Market View
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Remember December (and Canada's looming index extensions)

By Warren Lovely

A quick reminder that we are but a couple of business days removed from the start of December. For Canada's domestic bond market, the final month of the year delivers distinctly outsized cashflows, while some chunky bond issues either roll out of the index or get reclassified. We've been highlighting this special seasonal window for some time and would refer you to three earlier pieces keying on rates/credit market impacts:

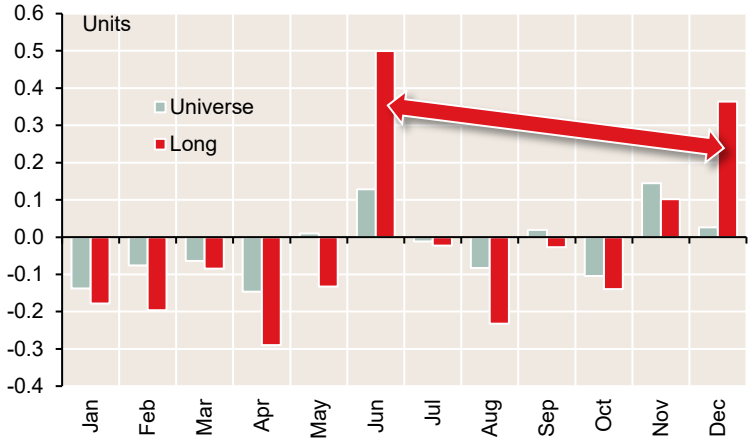
- ***A December to remember (for Canada's bond market)?*** (**link**)
- ***December coupon clipping & bond roll call*** (**link**)
- ***Provi credit: Must be the season of the…stock*** (**link**)

Rather than serving as a full repeat of our earlier work, this *Market View* note offers some complementary perspective on what December has typically delivered in terms of index duration effects. Hint: Significant extensions, particularly on the first two days of the month, with related adjustments generally most pronounced for the "Long" bucket.

Leveraging current index constituents/pricing, we also offer a fresh simulation of what's coming this December 1st-2nd (both of which are good business days). We see an above-average amount of duration added to the "Long" bucket in the first two days of December, with the "Federal Non-Agency" and "Provincial" sub-sectors obvious near-term focal points.

Chart 1: December (and June) very special months

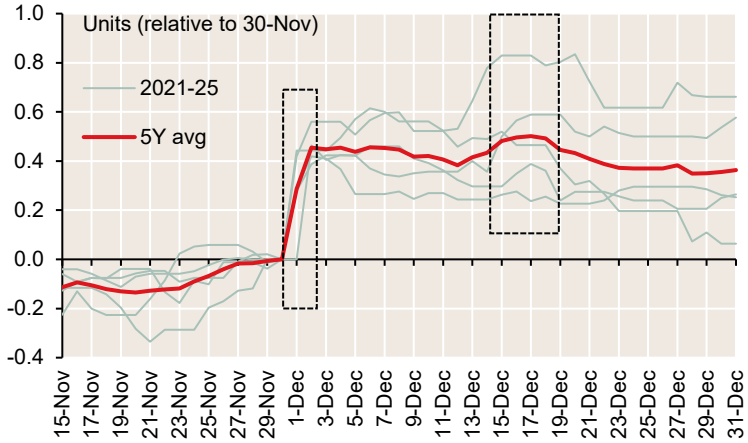
Monthly change in duration of FTSE Canada Bond Indices: Prior 5Y avg



Source: NBC, FTSE Russell | Note: Based on net monthly changes from 2021-25

Chart 2: December's index extension effects concentrated

Evolution in duration of FTSE Canada Long Term Bond Index: Prior 5Y

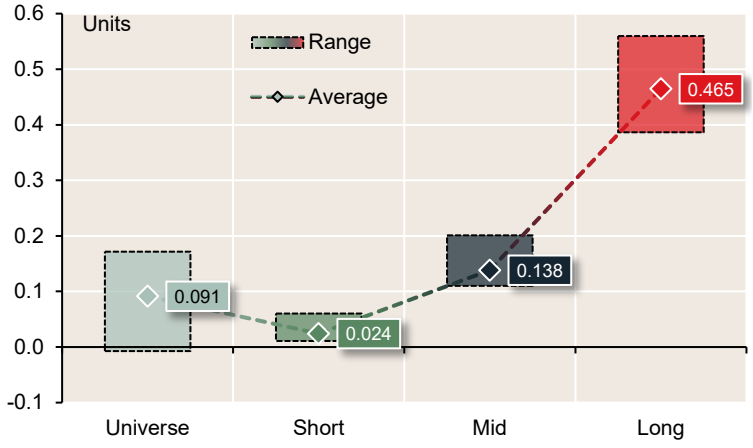


Source: NBC, FTSE Russell | Note: Cumulative chg vs. 30-Nov based on 2021-25

December (and June) are anything but 'normal' months for Canada's domestic bond market. Owing to the established concentration of coupon payments and the scheduled rolling of some chunky issues, December often sees an extension in the modified duration of domestic bond indices, including the FTSE Canada Universe Bond Index. Index-related fireworks are typically hard to miss on December 1st and 2nd, which are both good business days in 2026. More modest (though non-trivial) index adjustments generally follow on December 15th and then again on the 18th.

Chart 3: Reminder of what Dec 1st/2nd delivered in the past

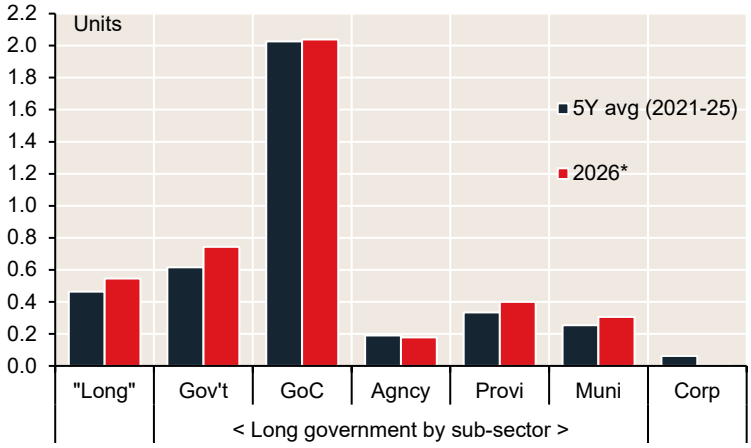
Net change in duration of FTSE Canada Bond Indices on Dec 1st-2nd: Prior 5Y



Source: NBC, FTSE Russell | Note: Based on cumulative, multi-day chg from 2021-25; in some cases, Dec 1st/2nd fell on weekend, with impact included in/captured next good business day

Chart 4: This Dec 1st/2nd could drive above-average impacts

Net change in FTSE Canada Long Term Index by sector: Prior 5Y & 2026 sim



Source: NBC, FTSE Russell | Note: Avg for 2021-25 based on actual changes; 2026 based on NBC simulation using 25-Nov-26 index constituents/pricing; assumes no chg in yield curve

On average, the duration of the FTSE Canada Long Term Bond Index has increased by a combined 0.465 units in the first two days of December. With record cash in the wings and some big issues set to roll, 2026 should not disappoint. We simulate a 0.545 combined increase in the duration of the "Long" bucket over the first two days of December. The looming duration boost will be most pronounced for the "Federal Non-Agency" (i.e., GoC) sub-sector at roughly 2 full units. But non-trivial duration will be added elsewhere, generating seasonal demand for "Provincials" (all else equal).

Economics and Strategy

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