05	2.25	2.86	1.80	2.40
% to Customers	50.7	53.0	47.5	50.3	62.9	40.8	40.2	39.6	-	-	-	62.91	39.59	48.12
% to Distributors	49.3	47.0	52.5	49.7	37.1	59.2	59.8	60.4	-	-	-	60.41	37.09	51.88
% to Foreign	42.0	39.0	43.1	33.1	51.2	19.2	33.3	24.0	-	-	-	51.19	19.19	35.60
% to Domestic	58.0	61.0	56.9	66.9	48.8	80.8	66.7	76.0	-	-	-	80.81	48.81	64.40
Issue (C\$ bln)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	2.50	2.00	3.00	1.00	1.93

Source: NBC, BoC, Bloomberg



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