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Outsourcing Canada's bond market

By Taylor Schleich & Warren Lovely

These days in Ottawa, economic policy is all about building up Canada's domestic capacity and reducing its reliance on the rest of the world. But a contrasting dynamic is evident in the bond market. Canadian bond issuers are 'outsourcing' like never before.

This morning's international securities transactions data showed non-resident investors' voracious appetite for Canadian bonds remained on full display in June, despite seasonal impediments. Record June buying pushed year-to-date accumulation to $185 billion, more than 50% above the previous record pace. Enthusiasm for Canadian bonds does not extend to money markets or equities, however. Here, non-residents have been net sellers in 2026 (though June did see some inflows).

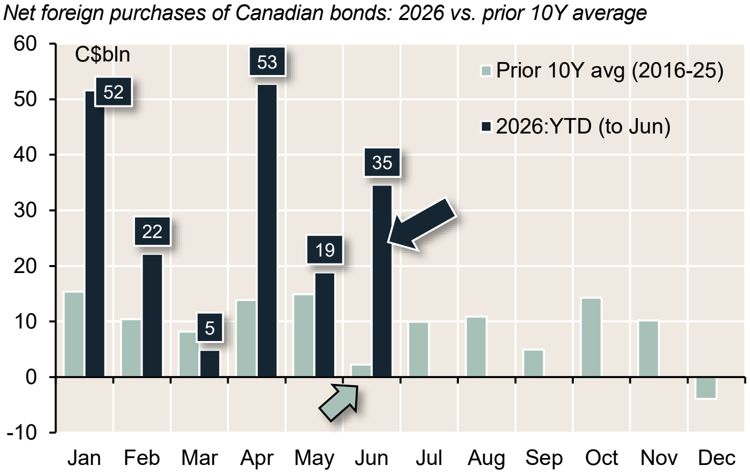
What bonds have non-residents been buying? A little bit of everything, though demand has been concentrated in domestic GoC bonds. And where has demand come from? Again, just about everywhere, but most notably the U.S. (thankfully, our bonds can cross the border tariff-free).

At 2026's blistering YTD pace of GoC accumulation, foreign investors have absorbed all of Ottawa's net issuance *and* the bonds rolling off the BoC's balance sheet. In a sense then, domestic investors have been crowded out, now owning a smaller share of the domestic GoC market (42.9%) than non-residents (45.0%).

For the feds, more demand is preferable to less, but a growing reliance on foreign investors is not without risk. For now, non-residents clearly value Canada's political stability, diversification from USTs and relatively sustainable fiscal position. Maintaining that confidence is key, as recent episodes in other advanced economy bond markets have shown how quickly borrowing conditions can deteriorate when it is lost.

Chart 1: Non-residents are binging on Canadian bonds…

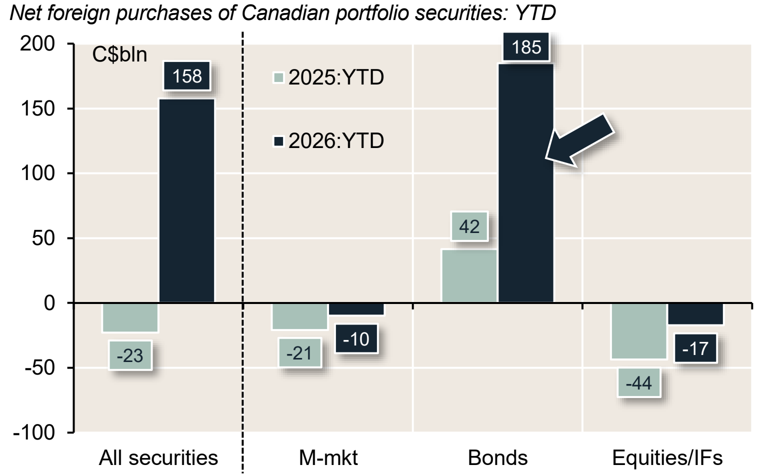
Net foreign purchases of Canadian bonds: 2026 vs. prior 10Y average



Source: NBC, StatCan | Note: Refers to all Cdn bond issuers (governments & corporations)

Chart 2: …but their appetite has not extended to equities

Net foreign purchases of Canadian portfolio securities: YTD

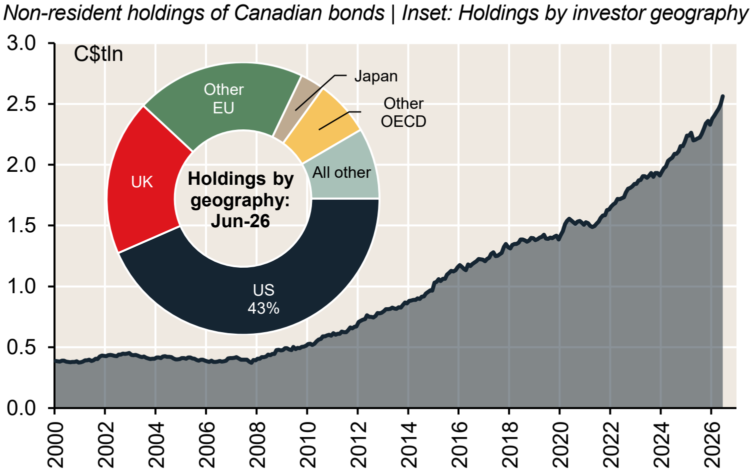


Source: NBC, StatCan

Typically, foreigners don't accumulate many bonds in June given it's a chunky maturity month and these register as outflows. But not in June 2026! The $35 bln of net buying was nearly triple the prior record ($13 bln in Jun-24) and brings YTD accumulation 50% above the next biggest year (2020). But enthusiasm didn't extend to money markets or equities as foreign holdings are down YTD.

Chart 3: Foreigners now hold >$2.5 tln of Canadian bonds

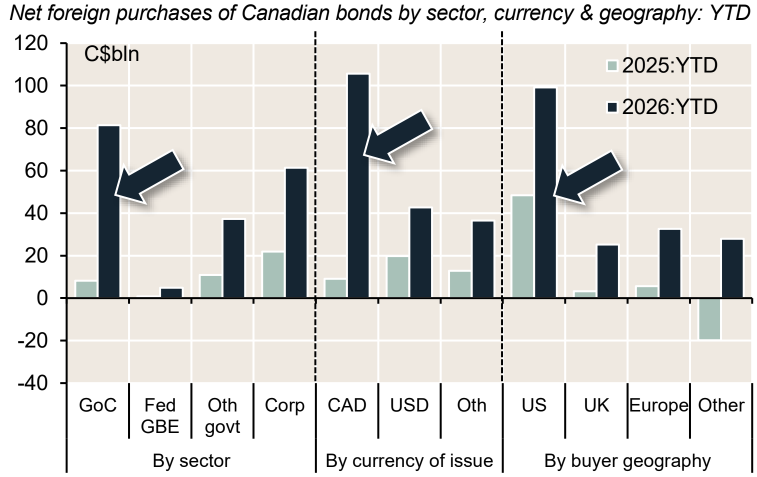
Non-resident holdings of Canadian bonds | Inset: Holdings by investor geography



Source: NBC, StatCan | Note: Both charts based on book value of holdings

Chart 4: What bonds are being bought? And from where?

Net foreign purchases of Canadian bonds by sector, currency & geography: YTD

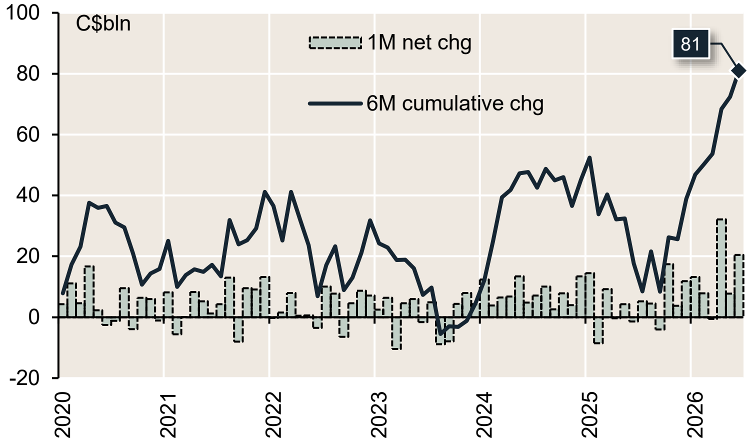


Source: NBC, StatCan

After several years of healthy accumulation, non-res investors own >$2.5 trillion of Canadian bonds. A decade ago, foreigners owned less than half that. Over time, Canada's bond buyer base has diversified but the U.S. is still by far the largest holder of our bonds (43%) and has been a disproportionate buyer in 2026. What have these investors been buying this year? Largely, C$ GoC bonds…

Chart 5: A first-half grab-fest!

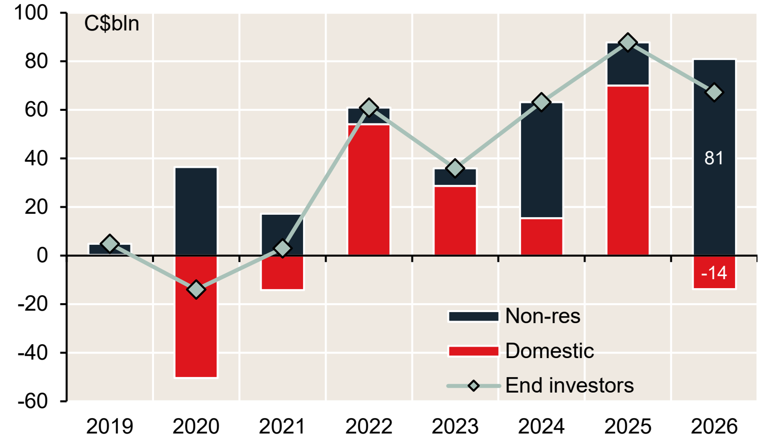
Net foreign investment in domestic GoC bonds: 1M & 6M cumulative change



Source: NBC, StatCan | Note: Book value of CAD-denominated GoC bonds only

Chart 6: Non-residents crowding out domestics?

Year-to-date end investor absorption of GoC bonds by year

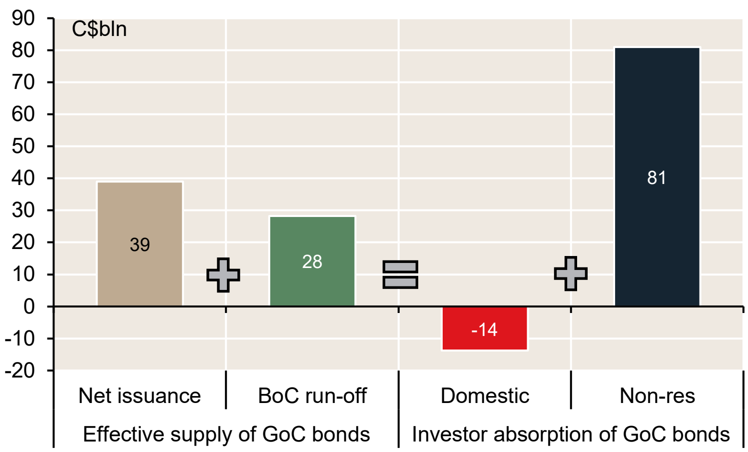


Source: NBC, StatCan | Note: Total bar height = Chg. in book value of effective GoC bond stock

The $81 billion of GoC bonds that non-residents accumulated in the last 6 months is—surprise, surprise—a new record. Strong demand from international investors has forced domestic investors to the sidelines and for the first time since 2021, Canadians *net sold* GoC bonds through June. These dynamics were reversed in 2025 when trade uncertainty left foreigners more cautious on Canada.

Chart 7: Non-residents absorbed all of H1 net supply…

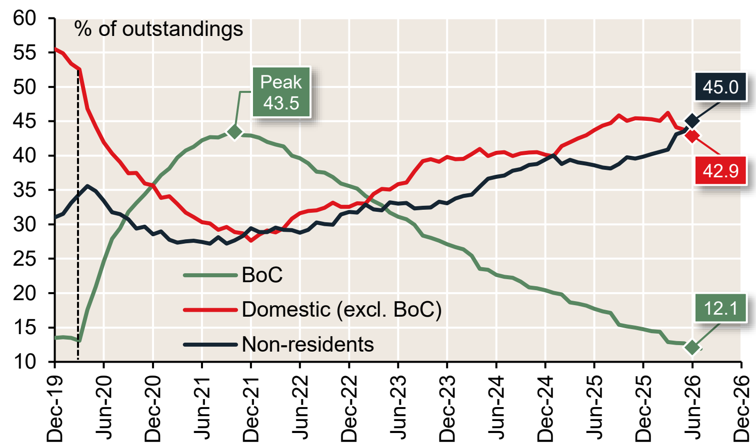
Net supply & absorption of GoC bonds: H1:2026



Source: NBC, StatCan, BoC | Note: Represents net change in book value of C$ GoC bond

Chart 8: … to control the largest share of GoC market

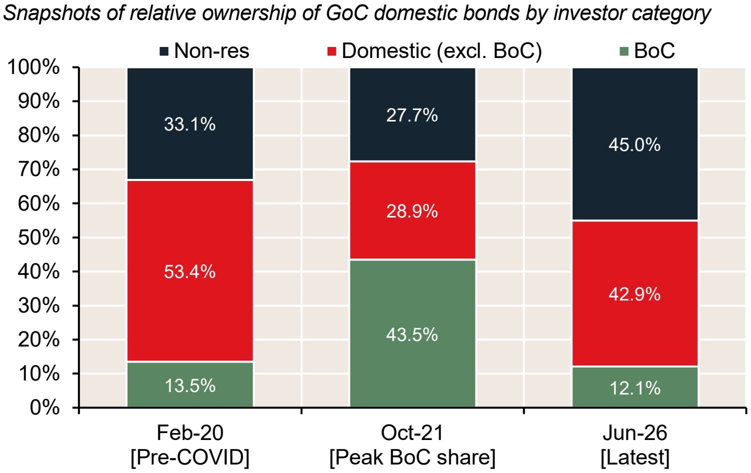
Relative ownership of GoC domestic bonds by major investor category



Source: NBC, StatCan, BoC | Note: Based on monthly book value

Chart 9: GoC bond ownership dramatically recast

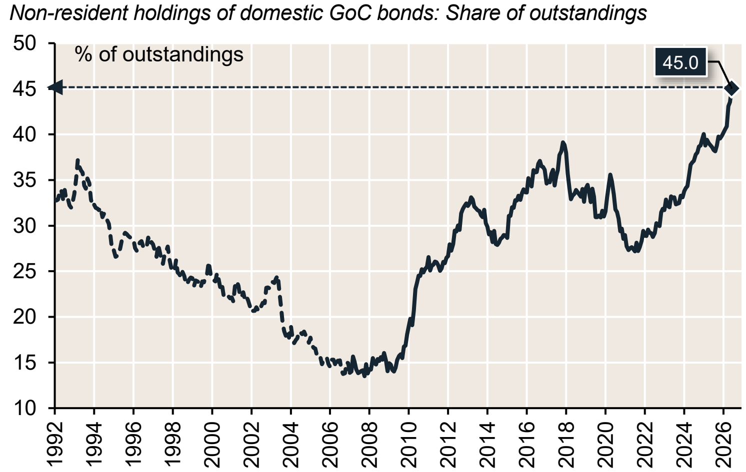
Snapshots of relative ownership of GoC domestic bonds by investor category



Source: NBC, StatCan, BoC | Note: Based on book value

Chart 10: More leverage to foreign investors than ever before

Non-resident holdings of domestic GoC bonds: Share of outstandings



Source: NBC, StatCan | Note: Based on monthly book value; ownership % inferred pre-2007

Put differently, foreigners absorbed all of Ottawa's YTD net supply *and* the GoC bonds that rolled off the BoC's balance sheet. As of June, non-residents owned a greater share of the domestic GoC market than domestic investors did. This isn't the first time—it occurred briefly in '21, '22 and '25—but June 2026's 2.1%-pt gap is a new record. As is the 45% of the market controlled by foreigners (pre-COVID this was more like 33%). For the feds, the more demand for their debt the better. But a foreigner-heavy investor base is not without risk either. For now, non-residents are clearly confident in Canada's 'story' which involves political stability, being a natural diversifier from USTs and more sustainable fiscal policy. Maintaining that will be key to keeping borrowing costs *relatively* low.

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