

MTRS: Taking the Crown (and trading it around)

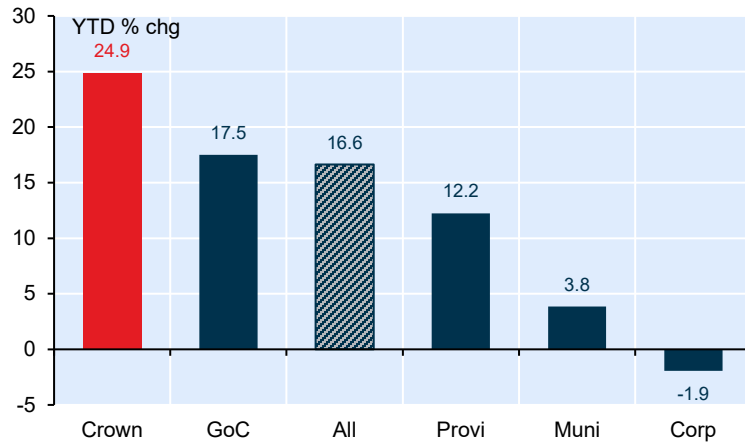
By Warren Lovely

The Canadian Crown was much in focus last month, as King Charles III kicked off a fresh parliamentary session with a Speech from the Throne. With all due respect to the monarch, there's a different type of Crown that has our attention these days: the Federal Crown Corporation sector of Canada's domestic bond market.

It's here, in Crowns, where secondary bond trading volumes are jumping. Through the first five months of 2025, total trade in Crown bonds (across all dealers and with all counterparties) was up 25% vs. the corresponding year-earlier period. That's a faster rate of increase than any other corner of Canada's domestic bond market (Chart 1).

Chart 1: Crown bond volumes pop 25% higher year-to-date

Change in Canada secondary bond trading volume by sector: 2025YTD

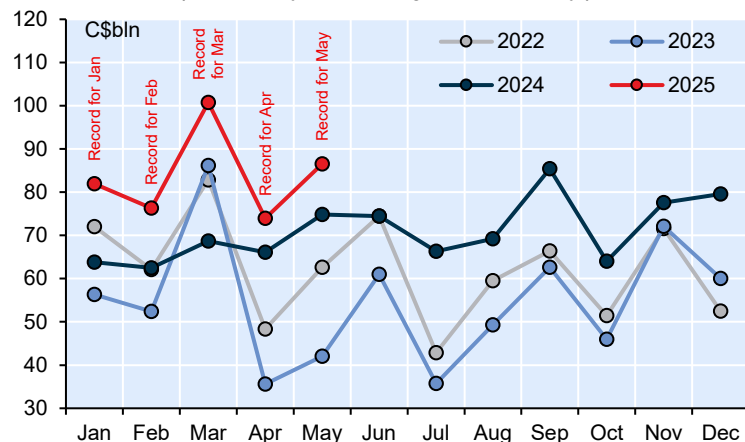


Source: NBC, CIRO | Note: All dealers, all counterparties; based on Jan-May

Crown bond trading is consistently setting records. This year's monthly volume tallies—starting in January and continuing through May—in all five cases surpassed the given month's prior high-water mark in the MTRS 2.0 reporting regime (Chart 2).

Chart 2: Monthly records (repeatedly) set in Crown sector

Federal Crown Corp. secondary bond trading volume: Monthly pattern



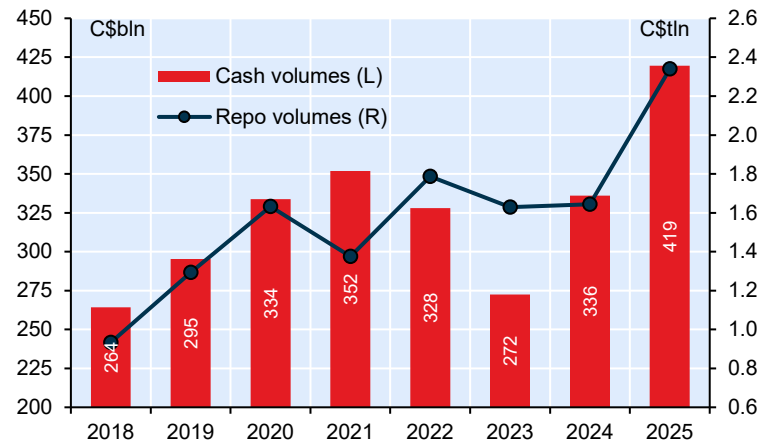
Source: NBC, CIRO | Note: All dealers, all counterparties; 2025 to May

What's going on here? For starters, a little bit of stability has done wonders for the federally guaranteed Canada Mortgage Bond (CMB) program. Recall that the future of this long-standing and venerable program was thrown into doubt back in the spring of 2023. Back then, 'consolidation' noise understandably saw some investors back away. That resulted in a pronounced pullback in secondary Crown volumes in 2023 (Chart 3).

But having settled into a new, hybrid regime—whereby the feds directly purchase up to one-half of fixed-rate new issues—secondary volumes in CMB (both cash and repo) have recovered important ground. There's still seasonality here, to be sure, with CMB trading tending to be relatively more active in certain new issue months (when there can be a fair amount of hedging flow). As a reminder, the next 5-year fixed-rate CMB offering is right around the corner.

Chart 3: Big volume recovery vs. 2023's policy related lull

Federal Crown Corp. secondary bond trading & repo volumes: YTD basis



Source: NBC, CIRO | Note: All dealers, all counterparties; based on Jan-May each year

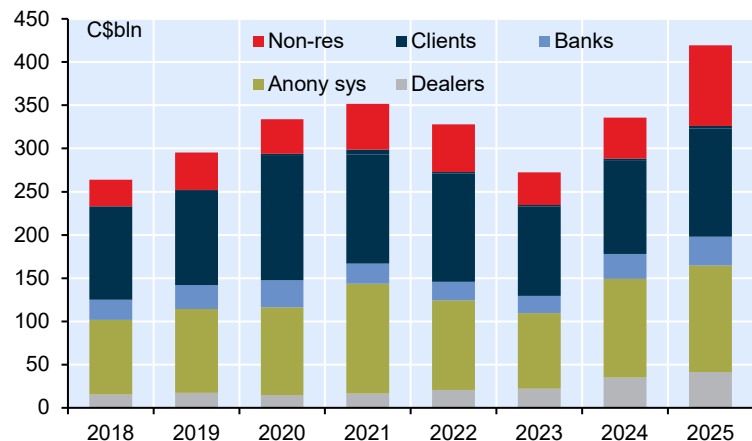
Beyond CMB, the rapid growth in Federal Crown volumes captures enhanced activity in bonds issued by CPPIB Capital and PSP Capital. These two names are part of what has become one of the fastest growing segments of the domestic bond market, where sterling credit quality, regular primary supply, enhanced secondary liquidity and relatively attractive valuations have drawn investors in.

As for the type of accounts increasingly active in the Crown sector, more than anything the answer is: non-residents (Chart 4). To be clear, institutional clients still trade more Crown bonds than non-residents. And a good amount of volume continues to be transacted via anonymous systems and/or inter-dealer.

Still, as the monthly MTRS stats from CIRO increasingly make clear, non-residents are trading Canadian Crown bonds around like never before. Based on publicly available all-dealer totals, secondary Crown volumes with non-residents have essentially doubled vs. last year. Non-resident volumes are even further above the lukewarm levels posted in 2023, when CMB program-related uncertainty saw many foreign accounts re-think their ongoing participation (Chart 5). Again, we'd emphasize/highlight this non-resident story would extend beyond CMB, with select PSE issuers attracting foreign interest at the margin.

**Chart 4: Non-residents contribute to Crown volume surge**

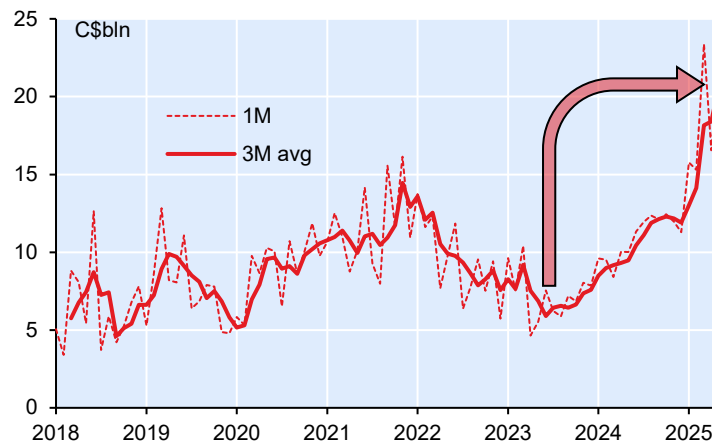
Federal Crown Corp. secondary bond trading volume by counterparty: YTD basis



Source: NBC, CIRO | Note: All dealers; clients refers to institutional & retail; Jan-May each year

Chart 5: Non-residents trade Crown bonds like never before

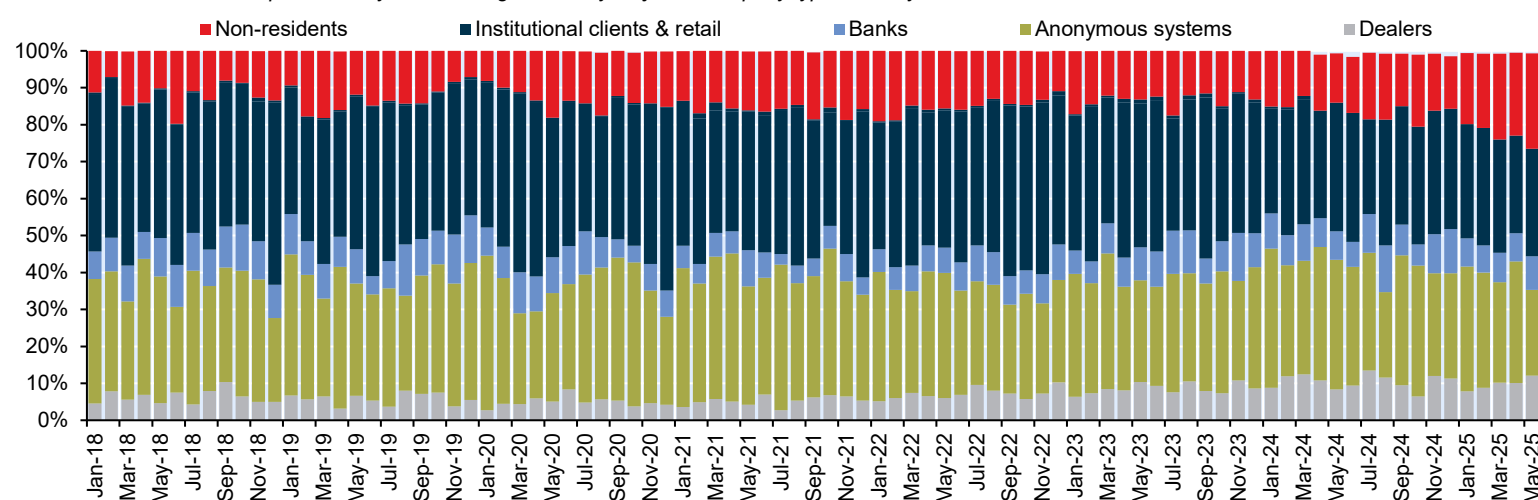
Federal Crown Corp. secondary bond trading volume: Non-residents only



Source: NBC, CIRO | Note: All dealers

Chart 6: Evolution of Crown bond volumes in MTRS 2.0 reporting regime

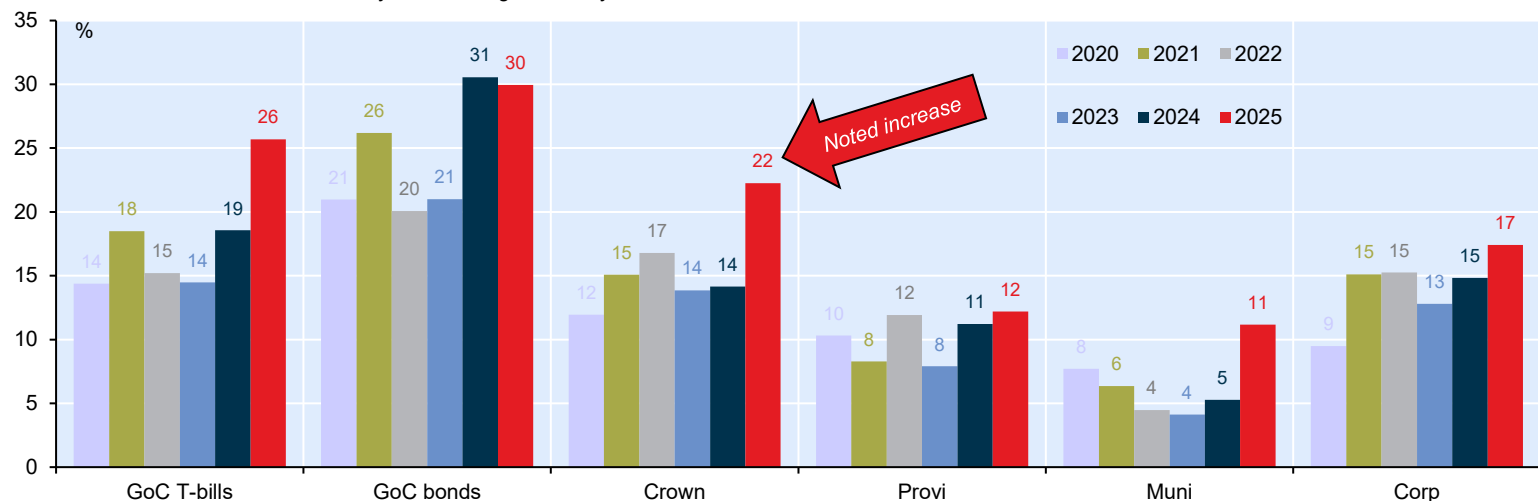
Share of Federal Crown Corp. secondary bond trading volume by major counterparty type: Monthly



Source: NBC, CIRO | Note: Based on monthly all dealer totals; excludes modest 'Issuer' volumes

Chart 7: Non-residents active in many corners of Canadian market, but increase in the share of Crown volume most notable

Non-resident share of Canada secondary bond trading volume by sector: YTD basis



Source: NBC, CIRO | Note: All dealers; Jan-May each year



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