Market View
Economics and Strategy

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# Provi credit: Must be the season of the…stock

By Warren Lovely

A special seasonal window is opening for Canada's domestic bond market, as record cashflows are set to wash over the market in December. A related collection of chunky bond rolls will further contribute to meaningful duration adjustments for various buckets and sectors, with notable duration extensions coming on December 1st, 2nd, 15th and 18th.

We used earlier *Market View* reports to contextualize cashflow/bond roll effects, including a detailed look at what these extraordinary seasonals have typically meant for Canada's rates market (**link**, **link**).

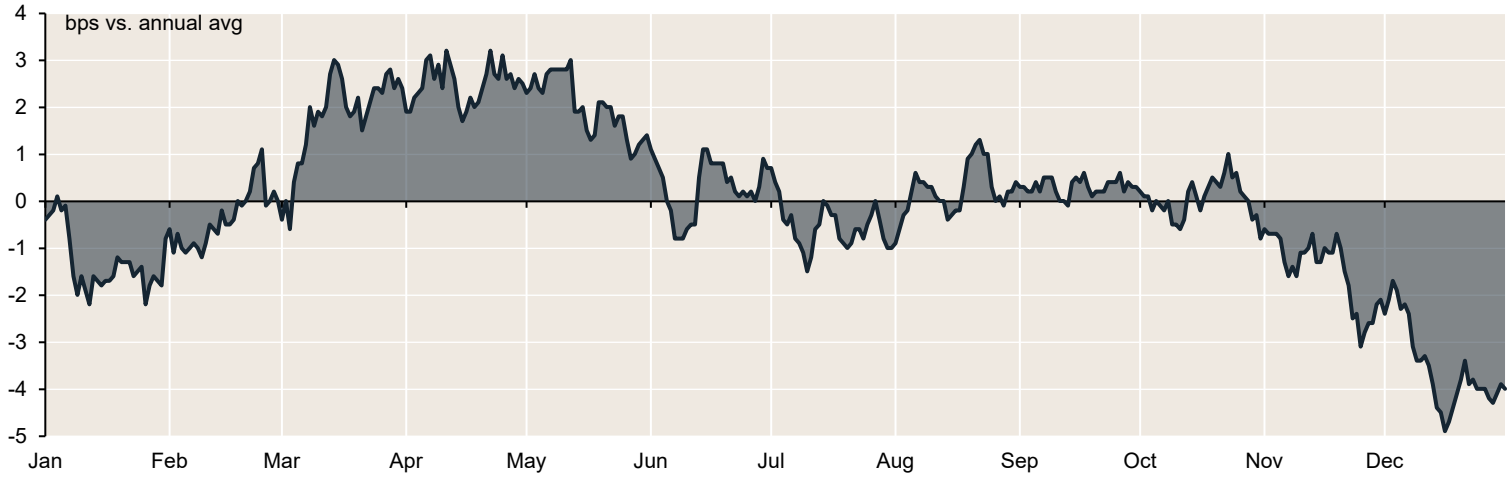
As promised, we're following up with some complementary analysis of late-year seasonal tendencies for domestic provincial spreads.

Here, we explore what has historically been one of the strongest seasonal performance periods for provincial credit. We note that a seasonal tightening tendency has not really played out this November… at least not yet… and we offer a few explanations. On current spread location, we highlight a notional 'regime shift' in provincial spreads relative to both the risk-free curve and key corporate credit risk proxies, which we see as at least partially rooted in supply technicals. We also put today's historically steep 10Y-30Y provincial credit curve in perspective. Finally, we address the proverbial elephant in the room, which is the outsized pull (or drag) on spreads from a distinctly volatile and AI-driven equity market.

Please read on…

**Chart 1: Typically, this is a strong seasonal period for provincial credit spreads**

*Evolution of Ontario 10Y spread vs. GoC: Deviation vs. calendar year average for prior 5-year period (2021-25)*

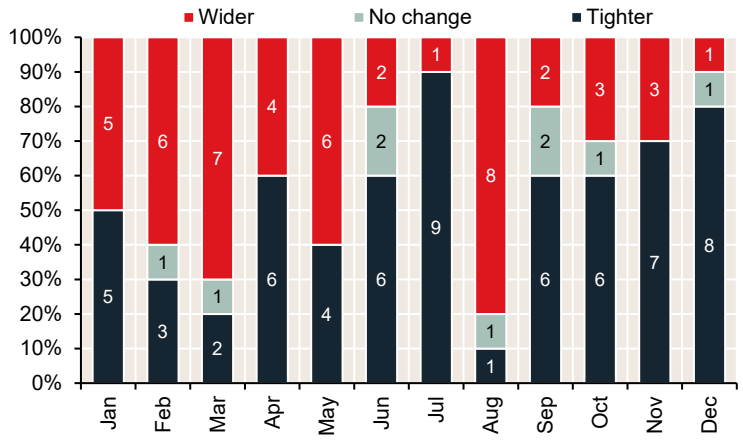



*Source: NBC | Note: Positive values imply spread historically 'wider' than average; negative values imply spread historically 'tighter' than average; average of all days is zero (0)*

If springtime typically produces some of the 'widest' spreads of the year, the final couple months of the calendar year has historically delivered some of the 'tightest' levels of the year for the bellwether provincial credit spread: Ontario 10-year vs. the GoC curve. In the past, provincial domestic spreads have tended to snug up in November before hitting their tights around mid-December…

**Chart 2: Nov-Dec has often delivered tighter spreads**

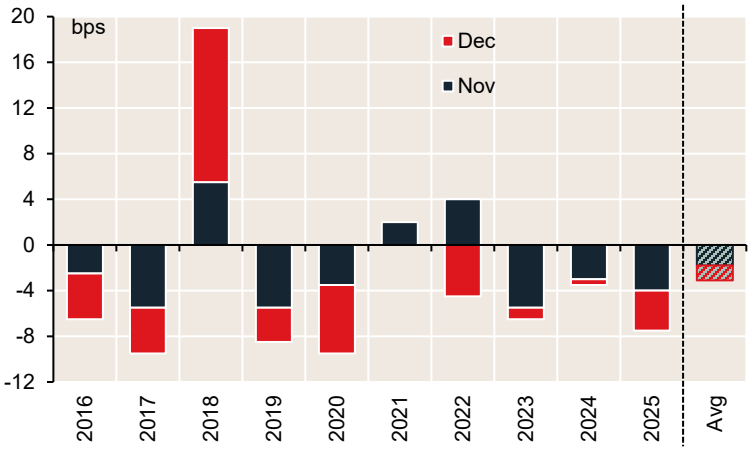
*Nature/frequency of monthly net change in Ontario 10Y spread vs. GoC*




*Source: NBC | Note: Based on prior 10-year period (2016-25)*

**Chart 3: Spread performance materialized last couple years**

*Net change in Ontario 10Y spread vs. GoC in final two months of year*

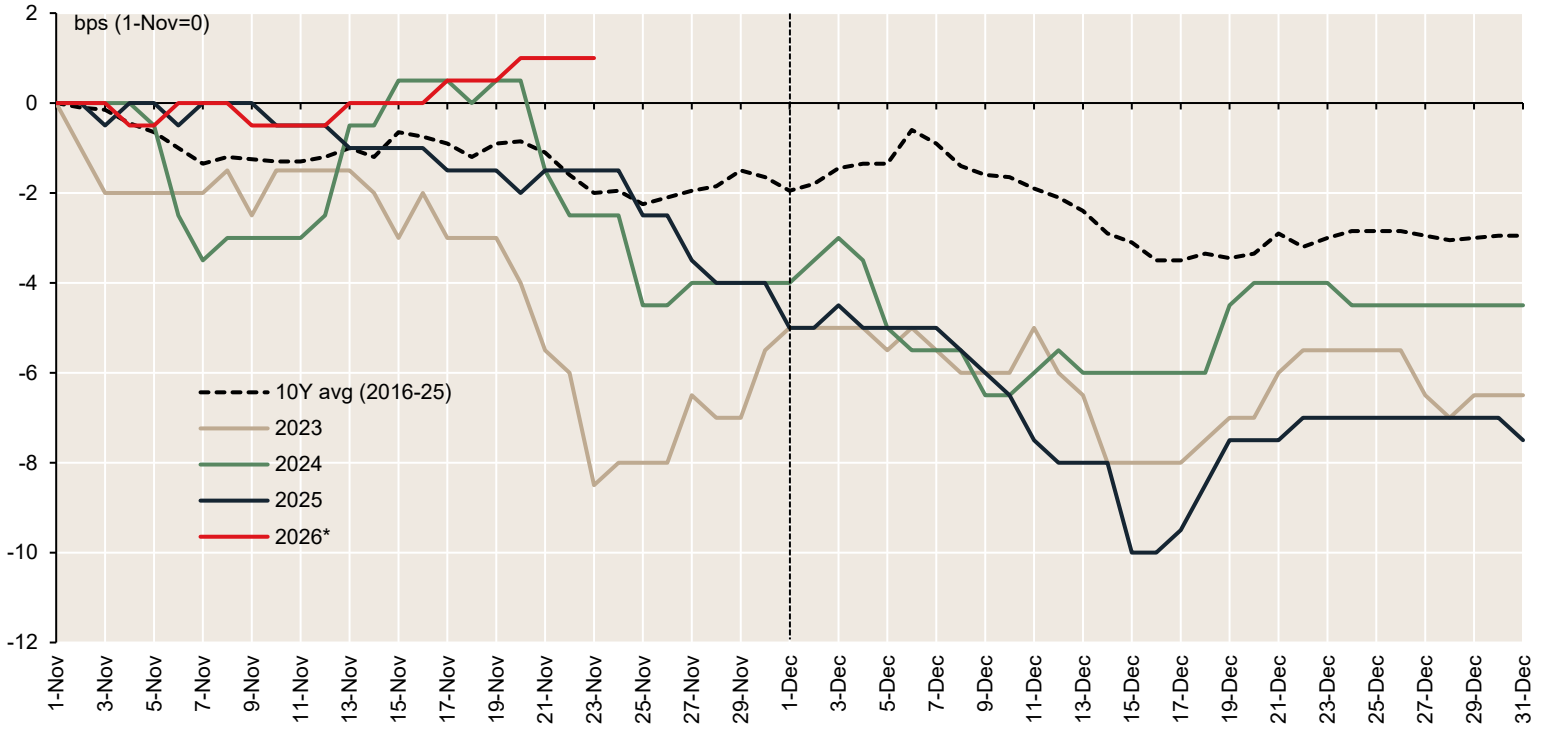



*Source: NBC | Note: At time of reporting, Ontario 10Y was +1bp for Nov-26*

Looking at the past decade, November and December (along with July) rank as the best months of the year in terms of delivering net tighter spreads over the course of the month. Success rates have been 70-80% this time of year. As for the magnitude of past moves, the last few years saw Ontario 10Y spreads tighten a combined 3-7 bps in the final two months of the calendar year.

**Chart 4: Already tight provincial spreads have had a hard time gaining marginal traction recently… at least so far**

*Cumulative change in Ontario 10Y spread vs. GoC: Start of November to end of December*

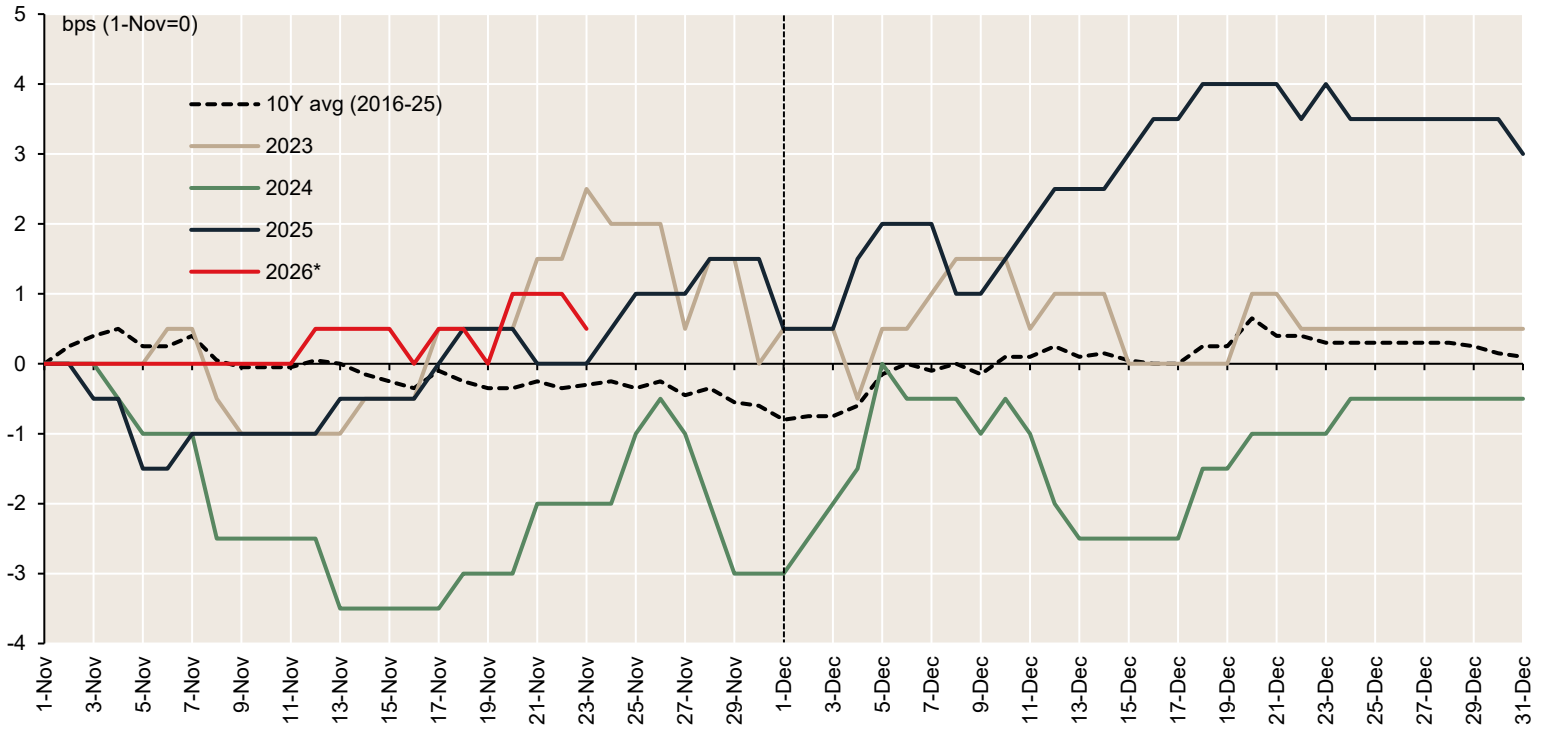



*Source: NBC | Note: 2026 pattern is up to 23-Nov*

Note that the seasonal tendency towards tighter spreads has not been evident in the later stages of 2026… or at least not yet. Ontario 10s are net 1 bp wider vs. the start of November. It may just be a matter of time, however, as the empirical record suggests peak support typically arrives in the final days of November through mid-December—in/around outsized bond market cashflows.

**Chart 5: Rather than flattening (which is a slight seasonal tendency), 10s-30s credit curve has remained steep**

*Cumulative change in Ontario 10Y-30Y credit curve: Start of November to end of December*

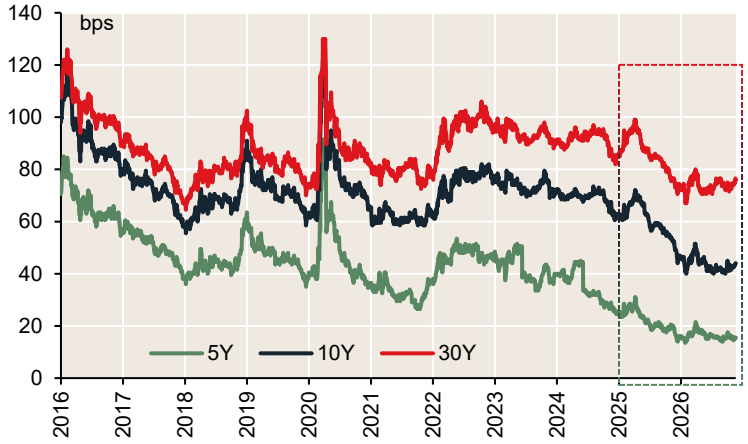



*Source: NBC | Note: 2026 pattern is up to 23-Nov*

Meanwhile, the notable duration extensions that ripple through domestic bond indices on December 1st/2nd might seem to support 'flatter' credit curves (all else equal). But there's not a tremendous amount of empirical evidence to blindly support a credit curve 'flattener' heading into December. Indeed, the last few years actually saw the 10Y-30Y credit box net steepen in the last couple of weeks of November. Last year (in 2025), a steepening trend carried well into December. As per our earlier analysis (**link**), pre-cashflow 'flatteners' have been more consistent in the GoC market.

### Chart 6: In searching for answers, consider location

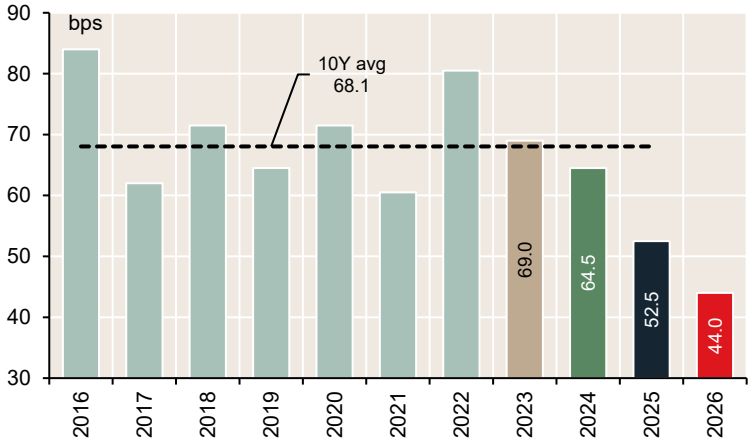
*Ontario 5Y, 10Y, 30Y spreads vs. GoC*




*Source: NBC*

### Chart 7: Provi spreads relatively 'tight' by historic standards

*Ontario 10Y spread vs. GoC: As of 23-Nov each year*

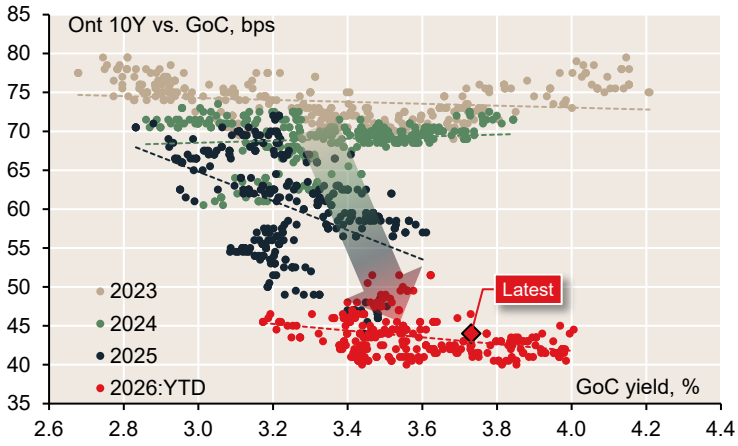



*Source: NBC*

Current G-spreads come off as distinctly 'rich' vs. prior years. At +44 bps, Ontario's 10Y vs. GoC is far tighter than what's typically been registered at this time of year. Clearly, swap spreads have made a major contribution, as relatively attractive ASW levels left cash spreads resilient. Investor evolution, including marginal demand from international accounts, has also supported spreads.

### Chart 8: Regime shift in provincial credit (A)

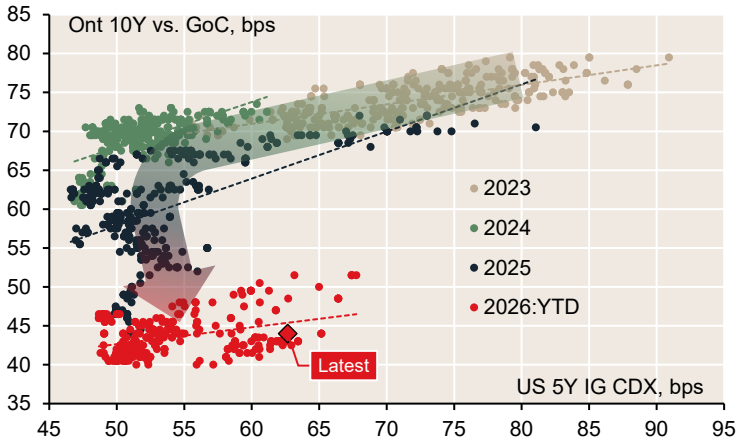
*Ontario 10Y spread vs. GoC 10Y yield: Vintages of daily levels*




*Source: NBC, BBG | Note: Latest is 23-Nov-26*

### Chart 9: Regime shift in provincial credit (B)

*Ontario 10Y spread vs. US 5Y IG CDX: Vintages of daily levels*

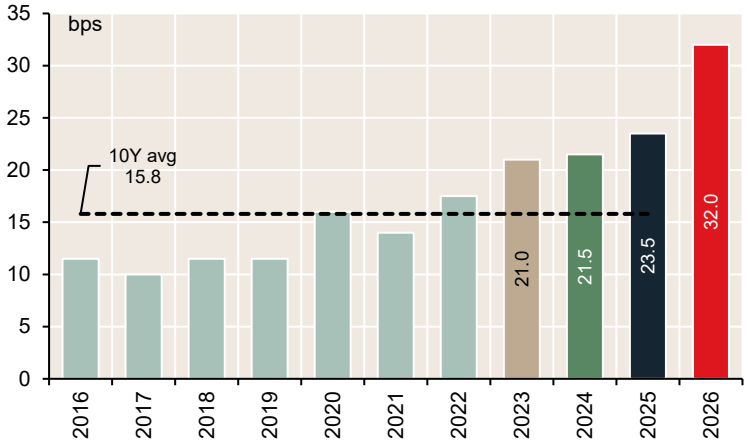



*Source: NBC, BBG | Note: Latest is 23-Nov-26*

A multi-year look-back at provincial valuations would flag current levels as 'rich' to underlying GoC yields and also key risk proxies. But there are not-so-subtle shifts happening in relative bond supply (link). GoC net funding needs have surged, while 'hyperscalers' have propelled corporate supply higher. Given access to international markets, provi supply has been less plentiful in CAD.

### Chart 10: Credit curve (very) steep by historic standards

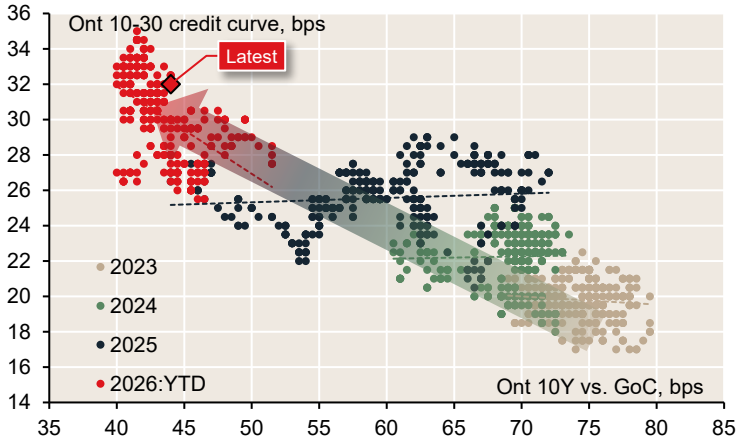
*Ontario 10Y-30Y credit curve: As of 23-Nov each year*




*Source: NBC*

### Chart 11: Spare a thought for underlying spread location

*Ontario 10Y-30Y credit curve vs. Ontario 10Y spread: Vintages of daily levels*

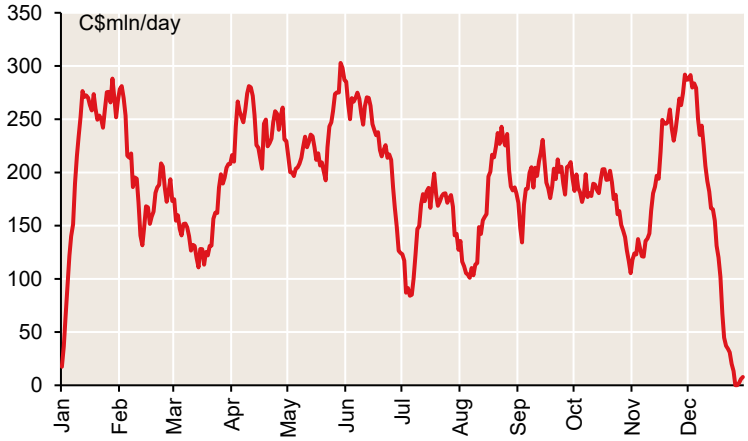



*Source: NBC | Note: Latest is 23-Nov-26*

Meanwhile, you can explain some of the relative 'steepness' in the 10Y-30Y credit curve by controlling for underlying spreads. While this statistical link is imperfect, today's 10Y level would be consistent with a 10Y-30Y credit curve of at least +30 bps (all else equal). Notwithstanding looming index extensions, the bigger question may be how well 10Y spreads hold up into year end.

**Chart 12: Relative supply always a valuation consideration**

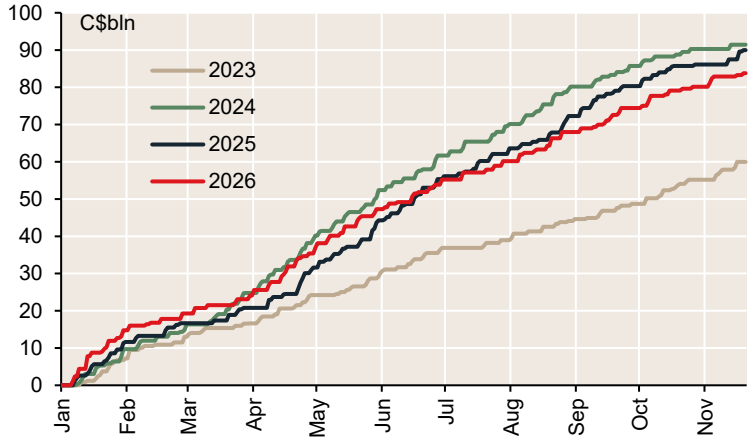
*Historical pattern of average daily provincial bond supply: CAD issues only*




*Source: NBC, BBG | Note: Based on marketable issues from 2010-25*

**Chart 13: But CAD issuance tempo down vs. prior two years**

*Cumulative total of provincial bond supply: CAD issues to 20-Nov each year*

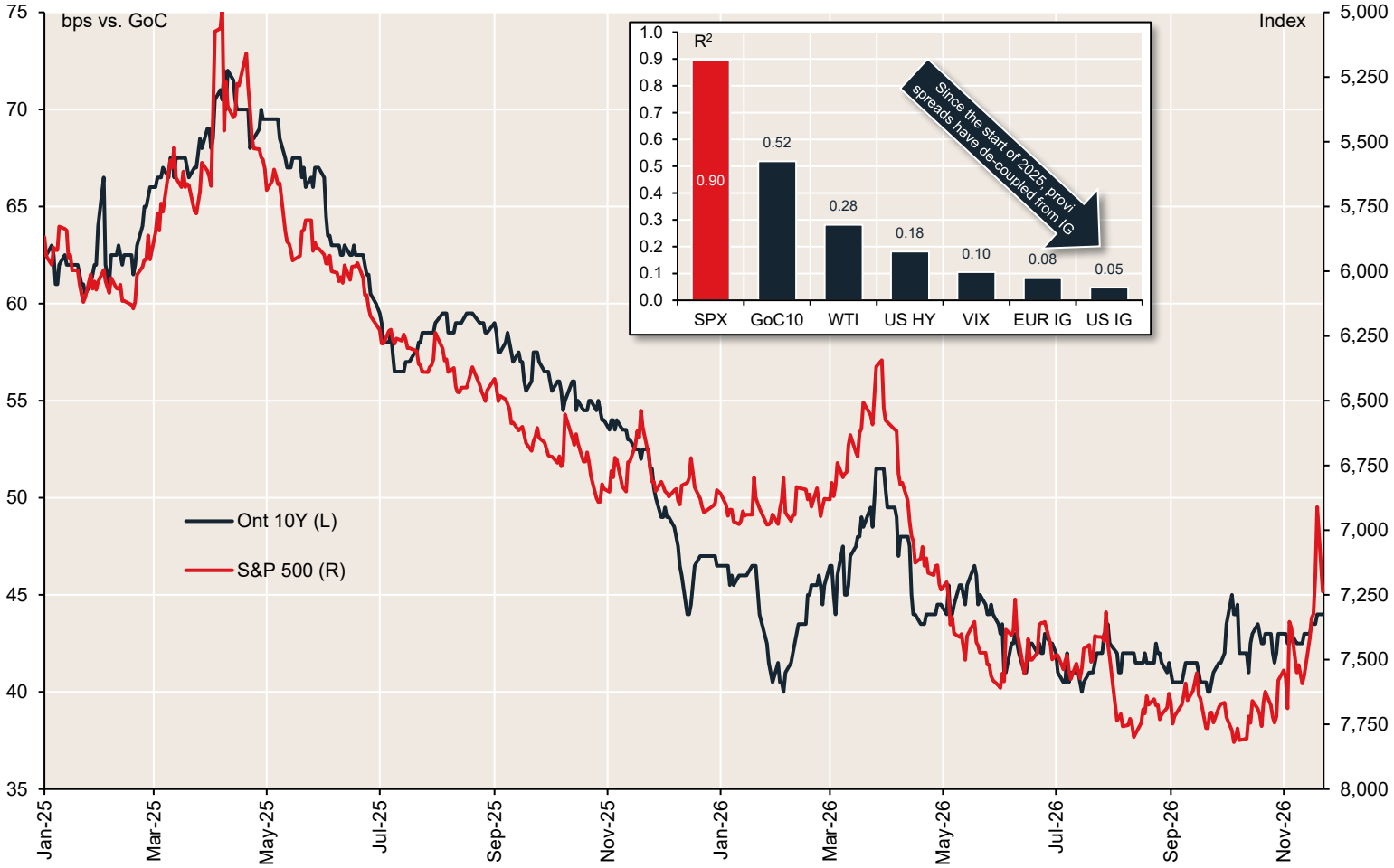



*Source: NBC, BBG*

Bear in mind that jumbo domestic market cashflows and outsized duration extension tend to pull in provincial bond supply, with mid-November to mid-December often one of the busiest times of the year. While provincial funding needs are non-trivial, the aforementioned use of international markets has seen CAD issuance decelerate a bit vs. prior years, further supporting domestic spreads.

**Chart 14: All roads lead to equities (at least for the time being)**

*Ontario 10Y spread vs. S&P 500 | Inset: Correlation (R-squared) between Ontario 10Y spread & select financial variables based on daily levels from start of 2025*




*Source: NBC, BBG | Note: Main chart as of 23-Nov-26; inset chart based on daily levels from Jan-25 through 23-Nov-26*

Finally, don't lose sight of the rather pronounced effect equity markets are currently having on broader investor sentiment. Since 2025, domestic provincial spreads have proven more closely correlated with key North American equity indices than with anything else! Again, widely divergent supply patterns can help explain the breakdown in the long-standing relationship between Ontario 10Y spreads and well-known corporate credit risk proxies (like USD or EUR investment-grade CDX indices). So while outsized cashflows and index extensions loom for Canada's domestic bond market, it might be more apt to think of this as the season of the *stock*! It perhaps goes without saying that the trajectory for equities could influence a lot more than provincial credit spreads, quite likely dictating overall consumer sentiment and by extension the ultimate pacing and limit to current central bank tightening programs.

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