

BoC PBPP/PMMP look-back

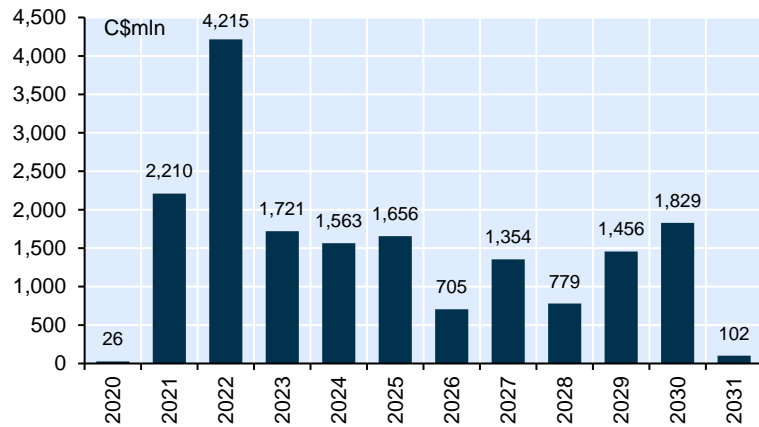
By Taylor Schleich & Warren Lovely

The Bank of Canada's Provincial Bond Purchase Program (PBPP) ran from May 2020 to May 2021, during which time C\$17.6 billion (par) of up to 10-year provincial debt was taken down by the central bank. The PBPP was a credit easing mechanism, and it did its part to support the market functioning and efficiency of one of the more important segments of Canada's domestic bond market. Like other market functioning programs, the PBPP was discontinued as financial markets healed—an entirely appropriate move in our opinion and a termination event that has left no lasting mark on provincial credit spreads. Now, some seven-odd weeks since the very last PBPP-related purchase was made, the BoC has blessed us with transaction-level data (all 1,205 line items). Nerd trivia alert: The very last bond on the purchase list? Well, based on alpha order from the final day, that would be a Sasky bond (C\$13 million of SCDA 2.2% 06/2030 to be exact). Note that transaction-level data on the Provincial Money Market Purchase Program (PMMP) is also out, that program having wrapped back in November 2020.

While something of a rear-view mirror, we welcome the disclosure and offer up a few related bits here, including: a summary of PBPP purchases by maturity year (Chart 1); a look at the biggest PMMP targets by issuer/province (Chart 2); and a detailed breakdown of PBPP purchase shares by issuer and year (Table). To be clear, the provi bond market has clearly moved on from the PBPP, surviving if not thriving in the post-PBPP era. To us, there's still a lot to like about provincial credit. With a record fiscal upgrade staring us in the face, real/underlying borrowing requirements are likely quite a bit lower than what was flagged back in spring budgets. We're buyers on any back-up in spread.

Chart 1: 2022 most heavily purchased maturity (followed by '21/'30)

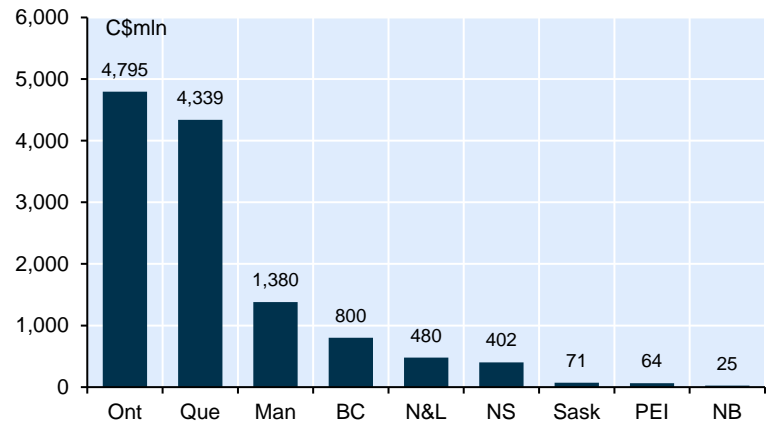
BoC PBPP: Amount purchased by maturity year (all issuers)



Source: NBF, BoC

Chart 2: Summing up the PMMP (which ended last November)

BoC PMMP: Distribution of money market purchases by issuer



Source: NBF, BoC

Table: The really gory PBPP details

BoC PBPP: Share of purchases by issuer & maturity year, including average purchase term & top-3 most heavily purchased bonds for each issuer

Share of total PBPP purchases												
Maturity	Ont	Que	BC	Alta	Man	Sask	NS	NB	N&L	PEI	NWT	Total
2020	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
2021	2.4%	2.8%	1.0%	3.2%	1.2%	0.0%	1.1%	0.6%	0.2%	0.0%	0.0%	12.5%
2022	16.2%	6.1%	0.7%	0.1%	0.0%	0.2%	0.0%	0.4%	0.0%	0.0%	0.0%	23.9%
2023	4.0%	3.4%	0.4%	0.9%	0.7%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	9.8%
2024	4.0%	2.4%	0.4%	1.1%	0.0%	0.5%	0.0%	0.4%	0.0%	0.0%	0.0%	8.9%
2025	3.7%	1.3%	1.5%	0.7%	0.8%	0.6%	0.1%	0.3%	0.4%	0.0%	0.0%	9.4%
2026	1.2%	0.7%	0.4%	0.8%	0.0%	0.3%	0.0%	0.0%	0.6%	0.0%	0.0%	4.0%
2027	2.4%	0.7%	1.8%	2.2%	0.1%	0.0%	0.1%	0.0%	0.3%	0.0%	0.0%	7.7%
2028	0.7%	0.1%	0.7%	1.9%	0.1%	0.3%	0.2%	0.1%	0.1%	0.2%	0.0%	4.4%
2029	3.4%	2.0%	2.0%	0.5%	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	8.3%
2030	4.5%	1.8%	1.2%	1.3%	0.7%	0.6%	0.0%	0.0%	0.4%	0.0%	0.0%	10.4%
2031	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Total	42.5%	21.5%	10.5%	12.7%	4.4%	2.5%	1.8%	1.9%	2.1%	0.2%	0.0%	100.0%
WAT (yrs)	3.99	4.04	6.02	5.10	5.18	5.91	2.26	2.95	6.04	6.40	7.85	4.45

Top bonds by province												Overall
#1 bond	ONT 1.35 03/08/22	Q 3 1/2 12/01/22	BRCOL 5.7 06/18/29	ALTA 1.35 09/01/21	MP 1.55 09/05/21	SCDA 0.8 09/02/25	NS 4.1 06/01/21	NBRNS 3.35 12/03/21	NF 2.3 06/02/25	PRINCE 1.2 02/11/28	NORTHW 5.443 08/01/28	ONT 1.35 03/08/22
Amt (\$mIn)	1,460	667	351	571	150	97	181	102	77	27	5	1,460
#2 bond	ONT 3.15 06/02/22	Q 4 1/4 12/01/21	BRCOL 2.55 06/18/27	ALTA 2.55 06/01/27	MP 2.55 06/02/23	SCDA 3.2 06/03/24	NS 1 04/17/23	NBRNS 1.55 05/04/22	NF 1 1/4 06/02/27	PRINCE 8 1/2 12/15/23	-	ONT 3.15 06/02/22
Amt (\$mIn)	1,361	463	296	393	129	88	50	75	55	5	-	1,361
#3 bond	ONT 2.05 06/02/30	QHEL 9 5/8 07/15/22	BRCOL 2.85 06/18/25	ALTA 2.9 12/01/28	MP 2.05 06/02/30	SCDA 2.2 06/02/30	NS 1.1 06/01/28	NBRNS 3.65 06/03/24	NF 3 06/02/26	-	-	ONT 2.05 06/02/30
Amt (\$mIn)	790	409	270	333	123	88	30	70	55	-	-	790

Source: NBF, BoC | Note: Based on 1,205 individual transactions; Ontario includes OEFC; Quebec includes Hydro-Quebec; Alberta includes ACFA; Newfoundland and Labrador includes N&L Hydro

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