Market View
Economics and Strategy

NATIONAL BANK OF CANADA
FINANCIAL MARKETS

January 9, 2025 - (Vol. IX, No. 4)

2025 CAD bond outlook: Sussing out supply by sector

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Canadian public sector borrowers have wasted little time opening the supply taps in 2025. So just how much more (or less) domestic bond supply should investors expect this year vs. the just-completed 2024 calendar year? That depends critically on the issuing sector one focuses on. A few key issuers/sectors, including the sovereign, are apt to be more active this year. Meanwhile, supply from one federally guaranteed issuer—CMB—looks to hold steady. Notably, issuance from one of the most closely watched segments of Canada's public sector bond market—provincials—is likely to downshift in 2025.

Government of Canada
2025 ➪ $284bln | +$49bln or +21% vs. 2024

***GoC ➪** Proroguing parliament doesn't obviate the need to fund the sovereign. While we acknowledge heightened political, economic and fiscal uncertainty, the latest official guidance would seem to point to a notably larger GoC bond crop in calendar 2025. We currently estimate that $284 billion (gross) of Canadas will be on offer in 2025, up significantly vs. calendar 2024. There's no excess cash to lean into, with larger net requirements and more refi to do. We assume T-bills will comprise a steady share of marketable debt outstanding in 2025.*

Canada Mortgage Bonds, net of GoC partial consolidation
2025 ➪ $31bln | No change vs. 2024

***CMB, excl GoC ➪** This is one corner of the domestic market where the supply outlook is essentially static. Which is to say, $31 billion of explicitly GoC-guaranteed CMBs should be available to end investors this year (out of the $60 billion of newly created CMBs, pursuant to the annual limit). This assumes maximum participation by the feds, with one half of all fixed-rate supply consolidated/absorbed. Partial consolidation does not extend to CMB FRNs, where $2 billion of annual supply is again assumed.*

Public Sector Entities [CPPIBC, PSPCAP, CADEPO, ONTTFT, OMERFT, BCIMCO]
2025 ➪ $18bln (of $45bln all ccy total) | +$3½bln or +25% vs. 2024

***PSE ➪** This is an increasingly vibrant and relevant sector for bond investors at home and abroad. A still-rapid rate of underlying net asset growth creates scope for enlarged debt programs for many PSE issuers. This year's combined bond program (all currencies) will likely be on the order of $45 billion. Even if the majority is again steered to international markets, CAD supply will step up in 2025—enhancing the liquidity profile of key issuers and serving as a partial offset to the structural reduction in available CMBs that took effect last year.*

Provincial governments
2025 ➪ $84bln (of $120bln all ccy total) | -$14bln or -14% vs. 2024

***Provi ➪** We're coming off a remarkable year of provincial bond supply in 2024. At nearly $150 billion, total issuance (all markets) effectively matched that of 2020. The pace of supply in the first half of 2024 was particularly striking and legitimately unprecedented. As expected, the impulse moderated and become more domestically focused (at the margin) in the second half of 2024. Consistent with well-established seasonals, provincial issuers are currently getting busy. But with borrowing programs and cash level positioned favourably, full-year supply should moderate in 2025. There's ample uncertainty for provinces to navigate, but baseline forecasts currently imply ~$120 billion in gross bond supply across all markets in calendar 2025. Assuming 70% finds it way to the home market, CAD issuance would amount to $84 billion, slowing 14% vs. the prior calendar year and presumably alleviating residual supply anxiety.*

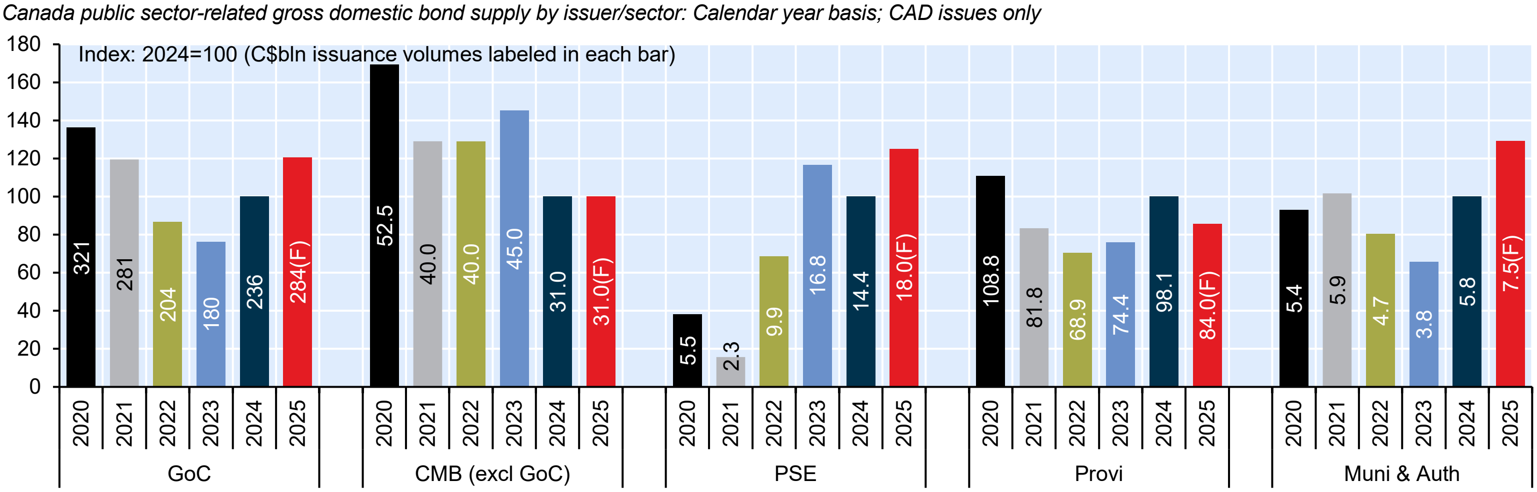
Municipal governments & related authorities
2025 ➪ $7.5bln | +$1.7bln or +29% vs. 2024

***Muni & Auth ➪** Issuance from this collection of borrowers, which notably incorporates BCMFA and FNFA, picked up smartly in 2024. And bond supply remains pointed higher still for 2025. Indeed, the $7.5 billion of capital-related long-term debt financing we anticipate this year would establish a new high-water mark. Fair to say many local and regional governments are racing to augment, enhance, upgrade and/or renew the vital public infrastructure that today's economy and larger population base depends on. There's some catching up to do, likely making the muni bond market a more interesting and lively place on a go-forward basis.*

Note: This *Market View* highlights/illustrates select elements of Canada's 2025 public sector bond supply outlook. Critically, the supply totals cited here focus on the domestic market (i.e., CAD-denominated issues). In some sectors (e.g., PSE, provi), international supply is a vital part of the overall supply picture. In such instances, ongoing issuer- and sector-specific reporting provides additional analysis and context.

Chart: Measuring the domestic bond supply impulse across Canada's broad public sector universe

Canada public sector-related gross domestic bond supply by issuer/sector: Calendar year basis; CAD issues only



Source: NBC, BBG | Note: Given the wide divergence in gross supply levels, each sector's annual supply impulse has been indexed (based on 2024=100) to help gauge year-over-year rate of change; in all cases, figures refer to CAD issuance only; PSE comprises CPPIBC, PSPCAP, CADEPO, ONTTFT, OMERFT, BCIMCO; Muni & Auth includes BCMFA, FNFACA

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