

October 5, 2026 – (Vol. X, No. 108)

FX reserves managers may be wondering just where to hide

By Warren Lovely

While admittedly stale (being lagged one full quarter), the IMF's quarterly Currency Composition of Official Foreign Exchange Reserves release provides a window into how some of the world's most defensive investors are thinking about relative risks.

As expected, the IMF's latest quarterly tally showed the USD's share of total FX reserves edging down in 2026:Q2. At 56.7%, the big dollar's share was just a hair's breadth away from an all-time low (Chart 1). As a reminder, the current low-water mark (56.5%) was set in 2025:Q4. Whether you embrace (or bristle at) the 'de-dollarization' label, the U.S. dollar's command over the global FX reserve basket has been in structural decline for the better part of a decade now. Objectively, the U.S. government's debt trajectory remains worrisome. Indeed, the U.S. budget looks even more precarious given costlier borrowing rates. In a way, debt servicing risks becoming the fiscal equivalent of 'flesh-eating disease'.

So just where have reserves managers preferred to allocate their assets? More than anywhere, marginal FX reserves have been steered to the euro. Well, that's hardly a risk-free move. Indeed, as recent developments in sovereign bond markets remind us, certain European nations (notably France) have serious structural fiscal challenges to overcome. Meantime, reserves managers have remained fairly cautious on Canada, as CAD's share of the total pie declined in five of the first six quarters since President Trump returned to the White House.

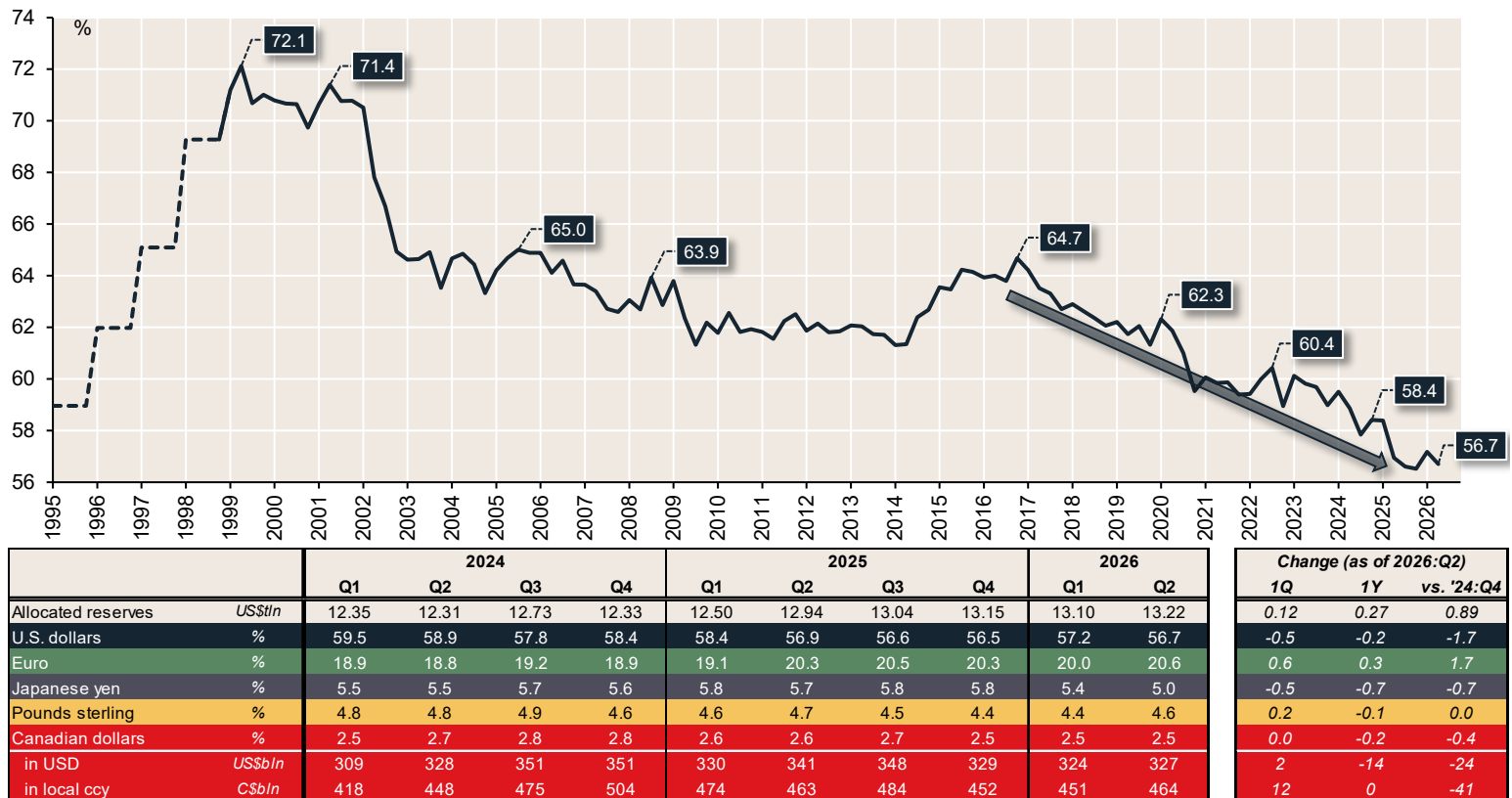
Boosters will be quick to point out that CAD still ranks as the fifth largest major currency allocation (behind USD, EUR, JPY and GBP). Moreover, as we've been at pains to emphasize ([link](#)), reserves manager apathy hasn't prevented a broader foreign investor base from loading up on Canadian portfolio securities. That has featured big-time buying of federal government debt, where avid acquisitions have absorbed all the effective increase in the GoC bond stock so far this year (at least through July).

Notwithstanding tariff-related uncertainty, the broader foreign investor attraction to GoC securities is understandable. The domestic debt market is deep/liquid/well-functioning and fiscal risks are comparatively modest. Canada arguably has one of the more stable *sovereign* governments going these days, with some hope that a recent investment summit and associated moves to make Canada investible again will (eventually) entice marginal capital.

Of course, foreign investor exposure to Canada extends beyond the GoC. Adding in non-resident purchases of both Canadian public-sector and corporate securities issued in foreign currencies and 2026 has been characterized by a wholly unprecedented foreign buying binge. In the provincial sector, investors (both foreign and domestic) will have some important political developments to digest in the coming hours, days, weeks (including Quebec's election, an Alberta referendum and a snap vote in British Columbia). Refer to our Quebec election preview [here](#).

Chart 1, Table 1: USD share of official FX reserves nears all-time low

Share of official FX reserves allocated to U.S. dollars

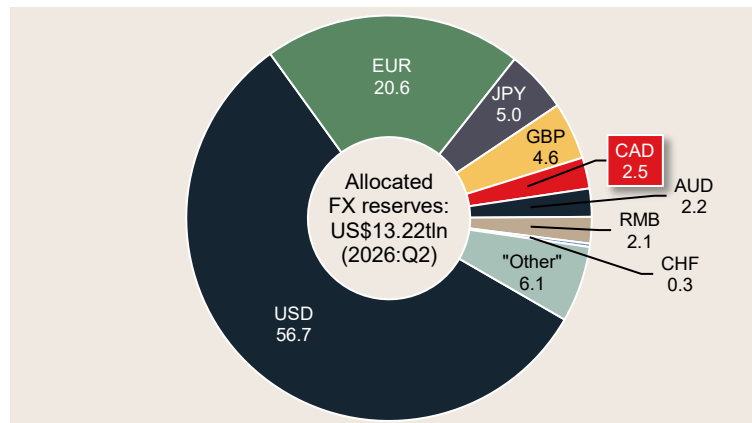


[Latest]

Source: NBC, IMF | Note: (Chart) Quarterly to 2026:Q2; prior to 1999, quarterly shares interpolated based on end-of-year/annual figures; (Table) only select currency allocations shown, with shares for AUD, RMB, CHF and "other" excluded here; refer to Chart 2 (page 2) for complete allocation shares as of 2026:Q2; CAD allocation in local currency based on quarter-end FX rate

Chart 2: Loonie's share of global reserves holds at 2.5%...

Share of official FX reserves by major currency: 2026:Q2

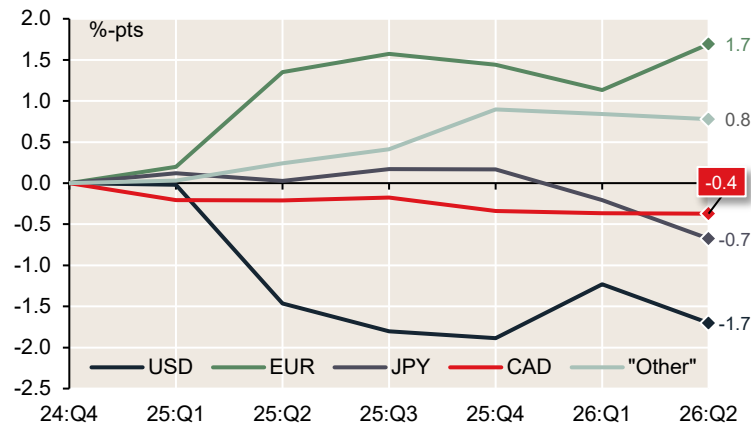


Source: NBC, IMF

As per Chart 1, the USD's share of official FX reserves has stepped down. More recently, no major currency has attracted a larger relative allocation than the euro, which is hardly a risk-free proposition at this point. CAD may still rank as the fifth-largest FX reserve allocation (of the majors) but the loonie's share has been trimmed since President Trump returned to the White House.

Chart 3: ...with EUR seeing biggest allocation increase(!)

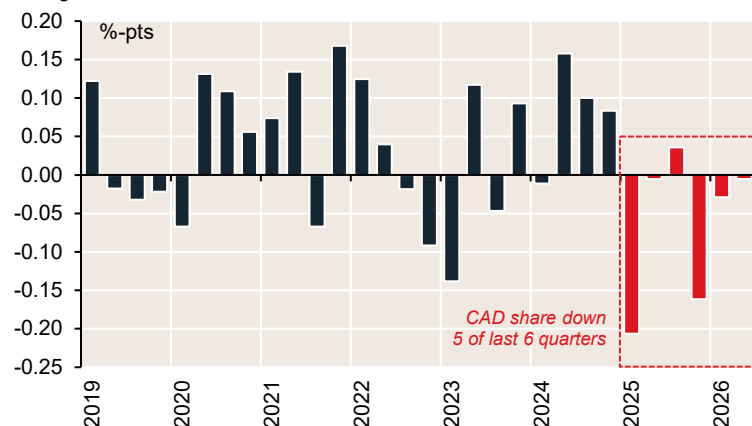
Cumulative change in share of official FX reserves since 2024:Q4: Select ccy



Source: NBC, IMF

Chart 4: FX managers cautious on CAD in Trump 2.0 era...

Change in share of official FX reserves allocated to CAD

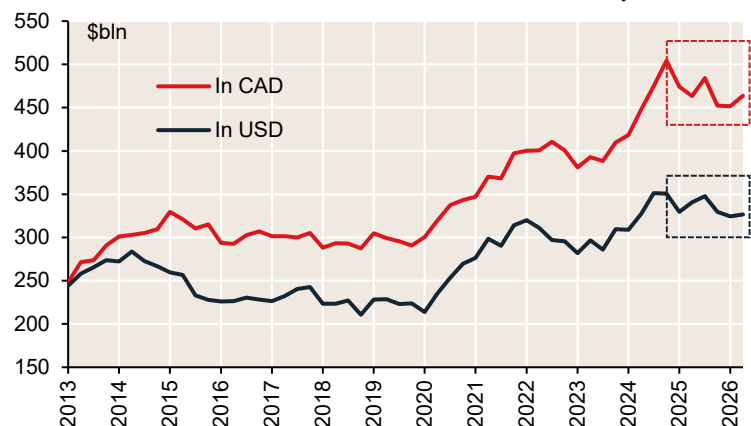


Source: NBC, IMF

CAD's share of official FX pie declined in five of the first six quarters of the latest Trump administration. Converted to loonies, the total allocation to Canadian dollars amounted to C\$464bln as of 2026:Q2. That's well off the 2025:Q4 peak but did edge a bit higher (+\$12bln) in the latest quarter after controlling for FX revaluation effects.

Chart 5: ...with official holdings of CAD assets net lower

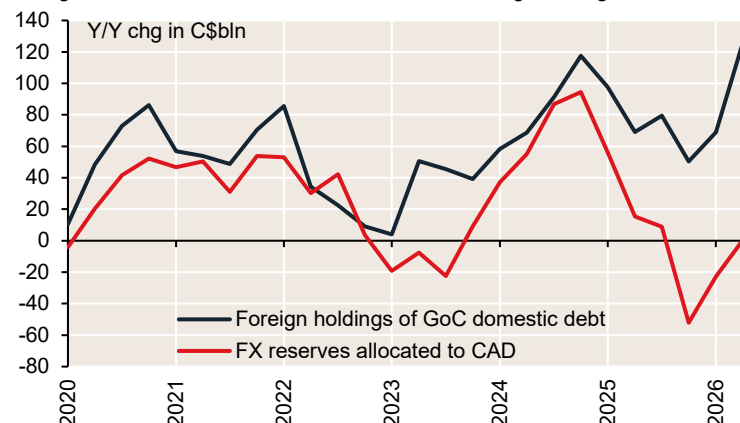
Value of official FX reserves allocated to CAD, incl. in local currency terms



Source: NBC, IMF, BBG | Note: CAD-equivalent level based on qtr-end FX rate

Chart 6: Other non-residents have been big-time buyers...

Change in official FX reserves allocated to CAD & foreign holdings of GoC debt

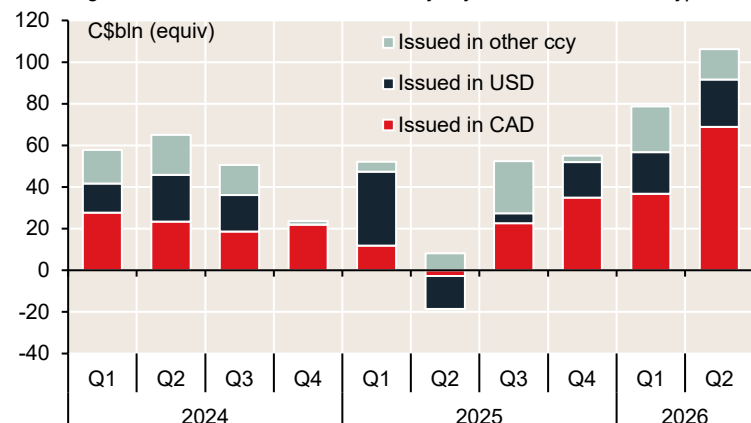


Source: NBC, IMF, BBG, StatCan | Note: Fgn holdings of GoC debt (blue line) shown to 2026:Q1; Jul-26 revealed significant net buying of GoC domestic debt (~C\$20bln in month)

Beyond reserves-related flows, non-resident investors have generally been loading up on Canadian debt securities. Outsized foreign purchases of domestic GoC product absorbed (more than) all of the net supply steered to end investors so far this year (through July). Non-residents have also bulked up on Canadian bonds denominated in foreign currencies, including issues from the provinces and Canadian banks. We generally applaud efforts to make Canada investible again, though non-resident investors will no doubt be eying near-term provincial political developments closely.

Chart 7: ...adding Canada exposure at unprecedented pace!

Net foreign investment in "Canadian" bonds by ccy of issue: All investor types



Source: NBC, StatCan | Note: Bonds only; quarterly sums to 2026:Q2; Jul-26 revealed significant net buying of Cdn bonds denominated in all currencies (~C\$25bln in month)



Economics and Strategy

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

General: This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents: NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

UK Residents: This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents: With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ____ ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A.

NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents: With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents: With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright: This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.