Market View
Economics and Strategy

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Debt Management Strategy (in Colour)

By Ethan Currie, Taylor Schleich & Warren Lovely

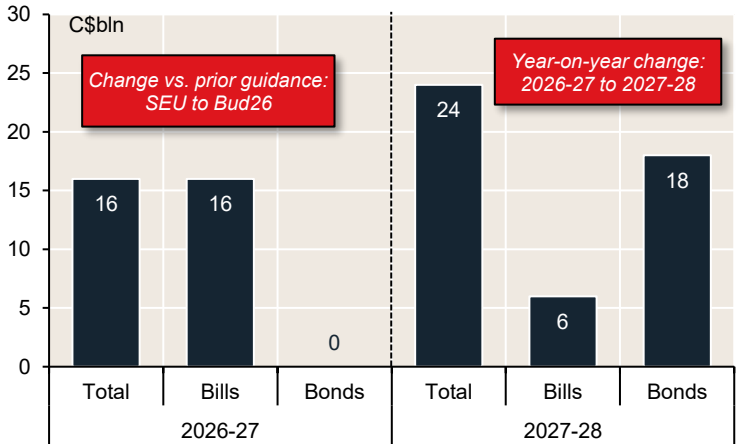
With Budget 2026 now in hand, we've covered the broader fiscal outlook extensively in our budget day analysis (**here**) and in a follow-on visual supplement (**here**). This *Market View* turns to the updated *Debt Management Strategy* (DMS), which arrives as an annex item to the budget, but acts as one of its most relevant components for fixed income investors. When it comes to the current fiscal year (2026-27), a $16 billion upward revision to the borrowing requirement (vs. the spring update) will be steered entirely to bills. In 2027-28, marginal borrowing will lean more on the bond program, where gross supply will step back up to $316 billion.

Non-budgetary transactions have become a substantial source of borrowing needs and are projected to exceed deficits in the years ahead. Meantime, this year's decline in bond maturities offers only temporary relief. Refinancing requirements will climb again as COVID-era borrowing comes due, meaning gross supply is set to rise further.

The pickup in bond issuance (from $298 billion to $316 billion) will be directed to 2s and 5s. That nudges down the weighted average term of issuance to 7.05 years (from 7.28) but represents only a slight downward adjustment to 2025-26's average (when $316 billion was also issued). Below, we use 10 charts to showcase the details of this year's DMS and also provide a view on where GoC supply might be heading in years to come. With ample refinancing needs in the pipeline (and an elevated rates environment), the program could reach $400 billion by 2030-31.

Chart 1: From bills (this year) to bonds (next year)

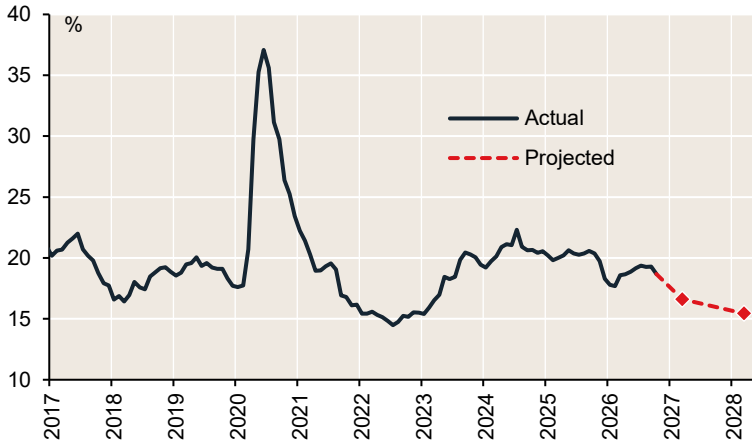
Change in aggregate GoC borrowing by source: SEU to Bud26, and to 2027-28



Source: NBC, GoC

Chart 2: Bill share of GoC debt stock to continue path lower

GoC T-bills outstanding as a share of total marketable debt

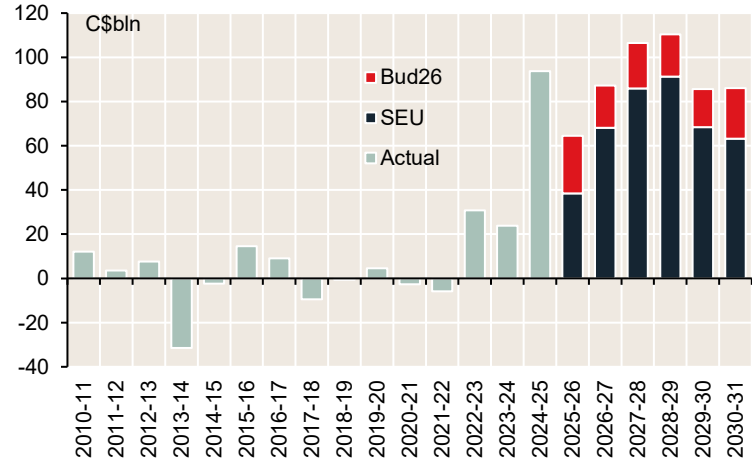


Source: NBC, GoC | Note: End of 2026-27 and 2027-28 projected using DMS

Cash needs in 2026-27 are a bit higher than anticipated in the SEU. Consistent with past practice, T-bills will be the fiscal 'shock absorber', leaving 2026-27 gross bond issuance unchanged at $298 billion. However, the bulk of *next year's* (2027-28) incremental borrowing needs will be funded in the bond market, meaning the T-bill share of the marketable debt stock will continue its trend lower.

Chart 3: NBTs play an increasing role in fin'l requirement…

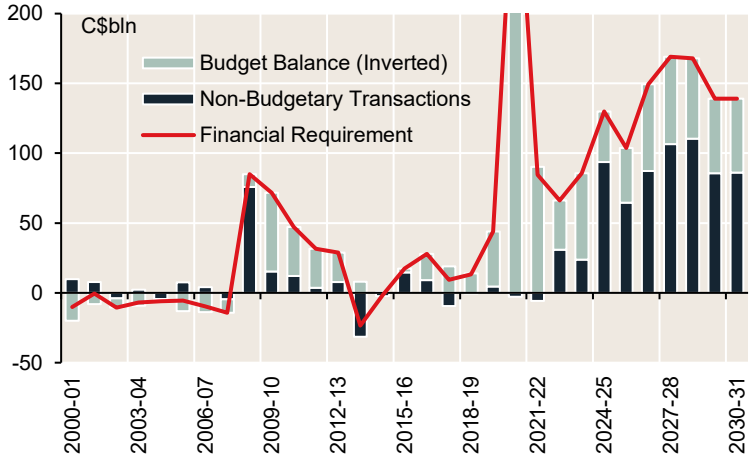
Non-budgetary transactions: Actual and as projected by SEU / Budget 2026



Source: NBC, GoC

Chart 4: …and will exceed deficit tallies through 2030-31

GoC budget balance, NBTs, and resulting financial requirement

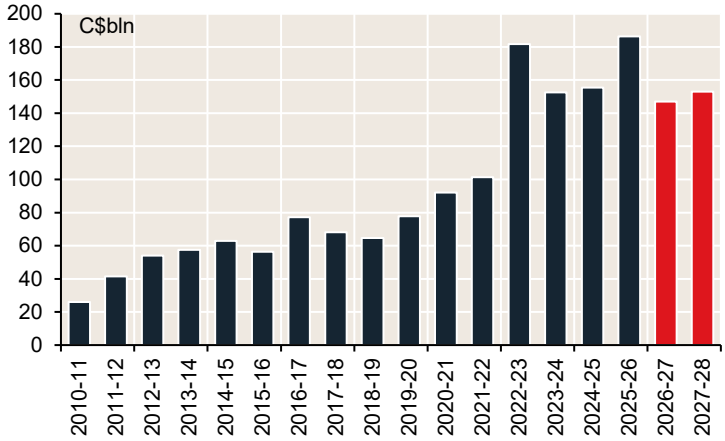


Source: NBC, GoC

In past years, non-budgetary transactions (NBTs) had little influence on bond/bill issuance. They've picked up sharply, however (largely owing to CMB purchases and non-financial asset acquisition) and are set to remain elevated. Budget 2026 raised the NBT projections even more. Going forward, they will continue to contribute more to the financial requirement than budget deficits.

Chart 5: Maturities stepped down, but will start climbing…

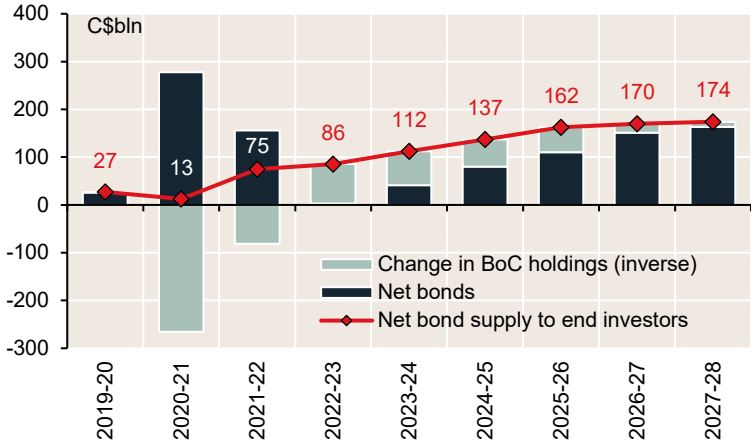
Maturing amount of GoC bonds by fiscal year



Source: NBC, GoC | Note: 2026-27 and 2027-28 maturities as per DMS

Chart 6: …as net bond supply to investors up again slightly

Net bond supply, change in BoC holdings, and resulting supply to end investors

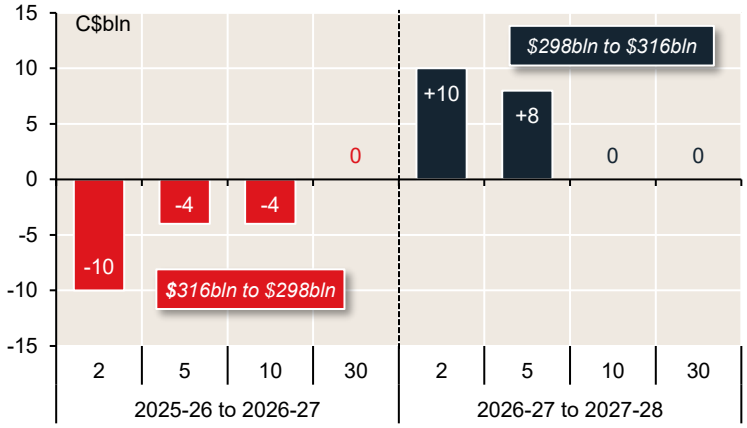


Source: NBC, GoC | Note: Net bonds – change in BoC holdings = net supply to end investors

The smaller 2026-27 bond program vs. 2025-26 was partially due to fewer bond maturities. While not the main reason for more 2027-28 supply, maturities will pick up and peak in the early 2030s as COVID-era financing comes due. Net issuance has climbed steadily in recent years but 2027-28 may be the peak. By 2028, the BoC should be back to buying bonds, adding a source of demand.

Chart 7: A modest term *out* followed by a modest term *in*

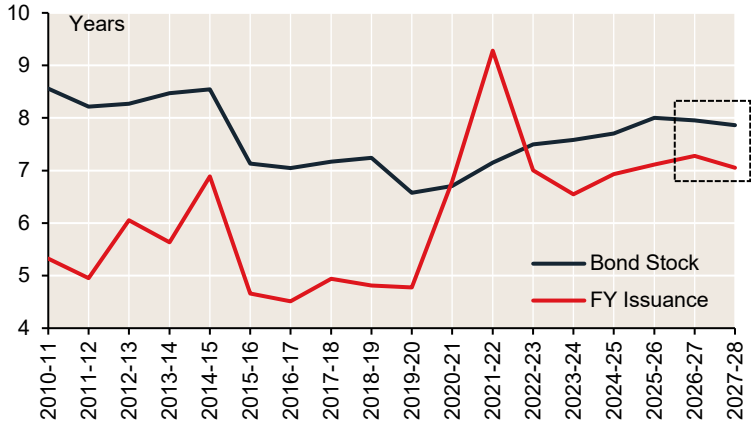
Change in gross GoC bond issuance by tenor and fiscal year



Source: NBC, GoC

Chart 8: Weighted term of issuance dips back down

Weighted average term of GoC bond stock and gross issuance

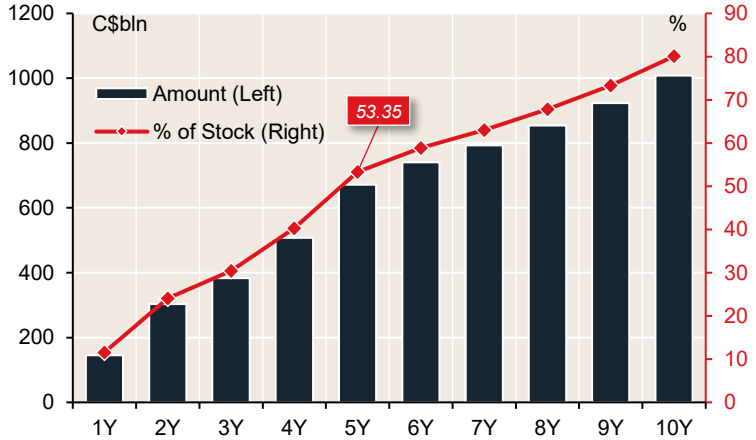


Source: NBC, GoC, BBG | Note: WAT as implied by DMS; projected bond stock as at FY end

Gross bond supply next fiscal year will return to the 2025-26 level of $316 billion, including 4 yards of green issuance. The GoC will direct the $18 billion increase from 2026-27 to 2s and 5s, which have seen the highest auction coverage over the past three years. This will lower the weighted average term of supply from 7.28 to 7.05 years, only slightly below the 2025-26 WAT of 7.12 years.

Chart 9: Ample refinancing needs in the pipeline…

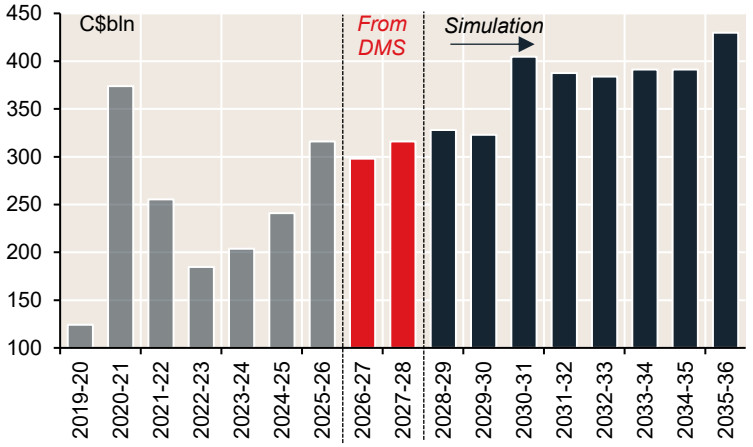
Cumulative GoC maturities in the next 10 years: Amount and share of current stock



Source: NBC, BBG | Note: GoC nominal, CAD bonds only

Chart 10: …will push GoC gross supply to new heights

Gross GoC bond issuance: Actual, planned, and NBC simulation



Source: NBC, GoC, BBG | Note: Simulation based on fiscal outlook presented in Budget 2026

Over half the current GoC bond stock is set to roll over in the next half decade. Relative stability in the bond program can be expected in the next few years, but as COVID-era (10Y) financing comes due, gross supply should reach a new record. The current budgetary outlook implies a ~$400bln program at the turn of the decade. Last year, NBC predicted a ~$380 program at that same time.

Economics and Strategy

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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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