

# Canada: Where did all the love go?

## Canadian int'l securities transaction (Mar) -CAD616mn

**Where did all the love go? Canadian international securities transactions data for the month of March showed a net decline of -CAD616mn well back of the median at CAD5.0bn and our own slightly more pessimistic forecast at CAD3.5bn. Since January of 2009, on average, foreign investors have been gobbling up Canadian securities at a rate of nearly CAD10bn a month.**

Underneath the headlines, the structure of the story was pretty much as expected, just the orders of magnitude were a surprise. We had been looking for a fairly decent slug of bond retirements in March that would pull at the headline number. Indeed the report detailed a significant -CAD5.7bn in bond maturities. March, June, Sept. and December are months with big coupon and maturity schedules that domestics are all too well aware of.

A good slug of short term corporate paper in US dollars was floated in March along with a moderate number of US dollar corporate bonds. Enough to offset retirements, but not much more than that. Net bond purchases by foreign investors amounted to a paltry CAD933mn.

A little context here. Boring is beautiful, and few issuers are more boring than Canada. Statcan points out that over the past 14 months, foreign purchases of Canadian fixed income have averaged CAD7.3bn. Alas, foreign investors seemed inclined to look for a little excitement in March. To wit, the previous foreign predilection for safe GoC bonds gave way in March to a preference for Canadian corporate issuance. Although the story is a function of both the pull of foreign interest in a relatively "safe jurisdiction" as Canada and the push of new Canadian corporate issuance in foreign denominations that would have been marketed to foreign investors.

Money market fell out of favor, with -CAD1.857bn sold off as investors got out of the markets way in its efforts to price the onset of the BoC rate cycle which pushed prices of GoC bills lower encouraging the foreign exodus. Little interest in equity to speak of, with foreign investors picking up just CAD360mn in stocks.

Interesting to note that all the excitement of the international securities transaction report is found in the domestic bucket as opposed to the fireworks typically found in the foreign pail. Where foreign interest in Canadian securities failed to materialize, Canadians were eagerly dipping their collective toes into foreign markets, snapping up CAD6.3bn in securities. According to Statcan this is the largest outflow of funds in nearly two years.

Risk on. So much for the Canadian matronly approach to risk. The bulk of the Canadian investor interest landed in equity (+CAD4.8bn). Stepping even further outside of their comfort zone, Canadian's were buying primarily European and Asian stocks instead of US equity. In the bond segment, true to their conservative roots, Canadian stuck with the liquidity trade and plunged the bulk of their CAD1.5bn that went into bonds, into US government bonds.

# Disclosure appendix

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