



# Buy Canadian? Except where it really matters perhaps

By Warren Lovely

The idea of 'buying local' has resonated with many Canadians since the U.S. threw our long-standing, mutually beneficial bilateral relationship into doubt. As it stands, the Canada-U.S. trade relationship remains to be ironed out. In the meantime, 'Buy Canadian' programmes are still in evidence across the country. Canadians have also cooled on the U.S. as a travel destination. But this 'Buy Canadian' bias hasn't really shown up where it arguably matters most: in portfolio investment flows.

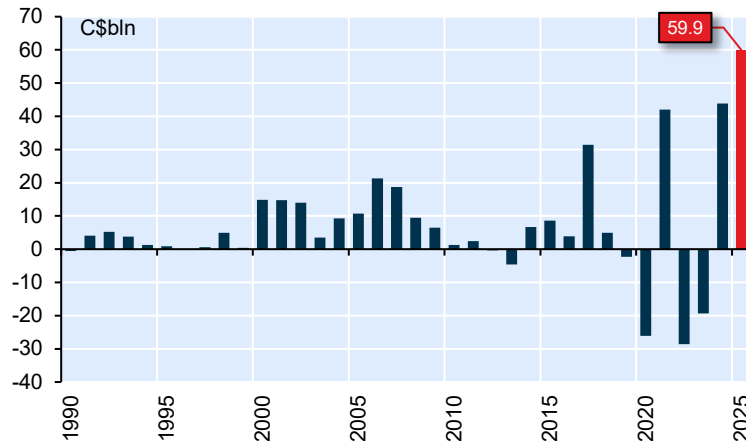
As per StatCan's latest international securities transactions data (now through May), Canadian investors have opted to load up on U.S. financial assets since President Trump was sworn in (back in January). Most of this 'Buy American' investment strategy has concentrated on U.S. equities. But Canadians have also net added U.S. corporate credit. Heck, Canadians have even helped finance Uncle Sam's wholly

unsustainable budget deficit; not exactly the tough message to the American administration some might have advocated.

At the same time, foreign investors have seemingly backed away from Canada this year. Net foreign divestment has been most notable in Canadian equities (with non-residents still adding Canadian bonds). Ironically, Canadian stocks have generally outperformed the U.S., based on benchmark equity indices. And as per our fresh [Monthly Equity Monitor](#), we advocate an overweight in Canadian equities vs. an underweight in U.S. stocks. We're likewise [constructive on the Canadian dollar](#), as the federal government in Ottawa looks to advance quickly on a broad agenda to Make Canada Investable Again (MCIA). So politics aside, and contrary to year-to-date portfolio capital flows, a 'Buy Canadian' investment strategy looks sensible to us.

## Chart 1: Canadians load up on U.S. securities...

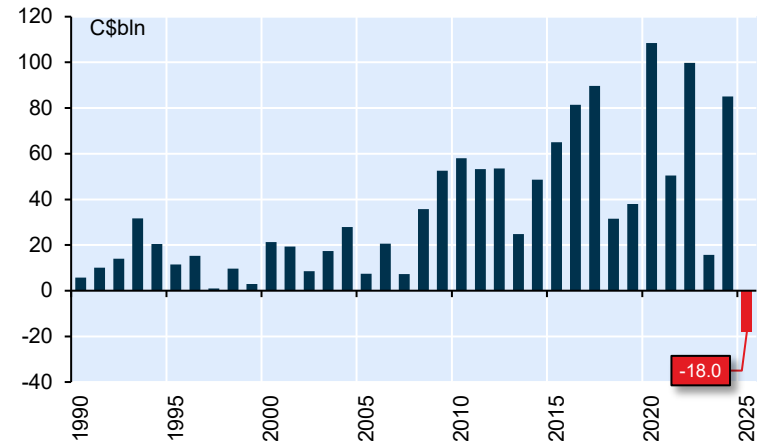
Canada's net purchases of U.S.-issued securities (debt & equity): YTD basis



Source: NBC, StatCan | Note: Includes U.S.-issued m-mkt, bonds, equity/ffs; YTD is Jan-May

## Chart 2: ... while foreign investors have cooled on Canada

Net foreign purchases of Canadian securities (all types): YTD basis

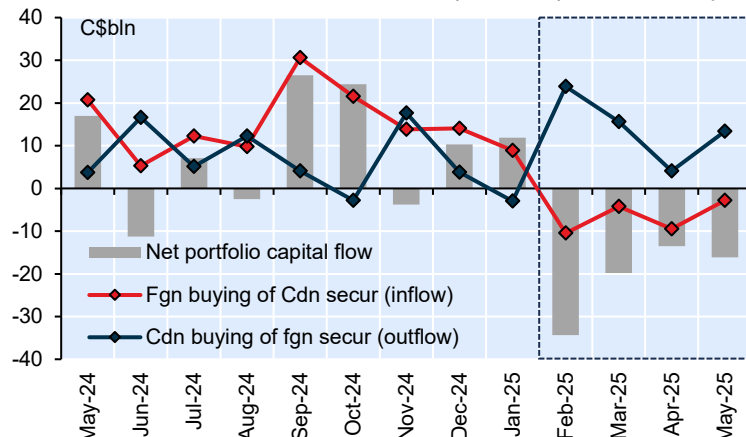


Source: NBC, StatCan | Note: All Cdn asset classes/sectors & all ccy; YTD is Jan-May

'Buy Canadian' programs seemingly don't apply to investment portfolios, as Canadian investors have instead loaded up on U.S.-issued securities at an entirely unprecedented YTD pace. Meanwhile, foreign investors have cooled on Canada. For the first time on record (back to 1988), the first five months of the calendar year produced no net foreign buying of Canadian portfolio assets.

## Chart 3: Of late, portfolio capital leaving the country...

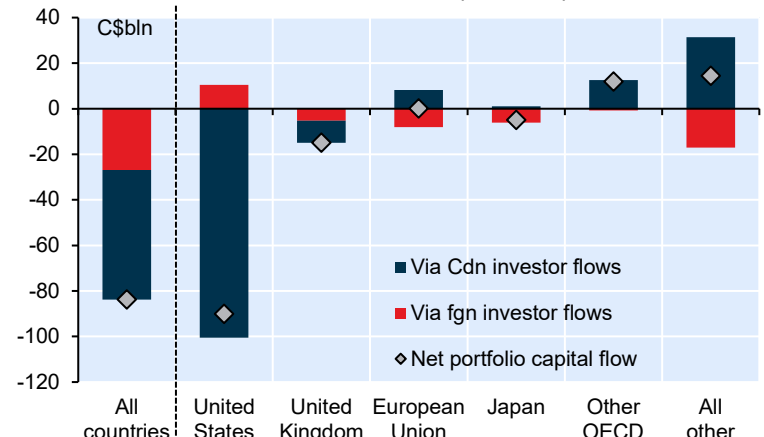
Cda international transactions in securities & net portfolio capital flow: Monthly



Source: NBC, StatCan | Note: Based on transactions with all countries, not just U.S.

## Chart 4: ... with net capital outflow most acute with U.S.

Cda international transactions in securities & net portfolio capital flow: 2025YTD

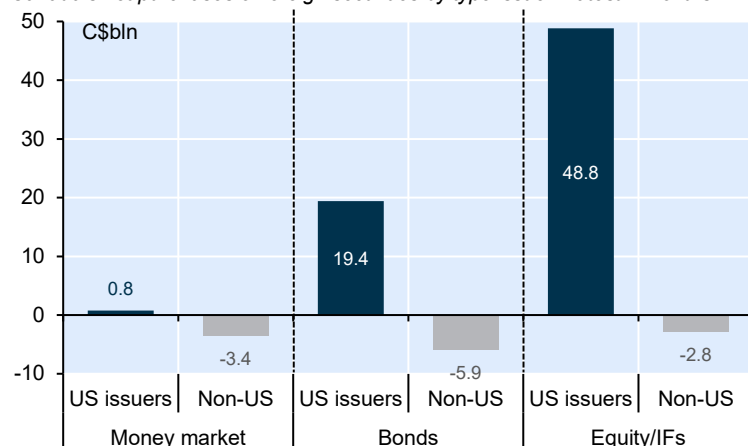


Source: NBC, StatCan | Note: 2025YTD covers Jan-May

With Canadians putting their investment dollars to work outside of the country, and with foreign investors stepping away from Canada, there's been a noted net portfolio capital outflow since President Trump's inauguration (in January). Indeed, in the latest 4-month period, the net portfolio capital outflow tops \$80 billion, with securities transactions with the U.S. accounting for all of that outflow.

**Chart 5: Canadian investors have added all things U.S.**

Canada's net purchases of foreign securities by type/issuer: Latest 4 months

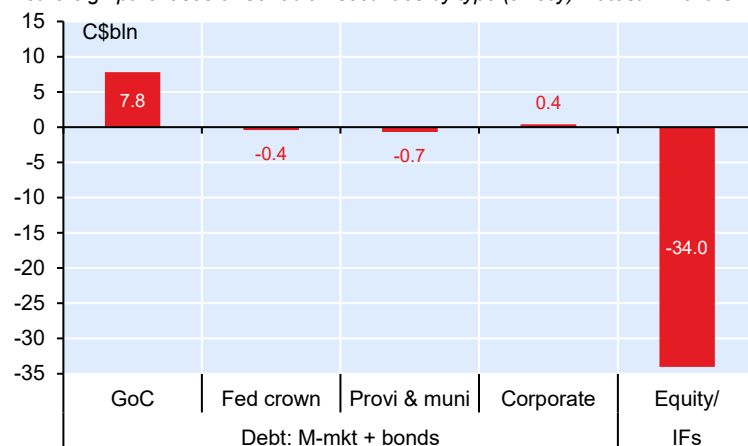


Source: NBC, StatCan | Note: Latest 4 months covers Feb-May 2025 (i.e., since Trump inaug)

So what kind of U.S. assets are Canadians buying? You name it. On balance, Canadians have added fully \$20 billion of U.S.-issued debt in the latest 4 months, the majority of which relates to net purchases of U.S. Treasury securities. In other words, Canadians have been helping to finance the deficit of the government that's repeatedly threatened our economic livelihood. Curious. Even more Canadian money has been steered to U.S. equities. Contrast that with net foreign selling of Canadian equities, the 4-month net divestment (February through May) adding up to \$34 billion.

**Chart 6: Non-residents have unloaded Canadian stock**

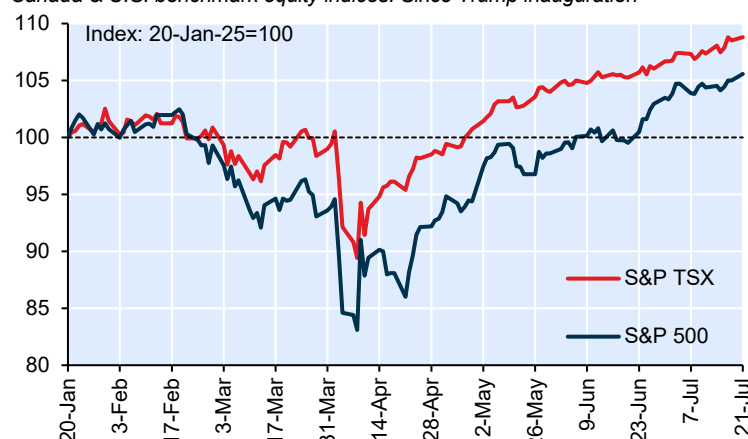
Net foreign purchases of Canadian securities by type (all ccy): Latest 4 months



Source: NBC, StatCan | Note: Latest 4 months covers Feb-May 2025 (i.e., since Trump inaug)

**Chart 7: Ironically, Canadian equities have fared better**

Canada &amp; U.S. benchmark equity indices: Since Trump inauguration

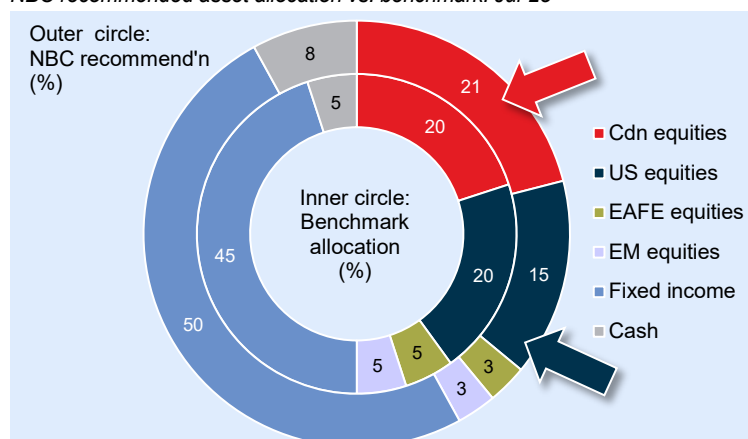


Source: NBC, BBG

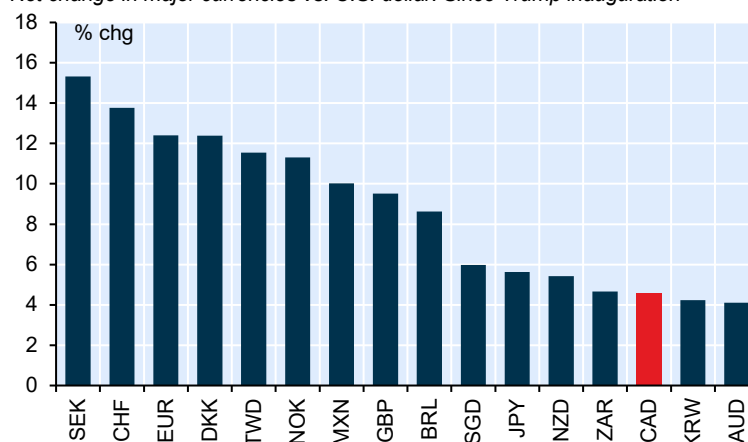
Interestingly (ironically?), during the period when Canadians were chasing U.S. equities and non-residents were (on balance) shunning Canadian stock, Canada's benchmark equity index more than held its own. And as outlined in our latest [Monthly Equity Monitor](#), NBC recommends an overweight position in Canadian equities (vs. an underweight in U.S. and other foreign equities).

**Chart 8: NBC recommends Canadian equity overweight**

NBC recommended asset allocation vs. benchmark: Jul-25

Source: NBC | Note: Refer to [Monthly Equity Monitor](#) for full recommendation**Chart 9: CAD not exactly top performer, but we're bullish**

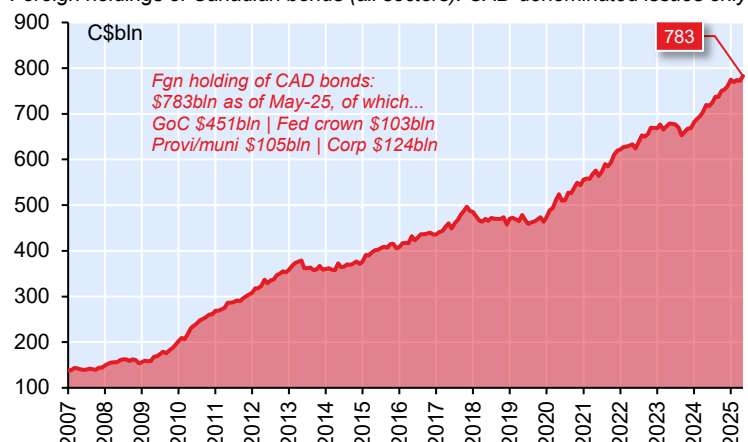
Net change in major currencies vs. U.S. dollar: Since Trump inauguration



Source: NBC, BBG | Note: Ordered returns from 20-Jan-25 to 21-Jul-25

**Chart 10: Non-residents still adding to CAD bond portfolios**

Foreign holdings of Canadian bonds (all sectors): CAD-denominated issues only



Source: NBC, StatCan | Note: All Cdn issuers; CAD bonds only; book value

In FX, CAD may not be at the top of the leaderboard when it comes to gains vs. USD, but we outlined a bullish case in our latest issue of [FOREX](#). That reflects our hope that Ottawa succeeds in implementing much-needed policies to Make Canada Investible Again (MCIA). Meantime, non-resident bond investors have remained well attached to Canada, helping to absorb net supply.



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