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Provincial bond supply: Diversionary tactics

By Warren Lovely

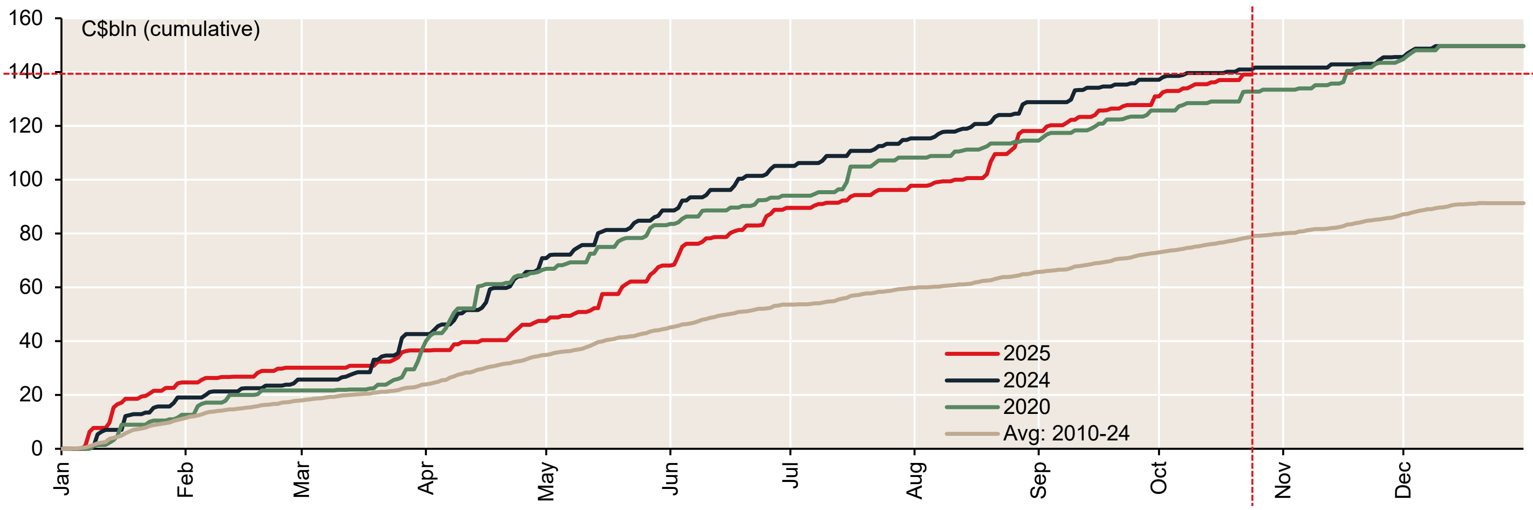
Records, as they say, were made to be broken. And with the equivalent of ~C$139 billion issued through last week, a new high-water mark for annual provincial bond supply seems increasingly probable. Stay tuned.

But we needn't wait for records to fall when it comes to the portion of provincial funding secured from international markets. At the equivalent of C$53.8 billion (using FX rates at time of offer), year-to-date foreign currency issuance has already eclipsed the prior calendar year record (set last year at C$51.6 billion). With two months plus two days still to go in calendar 2025, it's possible we could get a bit more marginal international supply, though history tells us provinces tend to skew more of their November-December activity to the domestic market (seasonal demand for duration being so overwhelmingly deep).

Even if international activity fades into year-end, keeping so much supply away from the CAD market has provided meaningful relief to/support for domestic credit spreads. There's less of sacrifice on term these days. And for issuers with outsized needs, the efficiency of a well-placed international trade is undeniable, the largest USD or EUR offering perhaps substituting for a half-dozen 'green banners' (i.e., domestic deals). So take a moment to appreciate a banner year of international bond supply from Canada's provinces. They're apt to be back in 2026.

Chart 1: A record-setting provincial issuance pace? Likely. But in one sense records have already fallen

Gross provincial bond issuance in all markets: Cumulative total on calendar year basis for 2025 vs. record-setting years & longer-term trend

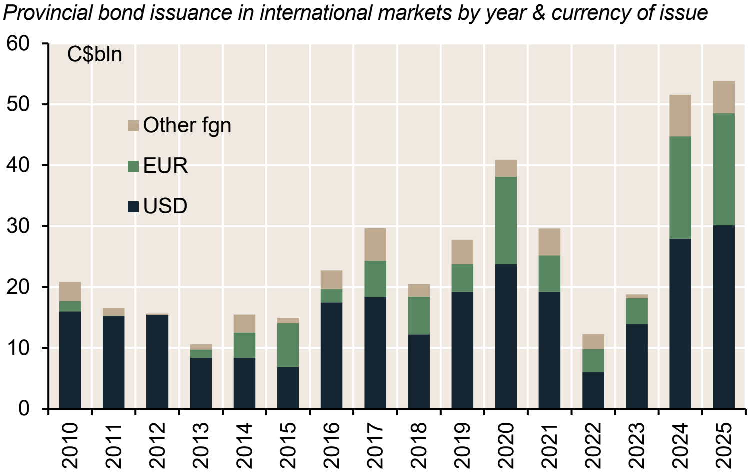


Source: NBC, BBG | Note: In all cases, charts of provincial bond issuance include all marketable deals through 24-Oct-25; international deals converted to CAD at FX rate at time of issue

The calendar year record for provincial bond supply (all currencies) is ~C$150bln—set twice in 2020 and 2024. We may be on our way to a new high-water mark this year. After a required lull in/around mid-year reports, seasonal demand should pull more supply into the market before we fade to black in mid-December. But in one sense, a new record has already been established…

Chart 2: A new record for international bond proceeds

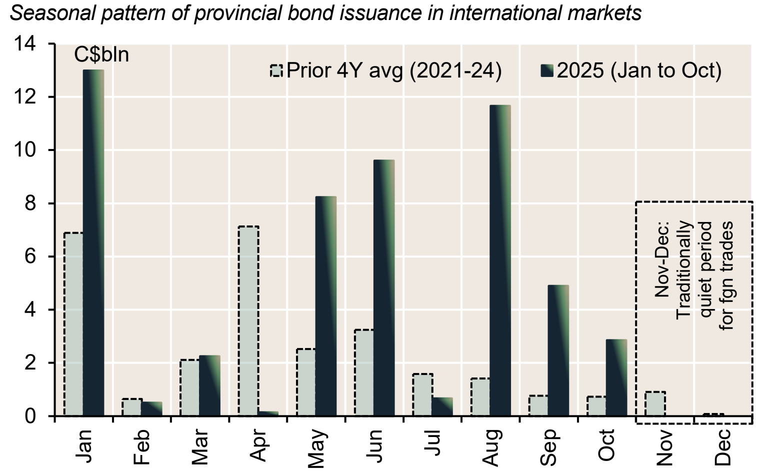
Provincial bond issuance in international markets by year & currency of issue



Source: NBC, BBG | Note: Calendar year totals, excl. 2025 which is Jan-Oct (i.e., YTD)

Chart 3: Active internationally during much of 2025

Seasonal pattern of provincial bond issuance in international markets

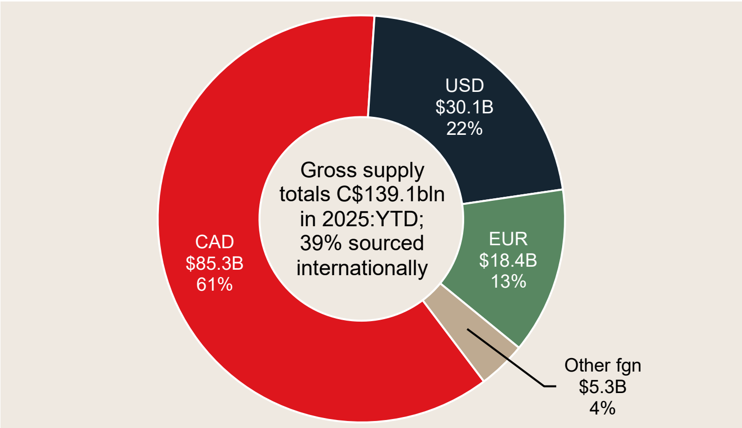


Source: NBC, BBG | Note: 2025 monthly pattern extend to Oct-25

Canada's provinces have secured record funding from international debt capital markets. This year's C$53.8bln in foreign currency supply already surpasses the prior annual record (set in 2024). While there's still two months to go in 2025, Nov-Dec is typically a quiet(er) period for international supply, with provinces often skewing more late-year supply towards a cash-rich domestic market.

Chart 4: Slicing up 2025's provincial bond pie

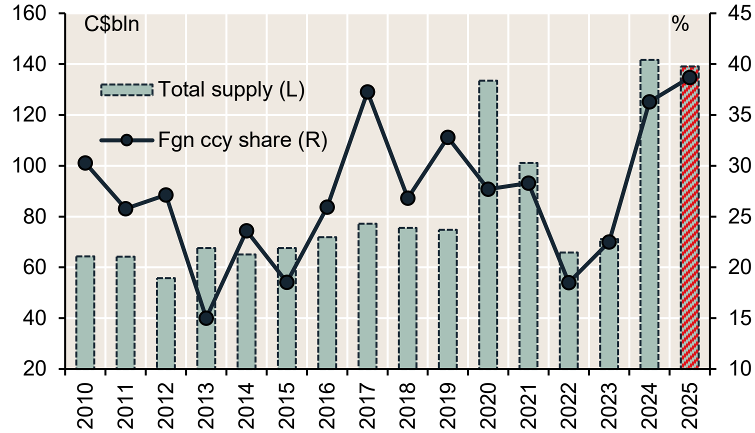
Distribution/share of provincial bond issuance by currency of issue: 2025YTD



Source: NBC, BBG | Note: Gross supply on calendar year basis up to 24-Oct-25; figures in C$

Chart 5: International markets as funding shock absorber?

Provincial bond issuance (all ccy) & share steered to international markets

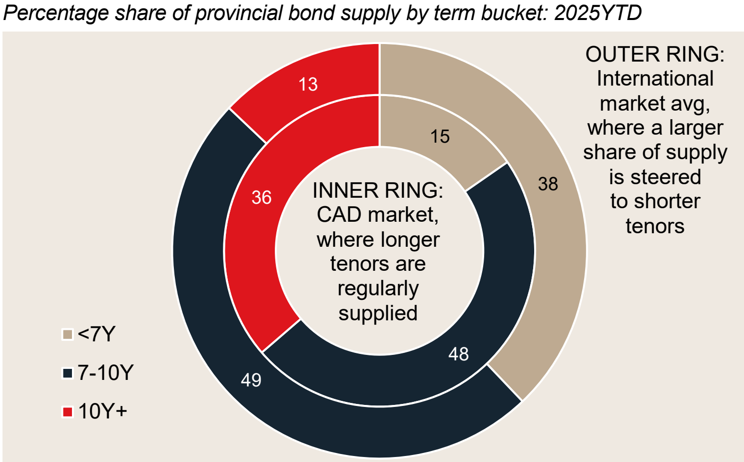


Source: NBC, BBG | Note: To aid comparability, all figures are Jan-Oct (i.e., YTD)

On a calendar year-to-date basis, the C$53.8bln in international supply we've seen represents 39% of gross provincial issuance. With provincial borrowing needs relatively elevated (now and likely into the near future), international bond deals can be viewed as an important diversionary funding tactic, leaving a more manageable diet of bonds for the all-important domestic market to swallow.

Chart 6: Supply steered to different parts of curve…

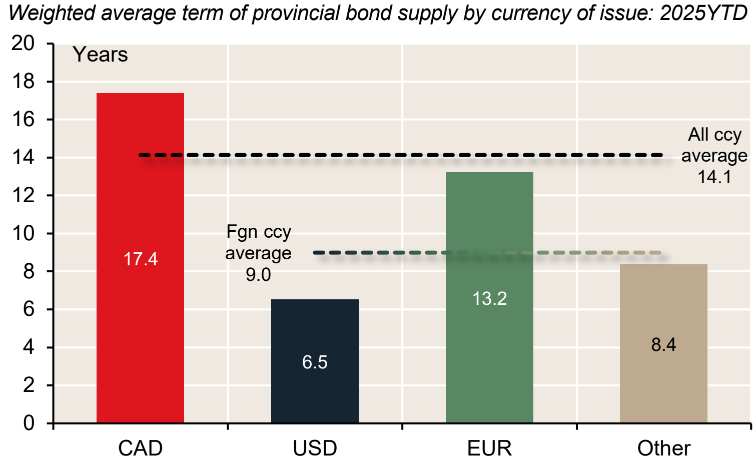
Percentage share of provincial bond supply by term bucket: 2025YTD



Source: NBC, BBG | Note: Based on C$139.1bln of gross supply through 24-Oct-25

Chart 7: … but term available in some key foreign markets

Weighted average term of provincial bond supply by currency of issue: 2025YTD

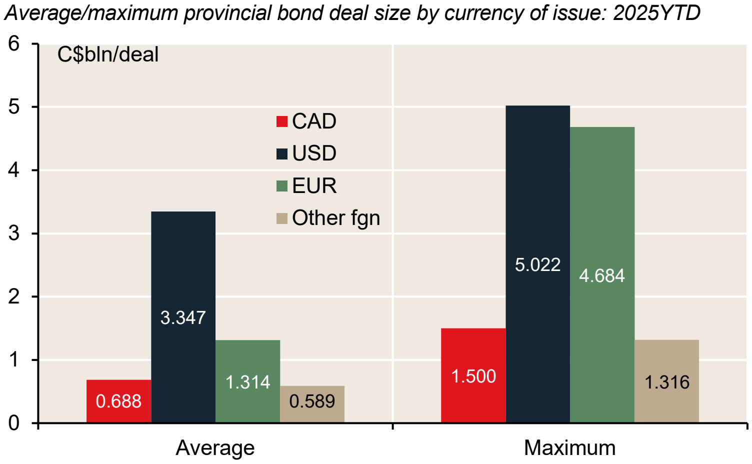


Source: NBC, BBG | Note: Based on C$139.1bln of gross supply through 24-Oct-25

There are distinct elements to international bond markets, including relative investor depth and breadth across the term structure. Traditionally, the average international trade has been shorter than a domestic offering. That's still true, but the average term of international supply has edged out. New 10s have meant with good demand in USD, and the EUR market has long demanded duration.

Chart 8: International trades can be hyper efficient…

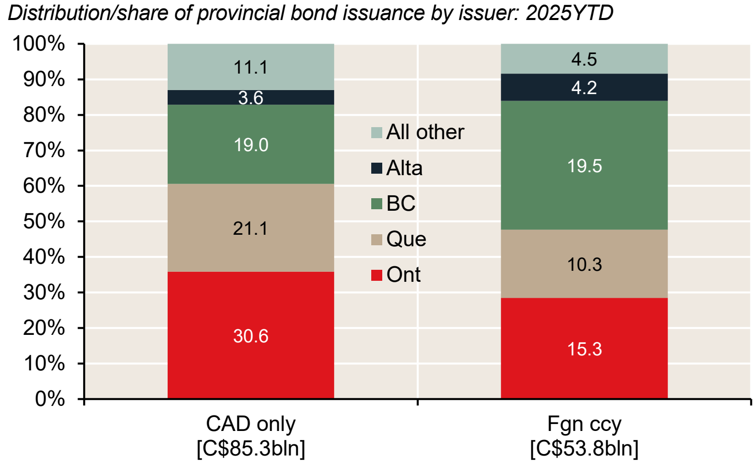
Average/maximum provincial bond deal size by currency of issue: 2025YTD



Source: NBC, BBG | Note: Based on C$139.1bln of gross supply through 24-Oct-25

Chart 9: … allowing for quick progress where needs lofty

Distribution/share of provincial bond issuance by issuer: 2025YTD



Source: NBC, BBG | Note: Based on C$139.1bln of gross supply through 24-Oct-25

It's hard to argue with the funding efficiency that international debt capital markets afford. Relative to a standard CAD trade, proceeds from a representative EUR offering might be 2X (once converted). The average USD deal might be more like 5X vs. a typical domestic print. In extreme cases, a truly jumbo international bond deal might substitute for a half-dozen provincial 'green banners'. That's long been an important consideration for issuers with elevated funding needs and/or those desiring to make quick progress on borrowing programs. It's a strategy we will likely see repeated in 2026.

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