



Quick look at August 1st bond index impacts

By Warren Lovely

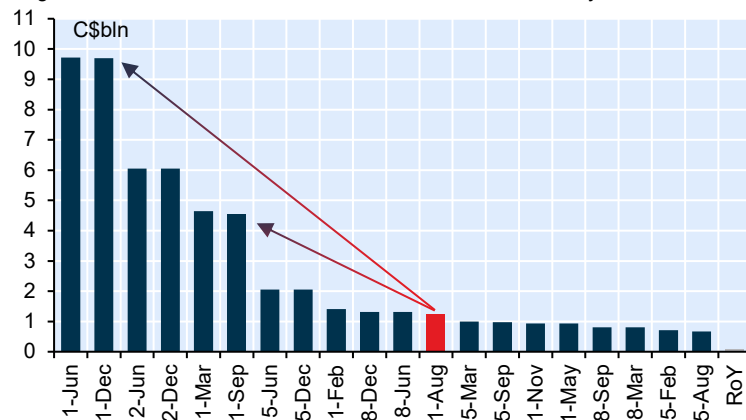
A public service message for Canada's bond market: A non-trivial cashflow/maturity date approaches, with **August 1st** now 13 days away. Few are apt to confuse August 1st with the uber-serious index impacts captured on the 1st/2nd of June and December. August 1st is also something of a poor cousin relative to March/September 1st. But for completeness' sake if nothing else, we offer a quick glance at what August 1st could mean for the domestic bond index, *ceteris paribus*.

Index cash: August 1st index-related cashflows are estimated at \$1.24 billion. While a fraction of the jumbo cash flooding the market in early June/December, we'll be setting a new high-water mark for this date.

Bond rollouts/rollovers: More significant duration impacts come via the roll out of a single GoC bond. The CAN 4% 1-Aug-2026 issue drops

Chart 1: Non-trivial cash (but standing in shadow of other key days)

Largest FTSE Canada Universe Bond Index interest income days



Source: NBC, FTSE Russell | Note: Based on daily projections, using 11-Jul closes

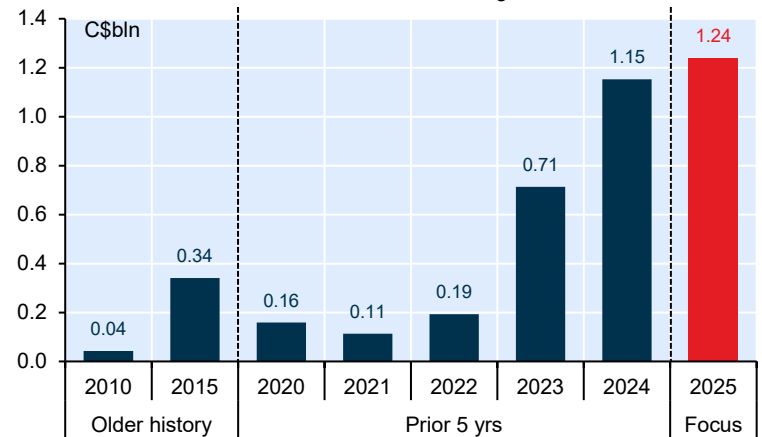
August 1st ranks as the 12th largest cashflow day for the FTSE Canada Universe Bond Index. At \$1.24 billion, August 1st index-related cashflows are far removed from the ultra-concentration cash that flows at the start of June and December. August 1st cash is likewise a fraction of September 1st. Nonetheless, the looming cashflow is larger than prior years (a record for August 1st in fact).

out, taking \$20.8 billion in effective outstandings with it. Strictly speaking, a \$350 million SmartCentres REIT security will roll 'Mid' to 'Short'. No bonds are due to roll from 'Long' to 'Mid'.

Simulated duration impact: We currently simulate a 0.053 modified duration increase for the FTSE Canada Universe Bond Index on August 1st. That's based on current pricing/constituents and assumes all else is equal (including the shape of the yield curve). The simulated duration increase is somewhat larger than the last two years, owing to this year's chunkier GoC rollout. It should follow that duration impacts are concentrated in 'Short Federal' bucket, where the erasure of the CAN 08/2026s means relative weight will decline. Weight will shift to both the 'Mid' and 'Long' buckets, though duration would be little changed.

Chart 2: More index-related cash this August 1st

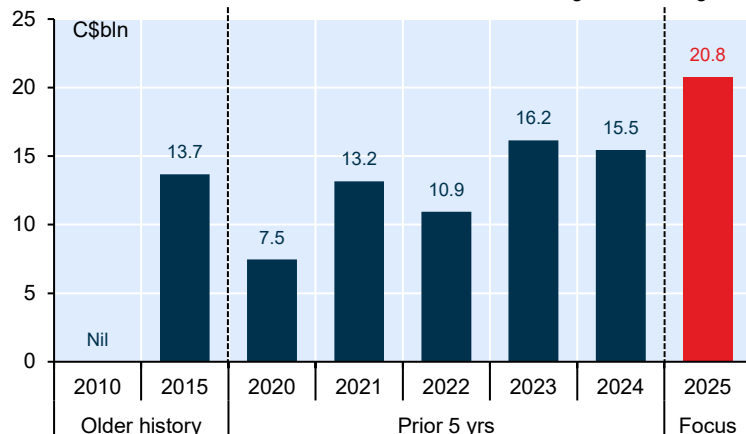
FTSE Canada Universe Bond Index cashflows: 1-Aug



Source: NBC, FTSE Russell | Note: Generated using 11-Jul closes for each period

Chart 3: A bigger GoC bond poised to drop out

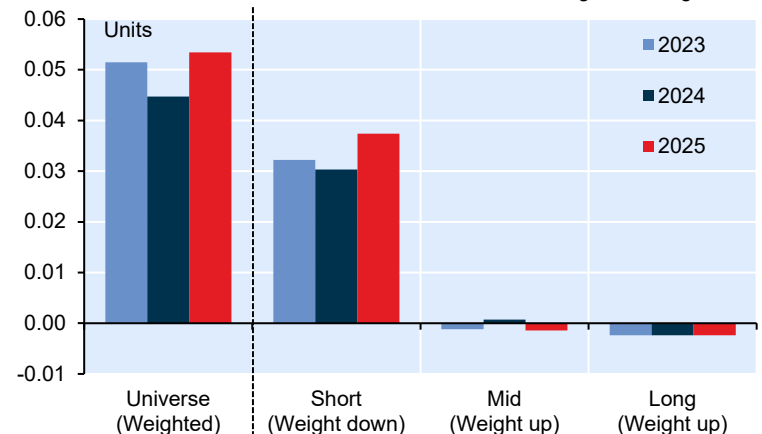
FTSE Canada Universe Bond Index: Par value of bonds rolling out on 1-Aug



Source: NBC, FTSE Russell | Note: Generated using 11-Jul constituents for each period; based on current holdings (i.e., effective outstandings); assumes no further BoC buybacks

Chart 4: Estimating prospective duration impacts by bucket

FTSE Canada Universe Bond Index: Simulated duration change on 1-Aug



Source: NBC, FTSE Russell | Note: Generated using 11-Jul constituents for each period; assumes no change in yield curve

Beyond coupon effects, the CAN 4% 1-Aug-2026s (\$20.8 billion O/S) will roll out on the first of the month. Mechanically, that rollout contributes most to the estimated 0.053 duration increase for the Universe, August 1st duration effects somewhat larger than prior years. In the 'Short' bucket (i.e., 1-5Y), and most particularly the 'Short Federal Non-Agency' slice, modified duration will rise while weighting falls. Duration impacts for the 'Mid' and 'Long' buckets appear limited, with both buckets gaining relative weight. All else equal, September 1st cash/roll impacts will be much more material.



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