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When is 0% an impressive score?

By Warren Lovely

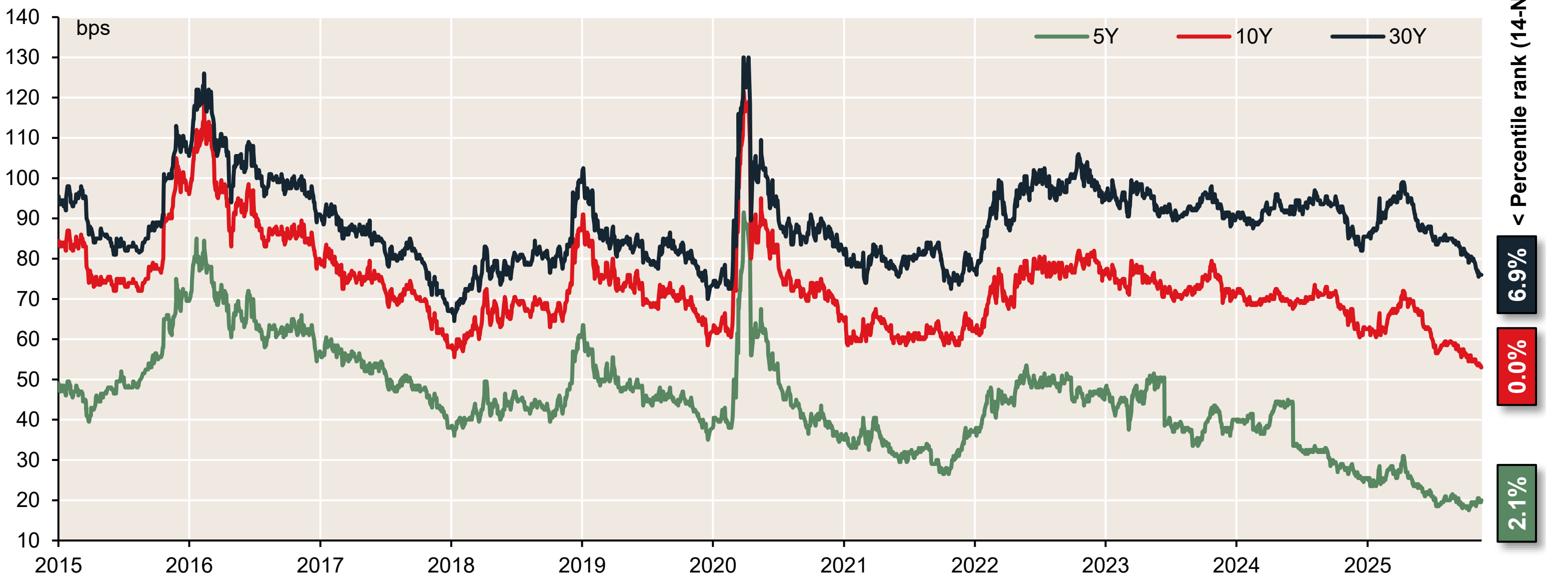
Analysts and investors are fond of using various 'scorecard' metrics to gauge/assess performance and/or opportunities. There's an abundance of statistical measures and approaches to choose from, many with specific pros and cons. The 'best' or most useful metric will ultimately depend on the subject matter and what one is really trying to isolate for.

As but one example… using 'percentiles' is a common enough approach when looking to position a prevailing level within an historical or cross-sectional sample. A 'percentile' score is hardly the most sophisticated approach out there. Still, for anyone that went to school and worried about how they stacked up vs. their peers, a 'percentile' will be familiar enough. And unlike in uni, sometimes an ultra-low 'percentile' signifies relative strength.

Which brings us to the provincial government bond market. And in answer to the question: **'When is 0% a genuinely impressive score?'** The answer is: **'When applying *percentiles* to provincial government domestic bond spreads vs. the govi curve.'**

Chart 1: Putting provincial spreads in context, with 0% 'percentile' for Ontario 10s signifying extraordinary ground

Ontario constant maturity domestic bond spreads vs. GoC curve

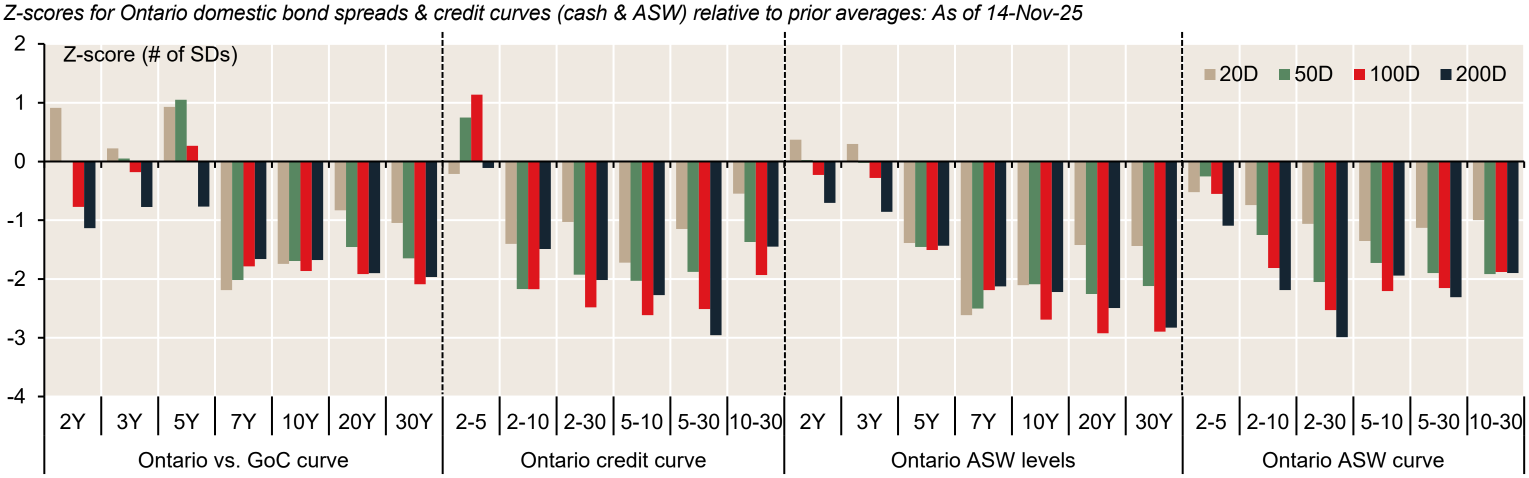


Source: NBC | Note: Daily indications to 14-Nov-25; percentile rank based on latest spread vs. historical record (over 10 years or >2,600 observations)

0.0%. That's the percentile rank for Ontario's 10-year constant maturity spread vs. the GoC curve looking back over more than a decade. Put another way, since 2015 we've not seen a tighter cash spread than today's +53bps. Spreads are relatively snug across the curve. Ontario 5s have been tighter only 2.1% of the time. Just 6.9% of the time have longs been inside today's +76bps.

Chart 2: If percentiles aren't your thing, Z-scores (measuring relative deviation from mean) provide alternative RV lens

Z-scores for Ontario domestic bond spreads & credit curves (cash & ASW) relative to prior averages: As of 14-Nov-25

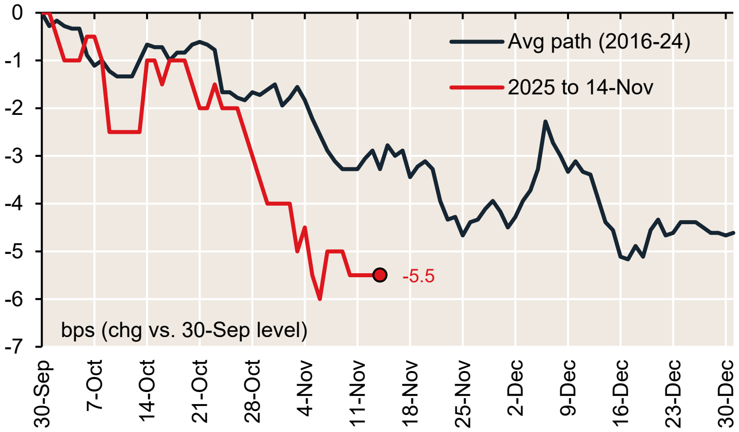


Source: NBC | Note: Z-score calculation: (current value – mean$_p$) / standard deviation$_p$, where 'p' denotes a period of time (in this case 20 to 200 trading days)

Percentiles are but one way to measure relative standing; Z-scores are another. Chart 2 presents Z-scores for more recent samples (i.e., the past 20 to 200 trading days). A similar theme is apparent here, one of relative strength/tightness in provincial bond markets (whether measured vs. GoC or vs. OIS). Currently, Ontario 10s are nearly 2 standard deviations inside of various period means.

Chart 3: Spread seasonality respected in 2025 (and then some)

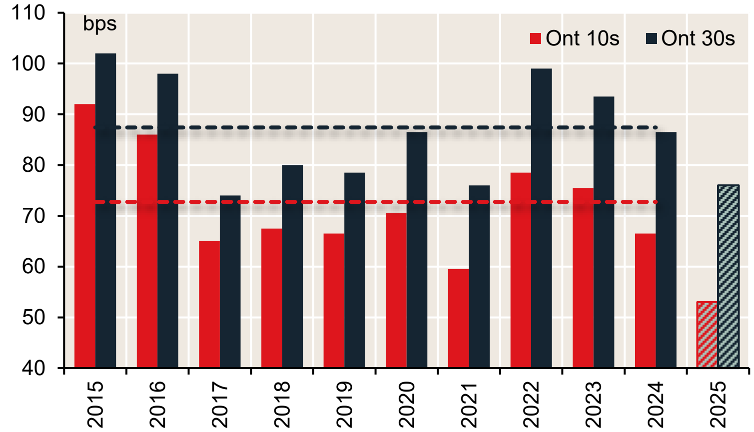
Ontario 30Y spread vs. GoC curve indexed to end of Q3: 2025 vs. prior average



Source: NBC | Note: Daily indications for Q4 only; relative to 30-Sep level/avg which is set to 0

Chart 4: 'G' spreads dip into unusual territory

Ontario 10y & 30Y spread vs. GoC curve as of 14-Nov: 2025 vs. prior years

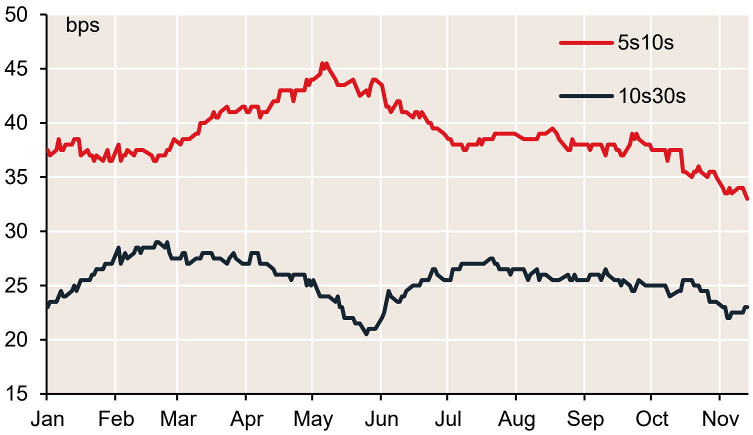


Source: NBC | Note: For all years, levels refer to 14-Nov; dotted line is prior 10Y avg

In normal times, no quarter tends to be kinder to provincial spreads than Q4. 'Spread seasonality' has been respected in 2025 and then some. Consider: Ontario 30s have tightened 5.5 bps vs. September's closing level, a larger-than-average move and extending the already impressive success rate for investors betting on spread performance in cash markets this time of year.

Chart 5: Bending credit curves

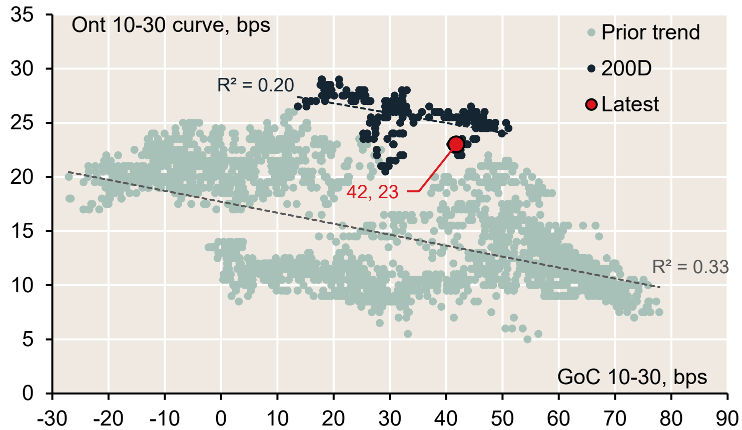
Ontario 5s10s & 10s30s credit curves: 2025YTD



Source: NBC | Note: Based on daily indications to 14-Nov

Chart 6: 10s30s in focus as December 1st/2nd approaches

Ontario 10s30s credit curve vs. GoC 10s30s yield curve: Daily from 2015

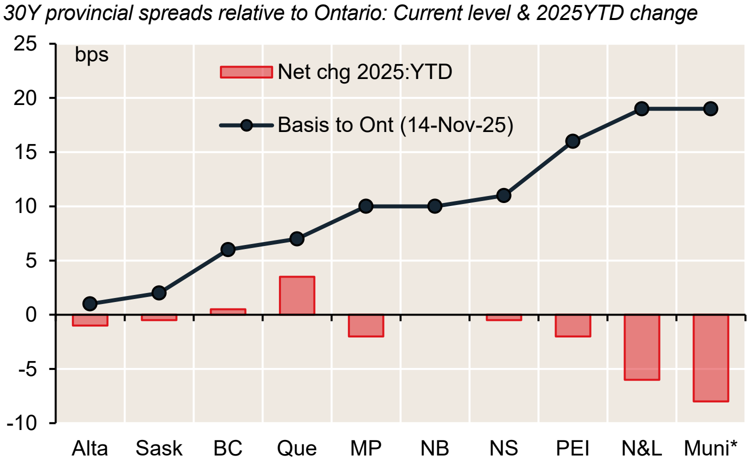


Source: NBC | Note: Based on >2,600 daily observations from Jan-15; latest is 14-Nov-25

Beyond understandable interest in GoC curve dynamics in/around December 1st, provincial curve dynamics bear scrutiny. Ontario 10s have recently performed on the curve, arresting a grind flatter in 10s30s. Provincial funding programs may be well advanced, but seasonal demand for duration is likely to be issued into, early December traditionally the single busiest supply window of the year.

Chart 7: Relative relationships re-priced in provi land

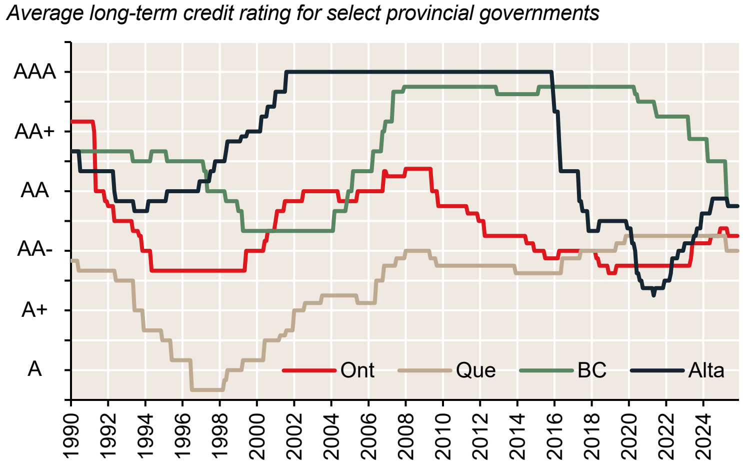
30Y provincial spreads relative to Ontario: Current level & 2025YTD change



Source: NBC | Note: Based on daily indications; muni is representative AAA-rated Ont credit

Chart 8: Some provincial credit ratings adjusted

Average long-term credit rating for select provincial governments



Source: NBC, S&P, Moody's, DBRS, Fitch | Note: Monthly to Nov-25; controls for outlook

The re-pricing (read richening) of provincial credit to the notional 'risk free' curve makes fundamental and technical sense. Line Ontario's recent fall statement up against the fresh federal budget, as we did **here**, and there's a compelling argument for sustained tight 'G' spreads. There's likewise been material adjustment in where provinces trade one to other. Among other things, shifting basis spreads across the provincial complex can reflect investor perceptions on economic, fiscal, political, rating and supply risks, with liquidity long an important consideration for provincial bond investors.

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