

Canada Mortgage Bonds: More relevant than ever

By Warren Lovely

In relatively short order, CMHC (and a faithful dealer syndicate) will kick off a 25th year of Canada Mortgage Bond (CMB) supply. Since the inaugural issue back in 2001, the CMB program has become a bedrock element of Canada's domestic bond market. While a 'silver' anniversary is reason enough to celebrate, the CMB program—explicitly backed by the Government of Canada—is perhaps now more relevant than ever.

Beyond the occasional program innovation, the CMB program was as predictable as they came for much of its first quarter century. Suffice to say, things have shifted notably in recent years. Most obviously, gross supply has stepped up. Note that past crises (e.g., GFC, COVID pandemic) saw Canada's federal government turn to CMHC and/or the CMB program to ease strain on the financial system, households and the economy more generally. Presently, the CMB program is to play a vital role in the provision of cost-effective mortgage funding and the unlocking of much-needed multi-unit supply. The result: Record 'creation' of CMBs in 2026, which at \$80 billion would be up from the more recent \$60 billion annual tempo and even further above the 'old normal' (\$40 billion).

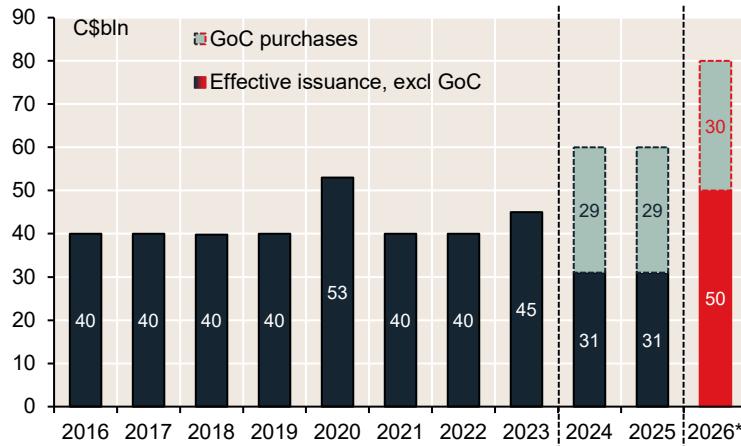
An enhanced annual limit is a clear endorsement of the efficacy of program, but there are other dynamics at play including direct engagement by Ottawa. Since 2024, the feds have purchased a shade under \$30 billion a year (in primary). Government purchases outstripped net new issuance, shrinking the effective stock of bonds available to end investors. Less effective supply didn't stop a record number of accounts from playing in CMBs in 2025. That included a welcome re-attachment by the international investor community, which has long been a strategically important investor base for this top-rated issuer.

For 2026, record creation will meet with up to \$30 billion in GoC buying, meaning the effective stock available to end investors will grow. Mind you, net issuance will remain relatively contained and comparatively modest vs. other sectors of Canada's bond market. Call it greater relevance without legitimate supply anxiety, which is a broadly constructive mix.

The 37 charts and related commentary in this *In Focus* report dig deeper into the CMB program. To guide readers, our note is structured as follows:

Chart 1: More CMB new issue supply in 2026

Annual CMB issuance, including portion purchased by GoC



Source: NBC, CMHC, BBG | Note: 2026 assumes max issuance & GoC participation

The first CMB offering of the new year is neigh—a dual tranche 10Y fixed + 5Y FRN deal—part of what will be record gross bond creation in 2026 (\$80bln). As per Budget 2025, the increase in the CMB annual limit (+\$20bln vs. 2024-25) is meant to spur multi-year housing supply, part of the federal government's response to an ongoing affordable housing shortage. With the government expected to buy up to \$30bln (in primary), the amount of new bond supply available to end investors should increase to \$50bln in 2026—not an annual record but up from recent years just the same.

CMB supply on the up [pages 1-2, charts 1-8] ➤ At \$80 billion, 2026 gross supply will be unprecedented, driving multi-unit construction; assuming \$30 billion in GoC purchases, the available stock would grow by ~\$18 billion (after two straight years of decline); even with GoC buying shifting to 5s, this tenor should account for a larger share of available supply, the average term of fixed-rate issuance shortening a touch.

More depth and breadth to primary distribution [page 3, charts 9-14]

➤ Testifying to underlying demand, CMB deals were well-oversubscribed in 2025; despite a limited availability of new bonds (\$31 billion after GoC purchases), a record number of accounts played in the program; asset managers (including hedge funds) were more active than ever; of note non-residents have come back in force (and in record numbers)...

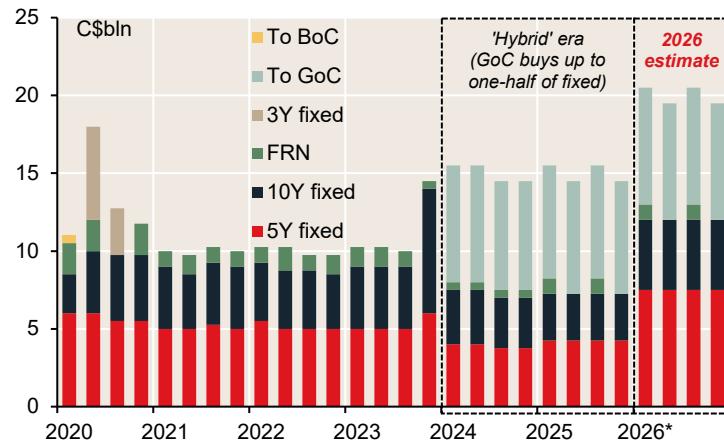
Non-residents re-engage [pages 4-5, charts 15-22] ➤ After backing away in 2023 (during peak program uncertainty), non-residents have firmly re-attached to the CMB program; 30% of 2025's supply was placed internationally; despite ongoing interest from the U.S., more bonds were sold into Europe, with the investor base increasingly diversified geographically; separate StatCan data confirm non-residents have added to their holdings of domestic Crown bonds; the foreign ownership share of CMBs has turned back up, with non-residents holding nearly 40%.

Secondary bond volumes surge [pages 5-6, charts 23-31] ➤ No major sector of Canada's bond market saw faster growth in secondary volumes in 2025; while traffic with non-residents surged, all counterparty types have been more active; notwithstanding residual seasonality in trading activity (in/around new issues), larger deal sizes and a growing pool of available bonds should bolster secondary liquidity (all else equal).

Tight valuations but... [page 7, charts 32-37] ➤ Spreads to the risk-free govt curve are historically tight, for CMBs and most credit products; duration adjusted carry vs. swaps has likewise been squeezed; the provi-CMB basis is always closely eyed and while spread differentials have compressed, CMBs are not necessarily flagging 'rich' vs. provis; nor does the 5s-10s CMB credit box appear too flat to us, with the skew of available issuance consistent with a flat(ter) curve. Tens face a near-term test!

Chart 2: Imminent commencement of new supply regime

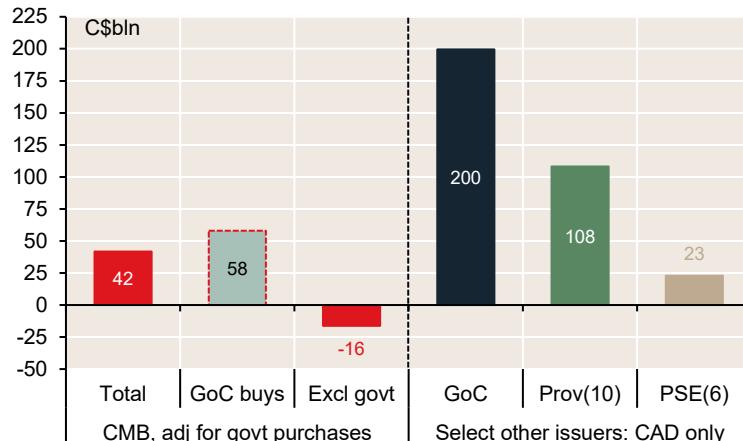
Quarterly CMB issuance by tenor, including portion purchased by GoC



Source: NBC, CMHC, BBG | Note: 2026 is NBC expectation

Chart 3: Earlier GoC buying meant available stock shrunk...

Two-year change in CAD bonds outstanding by sector: End 2025 vs. end 2023

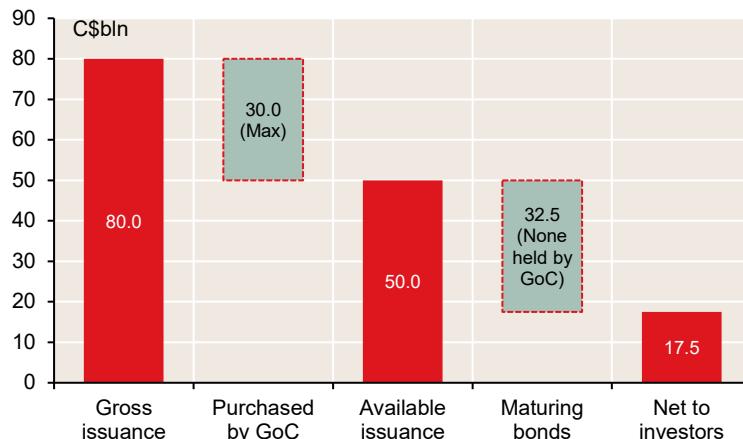


Source: NBC, CMHC, BBG | Note: Net change to Dec-25; figures in () reflect # of govt/issuers

For the past two years (i.e., 2024 and 2025), the federal government directly absorbed 50% of fixed-rate supply (in the primary market). Over that two-year period, cumulative GoC purchases (\$58bln) exceeded net new CMB creation, meaning the effective stock of CMBs available to end investors declined. That's been technically supportive vs. competing product where supply has been plentiful.

Chart 5: Gross vs. net CMB supply for the year ahead

Gross & net CMB supply, controlling for GoC purchases: 2026 expectation

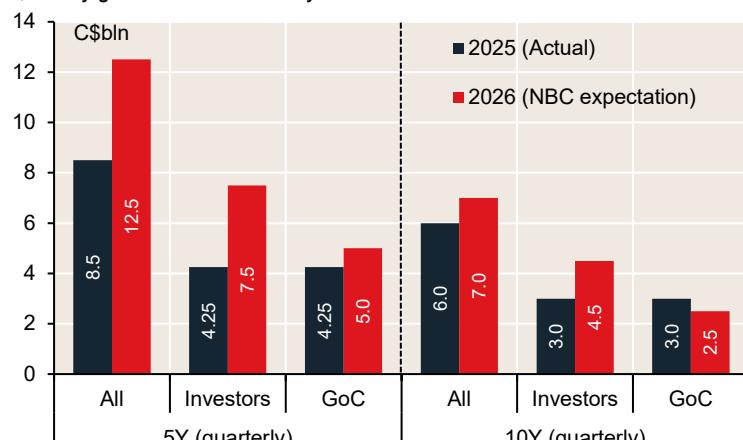


Source: NBC, CMHC, BBG | Note: NBC estimate based on max issuance & GoC participation

The annual supply limit rises to \$80bln this year. With the feds buying up to \$30bln, the amount available to investors will step up (we assume \$50bln vs. \$31bln in 2024-25). After maturities, the effective stock of CMBs will likewise turn higher, though net effective CMB issuance (\$18 billion) would be a fraction of net domestic supply from the GoC (~\$140bln) and the provinces (~\$60bln).

Chart 7: Where is marginal supply being placed on curve?

Quarterly gross CMB issuance by fixed-rate tenor: 2026 vs. 2025

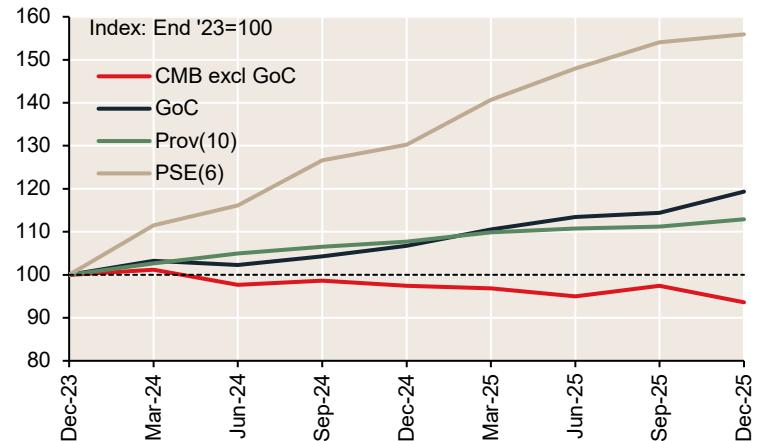


Source: NBC, CMHC, BBG | Note: 2025 is actual; 2026 is NBC expectation

Notionally, we see more of 2026's marginal supply steered to 5-year fixed. GoC purchases are likewise expected to skew a bit more to 5s this year. When it comes to available product (i.e., after GoC buying), 60% of this year's supply could come in 5-year fixed vs. 55% last year. The weighted average term of available fixed-rate supply could thus ease slightly (to 6.9 years from 7.1 years).

Chart 4: ... versus plentiful net issuance in other corners

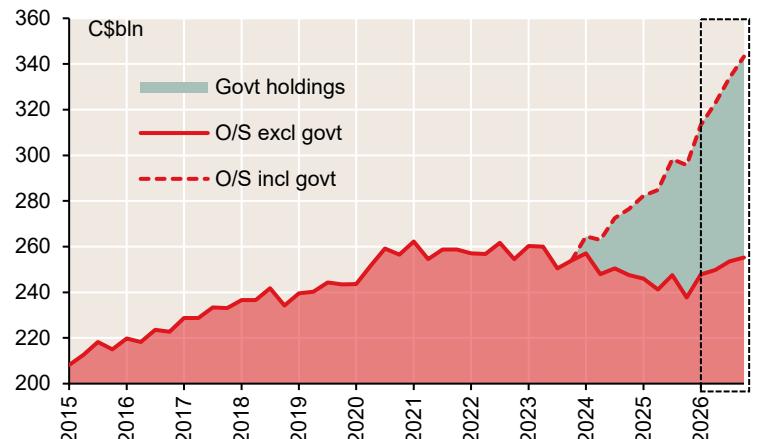
Two-year evolution of CAD bonds outstanding by sector: Since end of 2023



Source: NBC, CMBH, BBG | Note: End of quarter; figures in () reflect # of govt/issuers

Chart 6: Positive, yet relatively contained, net supply in 2026

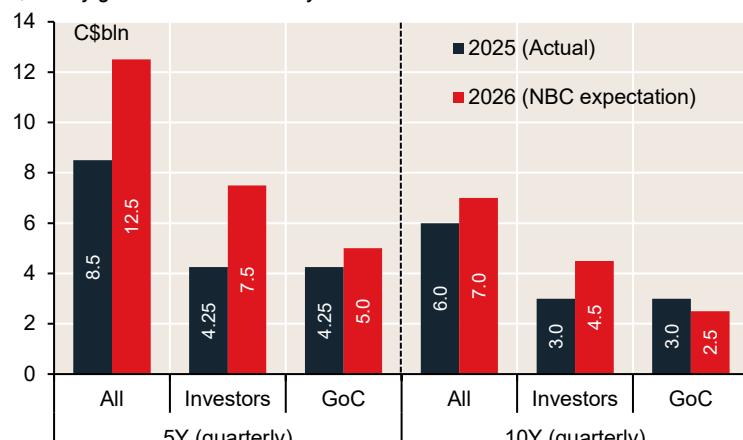
Outstanding stock of CMBs, controlling for growing GoC holdings



Source: NBC, CMHC, BBG | Note: 2026 assumes max issuance & \$30bln of GoC buying

Chart 7: Where is marginal supply being placed on curve?

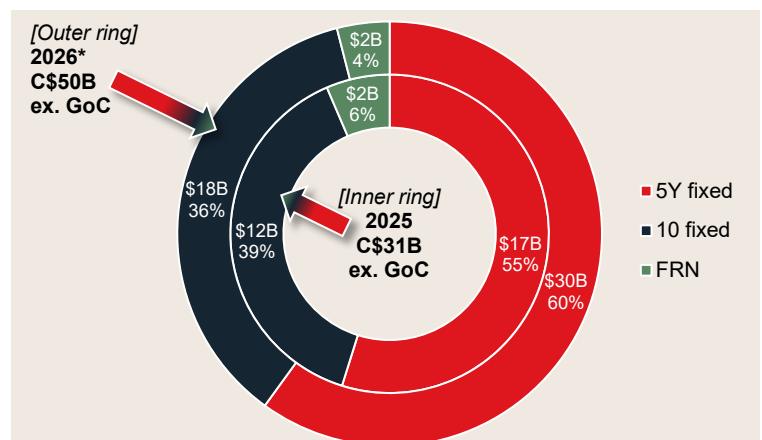
Quarterly gross CMB issuance by fixed-rate tenor: 2026 vs. 2025



Source: NBC, CMHC, BBG | Note: 2025 is actual; 2026 is NBC expectation

Chart 8: Larger share of supply expected in 5-year fixed

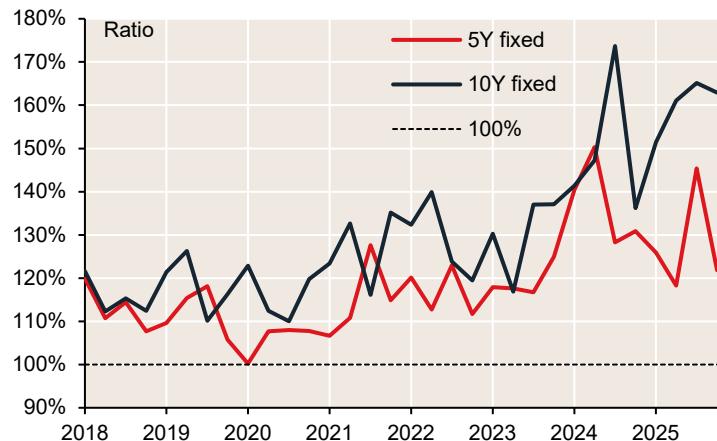
Share of annual CMB issuance available to investors: 2026 vs. 2025



Source: NBC, CMHC, BBG | Note: 2025 is actual; 2026 is NBC expectation

**Chart 9: CMB deals have been very well subscribed...**

CMB new issue coverage ratio (final book vs. deal size): Quarterly

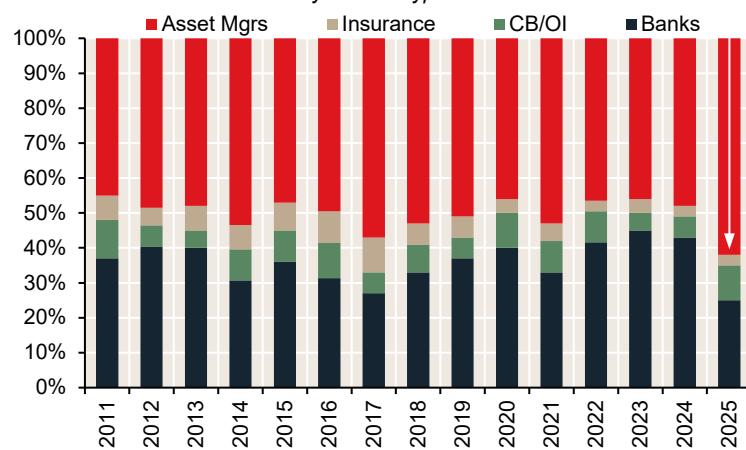


Source: NBC, CMHC | Note: Book relative to effective issuance (after GoC buying)

With effective/available supply constrained in 2024-25, it's not all that surprising that new issues have been well covered. On average, the final book on 5-year fixed rate deals was nearly 130% of the deal size in 2025, with coverage even more impressive in 10s (~160% for 2025 as a whole). And the number of unique accounts participating in CMB new issues has been setting records.

Chart 11: Asset managers (including hedge funds) move in

Distribution of CMB new issues by investor type: Annual

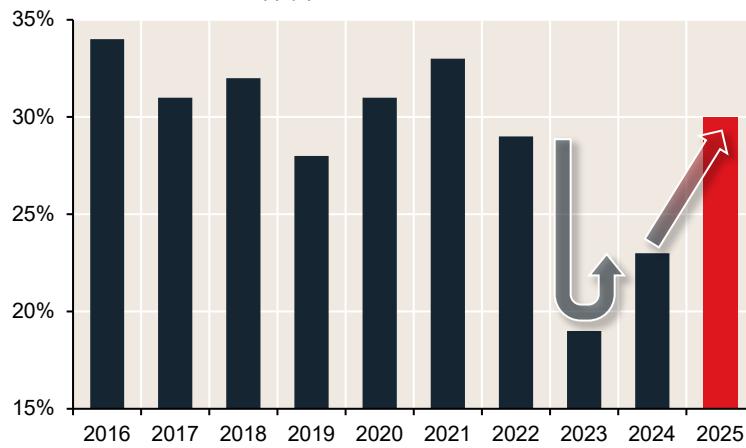


Source: NBC, CMHC

In part, enhanced investor depth/breadth captures a more diverse set of asset managers now playing in CMBs (including hedge funds). Over 60% of last year's supply was placed with asset managers, displacing banks to a degree. Central banks/official institutions have been long-standing supporters of the program. Overall, 109 unique international buyers showed up in 2025—a record.

Chart 13: Noted recovery in foreign participation

Share of CMB new issue supply placed with international investors: Annual

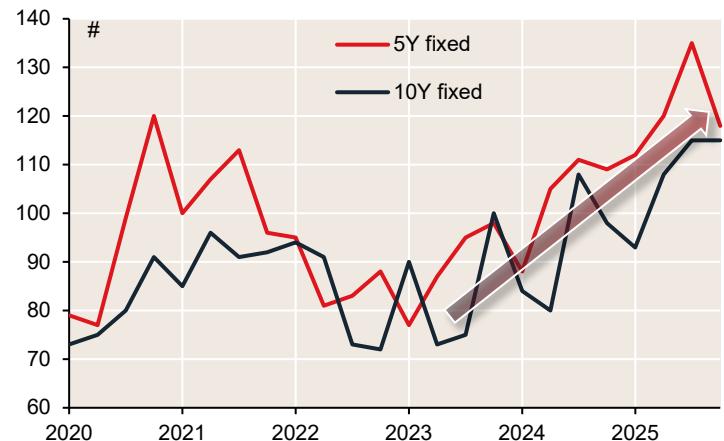


Source: NBC, CMHC

After reducing their participation in 2023 (when the program was less certain), non-residents have meaningfully re-engaged in CMBs. Fully 30% of last year's supply was placed internationally. Beyond a well-established U.S. investor base, a larger share of bonds was sold into Europe, with evident demand from the Middle East and Asia too. The CMB program is truly global in nature.

Chart 10: ... with a record number of accounts participating

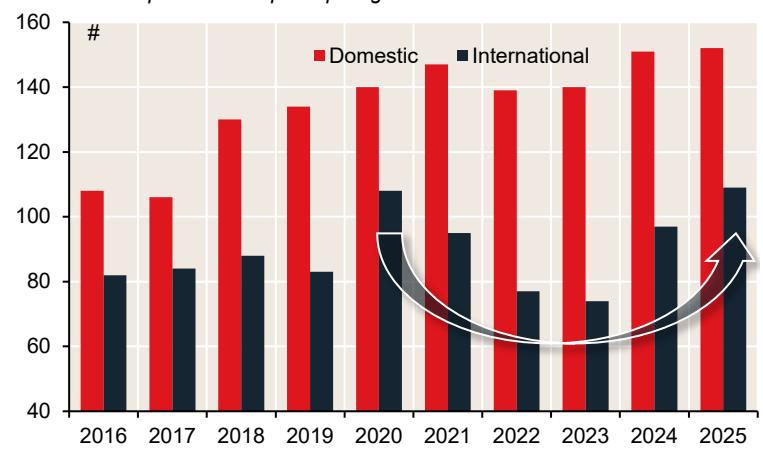
Number of unique accounts participating in CMB new issues: Quarterly



Source: NBC, CMHC | Note: All account types (domestic and international)

Chart 12: Growing pool of international investors play in CMB

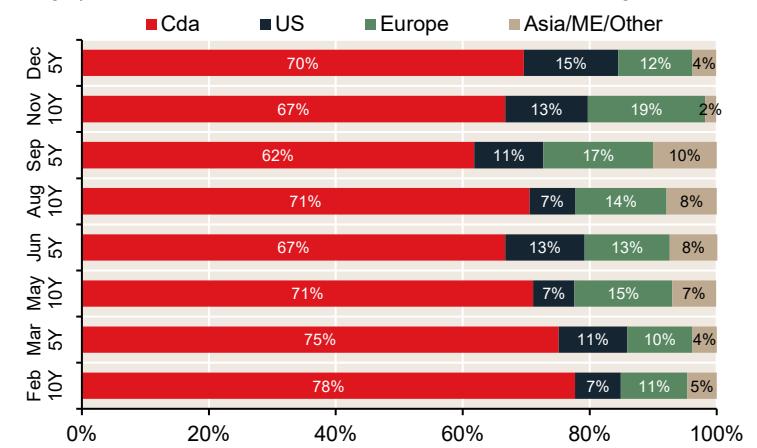
Number of unique accounts participating in CMB new issues: Annual



Source: NBC, CMHC

Chart 14: Growing geographic diversification

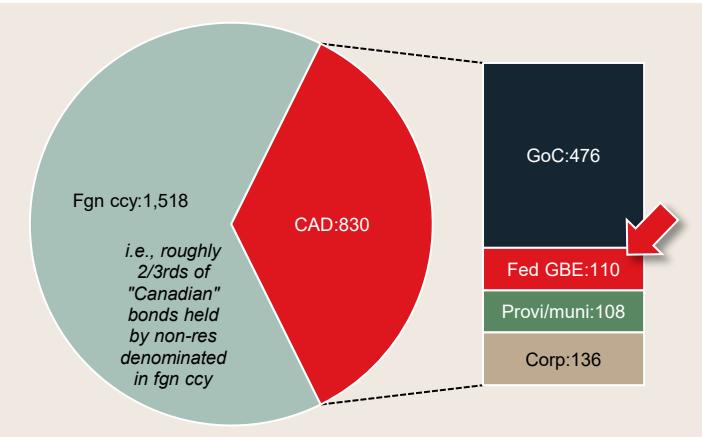
Geographic distribution of CMB fixed-rate new issues: 2025 offerings



Source: NBC, CMHC | Note: Fixed-rate deals only; FRNs excluded

**Chart 15: Perspective on foreign holdings of Canadian bonds**

Non-resident holdings of Canadian bonds by currency of issue & sector: Nov-25

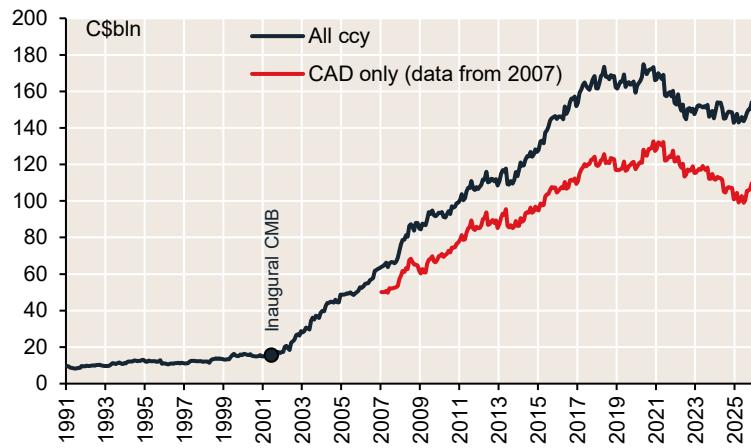


Source: NBC, StatCan | Note: As of Nov-25 (latest); all figures are C\$bln

As of Nov-25 (latest available), non-residents held \$110bln of CAD-denominated federal government business enterprise (GBE) bonds. Those holdings were not solely CMBs, with CPPIB Capital and PSP Capital having a growing footprint. Federal GBEs may comprise a smaller share of the foreign investor portfolio—since the GoC is issuing briskly—but non-residents are net buying again.

Chart 17: Non-residents acquire Crown bonds in 2025...

Non-resident holdings of federal GBE bonds by currency of issue

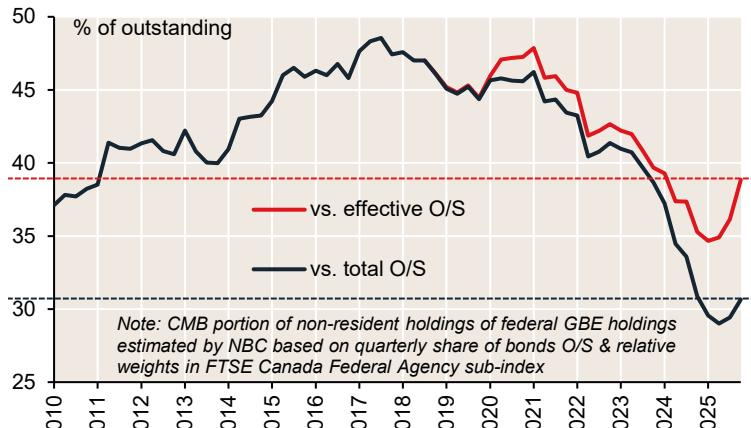


Source: NBC, StatCan | Note: Monthly to Nov-25 (latest)

After lightening up from 2022 through 2024, non-residents were rebuilding their holdings of CAD-denominated federal GBE bonds in 2025. Concentrated maturities mean holdings could see a seasonal reduction when Dec-25 data arrive, but the balance of trade from the international community has clearly improved. A near-term test of international demand for CMBs is right in front of us.

Chart 19: Foreign investors rebuilding ownership share

Foreign ownership share of outstanding CMBs: NBC estimate

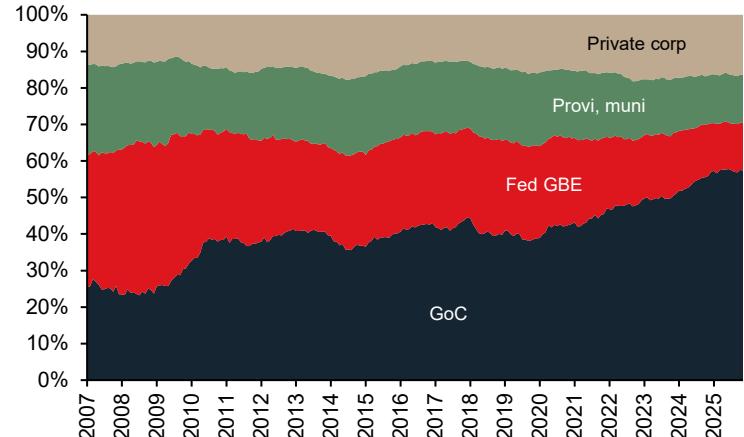


Source: NBC, StatCan, CMHC, BBG, FTSE | Note: Effective O/S excludes GoC/BoC holdings

The combination of net foreign buying and reduced effective outstandings means the foreign ownership share of CMBs is recovering. We estimate that non-residents held ~40% of available CMBs at the end of 2025. Foreign ownership of CMBs has been higher (and is higher for the GoC program), but the recent trend speaks to the renewed attractiveness of CMBs to international investors.

Chart 16: Crowns one part of foreign investor portfolio

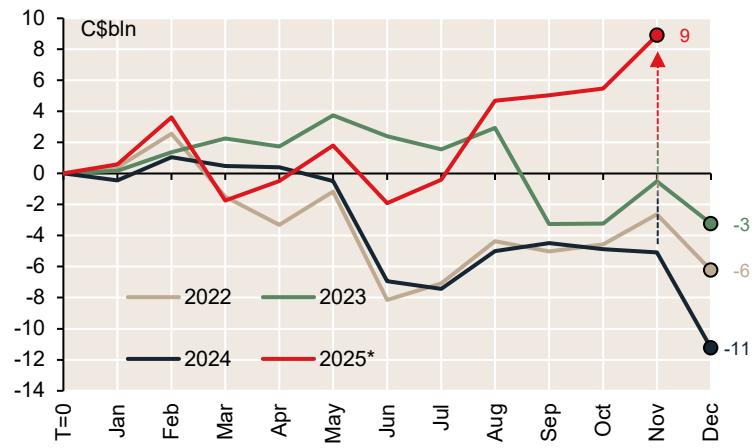
Share of non-resident holdings of Canadian bonds by sector: CAD issues



Source: NBC, StatCan | Note: Monthly to Nov-25 (latest)

Chart 18: ... partly reversing earlier net divestment

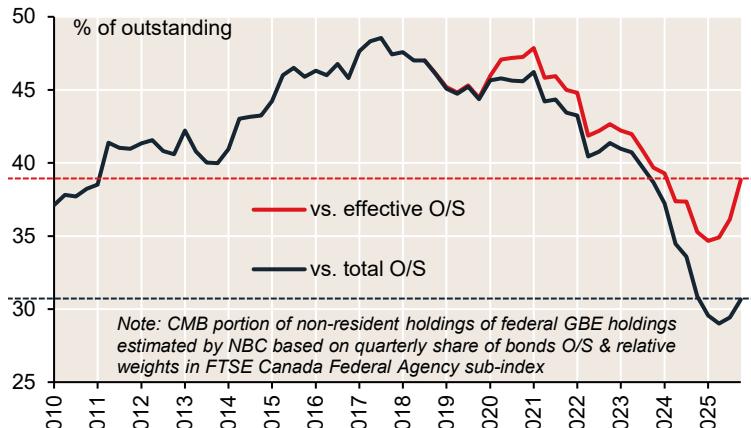
Cumulative non-resident purchases of federal GBE bonds by year: CAD issues



Source: NBC, StatCan | Note: 2025 net flows available through Nov

Chart 19: Foreign investors rebuilding ownership share

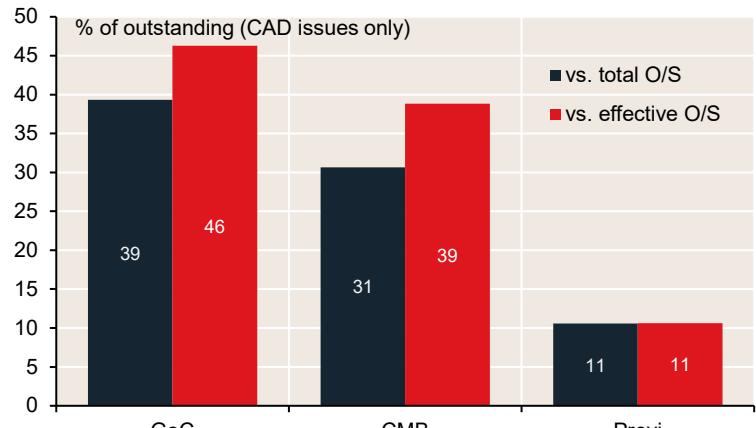
Foreign ownership share of outstanding CMBs: NBC estimate



Source: NBC, StatCan, CMHC, BBG, FTSE | Note: Effective O/S excludes GoC/BoC holdings

Chart 20: Roughly 40% of available CMBs held internationally

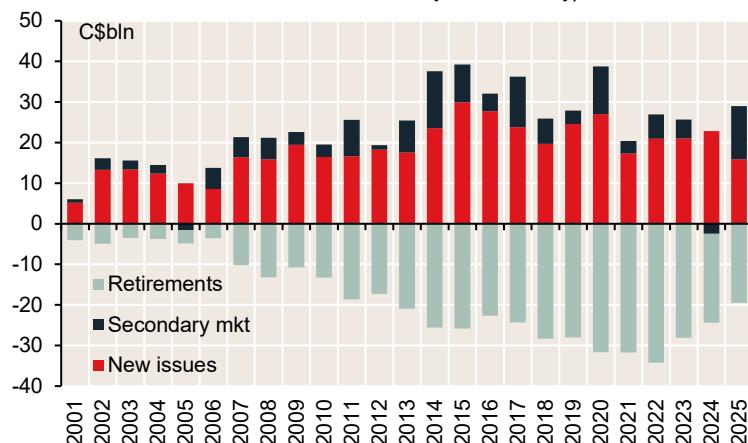
Foreign ownership of CAD bonds outstanding by select sector: Latest estimate



Source: NBC, StatCan, CMHC, BBG, FTSE | Note: Effective O/S excludes GoC/BoC holdings

**Chart 21: Closer look at foreign flows in federal Crowns**

Non-resident net flows in federal GBE bonds by transaction type: Annual

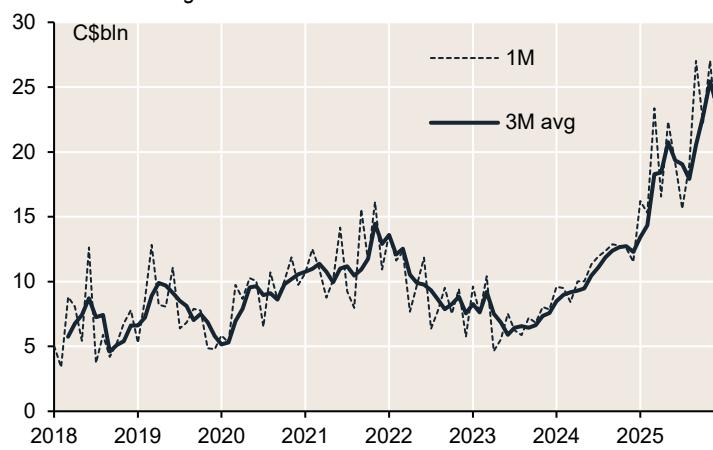


Source: NBC, StatCan | Note: Full-year data except 2025 which is Jan-Nov; all currencies

Beyond the strong foreign participation in CMB news issues (detailed earlier), StatCan data on international flows in federal GBE bonds pointed to a resumption of net buying in the secondary market in 2025. Indeed, two-way flow in federal GBE bonds with international investors recovered smartly, setting new records in 2025. CIRO's MTRS 2.0 all-dealer bond volume data tell a similar story...

Chart 23: ... consistent with non-res surge in MTRS data

Non-resident trading of domestic federal Crown bonds

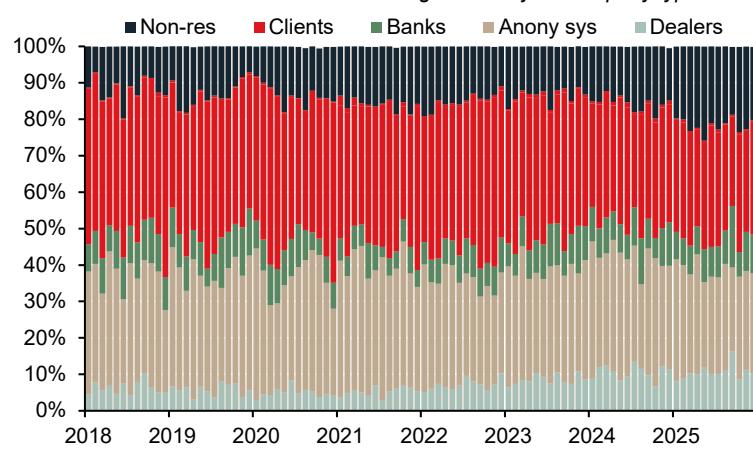


Source: NBC, CIRO | Note: All dealer totals; monthly to Dec-25 (latest)

Federal Crowns are hardly the only Canadian bond product that non-residents are actively trading around. Still, the non-resident share of total bond trading has increased most notably for Crowns. Mind you, non-residents still have a larger relative footprint in the GoC bond market, where the prevalence of leveraged hedge fund activity continues to be closely eyed by the BoC (including [here](#)).

Chart 25: Evolution of monthly Crown bond volumes

Share of domestic federal Crown bond trading volume by counterparty type

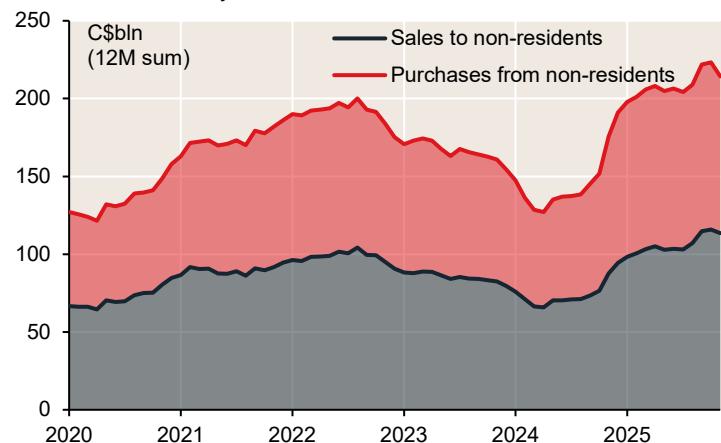


Source: NBC, CIRO | Note: Based on all dealer totals; monthly to Dec-25 (latest)

Beyond the noted increase in non-resident flows, all major domestic counterparty types traded more federal Crown bonds in 2025. When the dust fully settled, more than \$1.1 trillion of Crown paper had changed hands at some point in 2025, easily a new high-water mark and implying/signaling healthy and rising turnover after controlling for the outstanding stock of related bonds.

Chart 22: StatCan shows two-way trade on the rise...

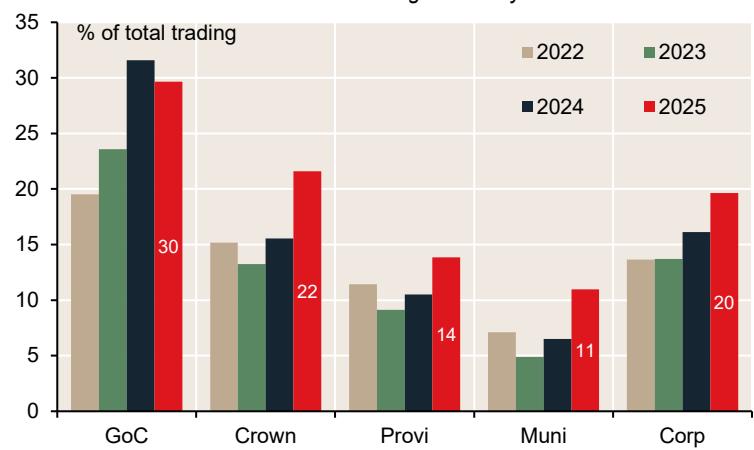
Non-resident secondary flows in federal GBE bonds



Source: NBC, StatCan | Note: Monthly to Nov-25 (latest); all currencies

Chart 24: More Crown trading being done with non-residents

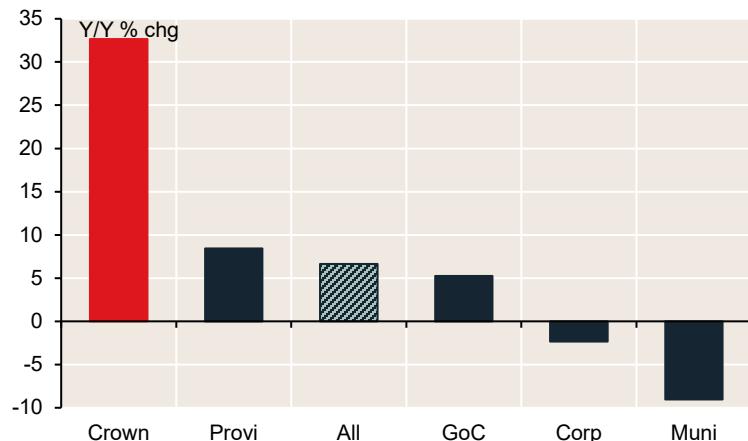
Non-resident share of domestic bond trading volume by sector: Annual



Source: NBC, CIRO | Note: Based on all dealer totals

**Chart 27: CMB trading volume rises faster than other sectors**

Growth in domestic bond trading volume by sector: 2025 vs. 2024

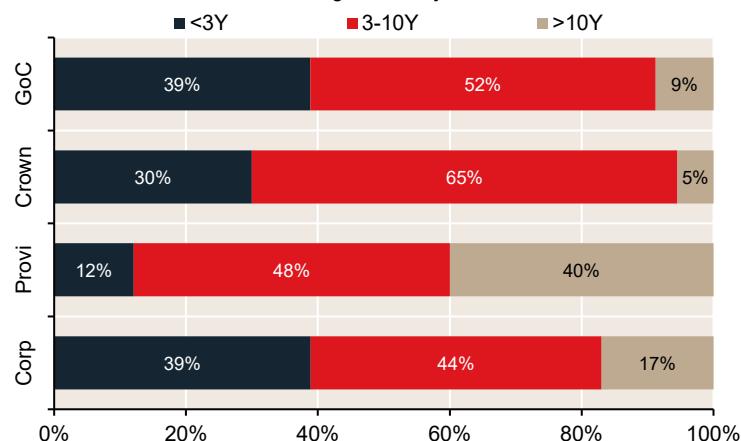


Source: NBC, CIRO | Note: Based on all dealer totals

No major sector of Canada's domestic bond market saw secondary volume grow faster than federal Crowns in 2025 (+33%). Activity was particularly brisk in the second half of the year, as 2025:Q4 set a fresh quarterly volume record. There's evident seasonality to CMB trade, including deal-related hedging. Still, 2026's additional supply and enlarged float should bolster secondary liquidity.

Chart 29: More CMB trade in the belly...

Distribution of domestic bond trading volume by sector & tenor: 2025

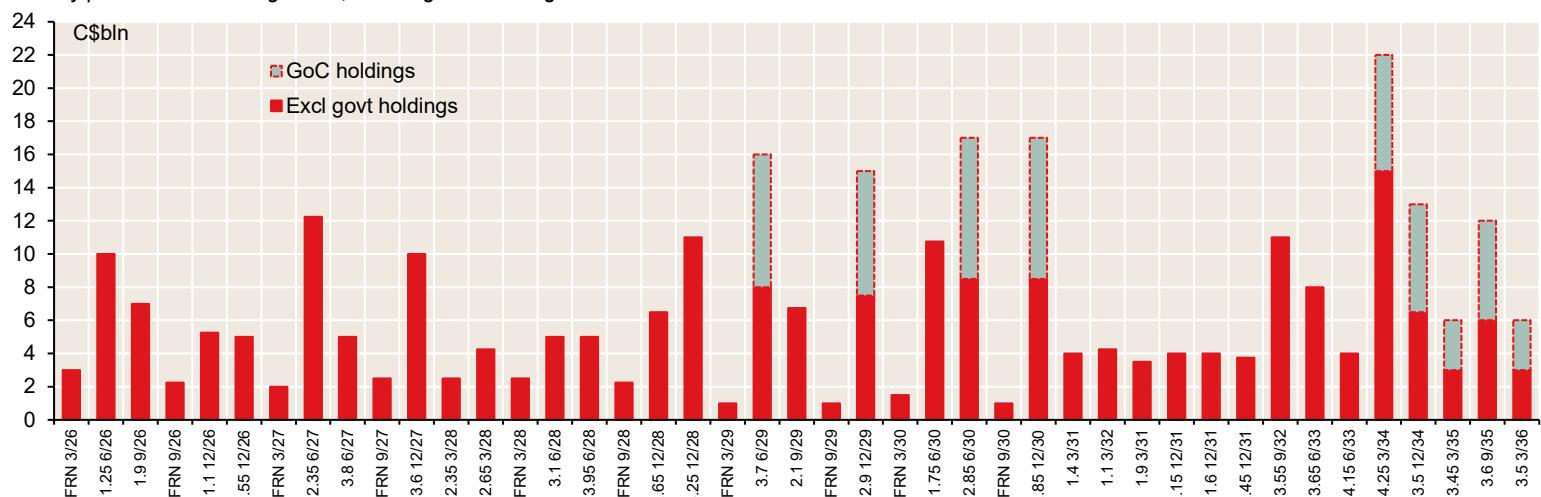


Source: NBC, CIRO | Note: Based on all dealer totals

The majority of secondary trading in federal Crown bonds is captured in the 3-10Y bucket, which dovetails/aligns with the relative distribution of CMB supply and the existing maturity profile. Saying that, there's demonstrated liquidity down the curve, including in the money market, where explicitly guaranteed CMBs offer investors a bit of incremental yield vs. the underlying government.

Chart 31: A detailed look at the CMB universe | Total O/S \$296bln, of which \$58bln held by GoC

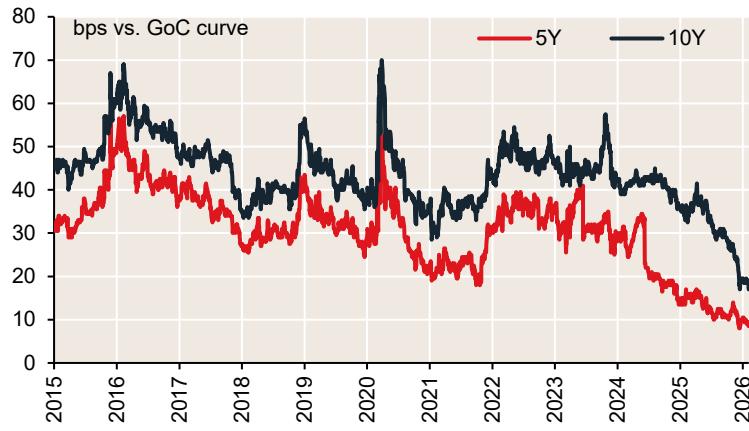
Maturity profile of outstanding CMBs, including GoC holdings: Individual issues



Source: NBC, CMHC, BBG | Note: As of 4-Feb-26

**Chart 32: CMB spreads compress into unique territory**

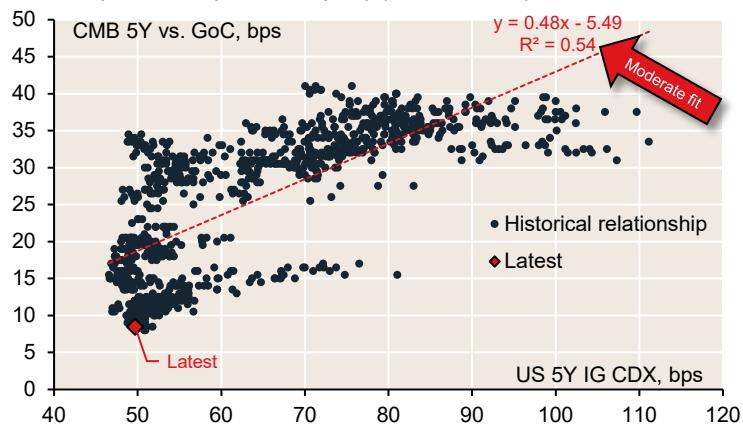
CMB constant maturity spread vs. GoC curve



Newsflash: Spreads are exceedingly tight from an empirical perspective. At present, 5-year CMB spreads to the GoC curve reside 2.4 standard deviations inside the long-run average. 10s have arguably snugged up to even greater extent, the long-run Z-score currently reading -3.3! There's still positive carry and rolldown of offer, but much juice has been rung from credit markets globally.

Chart 34: Canadian govt spread product 'rich' to key proxy?

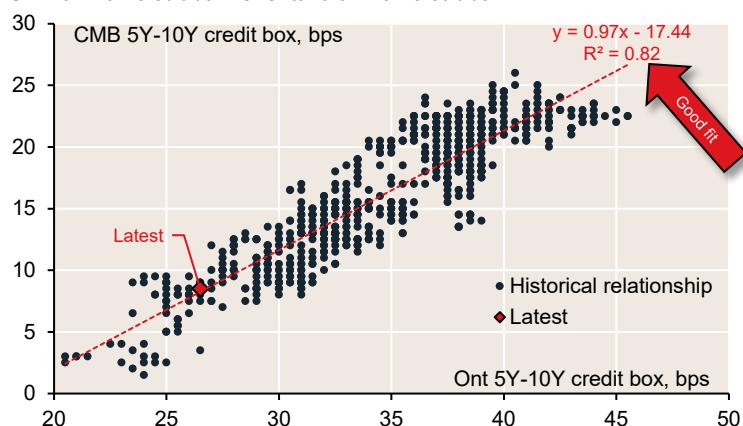
CMB 5Y spread vs. key credit risk proxy (US 5Y IG CDX)



Relative to a key proxy of credit risk sentiment, CMB spreads (cash or OIS) would flag 'rich'. But that's an indictment one could just as easily levy at Canadian provincials, where average credit quality is weakening and where expected net issuance of CAD-denominated bonds will far outstrip net new CMB supply. Given prevailing provincial bond valuations, CMBs look fair(ish). Moreover, if you believe spreads have run too far, more defensive/lower beta names like CMB could see spreads walk back more gradually. Food for thought in an extreme spread environment.

Chart 36: CMB credit curve not exactly out of line...

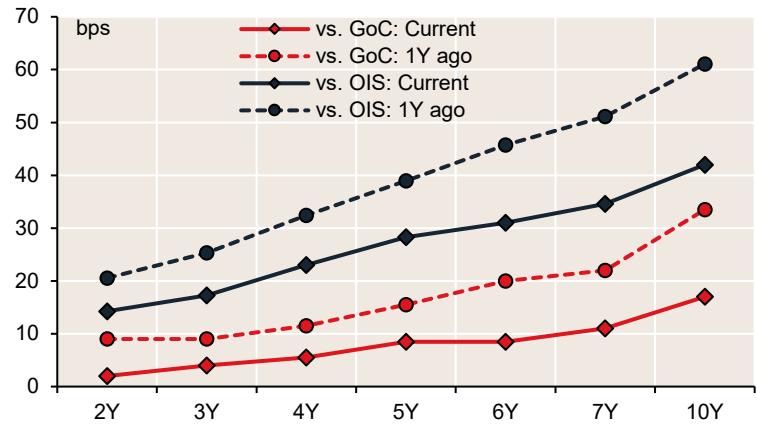
CMB 5Y-10Y credit box vs. Ontario 5Y-10Y credit box



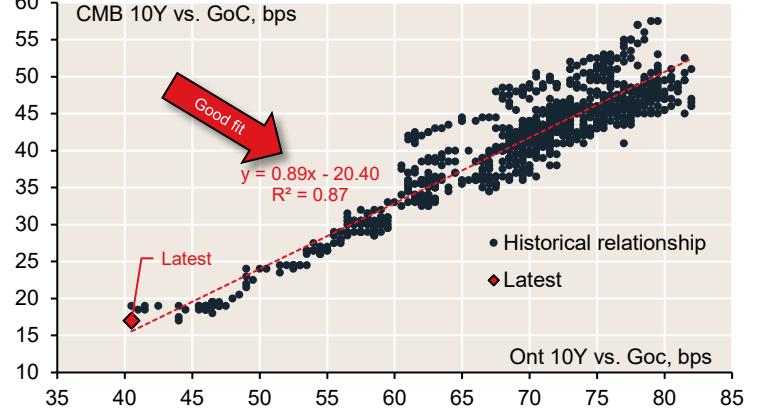
Compressed spreads breed flatter credit curves, all else equal. And to us, the CMB 5Y-10Y credit box does not look out of line relative to where provincials trade. We view underlying supply technicals as supportive of relatively flatter credit curves in CMB than for provinces. Though CMB issuance will pick up in 2026, the 10Y share of effective supply should be no larger, as the weighted average term of available fixed-rate supply edges down. Notwithstanding excellent access to international markets, provinces have large borrowing needs with domestic 10s to be amply supplied. All things considered, the upcoming 10-year CMB deal should attract solid interest, despite what is apt to be an empirically skinny G-spread come launch. Alas, investors will have their say soon enough.

Chart 33: Spreads tighter, credit curve flatter

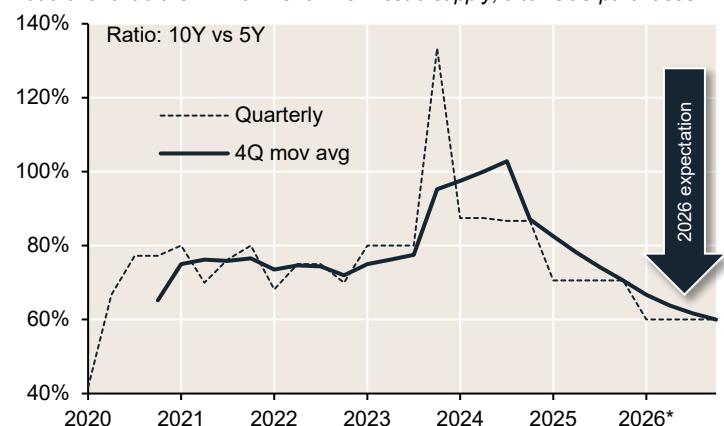
CMB constant maturity curve vs. GoC & OIS: Current vs. prior year

**Chart 35: Relative to provis, CMB spreads make more sense**

CMB 10Y spread vs. Ontario 10Y spread

**Chart 37: ... with technicals supporting flat 5s10s curve**

Ratio of available CMB 10Y vs. 5Y new issue supply, after GoC purchases





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