

The Twelve Nine Days Pre-Cashflow

By Warren Lovely

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

♪ T-9) Indices ex-tending ♪

We continue with 'The Twelve Days Pre-Cashflow'. Our immediately preceding stanza (delivered yesterday on what was T-10 weekdays to the start of December) was: **Bonds a-rolling**. That brings us to T-9 and with it a fresh verse: **Indices ex-tending**.

With an unprecedented amount of coupons to be paid and some chunky issues rolling, expect non-trivial duration to be added to select bond index buckets/sectors. And since December 1st falls on a Sunday, that day's outsized index impacts will be lumped together and captured on December 2nd. Based on current index composition and pricing, we peg the potential duration increase for the FTSE Canada Universe Bond

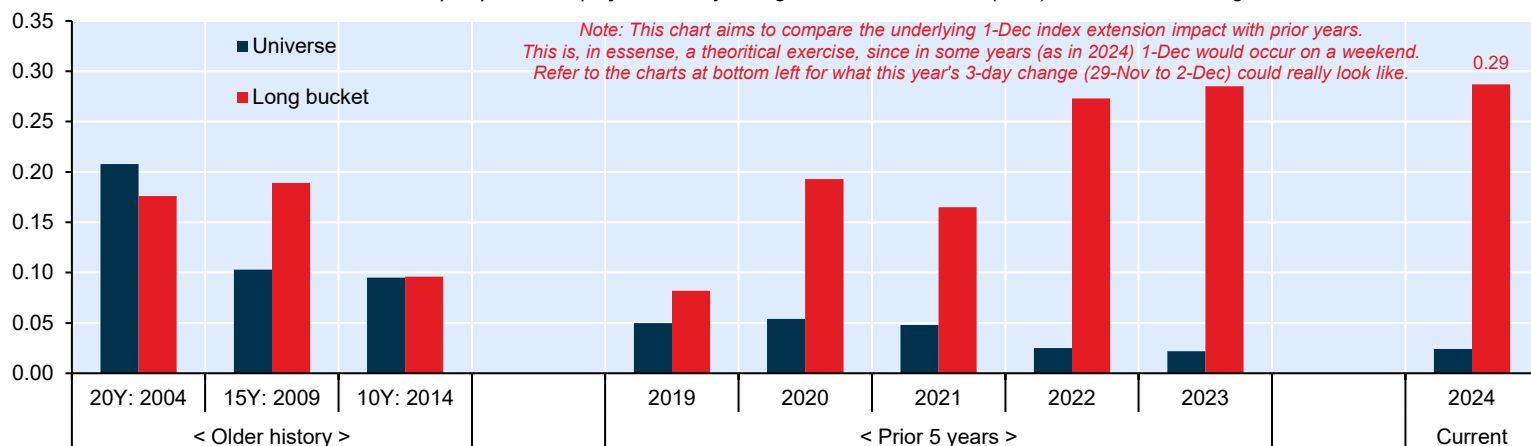
Index for December 2nd at 0.04 units. The 'Long' bucket is poised for a hefty 0.39-unit increase, keyed by the sovereign sector.

If that's not enough duration for you, consider that final duration adjustments could be even larger, particularly for the 'Long' bucket. That's because 5 yards will be tacked on to the CAN 3.25% 1-Dec-2034s this week. No promises, but Ontario might likewise re-open its 10-year benchmark (2-Dec-2034s) before the end of the month. We offer a couple related scenarios for the 'Long' bucket at bottom right.

Our T-8 offering set for tomorrow will be: **Buckets re-weighting**.

Chart T-9(a): Another outsized December 1st duration effect...

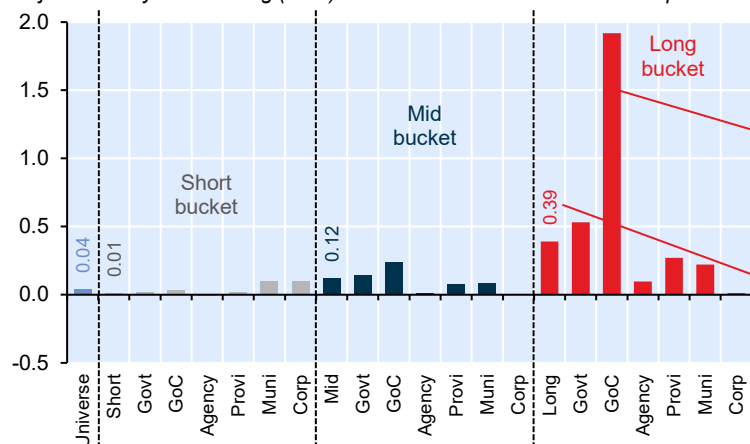
FTSE Canada Universe Bond Index: Historical perspective on projected 1-day change in modified duration (units) of 'Universe' & 'Long' bucket from 30-Nov to 1-Dec



Source: NBC, FTSE Russell | Note: Based on index composition as at 17-Nov (or most recent); simulated changes can differ from actual/reported duration changes owing to shifts in yields/curves & issuance from simulation date to 1-Dec; in some years 1-Dec falls on weekend with index adjustments captured next good business day (e.g., 2-Dec-24)

Chart T-9(b): ...to be captured on December 2nd...

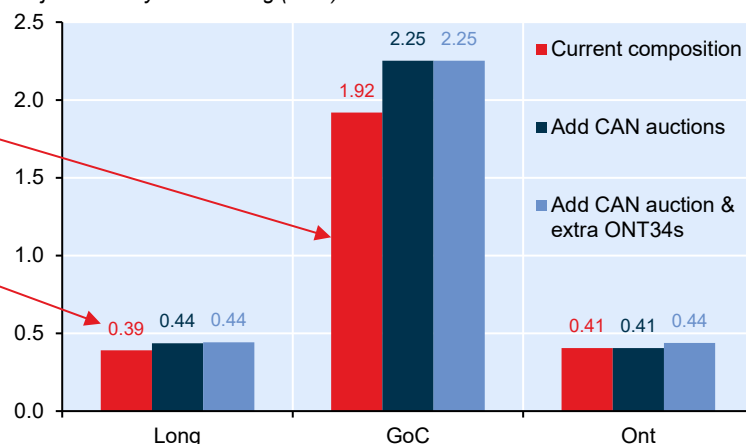
Projected 3-day duration chg (units) from 29-Nov to 2-Dec: Current composition



Source: NBC, FTSE Russell | Note: Based on FTSE Canada Universe Bond Index composition as at 15-Nov-24; captures multi-day impact given 30-Nov & 1-Dec fall on weekend; assumes no change in yield curve

Chart T-9(c): ... with final extension biased even higher

Projected 3-day duration chg (units) from 29-Nov to 2-Dec: Select scenarios



Source: NBC, FTSE Russell | Note: Red bars based on FTSE Canada Universe Bond Index composition as at 15-Nov-24; dark blue adjusts CAN 3/2030s & CAN 12/2034s for planned auctions; light blue additionally adds potential re-opening of ONT 12/2034s




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

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

T-11) Cash con-centrating (released 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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