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Election etiquette (with a view to Quebec's October vote)

By Warren Lovely

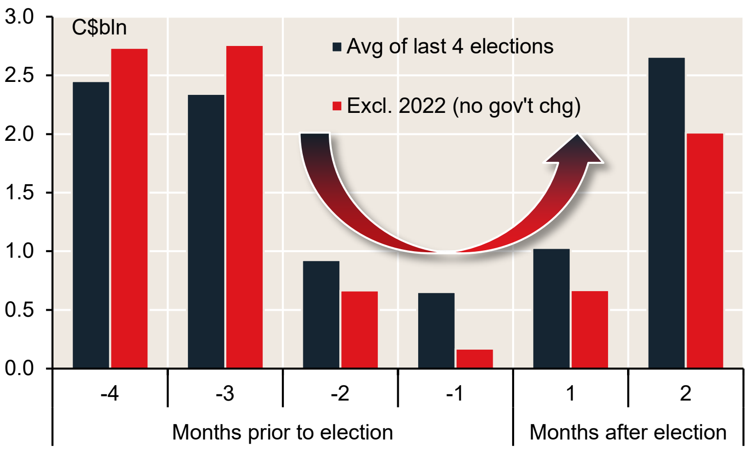
Quebecers will head to the polls in less than two months' time (on October 5th). There's a lot riding on this vote—for the province and for the country as a whole, given Quebec's relative weight/significance and the potential for a political regime change. To be clear, we're not making any election predictions here. Like others, we will be eying public opinion polls closely (particularly once the writ is dropped and contest gets going in earnest). And we will be studying the returns very closely come election night.

In the meantime, Quebec (the issuer) can be expected to tread carefully when it comes to bond supply as the election draws near(er). The established tendency—what we might loosely call 'election etiquette'—is to enter into a funding 'blackout' some days/weeks ahead of the vote. Similarly, provincial issuers, including Quebec, wisely provide investors time to properly digest an election result before returning to debt capital markets. Political continuity (i.e., when a party is returned to power) can allow for a quicker return to debt capital markets; a change of government generally argues for a more deliberate funding re-start.

Here, we offer a reminder of Quebec's funding dynamics in/around prior electoral contests (examining the last four votes over the 2012-22 period). Think of this as historical context as Canada's second largest province gears up for an important vote.

Chart 1: Visualizing the issuance lull in/around elections

Average Quebec gross bond supply pace before/after general elections

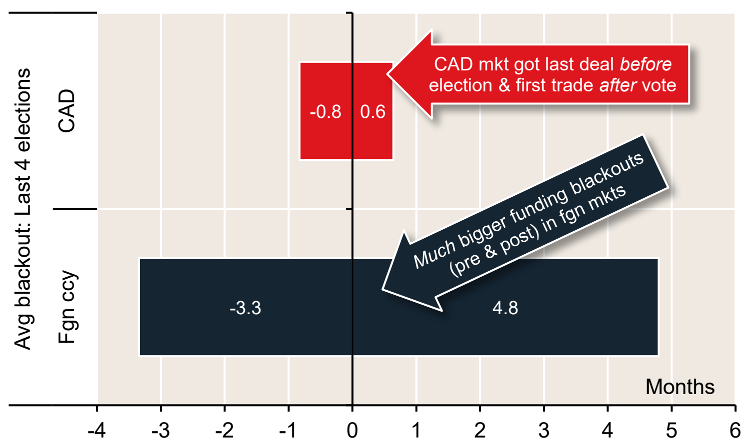


Source: NBC, Que, BBG | Note: Based on '12, '14, '18 & '22; supply relative to election day

When it comes to bond supply, Quebec (like other provinces) tends to tread carefully in/around elections. In the past, the province has slowed its issuance tempo leading up to the vote and likewise gave investors time to digest the result before returning to debt capital markets.

Chart 2: Foreign markets generally given wider berth

Average Quebec funding 'blackout' period before/after general elections by ccy

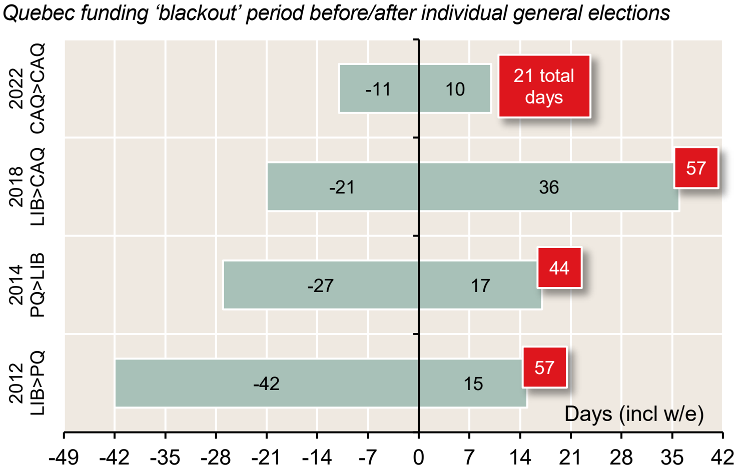


Source: NBC, Que, BBG | Note: Based on '12, '14, '18 & '22; blackout relative to election day

Averaging the past four Quebec elections (2012, '14, '18, '22), Quebec's domestic funding program was shut down an average of 25 days ahead of the election, with a return coming (on average) 20 days after the vote. International markets have been given a *much* wider berth.

Chart 3: Closer look at last handful of Quebec elections

Quebec funding 'blackout' period before/after individual general elections

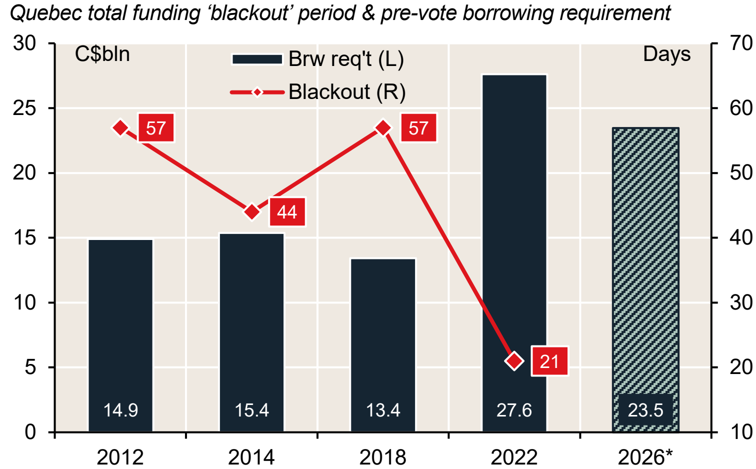


Source: NBC, Que, BBG | Note: Figures represent number of calendar days with no bond issuance before & after each election; vertical axis labels refer party in power before & after

The average quiet period from Chart 2 masks some unique funding dynamics. Quebec's last election was characterized by a very short 'blackout' (just three weeks in total). Mind you, that 2022 vote resulted in political continuity, as the CAQ was returned to power.

Chart 4: Size of borrowing requirement a consideration

Quebec total funding 'blackout' period & pre-vote borrowing requirement

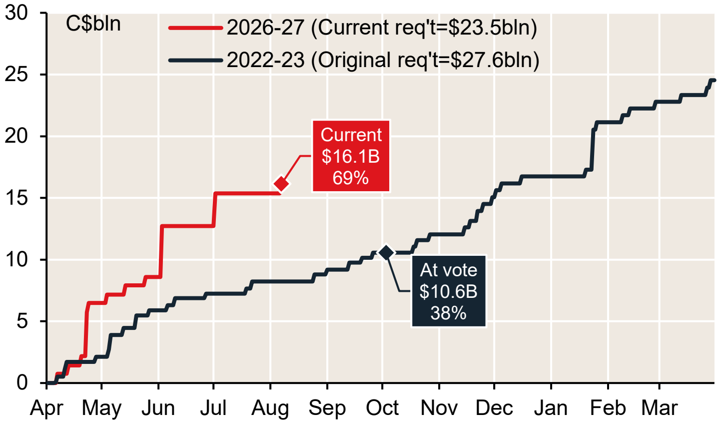


Source: NBC, Que, BBG | Note: Brw req't reflects pre-election guidance, with needs subject to chg following vote; blackout period combines pre- & post-election periods

The overall size of the borrowing requirement is presumably another consideration, since a larger funding need might increase an issuer's eagerness to get funding in the door (all else equal). As it stands, Quebec's official 2026-27 requirement is *lower* than it was in 2022-23.

Chart 5: Relative to 2022, funding program well advanced…

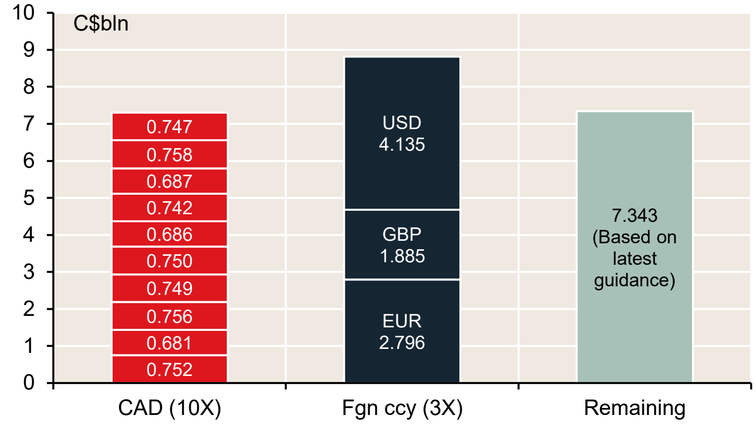
Quebec cumulative bond issuance since start of fiscal year: 2026-27 vs. 2022-23



Source: NBC, Que, BBG | Note: 2022-23 req't from Mar-22 budget; 2026-27 req't is latest

Chart 6: … with major assist from international markets

Quebec completed bond issuance by currency & remaining borrowing: 2026-27

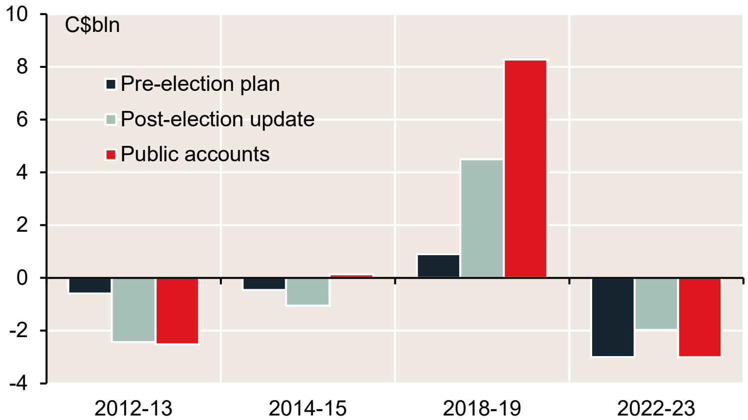


Source: NBC, Que | Note: Remaining as of 6-Aug-26, relative to $23.5bln adjusted req't

It's also worth highlighting how much progress Quebec has made against its official requirement (which does not include pre-borrowing). With over $16bln already in the door, 2026-27's program is nearly 70% complete, with chunky international bond deals providing a major assist. With so much funding on board, Quebec has ample liquidity to ride out a looming election-related 'blackout'.

Chart 7: Reminder that finances can change after election

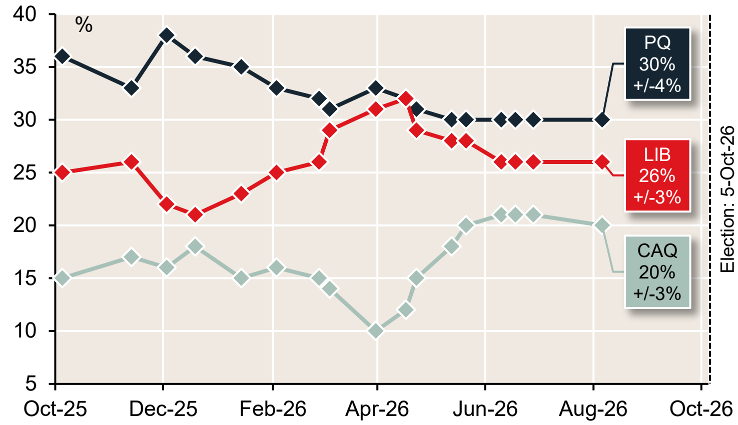
Change in Quebec budget suplus/(deficit) during general election years



Source: NBC, Que | Note: In some cases, budget result restated following public accounts

Chart 8: Going into vote, polls likely to be eyed closely

Quebec vote projection, based on 338Canada analysis of individual polls

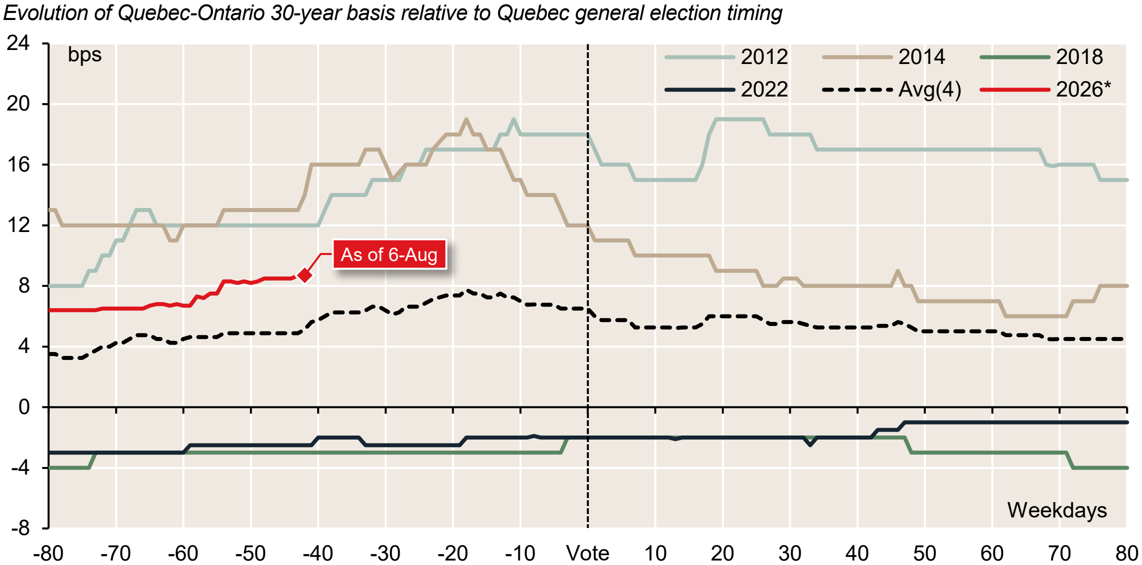


Source: NBC, 338Canada (Quebec) | Note: Latest projection as of 6-Aug-26

As a reminder, geopolitical uncertainty remains elevated, with current economic/fiscal projections anything but certain. Things can/will change. As required by law, a *Pre-election Report on the State of Quebec's Public Finances* will be presented August 17th, from which election promises can be measured. Public opinion polls will be eyed closely, though projections are to be treated cautiously.

Chart 9: How did Quebec long bonds trade in/around the province's past few elections?

Evolution of Quebec-Ontario 30-year basis relative to Quebec general election timing



Source: NBC, BBG | Note: Based on prevailing benchmark bonds at time of election; horizontal axis refers to weekdays before/after election

Finally, let's consider how Quebec credit spreads behaved in/around prior elections. The chart at left shows the evolution of Quebec's 30-year bond basis vs. Ontario (based on prevailing benchmarks at the time of the vote).

Here again, the average path going into and coming out of Quebec elections may be less than informative. As many may recall, Quebec bonds came under some pressure in 2012, whereas Quebec's relative spread was able to compress as investors discounted the likely outcome of the 2014 election. By comparison, the two most recent votes didn't elicit a major reaction in spreads, the 2022 election effectively preserving the political status quo.

At present, Quebec trades ~9bps back of Ontario in the long end, which is notionally 'cheaper' than what a purely fundamentally driven model might produce. A looming funding 'blackout' could be technically supportive, but for bond valuations much will hinge on which party prevails (and by what margin) on October 5th.

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