

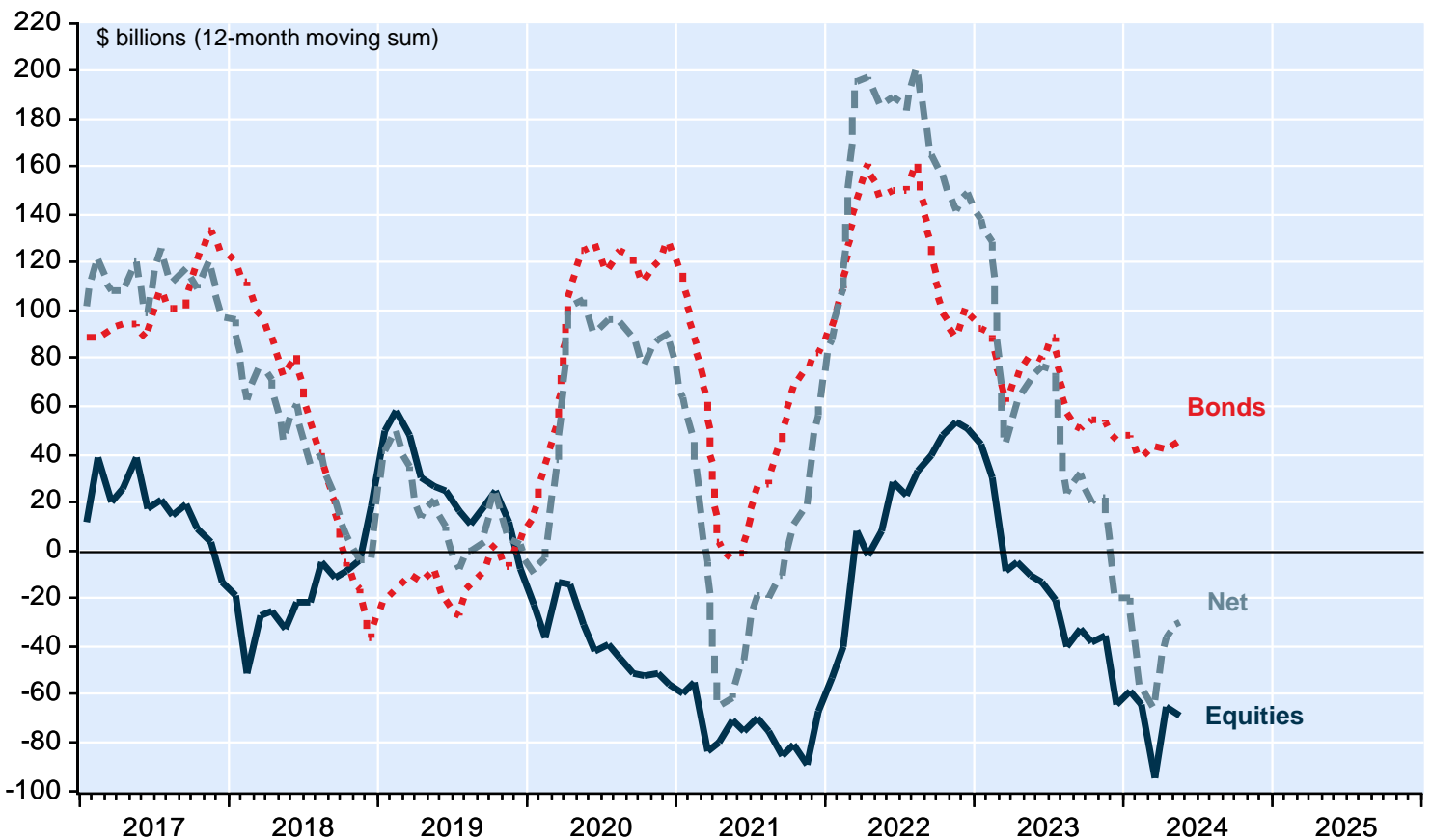
Canada Watch

By Stéphane Marion

Let's thank the bond market for helping to support the Canadian dollar, because the stock market certainly isn't helping much. As our fixed income strategists [pointed out](#) this morning, "in the 12-month period to May-24, non-residents absorbed almost \$50 billion of GoCs, more than all domestic investors combined". If we add up the other sectors of the bond market, minus foreign bonds bought by Canadian residents, the net inflow of capital into fixed-income securities over the 12 months to May was \$46 billion. Unfortunately, the picture is not as positive for Canadian equities. Non-residents sold \$26 billion of Canadian shares and investment fund units over the past year, while domestic investors bought \$43 billion of foreign equities, for a net outflow of \$69 billion. As today's Hot Chart shows, it has been almost two years since Canada recorded a net inflow of equity capital. As our economy continues to face cyclical difficulties, we do not expect a significant turnaround in 2024.

Canada: The CAD would be weaker without the bond market

Canada international transactions in securities (net flows)*: Bonds, equities and total



*Net flows are defined as net purchases of Canadian securities by foreigners minus purchases of foreign securities by Canadians
NBF Economics and Strategy (data via Statcan)



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