

Further colour on (latest) wave of foreign buying of Canadian bonds

By Warren Lovely & Ethan Currie

It's always gratifying to see a note gain a bit of traction, as was the case with a recent piece highlighting outsized foreign buying of Canadian bonds in January. That *Market View* note can be accessed [here](#).

As per our original piece, non-residents acquired a net C\$33.5 billion of Canadian bonds in January 2025. That was the second largest tally on record and extended the streak of net foreign buying of Canadian bonds to 15 months. Now, that headline figure relates to non-resident flows across *all sectors/issuer types*, includes bonds denominated in *all currencies* (not just CAD), and likewise captures buyers from *all foreign geographies*. We explored those three dimensions yesterday: sector, currency, buyer geography. But there's a fourth dimension: international flows by *transaction type*. And that's the subject of this *Addendum*.

Examining individual transaction types, January's big-time foreign buying of Canadian bonds was driven by a new issue bonanza. Specifically, non-residents snapped up C\$52.3 billion of Canadian new issues (Chart 1). That new issue subscription more than offset the

C\$36.2 billion of foreign-held retirements. Rounding things out, non-residents net added Canadian bonds in the secondary market.

Keying on the new issue story, January's C\$52.3 billion tally was wholly unprecedented (Chart 2), eclipsing the notional 'average' monthly level by more than 2.5X. True, January's surge followed a couple of quiet(er) months but the corresponding 12-month new issue tops C\$300 billion.

Where exactly is this primary bond market activity taking place that attracts such a strong/vibrant non-resident investor following? At the risk of oversimplifying, the answer is: in U.S. dollars and/or euros, where Canadian corporates (including financials), provinces and other public sector entities tend to be quite active (Charts 3-4)... and where there just happens to be an ample supply of fresh new bonds still to come.

Finally, it's not like foreign investors have shunned CAD-denominated issues. Rather, the nature of foreign investor participation in the domestic market is just different, where the biggest positions are generally taken (and confidence expressed) via the secondary market.

Chart 1: Another way to look at January's bond buying

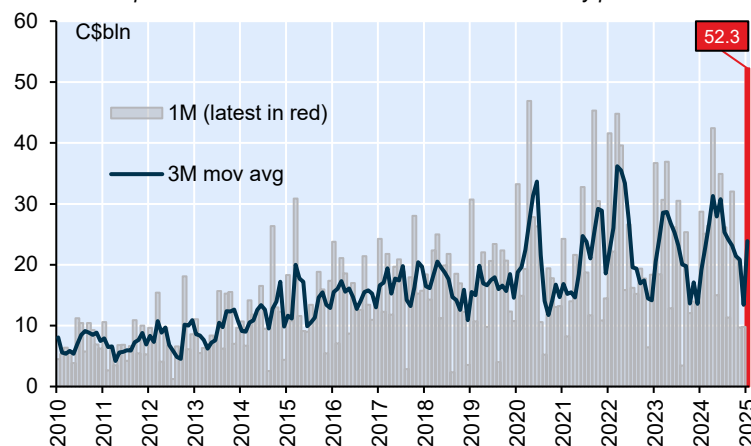
International transactions in Canadian bonds: Jan-25



Source: NBC, StatCan | Note: Excludes chg in interest payable

Chart 2: Record foreign buying of 'Canadian' new issues

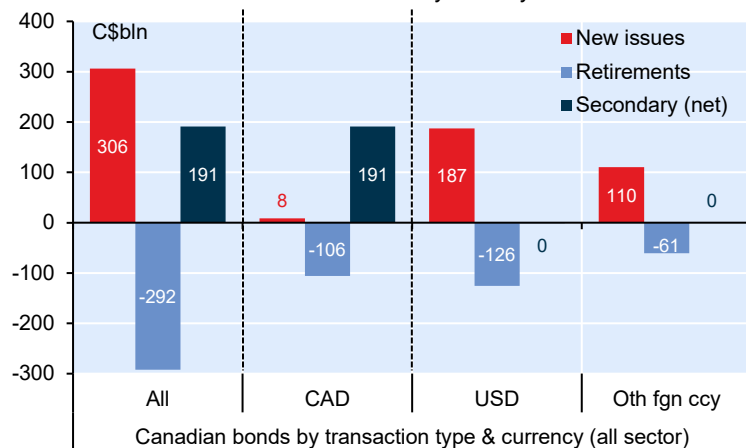
Non-resident purchases of Canadian new issue bonds: Monthly pattern



Source: NBC, StatCan | Note: Includes new issue transactions in all currencies

Chart 3: New issue participation is foreign currency story...

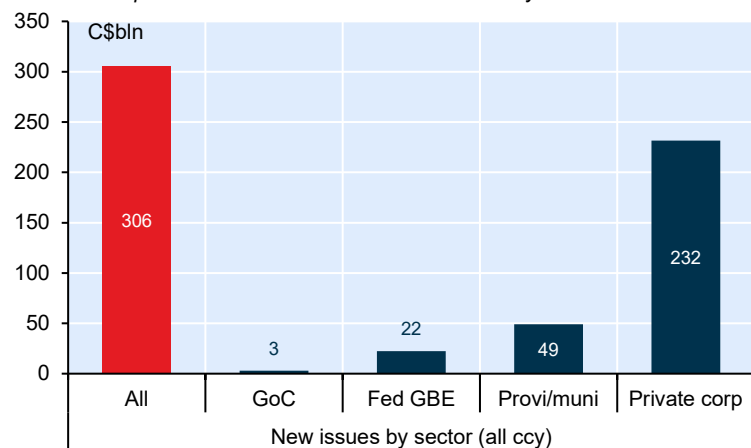
International transactions in Canadian bonds by currency of issue: Last 12M



Source: NBC, StatCan | Note: Excludes chg in interest payable; 12M sum (Feb-24 to Jan-25)

Chart 4: ... since Cdn corps (& provs) are quite active abroad

Non-resident purchases of Canadian new issue bonds by sector: Last 12M



Source: NBC, StatCan | Note: 12M sum (Feb-24 to Jan-25)



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