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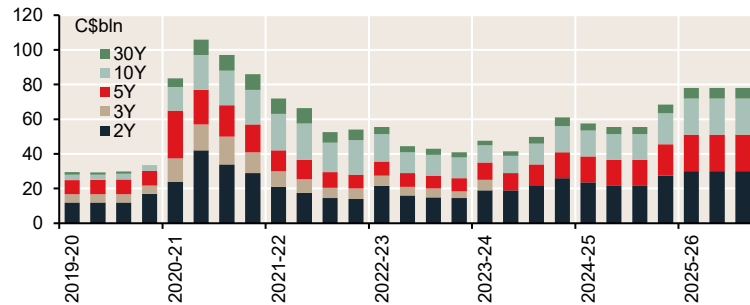
## Come and get your love GoCs

By Ethan Currie

As October approaches, another QBS arrives, courtesy of the Bank of Canada. This short *Market View* explores recent auction dynamics and aims to set the scene for another quarter of GoC supply – come and get 'em! Gross issuance tempo remains unchanged from the first two quarters of the FY (C1), while net supply will pick up substantially as a smaller set of maturities comes into play (C2). Recent auctions have been stronger in the shorter end of the curve as 2s and 5s have enjoyed relatively tight tails and substantial coverage (C3). While 30s haven't been stand-out of late on issue day, they've performed quite well post-auction for the last handful of quarters (C4). Plenty of supply has got foreign buyers saying "you're fine and you're mine and you look so divine" to GoCs. Those (assumed?) words of affirmation are particularly true down the curve, as 2s have been of most interest to overseas accounts.

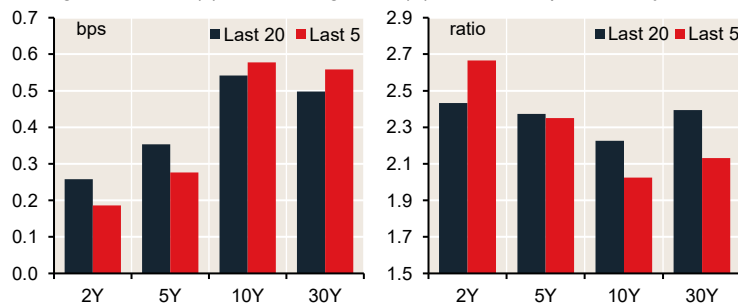
### Chart 1: Steady as she goes for Q3 gross GoC issuance...

GoC gross issuance – quarterly pattern since FY 2019-20 by tenor



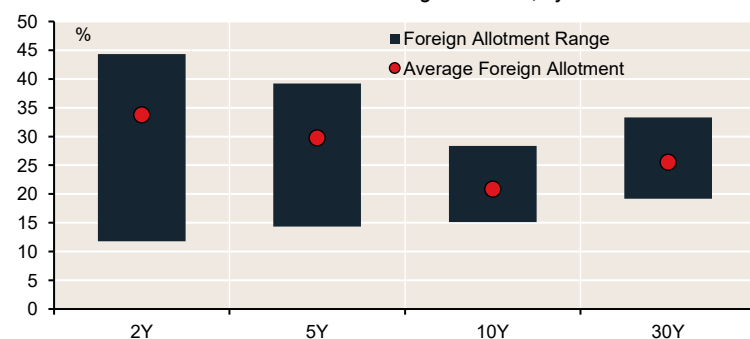
### Chart 3: Recent auctions were competitive, namely in 2s & 5s

Average auction tail (L) and coverage ratio (R), last 5 / 20 operations by tenor



### Chart 5: Overseas interest in GoCs across tenors...

Share of GoC auction value allocated to foreign accounts, by tenor

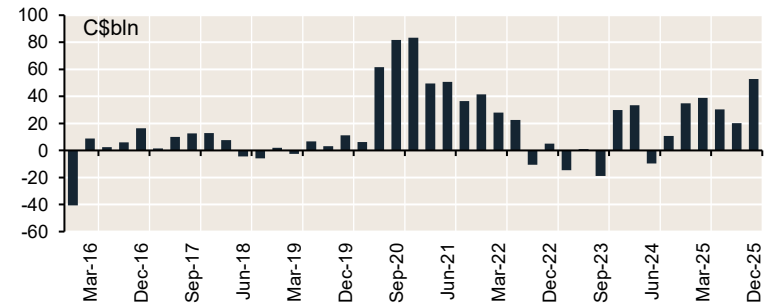


Are these allotments breaking tradition in any way? Not necessarily – this data became available at the start of the fiscal year. A small sample size to date, but undoubtedly worth tracking. The two quarters' (32 operations) worth of allotment data we do have in hand is a good reminder that foreigners participate more at the shorter end of the curve (though long end involvement is not insignificant, C5). **Non-residents** continue to play a vital role in GoC absorption, as do hedge funds presumably, based on a structurally rising participation trend, accounting for a greater share of auction take-up over the past decade and a half (C6).

See our [Quarterly Bond Schedule Snapshot](#) [here](#). For more GoC / primary market coverage, including NBCs [Auction Previews](#), [Relative Value Models](#), and [Primary Market Monitor](#), please reach out to the Economics & Strategy group.

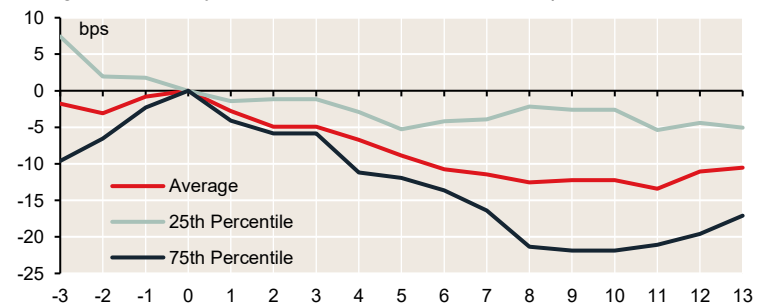
### Chart 2: ... but plenty of supply in net terms this fall

Quarterly change in amount outstanding GoC bond stock (net supply)



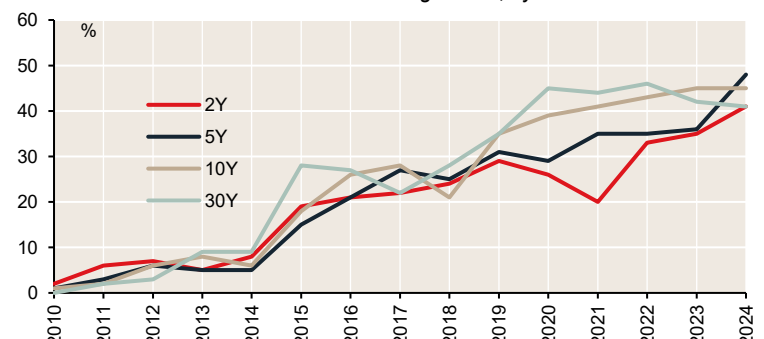
### Chart 4: Though post-auction performance strong in longs

Change in GoC 30Y yield relative to auction date, last 10 operations



### Chart 6: ... as hedge funds stepping up to absorb issuance

Share of GoC auction value allocated to hedge funds, by tenor





## Economics and Strategy

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