

Move over May, we're looking to June

By Warren Lovely & Taylor Schleich

Bond market participants tend to keep particularly important dates top of mind. Here in Canada, June 1st/2nd (plus the six-month echoes on December 1st/2nd) are about as momentous as they come. All else equal, 2026 promises some seasonal fireworks.

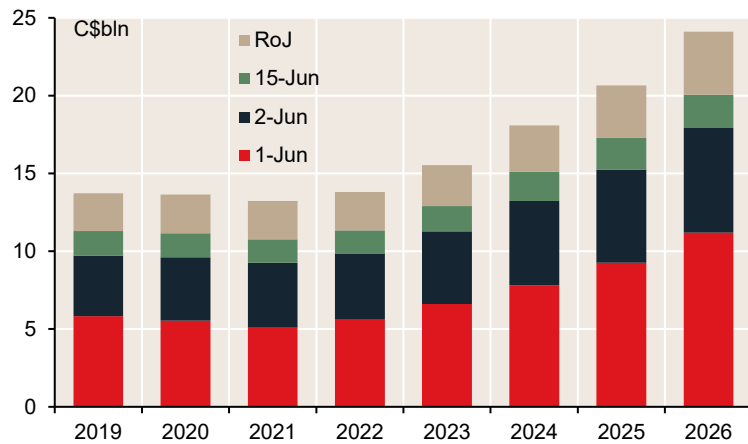
With effective outstandings having stepped up, there's more cash being paid to end investors than ever. And a significant number of bonds (some of very chunky size) will either roll right out of the universe or will roll over from one bucket to another. It means a large dose of duration will be added to bond indices, *ceteris paribus*. The specific nature of June 1st/2nd

adjustments means more pronounced impacts in the 'Long' end. Nothing new there.

To whet your appetite, this *Market View* includes an overview of the looming index adjustments coming June 1st and 2nd. Additional index-specific analysis will follow in coming days/weeks. We also use these pages to explore seasonal tendencies in Canadian rates, leaning into a 16-year sample to identify prospective implications for outright yields, curves, flies and all sorts of cross-market variables. As for our standard caution: All else is not always equal!

Chart 1: It's June, so cash is king!

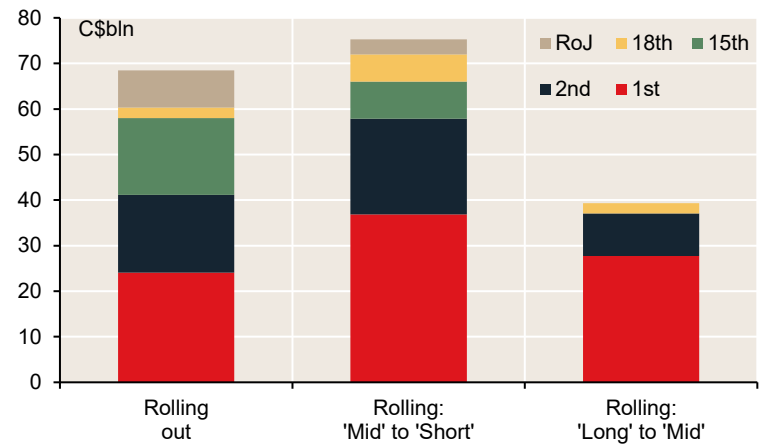
FTSE Canada Universe Bond Index interest income: Jun-26 vs. prior years



Source: NBC, FTSE Russell | Note: As at 1-May for each year (or latest)

Chart 2: Tracking the rollovers and rollouts

Value of bonds rolling out/over in FTSE Canada Universe Bond Index: Jun-26

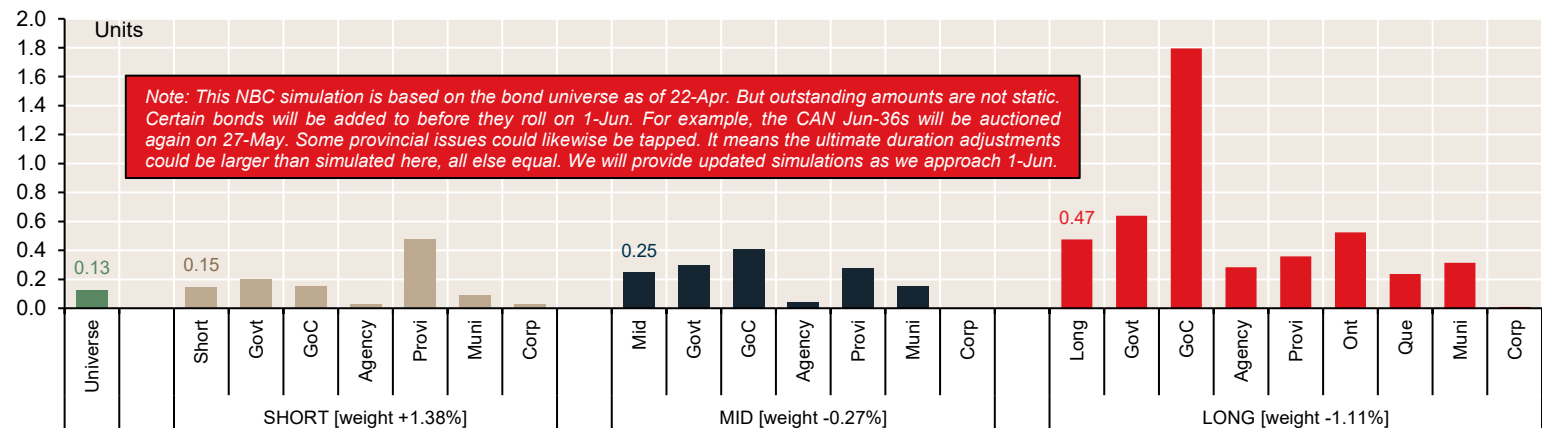


Source: NBC, FTSE Russell | Note: Based on index as at 22-Apr-26

As it stands, a record amount of FTSE Canada Universe Bond Index cash is set to flow this June (\$24.1 billion for the month as a whole). Index-related cashflows are 17% higher than Jun-25 and more than 80% higher than five years ago. For the last two years, June 1st fell on a weekend, meaning 1- and 2-Jun hit at the same time. This year, cash flows will be (a bit) less concentrated.

Chart 3: Dissecting prospective duration adjustments this June 1st/2nd, with long end the obvious focal point

Projected change in modified duration of FTSE Canada Universe Bond Index by term & sector/issuer: Friday 29-May-26 to Tuesday 2-Jun-26 (cumulative estimate)

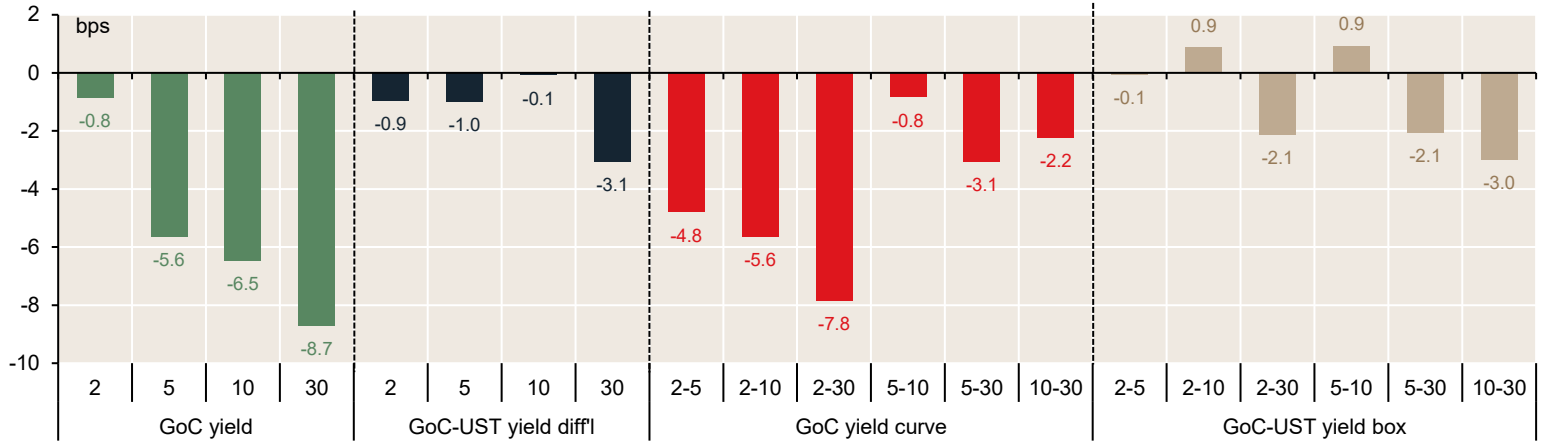


Source: NBC, FTSE Russell | Note: Duration change based on NBC simulation using 22-Apr-26 closing values/constituents; assumes no change in yield curve; 4-day change vs. 29-May-26

Based on the FTSE Canada Universe Bond Index as constituted on 22-Apr, simulated coupon/roll effects would (at this moment) add a combined +0.13 duration to the Universe over the first two days of June (i.e., inclusive of June 1st and June 2nd effects). Given the specific nature of bonds rolls (including 8 securities currently totaling \$37.1 billion due to will roll from 'Long' to 'Mid' this June 1st/2nd), the prospective duration add to the 'Long' bucket stands out. We currently estimate a cumulative 0.47 duration increase for the 'Long' bucket over the two-day period ending June 2nd, with the 'Federal Non-Agency' and 'Provincial' sub-sectors poised for the largest increases. Outsized duration adjustments on June 1st/2nd may not be a new phenomenon but when it comes to Index-related investor positioning, no other period compares with early June (except early December of course). Note that Canada's bond universe will evolve in the coming weeks. Since certain Jun-2036 issues will be even larger by the time they roll on June 1st/2nd (e.g., the CAN Jun-36s) the ultimate duration increase is likely to be even more significant than our preliminary simulations. Additional detailed analysis will be offered as we approach this important coupon/roll window.



Chart 4: June's wall of cash has tended to leave mark on Canadian rates (although average moves to be treated with caution)
Average change (net) in GoC interest rates (yields, curves, vs. UST) in 20 weekdays prior to 1-Jun (16Y sample, 2010-25)

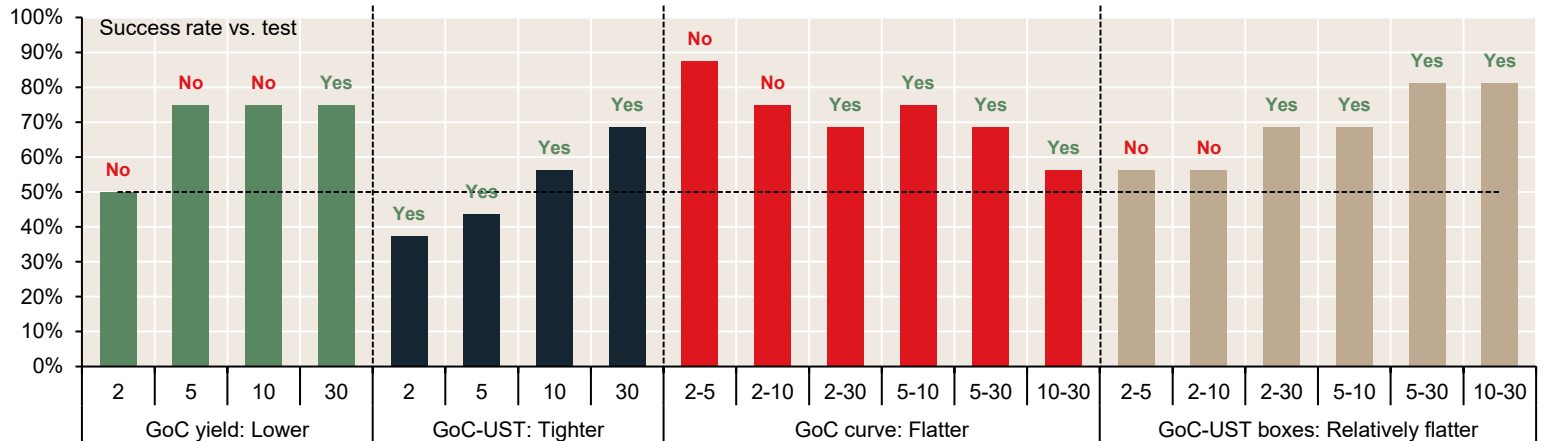


Source: NBC, BBG

We've extended our analysis of rates seasonal another year, leveraging an empirical sample that now runs to 16 years (i.e., 2010 to 2025 inclusive). Average moves surely don't tell the whole story, but the past performance record going into June 1st is generally consistent with 'a priori' assumptions, including absolute and relative performance for Canada's long end.

Chart 5: There are some notable empirical tendencies, but these are hardly consistent year-to-year (see: 2025)

Past success rates vs. expected direction in GoC interest rates (yields, curves, butterflies, vs. UST) in 20 weekdays prior to 1-Jun (16Y sample, 2010-25)

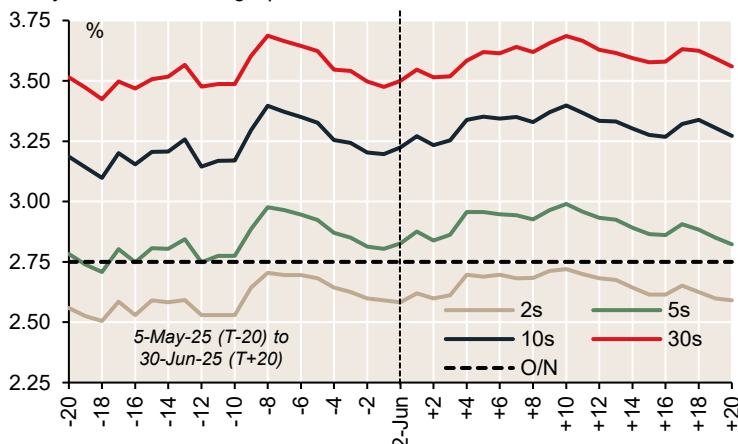


Source: NBC, BBG | Note: Success based on actual move vs. expected direction in lead up to 1-Jun for 16Y post-GFC sample; 'Yes' or 'No' refers to last year's success (i.e., 2025)

Based on our 16-year sample, you can see some consistently successful aspects heading into Canada's lumpy June cashflows. Of course, past performance is no guarantee of future success; nor will you find 100% success rates in any particular element. Curve flatteners work more often than that not, with cross-market performance (vs. USTs) tending to be more consistent out the curve.

Chart 6: Sidelined BoC kept rates in check in Jun-25 lead-up

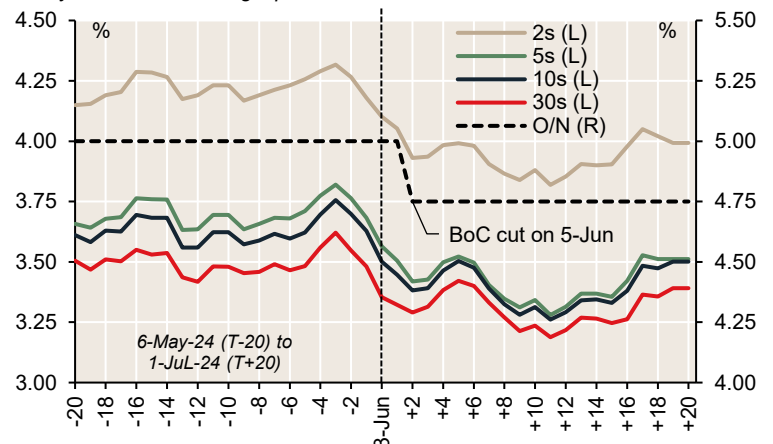
GoC yields & BoC overnight prior to/after 2-Jun-25



Source: NBC, BBG | Note: Weekdays relative to 2-Jun-25 (since 1st fell on a weekend)

Chart 7: Whereas a mid-2024 cut sent rates lower into June

GoC yields & BoC overnight prior to/after 3-Jun-24

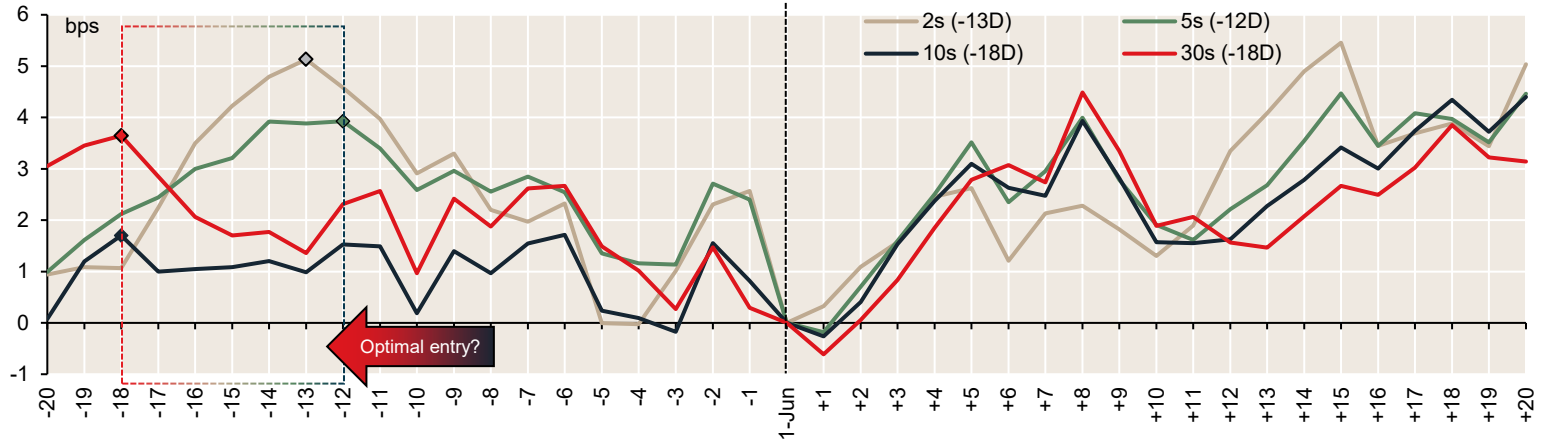


Source: NBC, BBG | Note: Weekdays relative to 3-Jun-24 (since 1st/2nd fell on a weekend)

Beyond seasonal coupons/rolls, there's always lots to control for. Two years ago, GoC yields fell into 1-Jun aided by the BoC starting its easing cycle. However, in 2025 there was no performance in the 20D lead-up. The BoC was on an indefinite pause, and investor anxiety was fading after April's 'Liberation Day' sent bond yields to cycle lows. While there was no 20D performance last year, yields retreated notably a little over a week before June 1st. This year, the BoC won't be cutting in June, but hike expectations may continue to fade, supporting absolute/relative rates strength.



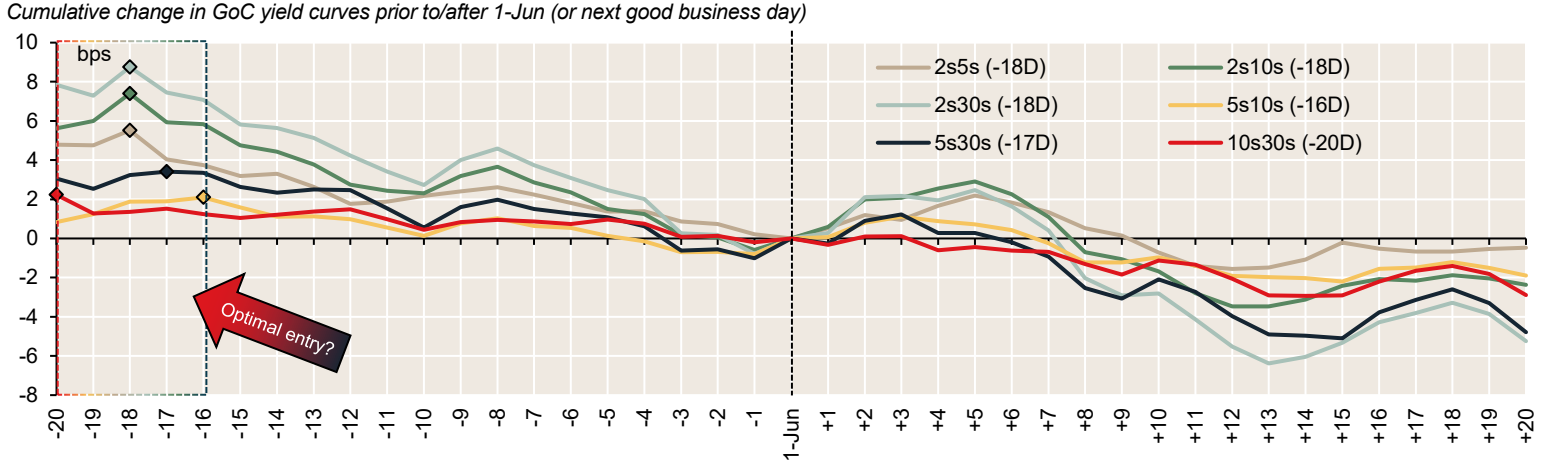
Chart 8: Optimal entry vs. USTs generally 12-18 weekdays prior to start of June (the notional window being May 6th to 14th)
Cumulative change in GoC-UST yield differentials prior to/after 1-Jun (or next good business day)



Source: NBC, BBG | Note: Markets & label values in (:) denote optimal entry vs. 1-Jun (or next good business day); 16Y sample (2010-25)

In testing the early June effect, the 'a priori' assumption is for lower yields, flatter curves and/or outperformance vs. USTs (where bond maturities are less concentrated). On the latter point—cross-market—average patterns traced out over our 16-year sample hint at an optimal entry window (long GoC, short UST) some 12-18 days prior to the start of June. That's coming up in a couple weeks.

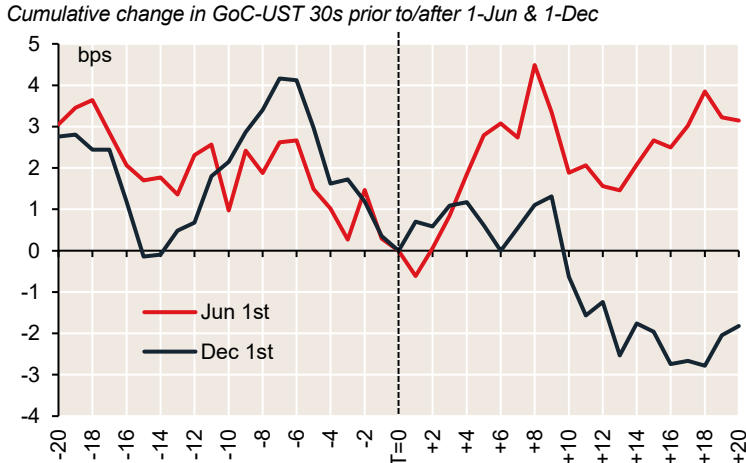
Chart 9: It's generally paid to put curve flattener on at least 16 weekdays before June 1st (no later than May 8th on average)
Cumulative change in GoC yield curves prior to/after 1-Jun (or next good business day)



Source: NBC, BBG | Note: Markers & label values in (:) denote optimal entry vs. 1-Jun (or next good business day); 16Y sample (2010-25)

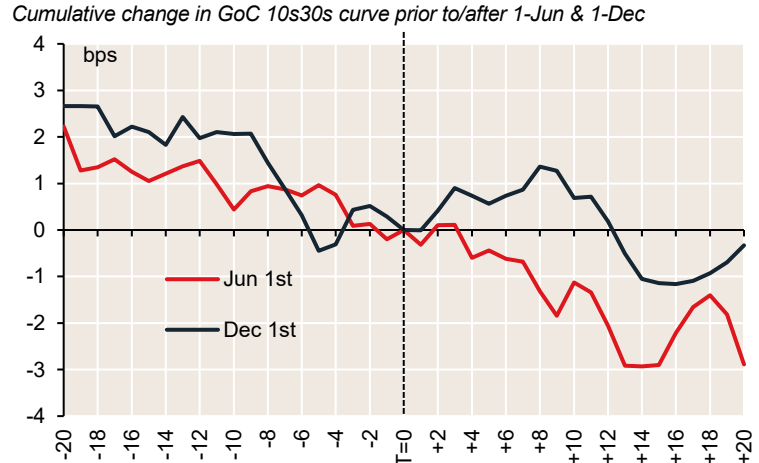
Similar to the average cross-market patterns from Chart 8, the empirical record highlights a reasonably consistent flattening tendency for GoC yield curves. While not offering a guarantee, historical averages suggest that it could pay to put a flattener on well in advance of the oversized coupon/roll effects. If you put any stock in this seasonal analysis, the optimal entry window is approaching.

Chart 10: A less-lasting impact vs. USTs (vs. 1-Dec)
Cumulative change in GoC-UST 30s prior to/after 1-Jun & 1-Dec



Source: NBC, BBG | Note: Weekdays relative to 1-Jun or 1-Dec; 16Y sample (2010-25)

Chart 11: The curve flattening tendency can linger
Cumulative change in GoC 10s30s curve prior to/after 1-Jun & 1-Dec



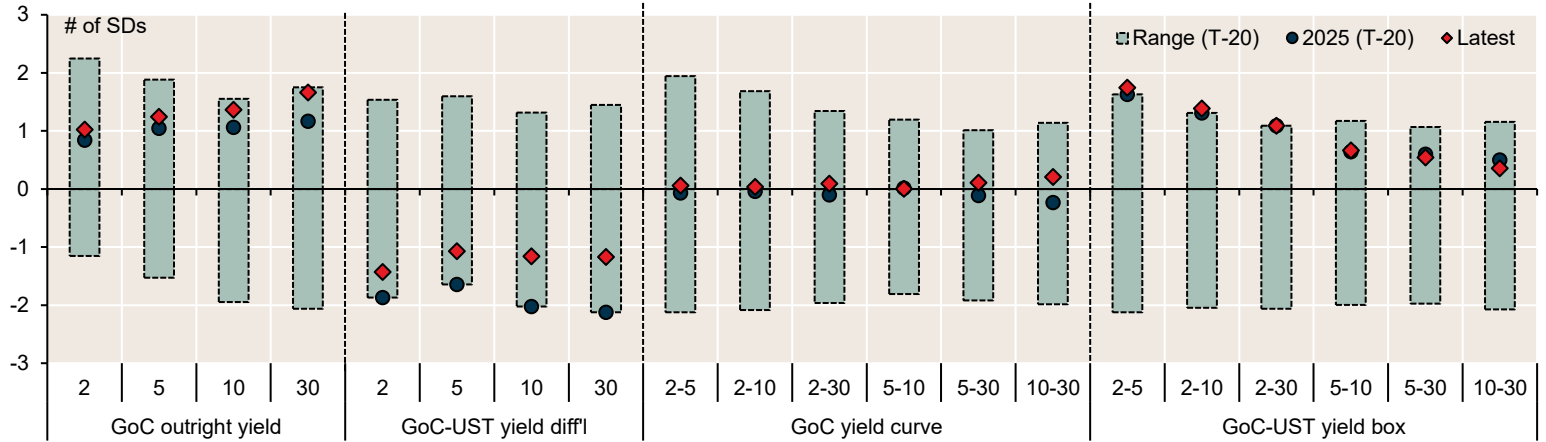
Source: NBC, BBG | Note: Weekdays relative to 1-Jun or 1-Dec; 16Y sample (2010-25)

Notwithstanding seasonal support in the long end, as we've cautioned previously, Canada's relative performance vs. Treasuries tends to fade post June 1st (at least on average). As per Chart 10, GoC-UST 30-year differentials have, on average, been no better by the end of June than they were at the start of May. Some GoC yield curve flatteners, however, appear to have greater legs.



Chart 11: Cross-market levels quite tight (though less than 2025) while Canada curves are relatively steeper than usual

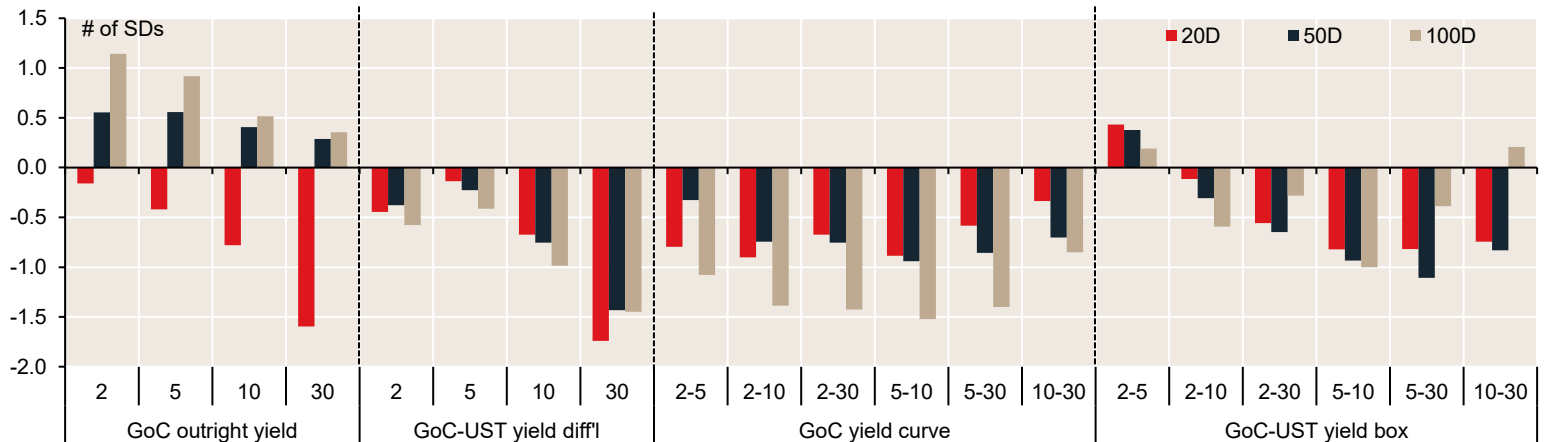
Valuation snapshot: Relative deviation of current GoC interest rates from historical average observed 20 weekdays prior to 1-Jun (16Y sample, 2010-25)



Source: NBC, BBG | Note: Latest levels refer to 23-Apr-26; shaded range refers to max/min recorded T-20D for 16Y sample (2010-25); 2025 valuations included for more timely reference

Chart 12: A shorter-term assessment of curves and relative yield differentials (again taking Z-score approach)

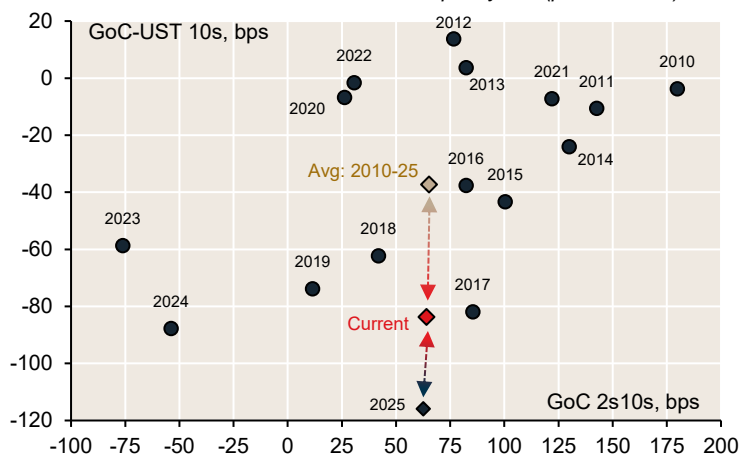
Valuation snapshot: Relative deviation of current GoC interest rates from recent averages (20D, 50D, 100D)



Source: NBC, BBG | Note: Relative to levels from 23-Apr-26

Chart 13: Richer than usual but with average 'steepness'

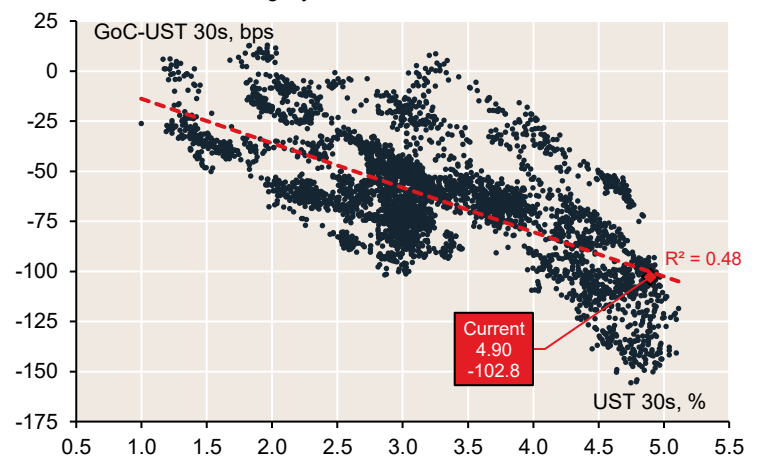
GoC 2s10s curve & GoC-UST 10s: Current vs. prior years (prior to 1-Jun)



Source: NBC, BBG | Note: Latest refers to 23-Apr-26; prior years are 20D prior to 1-Jun

Chart 14: Further perspective on longs (relative to USTs)

GoC-UST 30s vs. UST outright yield



Source: NBC, BBG | Note: Latest refers to 23-Apr-26; daily levels from Jan-2020 onwards

Reflecting on current levels/relative location, we remain in irregular territory in some important respects. That's particularly true of Canada-US differentials. GoC-USTs 10s (as but one measure) remain much richer than usual around this time of year, though today's relative valuation is less extreme than in 2025. While both the BoC and Fed are likely on hold, there's still hikes to price out in Canada, but we don't see investors ramping up bets on Fed cuts in the near term. As for GoC yield curves, the current 'steepness' is right in line with last year and the 16-year historical average. However, the Canada curve's steepness relative to the UST curve (e.g., on the 2s-10s Canada-US box) is larger than normally observed this time of year.



Table 2: A closer examination of average historical performance in/around June 1st

Average move (net) & success rates in GoC interest rates (yields, curves, butterflies, vs. UST) & provincial credit in days before/after 1-Jun (16Y sample, 2010-25)

		GoC outright yield				GoC yield curve						GoC butterfly			
Wk days		2-year	5-year	10-year	30-year	2s-5s	2s-10s	2s-30s	5s-10s	5s-30s	10s-30s	2s-5s-10s	2s-5s-30s	2s-10s-30s	5s-10s-30s
Before 1-Jun	-20	-0.8	-5.6	-6.5	-8.7	-4.8	-5.6	-7.8	-0.8	-3.1	-2.2	-4.0	-1.7	-3.4	1.4
	-10	-5.7	-7.8	-7.9	-8.4	-2.2	-2.3	-2.7	-0.1	-0.6	-0.4	-2.1	-1.6	-1.9	0.3
	-5	-3.8	-5.2	-5.3	-6.3	-1.4	-1.5	-2.5	-0.1	-1.1	-1.0	-1.3	-0.3	-0.5	0.8
	-3	-4.8	-5.7	-5.0	-5.1	-0.9	-0.2	-0.3	0.7	0.6	-0.1	-1.6	-1.5	-0.1	0.8
	-2	-4.1	-4.8	-4.1	-4.2	-0.7	0.0	-0.2	0.7	0.6	-0.1	-1.4	-1.3	0.1	0.8
-1	-2.7	-2.9	-2.1	-1.9	-0.2	0.6	0.8	0.8	1.0	0.2	-1.0	-1.2	0.4	0.6	
After 1-Jun	+1	2.2	2.7	2.8	2.5	0.5	0.6	0.3	0.1	-0.3	-0.3	0.5	0.8	0.9	0.4
	+2	1.2	2.4	3.2	3.3	1.2	2.0	2.1	0.8	0.9	0.1	0.4	0.3	1.9	0.7
	+3	2.3	3.3	4.4	4.5	1.0	2.1	2.2	1.1	1.2	0.1	-0.2	-0.3	2.0	1.0
	+5	6.1	8.2	9.0	8.5	2.2	2.9	2.5	0.7	0.3	-0.4	1.5	1.9	3.4	1.2
	+10	6.9	6.2	5.2	4.1	-0.7	-1.7	-2.8	-1.0	-2.1	-1.1	0.2	1.4	-0.6	0.2
	+20	8.8	8.3	6.4	3.5	-0.5	-2.4	-5.3	-1.9	-4.8	-2.9	1.4	4.3	0.5	1.0
Success rate (%)	-20	50%	75%	75%	75%	88%	75%	69%	75%	69%	56%	56%	56%	75%	50%
	-10	56%	56%	75%	75%	81%	75%	63%	50%	63%	63%	81%	56%	50%	50%
	-5	63%	69%	69%	75%	63%	56%	69%	56%	56%	63%	50%	50%	69%	50%
	+5	25%	38%	19%	19%	25%	31%	44%	50%	50%	63%	44%	38%	31%	31%
	+10	31%	38%	38%	44%	50%	56%	56%	56%	63%	69%	56%	44%	44%	44%
+20	38%	44%	38%	44%	63%	69%	63%	50%	56%	50%	44%	50%	56%	50%	
Test >		Lower yield				Flatter yield curve						Belly performance			

		GoC-UST yield differential				GoC-UST yield box						Canada-US "Fly Trap"			
Wk days		2-year	5-year	10-year	30-year	2s-5s	2s-10s	2s-30s	5s-10s	5s-30s	10s-30s	2s-5s-10s	2s-5s-30s	2s-10s-30s	5s-10s-30s
Before 1-Jun	-20	-0.9	-1.0	-0.1	-3.1	-0.1	0.9	-2.1	0.9	-2.1	-3.0	-1.0	2.0	3.9	3.9
	-10	-2.9	-2.6	-0.2	-1.0	0.3	2.7	1.9	2.4	1.6	-0.8	-2.1	-1.3	3.5	3.2
	-5	0.0	-1.4	-0.2	-1.5	-1.4	-0.2	-1.5	1.1	-0.1	-1.2	-2.5	-1.2	1.0	2.4
	-3	-1.0	-1.1	0.2	-0.3	-0.1	1.2	0.7	1.3	0.9	-0.4	-1.4	-1.0	1.6	1.8
	-2	-2.3	-2.7	-1.6	-1.5	-0.4	0.8	0.8	1.2	1.2	0.1	-1.6	-1.7	0.7	1.1
-1	-2.6	-2.4	-0.8	-0.3	0.2	1.8	2.3	1.6	2.1	0.5	-1.4	-1.9	1.2	1.1	
After 1-Jun	+0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	+1	0.3	-0.2	-0.3	-0.6	-0.5	-0.6	-0.9	-0.1	-0.4	-0.4	-0.4	-0.1	-0.2	0.3
	+2	1.1	0.7	0.4	0.1	-0.4	-0.7	-1.0	-0.3	-0.7	-0.4	-0.1	0.3	-0.3	0.0
	+3	1.6	1.6	1.5	0.8	0.0	0.0	-0.7	-0.1	-0.8	-0.7	0.1	0.8	0.7	0.6
	+5	2.6	3.5	3.1	2.8	0.9	0.5	0.2	-0.4	-0.7	-0.3	1.3	1.6	0.8	-0.1
	+10	1.3	1.9	1.6	1.9	0.6	0.3	0.6	-0.3	0.0	0.3	0.9	0.6	-0.1	-0.7
+20	5.0	4.5	4.4	3.1	-0.6	-0.6	-1.9	-0.1	-1.3	-1.3	-0.5	0.7	0.6	1.2	
Success rate (%)	-20	38%	44%	56%	69%	56%	56%	69%	69%	81%	81%	50%	31%	38%	38%
	-10	56%	63%	50%	56%	50%	50%	50%	44%	50%	50%	56%	50%	44%	31%
	-5	63%	50%	56%	63%	56%	56%	63%	63%	63%	56%	63%	56%	44%	38%
	+5	44%	31%	31%	44%	44%	63%	56%	50%	56%	56%	38%	44%	38%	44%
	+10	44%	44%	44%	44%	44%	56%	56%	50%	50%	44%	50%	44%	44%	44%
+20	38%	56%	44%	50%	69%	56%	50%	31%	38%	56%	56%	56%	50%	50%	
Test >		Relatively tighter yield vs. US				Relatively flatter yield curve vs. US						Relative outperformance of Canada belly			

Source: NBC, BBG | Note: Based on weekdays; success rates calculated over 16Y period covering 2010-25; success rates reflect the percentage of time the expected direction of trade held in pre- & post-cash period; examples of the 'a priori' direction of trade include: Canada outright = lower yield; Canada curve = flatter; Canada-US yield differential = tighter/narrower; refer to "Test" for expected direction



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Subscribe to our publications:
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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