Market View
Economics and Strategy

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For Canada's bond market, is September a 'short' month?

By Warren Lovely & Taylor Schleich

We've no desire to wish the remainder of summer away… but the calendar is what it is and the start of September is now just nine trading days away. Factoring in holiday-related outages on Labour Day (on the 7th) and the National Day for Truth and Reconciliation (on the 30th) there are a fewer-than-average number of trading days in September. But as history shows, you need only a few days of concentrated coupons and/or bond rolls to make a notable difference to the composition of Canada's fixed income market.

Here, we offer some seasonal context on what September 1st has traditionally meant for Canada's domestic bond market. We analyze what index adjustments tend to deliver, including a detailed look at duration impacts across the curve and relative market performance (keying on Canadian rates, given the significance of GoC cash/rolls for the period in question). We also offer a preview of how this September 1st compares to past years, counting the cash that is set to flow, identifying/quantifying the bonds about to roll, and simulating what all this could ultimately mean for FTSE Canada Universe Bond Index (and its component parts). Hint: There's more cash than ever and (like prior years) some chunky bonds set to roll, all of which should drive a seasonal extension.

More specifically, this *Market View* is structured as follows:

Charts 1-7 (pages 1-2) ➢ Historical impact on duration of FTSE Canada Bond Indexes, including a comparison of September 1st vs. other key days; breakdown of average duration adjustments to individual market segments, highlighting the relative consistency of seasonal extensions in both the 'Short' and 'Mid' buckets;

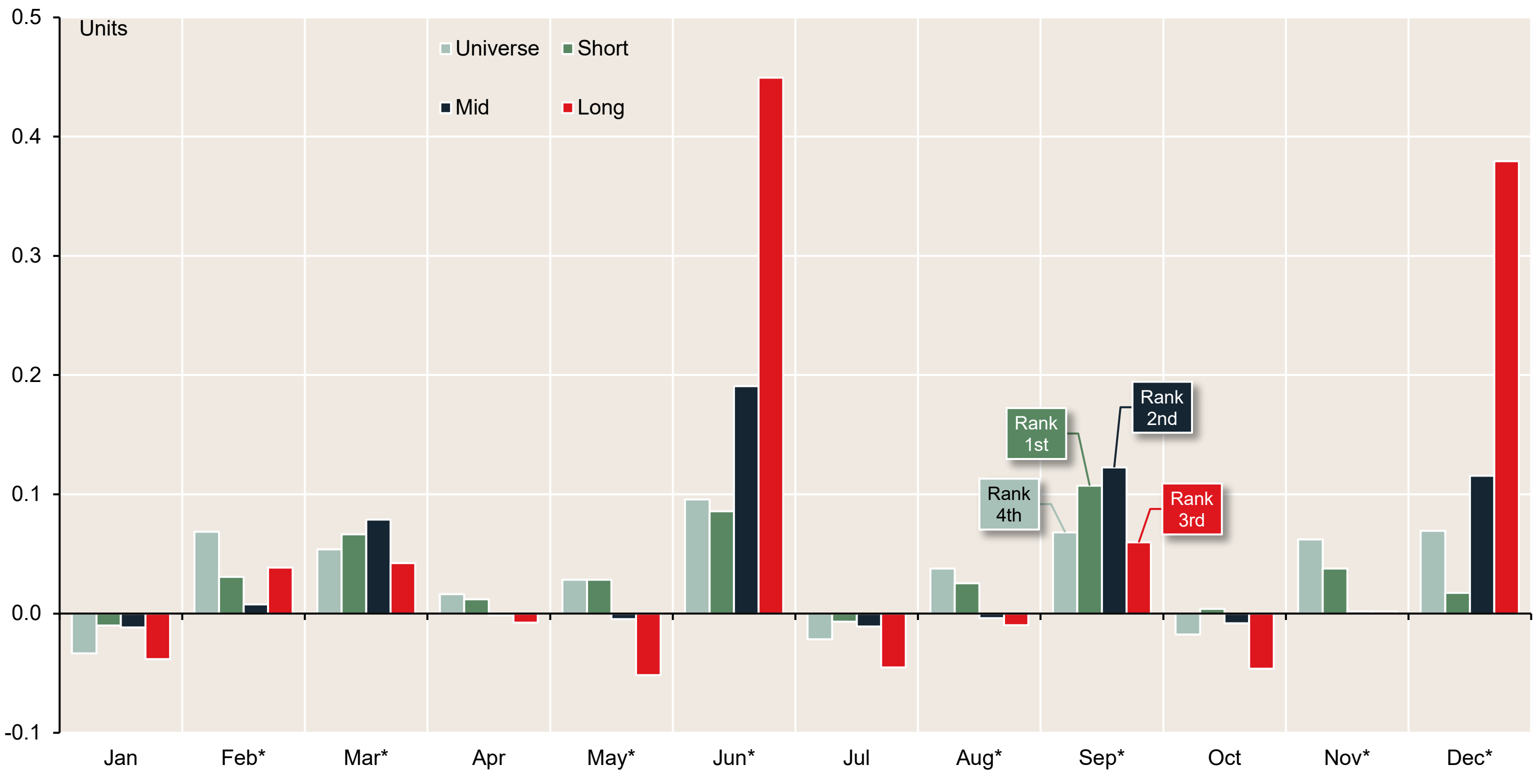
Charts 8-13 (page 3) ➢ Detailed cashflow projections, highlighting the relative significance of September 1st (with September 8th and 15th also noteworthy); perspective on anticipated bond 'roll outs' and 'roll overs', including comparisons to prior year(s); NBC simulation of prospective duration adjustments occurring on September 1st (based on current index constituents/pricing and assuming all else equal);

Charts 14-18 (page 4) ➢ Examination of historical rates performance in/around September 1st, testing the significance and consistency of multiple trading biases; perspective on current market location, relative to where yields, differentials and curves have historically stood on August 19th.

Final note: Unlike last year, September 1st is a good business day in 2026.

Chart 1: Gauging the 'first of the month' effect on Canada's domestic bond market, with September 1st an important day

Average change in FTSE Canada Bond Index duration on first trading day of each month: 5Y average (2021-25)*

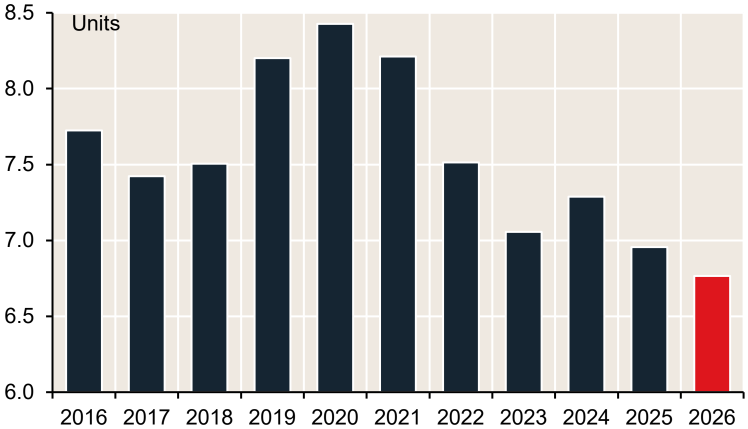


*Source: NBC, FTSE Russell, BBG | Note: Based on chg in duration on first business day of month (not always 1st); * is a month currently used for GoC benchmark bond dating*

Given the maturity dating convention for the largest issuer in the land—the Government of Canada—the first day of a few select months can be a *very* big deal for Canada's domestic bond market. This is particularly true for June 1st and December 1st, where GoC-related coupon payments and bond roll effects are impossible to ignore. But September 1st is another important maturity date for the GoC and has also been used in the provincial and municipal sectors. As a result, the first trading day of September tends to deliver an above-average duration extension for the FTSE Canada Universe Bond Index. September 1st duration effects are typically most significant and consistent in the 'Short' and 'Mid' buckets. All else equal, that looks to be the case in 2026 too! Read on…

Chart 2: Duration of 'Universe' has stepped down

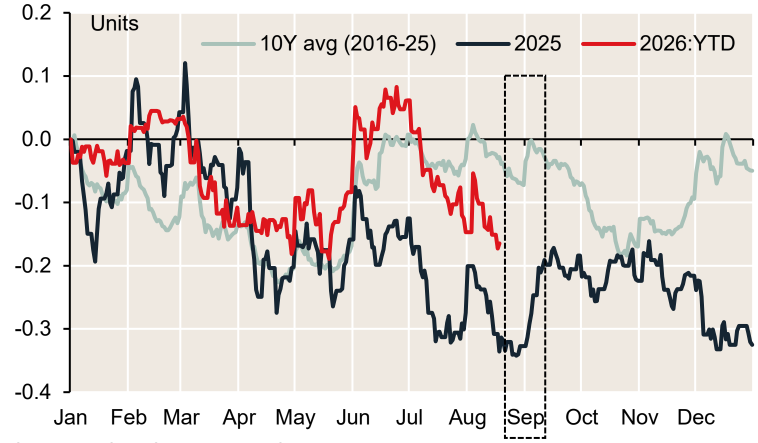
FTSE Canada Universe Bond Index duration: As of August 18th (each year)



Source: NBC, FTSE Russell, BBG

Chart 3: September 1st typically delivers seasonal 'pop'

Cumulative chg in FTSE Canada Universe Bond Index duration: Calendar year

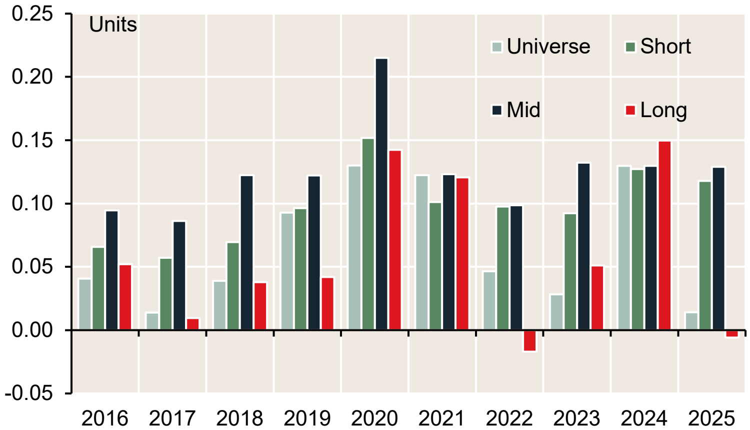


Source: NBC, FTSE Russell, BBG | Note: 2026 up to 18-Aug

Canada's domestic bond market has shed no little amount of duration in recent years. Notwithstanding this broader narrative, there are still underlying seasonals to bear in mind. We're talking about a handful of days where large coupon payments and chunky bond rolls drive a non-trivial extension in bond indexes. September 1st is one of those days (and it's now just 9 trading days away).

Chart 4: Fairly consistent impact on 'Short' & 'Mid' buckets

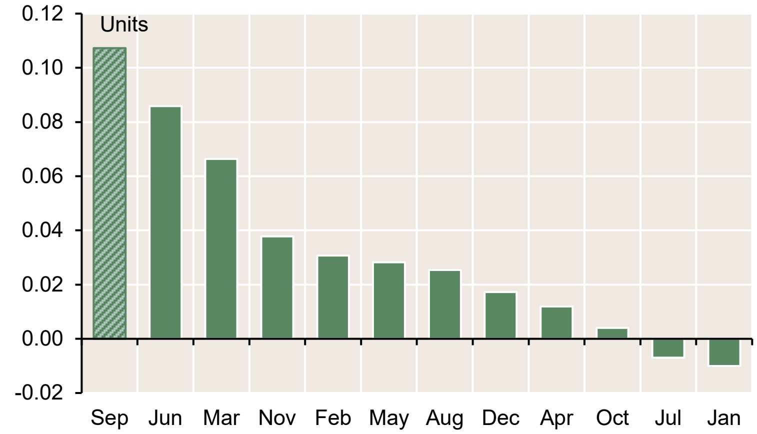
Chg in FTSE Canada Bond Index duration: First trading day of Sep*



Source: NBC, FTSE Russell, BBG | Note: First trade day not always 1st

Chart 5: For 'Short' bucket, Sep 1st typically as big as it gets

*Avg chg in FTSE Canada Short Term Bond Index duration: First trading day**

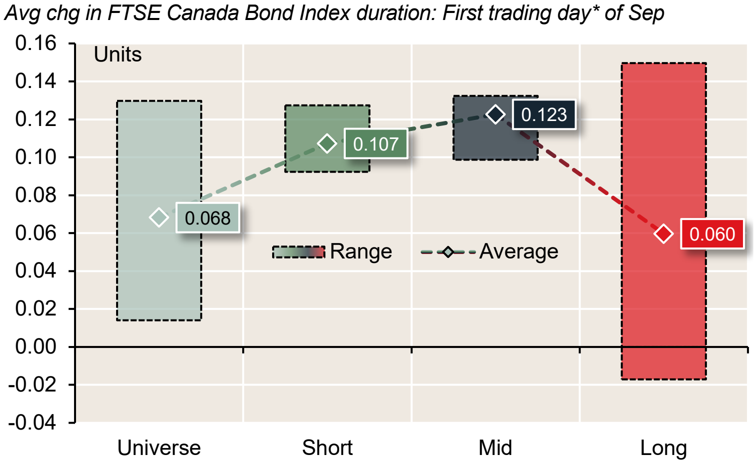


Source: NBC, FTSE Russell, BBG | Note: 5Y avg from 2021-25; first trade day not always 1st

The most consistent aspect of the September 1st story has been the extra duration added to the 'Short' (i.e., 1-5Y) and 'Mid' (i.e., 5-10Y) buckets. That's primarily a byproduct of bonds rolling out of the index and/or rolling over from 'Mid' to 'Short'. For the 'Short' bucket, September 1st is often as big as it gets extension-wise (i.e., no other day has averaged a larger duration impact).

Chart 6: 'Long' effect can be less pronounced & variable

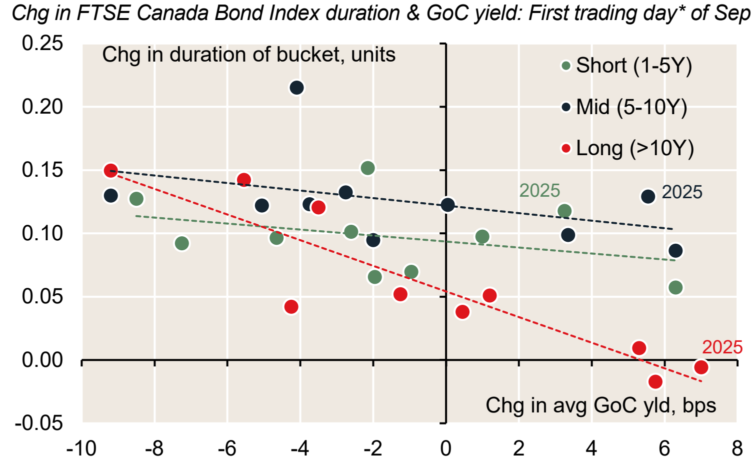
Avg chg in FTSE Canada Bond Index duration: First trading day of Sep*



Source: NBC, FTSE Canada, BBG | Note: First trade day not always 1st

Chart 7: Underlying market exerts influence on 'Long' end

Chg in FTSE Canada Bond Index duration & GoC yield: First trading day of Sep*

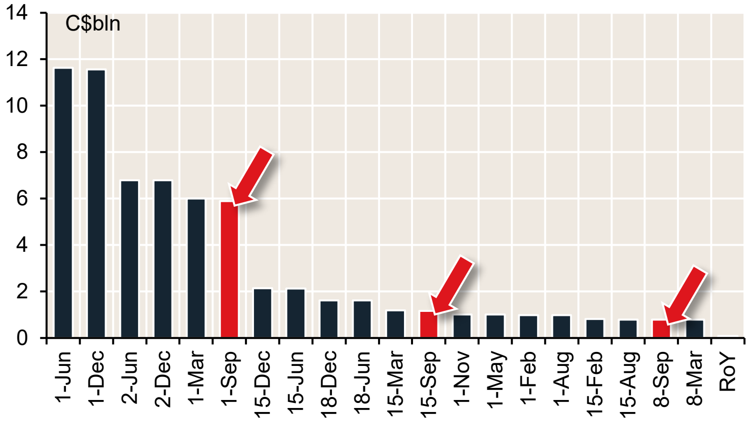


Source: NBC, FTSE Russell, BBG | Note: 10Y from 2016-25; first trade day not always 1st

The duration of the 'Long' bucket tends to increase on September 1st too as 10-year bonds roll over (often in the provincial/municipal sectors). But the typical extension for the 'Long' end tends to be more modest than for shorter tenors. And 'Long' adjustments have been relatively less predictable, being more heavily influenced by underlying market dynamics. Last year, on September 2nd (the 1st being a holiday), the duration of the 'Long' bucket contracted as yields backed up. Despite this sell-off, both the 'Short' and 'Mid' buckets delivered more typical extensions last year.

Chart 8: September has a few large cashflow days

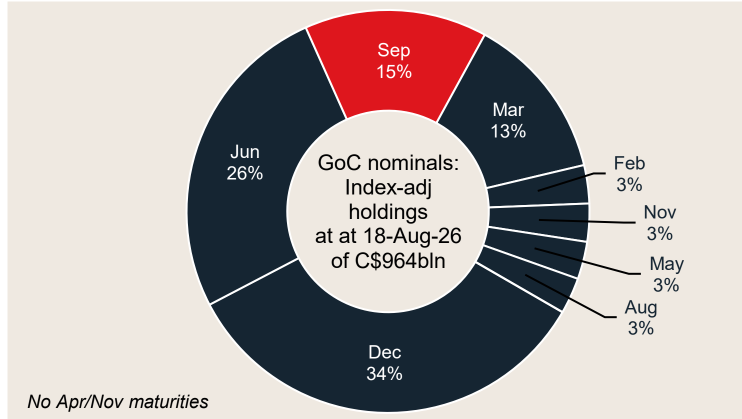
Largest FTSE Canada Universe Bond Index interest income days: Top-20



Source: NBC, FTSE Russell | Note: Based on daily projections using 12-Aug-26 closes

Chart 9: September remains key GoC maturity month

Distribution of Index-eligible GoC nominal bond holdings by maturity month*

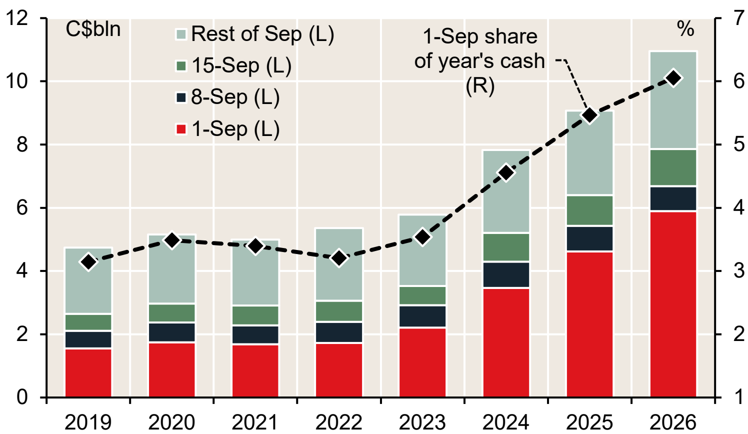


Source: NBC, FTSE Russell | Note: Excl. BoC holdings; >1Y to maturity; nominals only

September 1st remains a 'top-6' cashflow day for Canada's domestic bond market. While this day is particularly noteworthy for the GoC market, other governments use this maturity date (including Quebec and Montreal). Though less significant than the first of the month, September 8th (an Ontario story) and September 15th (tied to the CMB program) are also noteworthy cashflow days.

Chart 10: Even more cash paid this September

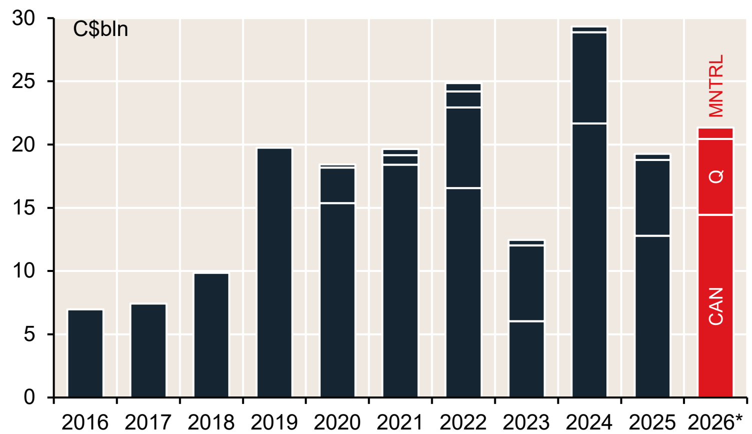
FTSE Canada Universe Bond Index cashflows: September



Source: NBC, FTSE Russell | Note: Generated using 11-Aug to 13-Aug closes for each year

Chart 11: Bond 'roll outs' always a focus on September 1st

*Value of bonds rolling out of FTSE Canada Universe Bond Index: Sep 1st**

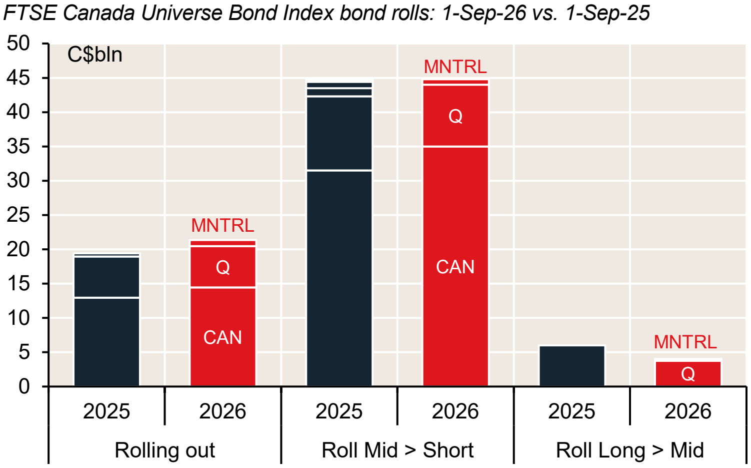


Source: NBC, FTSE Canada | Note: 2016-25 based on end of Aug; 2026 as of 18-Aug

Given (rapid) growth in the outstanding stock of bonds, it follows that more cash flows to investors these days. Nearly $11bln of index-related cash is projected to be paid this September, standing 20% higher than Sep-25. Beyond coupon impacts, bond 'roll outs' are once again a significant story in 2026. Currently, 3 bonds with combined holdings of $21.3bln are set to drop out on the 1st.

Chart 12: Bonds likewise set to 'roll over' (mid>short, long>mid)

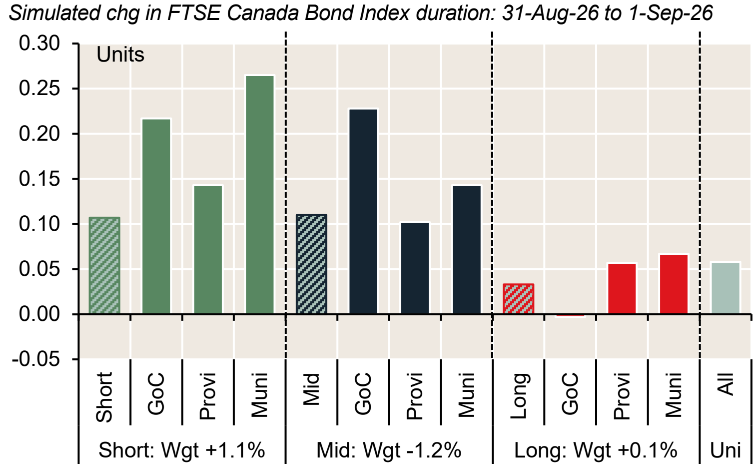
FTSE Canada Universe Bond Index bond rolls: 1-Sep-26 vs. 1-Sep-25



Source: NBC, FTSE Russell | Note: Based on 18-Aug closes for both years; number/size of bond rolls subject to chg as index evolves up to 1-Sep

Chart 13: Sectoral perspective on this year's extension

Simulated chg in FTSE Canada Bond Index duration: 31-Aug-26 to 1-Sep-26

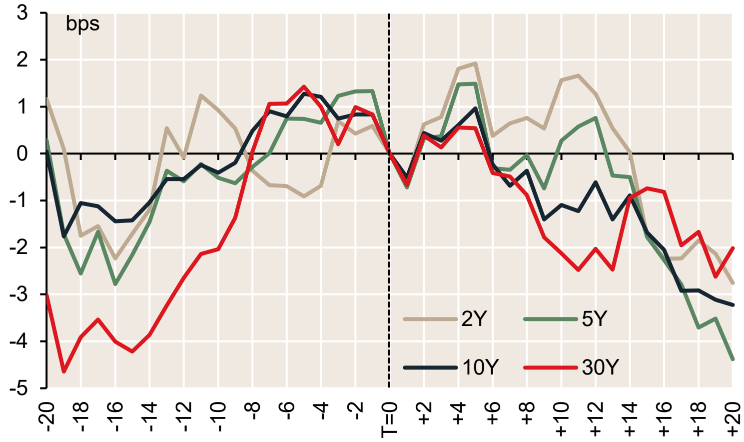


Source: NBC, FTSE Russell | Note: 1D simulation using 18-Aug-26 closes; assumes no chg in yield curve; simulated impacts will change as index evolves up to 1-Sep

Looming bond rolls—out of the index and 'Mid' to 'Short'—are as meaningful as this time last year. As it stands, the total roll from 'Long' to 'Mid' could be less significant. Based on prevailing levels, we simulate a 0.058 extension for the FTSE Canada Universe Bond Index on September 1st. It's likely that the 'Short' and 'Mid' buckets will see bigger adjustments. The extra duration in the 'Long' end would likely be captured in the provincial (Quebec) and municipal (Montreal) sectors. Treat this as illustrative; index constituents can change and simulations assume no shift in yield curves.

Chart 14: Seasonal support vs. USTs? It can be fleeting

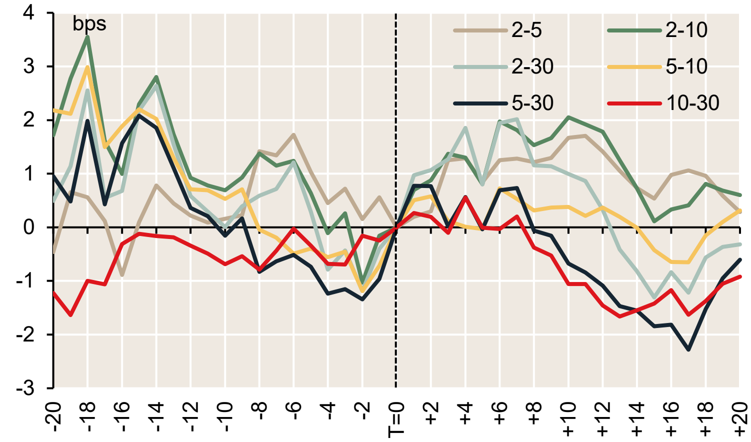
Avg cumulative change in GoC-UST yield differentials prior to/after 1-Sep



Source: NBC, BBG | Note: 16Y sample (2010-25); horizontal axis is business days

Chart 15: Historically, some steepening just prior to event

Avg cumulative change in GoC yield curves prior to/after 1-Sep

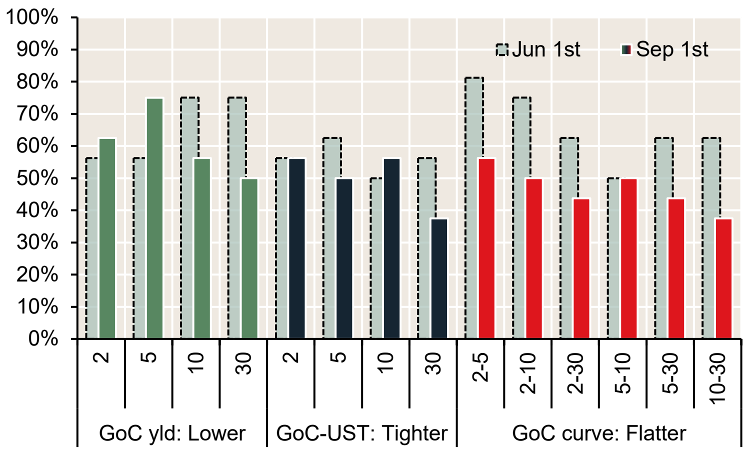


Source: NBC, BBG | Note: 16Y sample (2010-25); horizontal axis is business days

There's *some* evidence of bond seasonals supporting GoCs in the days right before/after 1-Sep, as yields across the curve have outperformed USTs (on average). But unlike other key bond market dates (1-Jun, 1-Dec), this tends to be a shorter-term phenomena. There's also less support for many flatteners going into 1-Sep relative to the first of Jun/Dec. In fact, many of the primary curves show a steepening bias in the late stages of August/early September (on average). This finding is intuitive: The duration impact on the 'Long' index tends to be less significant vs. other special dates.

Chart 16: Testing the consistency of notional trading biases

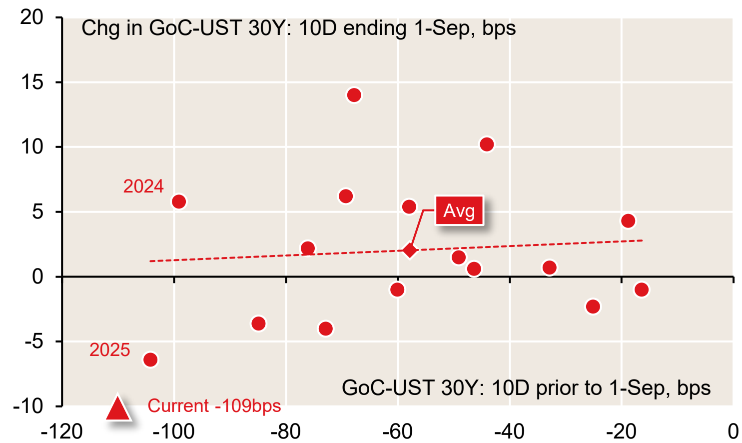
Past success rates vs. noted direction (outright, x-mkt, curves): 1-Sep vs. 1-Jun



Source: NBC, BBG | Note: Success based on actual move vs. noted direction; 16Y sample

Chart 17: Track record on Canada-U.S. longs (into 1-Sep)

Chg in GoC-UST 30Y differentials into 1-Sep vs. level of yield differential

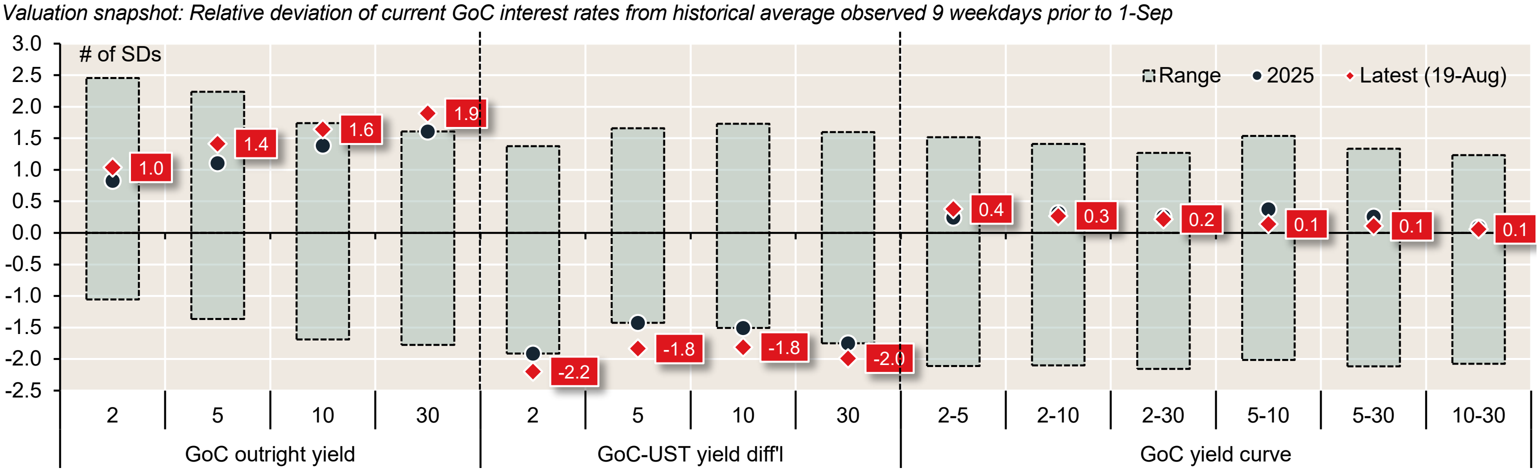


Source: NBC, BBG | Note: Current refers to 19-Aug-26; 16Y sample (2010-25)

Notional 'success rates' on 1-Sep trades (yields lower, GoC-UST outperformance, curves flatter) tend to be lower (i.e., less consistent) than you see for 1-Jun comps. That's particularly true of the long-related trades, since GoCs more often underperform on the curve. As for 30Y cross-market results… In 2024, GoCs were rich to USTs and underperformed into 1-Sep. But then last year, they outperformed from even richer levels. Which leads to our standard caution: Seasonal impacts can be dwarfed by macro, geopolitical and monetary policy developments. And now you can add U.S. Treasury 'intervention' to the list of factors investors are mulling over these days. See our final chart (below) for a snapshot of current location vs. where things have stood at this point in years' past.

Chart 18: Cross-market levels remain quite tight, with curves (in general) steeper than usual

Valuation snapshot: Relative deviation of current GoC interest rates from historical average observed 9 weekdays prior to 1-Sep



Source: NBC, BBG | Note: Latest levels refer to 19-Aug-26; shaded range refers to max/min recorded T-9D for 16Y sample (2010-25); 2025 valuations included for more additional reference

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