

The Twelve Days Pre-Cashflow

By Warren Lovely

♪ On the twelfth day pre-cashflow, NBC reminded me... ♪

♪ T-12) Coupons a-clipping ♪

Humour us as we adapt a holiday classic to an exciting season for Canada's domestic bond market. We call this 'The Twelve Days Pre-Cashflow' and the idea is simple enough. Over the next 12 weekdays, we'll offer a single chart (or at most two) to highlight a specific aspect/implication of the outsized cashflows and index rolls expected this December. We'll try to deliver these in a logical/natural order. In many cases, we'll lean into (updating where necessary) our earlier detailed analysis, which was compiled in three complementary *Market View* reports. Refer to page 2 for hyperlinks to this earlier work.

This being T-12 weekdays to the start of December, we begin with: *Coupons a-clipping*. As you might have guessed, in today's short stanza we ask: How much index-related coupon cash is on its way to bond investors? Answer: Loads.

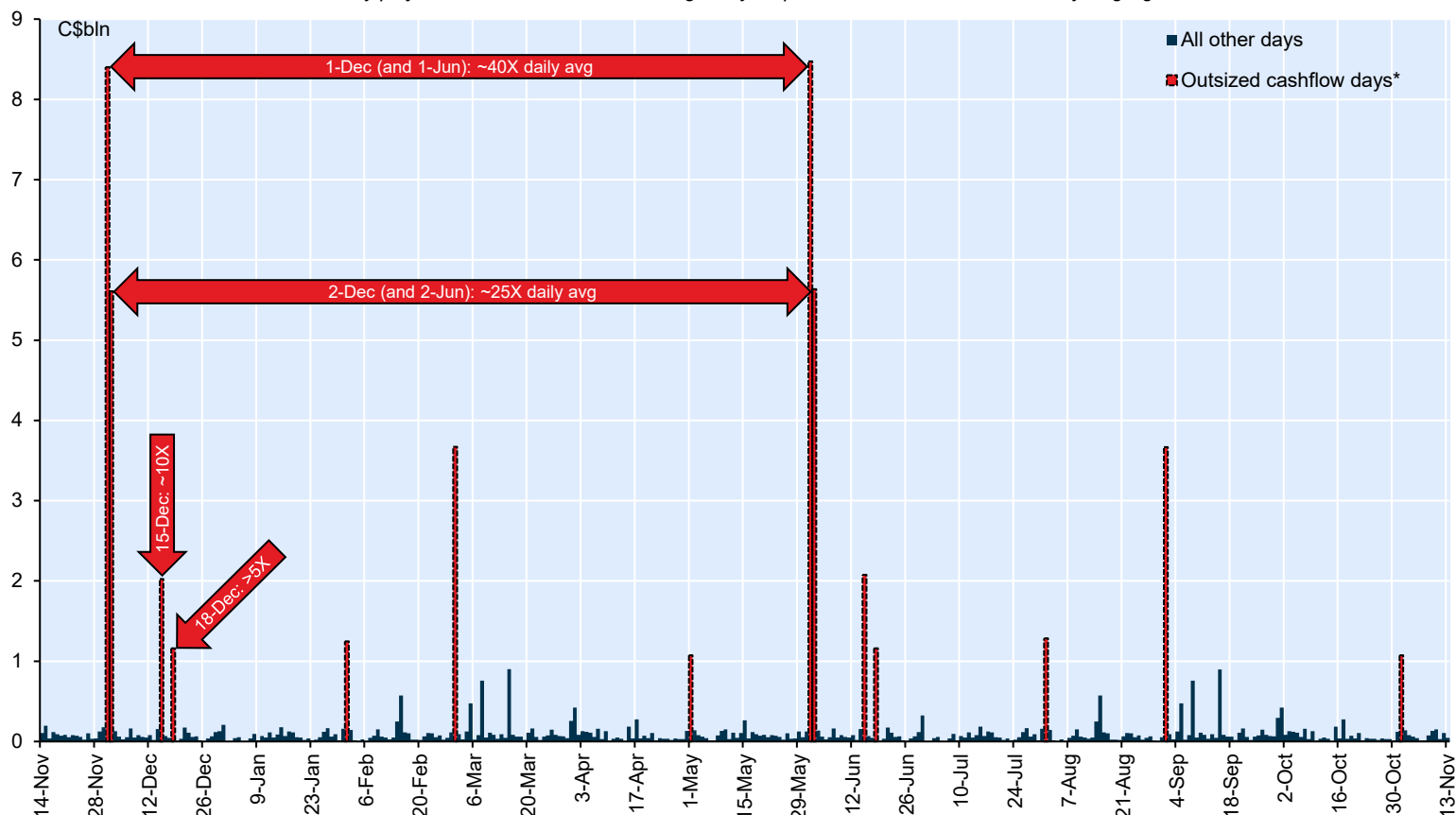
Examine the FTSE Canada Universe Bond Index and you will find more than half of today's total holdings can be traced to bonds bearing either a June or December maturity dating. That results in highly concentrated coupon payments. At no time of the year is this more apparent than in/around June 1st/June 2nd and December 1st/December 2nd (Chart).

To be clear, the hyper-concentrated nature of Canada's maturities and resulting coupon payments is nothing new. But as we've previously highlighted, there is more cash arriving this year than ever before. Moreover, when we look to each of December 1st and December 2nd, we are talking about individual cashflows that are 25-40 times the daily average (or 7-10 standard deviations from the mean if you prefer you think in sigmas). Outsized? You bet!

Finally, in a nod to tomorrow's T-11 stanza, early December cash will this year be super-concentrated (given the 1st falls on a weekend)...

Chart T-12: Coupons a-clipping

FTSE Canada Universe Bond Index: Daily projected interest income for coming one-year period, with outsized cashflow days highlighted



Source: NBC, FTSE Russell | Note: Based on projected FTSE Canada Universe Bond Index interest income payments for the coming 365 calendar days, based on 12-Nov-24 index constituents/prices; 365-day period covers 14-Nov-24 to 13-Nov-25; outsized cashflow days (red columns in the above chart) are defined as calendar days when projected interest income payments exceed the coming year's daily average by at least 5-times; 14 calendar days meet this 'outsized' definition, the nearest of these being 1-Dec-24 & 2-Dec-24 (with 15-Dec-24 & 18-Dec-24 also deemed 'outsized'); for weekends & holidays, projected interest income would be received on the next good business day, which is an issue we'll touch on tomorrow (which is T-11)



NBC's 'The Twelve Days Pre-Cashflow' (2024 edition)

T-12) Coupons a-clipping (released November 14th)

T-11) Cash con-centrating (coming November 15th)

T-10) Bonds a-rolling (coming November 18th)

T-9) Indices ex-tending (coming November 19th)

T-8) Buckets re-weighting (coming November 20th)

T-7) Sectors ad-justing (coming November 21st)

T-6) Yields a-falling (coming November 22nd)

T-5) Curves a-flattening (coming November 25th)

T-4) Diffs com-pressing (coming November 26th)

T-3) Spreads a-tightening (coming November 27th)

T-2) Issuers a-waiting (coming November 28th)

T-1) One golden rule (coming November 29th)

Other Dec-24 cashflow-related reports:

[December cashflows come into view: Part A](#) (released October 22nd)

[December cashflows come into view: Part B](#) (released October 28th)

[December cashflows come into view: Part C](#) (released November 4th)



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