

September 16, 2025 - (Vol. IX, No. 88)

## Technical justification for Canada's tight G-spreads

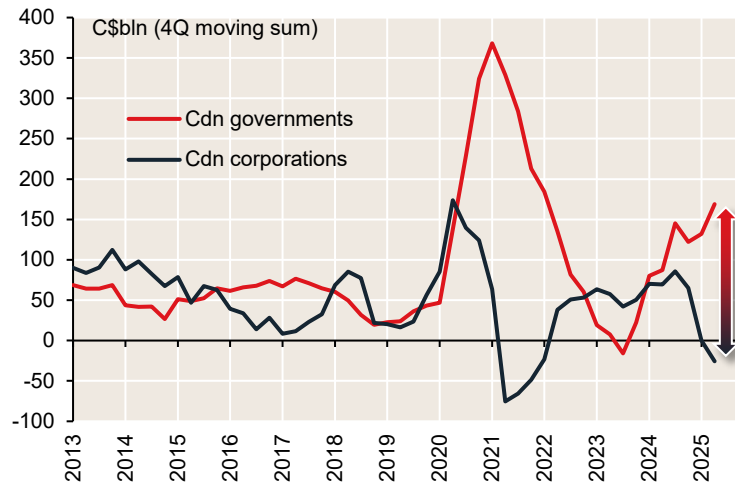
By Warren Lovely

Raise your hand if you believe that, all else being equal, relative supply dynamics exert at least some influence on relative pricing. Put another way, for a given level of demand, the relative abundance (or scarcity) of a product should be consistent with relative cheapness (or richness). This isn't all that controversial a view really. If you agree, it should make the following images—focused on the relative supply/availability of Canadian debt—genuinely compelling. Judge for yourself.

But first, a quick word on the approach we're taking here... This four-pack of charts leverages StatCan's quarterly Securities Statistics release. This tends to be an underappreciated/underutilized data set in our view, considering it affords a detailed breakdown of Canadian debt (net issuance and outstandings) according to a range of characteristics: sector/issuer type, currency of issue, maturity type, tenor, coupon, etc. StatCan's latest quarterly offering runs to 2025:Q2. Sure, one can track debt issuance and outstandings more finely, with a higher frequency and/or on a more-timely basis. Dedicated readers may be aware that we

### Chart 1: Canada's government sector is borrowing briskly

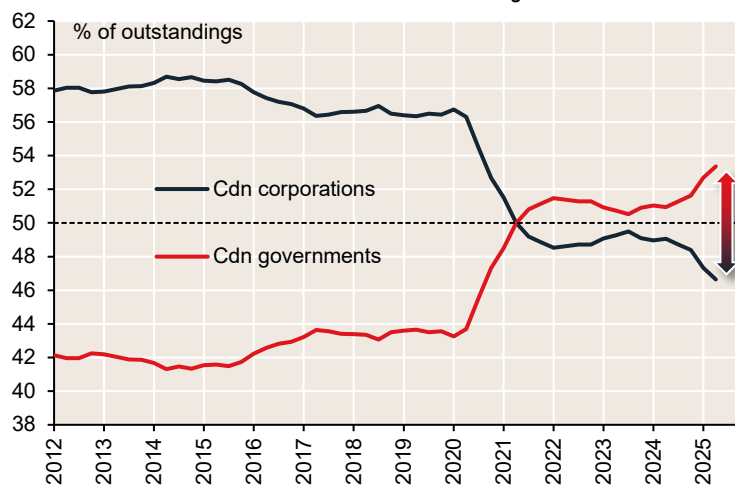
Canadian net domestic bond issuance trend: Governments vs. corporations



Source: NBC, StatCan | Note: Based on net issuance of CAD bonds to 2025:Q2; governments includes GoC, provincial & local; corporations includes non-financial & financial

### Chart 3: Heavier gov't footprint in Canada's bond market

Relative share of Canadian domestic bonds outstanding



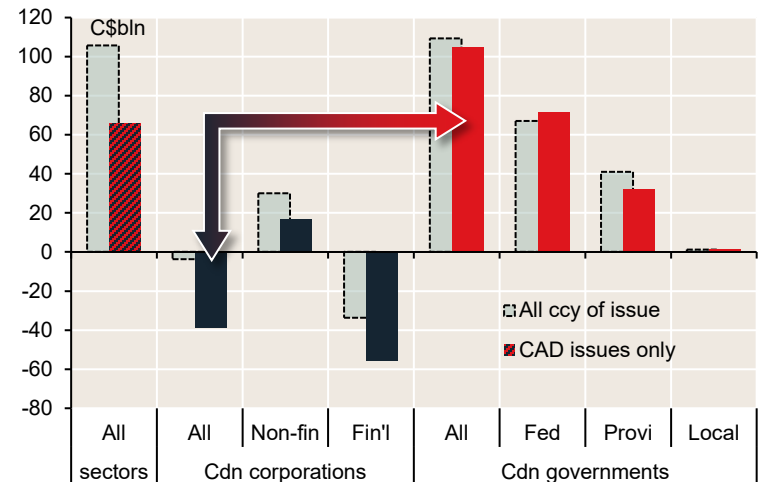
Source: NBC, StatCan | Note: Based on quarterly book value of CAD bonds to 2025:Q2

do just that, utilizing Bloomberg among other sources. But for quick and easy sectoral analysis, it's hard to argue with what StatCan has on offer. Complementary and compelling are how we think of these data.

Alas, we herewith present two pictures (Charts 1-2) keying on net issuance (i.e., flows) plus two pictures (Charts 3-4) focused on outstandings (i.e., stocks). Be it flows or stocks, there are serious sectoral shifts happening in Canada. Ours is an increasingly government-heavy debt market, with Canadian government bonds increasingly more plentiful relative to corporate paper. More specifically, the available stock of Government of Canada debt is building faster than anywhere else. In isolation, Canada's entrenchment supply dynamics are consistent with tight credit spreads to the underlying GoC curve and likewise support a compressed corporate-provincial basis. Judging from the accumulating slate of federal government promises, alongside certain provincial fiscal disclosures, these trends look to be retained for the foreseeable future.

### Chart 2: If supply matters, this is seriously unbalanced

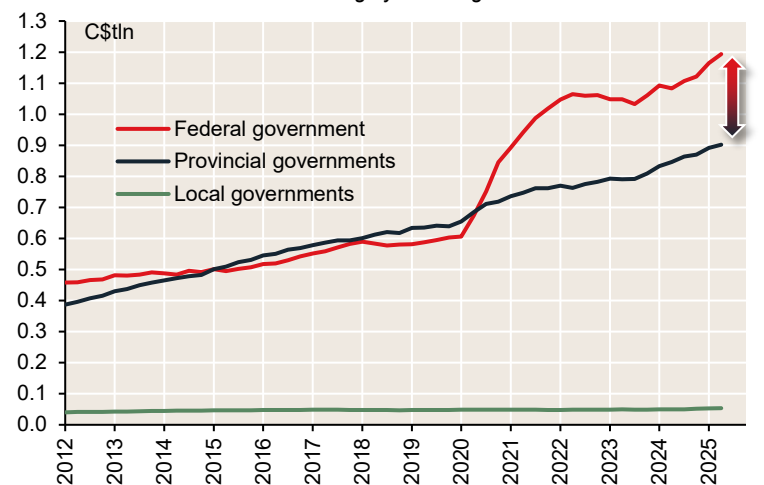
Canadian net bond issuance by sector: First half of 2025



Source: NBC, StatCan | Note: Based on net issuance of bonds (CAD & fgn currency) for latest two quarter period (to 2025:Q2)

### Chart 4: Federal debt slope steepens (with more bonds to come)

Canadian domestic bonds outstanding by level of government



Source: NBC, StatCan | Note: Quarterly book value of CAD bonds to 2025:Q2



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### To contact us:

514-879-2529

#### Stéfane Marion

Chief Economist and Strategist

[stefane.marion@nbc.ca](mailto:stefane.marion@nbc.ca)

#### Matthieu Arseneau

Deputy Chief Economist

[matthieu.arseneau@nbc.ca](mailto:matthieu.arseneau@nbc.ca)

#### Jocelyn Paquet

Senior Economist

[jocelyn.paquet@nbc.ca](mailto:jocelyn.paquet@nbc.ca)

#### Kyle Dahms

Senior Economist

[kyle.dahms@nbc.ca](mailto:kyle.dahms@nbc.ca)

#### Alexandra Ducharme

Senior Economist

[alexandra.ducharme@nbc.ca](mailto:alexandra.ducharme@nbc.ca)

#### Daren King, CFA

Senior Economist

[daren.king@nbc.ca](mailto:daren.king@nbc.ca)

#### Warren Lovely

Chief Rates and Public Sector Strategist

[warren.lovely@nbc.ca](mailto:warren.lovely@nbc.ca)

#### Taylor Schleich

Rates Strategist

[taylor.schleich@nbc.ca](mailto:taylor.schleich@nbc.ca)

#### Ethan Currie

Strategist

[ethan.currie@nbc.ca](mailto:ethan.currie@nbc.ca)

#### Angelo Katsoras

Geopolitical Analyst

[angelo.katsoras@nbc.ca](mailto:angelo.katsoras@nbc.ca)

#### Nathalie Girard

Senior Coordinator

[n.girard@nbc.ca](mailto:n.girard@nbc.ca)

#### Giuseppe Saltarelli

Desktop Publisher

[giuseppe.saltarelli@nbc.ca](mailto:giuseppe.saltarelli@nbc.ca)

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