

August 29, 2025 - (Vol. IX, No. 76 Addendum)

## Going into Labour (Day)

By Warren Lovely

A quick one (really an addendum or update to earlier analysis), on what is the latest business day of August, for Labour Day looms. As a reminder, September 1<sup>st</sup> is an important date for Canada's domestic bond market. It just so happens that September 1<sup>st</sup> is also Labour Day in 2025, the holiday delaying cashflows and bond index adjustments to the 2<sup>nd</sup>. A reminder of some of the more important aspects of this year's effect:

**Quirk of the calendar** ⇨ September 1<sup>st</sup> is not a good business day this year (but is rather an ode to labourers). It means the outsized cashflows and bond rolls (cited below) will be captured Tuesday, September 2<sup>nd</sup>.

**Cash will flow** ⇨ Keying on the FTSE Canada Universe Bond Index, there is \$4.7 billion of interest income waiting to be hit investor accounts on the 2<sup>nd</sup>. September cashflows have grown meaningfully in importance in recent years, absolutely and relatively (Chart 1).

**Bonds will roll** ⇨ In all, 10 bonds will see their FTSE Canada Universe Bond Index status change on September 2<sup>nd</sup>. We're talking about \$76bln in effective outstandings or more than 3% of the Universe (Chart 2). Three bonds roll out of index, notably CAN 1% 1-Sep-2026 (\$12.5bln effective

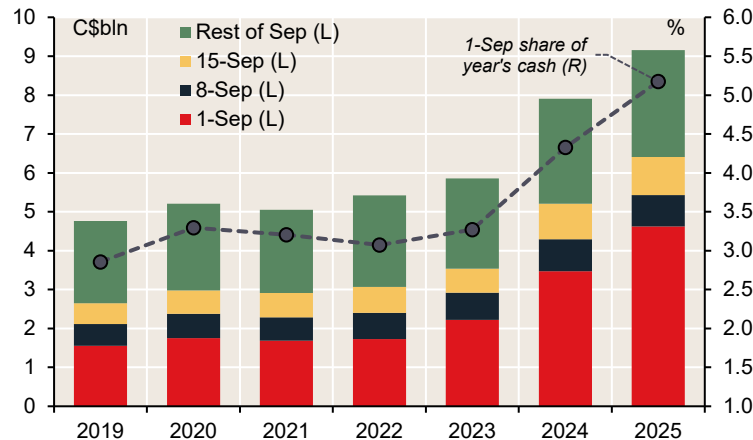
o/s) and Q 2.5% 1-Sep-2026 (\$6.0bln o/s). Five bonds roll over from 'Mid' to 'Short', notably CAN 2.75% 1-Sep-2030 (\$36.8bln o/s) and Q 1.9% 1-Sep-2030 (\$10.8bln o/s). A single bond rolls over from 'Long' to 'Mid', the Q 4% 1-Sep-35 issue (\$6.75bln o/s).

**Duration will extend** ⇨ Based on current constituents and pricing, we estimate that the modified duration of the FTSE Canada Universe Bond Index will extend ~0.05 units on September 2<sup>nd</sup>. For context, that's somewhat less than the underlying Universe adjustment in 2023 or 2024 but is non-trivial all the same. Given the specific nature of the bond rolls, duration extends most significantly in the 'Short' and 'Mid' buckets—the former gaining weight at the expense of the latter (Chart 3).

**Issuance (surely) awaits** ⇨ Even with a recent issuance surge (Chart 4) pushing the aggregate provincial funding status 'ahead of schedule', one presumes that debt issuers stand ready to respond to an any seasonal/technical pocket of demand. Historically, September has been more or less an 'average' month for provincial supply—nothing like the spring months. But ongoing intense geopolitical uncertainty and weaker-than-expected finances might argue for taking extra liquidity on board.

### Chart 1: September cashflows grow more meaningful

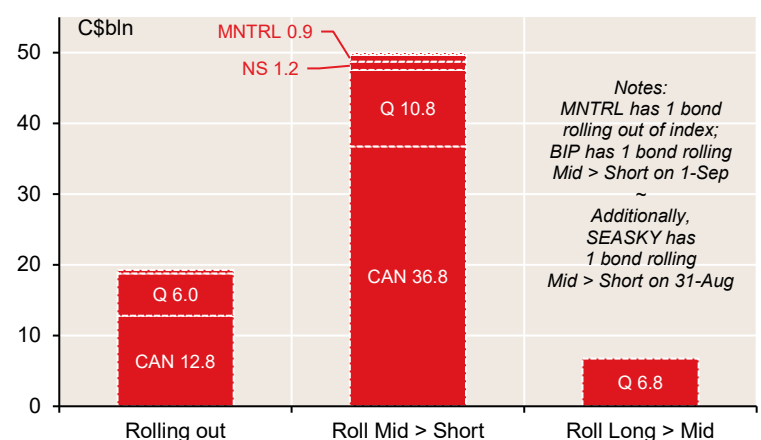
FTSE Canada Universe Bond Index cashflows: September



Source: NBC, FTSE Russell | Note: Generated using 11-Aug to 13-Aug closes for each year

### Chart 2: Some chunky bond rolls to bear in mind

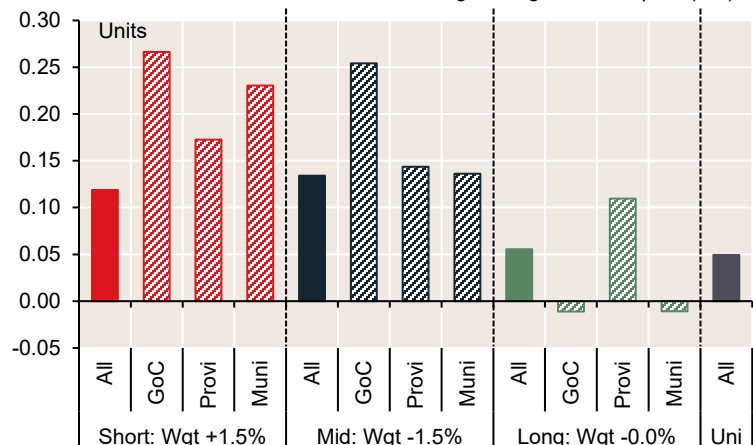
FTSE Canada Universe Bond Index bond rolls: 2-Sep-25



Source: NBC, FTSE Russell | Note: Based on 28-Aug closes; rolls to be captured 2-Sep

### Chart 3: Sectoral & term perspective on looming extension

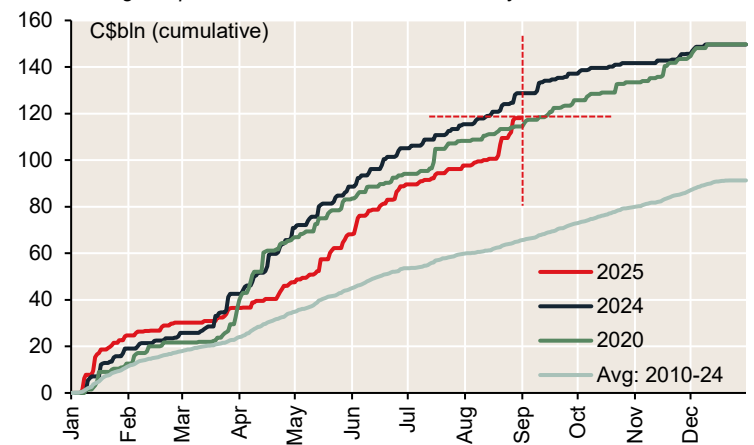
FTSE Canada Universe Bond Index: Duration chg 29-Aug-25 to 2-Sep-25 (sim)



Source: NBC, FTSE Russell | Note: 4D simulation using 28-Aug closes

### Chart 4: Provinces have picked up the pace recently

Cumulative gross provincial bond issuance: Calendar year basis



Source: NBC, BBG | Note: Marketable issuance thru end of Aug; CAD equivalent



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