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Weekdays
to 1-Dec-26

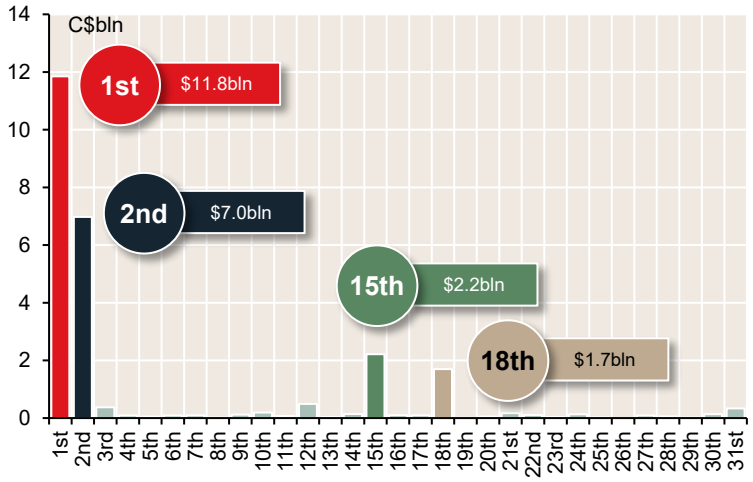
December coupon clipping & bond roll call

By Warren Lovely

We recently kicked off coverage of the outsized seasonal impacts set to wash over Canada's domestic bond market in early December. Our first piece dove into the empirical record, testing the notional trading biases towards 'flatter' yield curves and 'tighter' cross-market levels. That *Market View* is available **here**. This follow-on piece explores what the looming cashflow and bond roll effects could mean for the FTSE Canada Universe Bond Index (including major buckets and sub-sectors). We present a series of simulations, isolating/detailing effects for each of four main cashflow/bond roll days in December. We emphasize that simulations are based on existing index composition and are thus subject to change. We will update our projections as December approaches.

Chart 1: December delivers ultra-lumpy cashflows

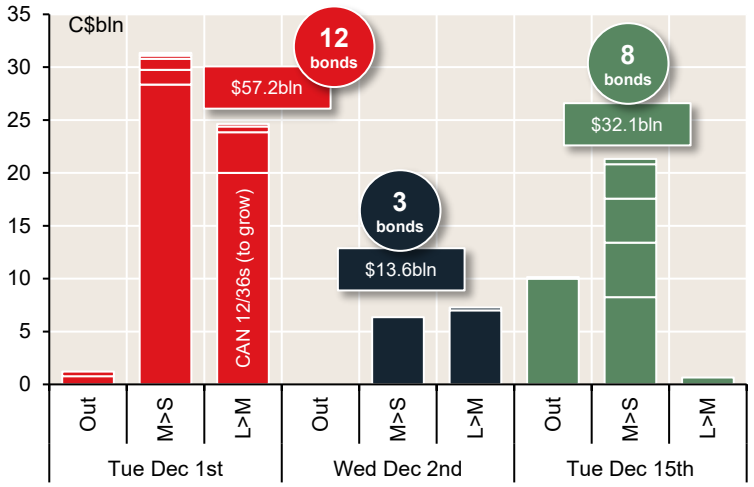
FTSE Canada Universe Bond Index: Projected Dec-26 daily cashflows



Source: NBC, FTSE Russell | Note: Generated as of 27-Oct-26; total period cashflows of C$25.9bln for Dec-26, with C$22.7bln or 88% due on four key days (1st, 2nd, 15th, 18th)

Chart 2: Plenty of bonds (some chunky) will be reclassified

FTSE Canada Universe Bond Index: Nature of bond rolls on key Dec-26 dates

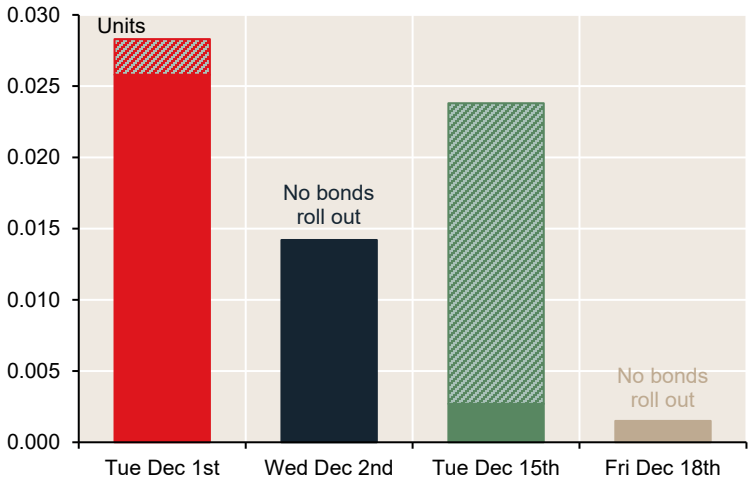


Source: NBC, FTSE Russell | Note: Based on index composition as at 27-Oct-26; in select cases, outstanding amount will grow prior to key roll date (e.g., CAN 3.5% 1-Dec-36)

FTSE Canada Universe Bond Index cashflows will approach $26bln this December, up 14% year-on-year and concentrated on four specific dates (1st, 2nd, 15th & 18th, all good business days). Super-sized interest payments add duration to the index (all else equal). Bond roll outs will further contribute to 'Universe' duration on certain days. Meantime, the rolling over (from 'Long' to 'Mid' or from 'Mid' to 'Short') of a variety of securities, some quite large/chunky, can heavily influence the relative weights and duration of index buckets and/or individual sub-sectors.

Chart 3: Simulating (& attributing) Dec-26 duration impacts

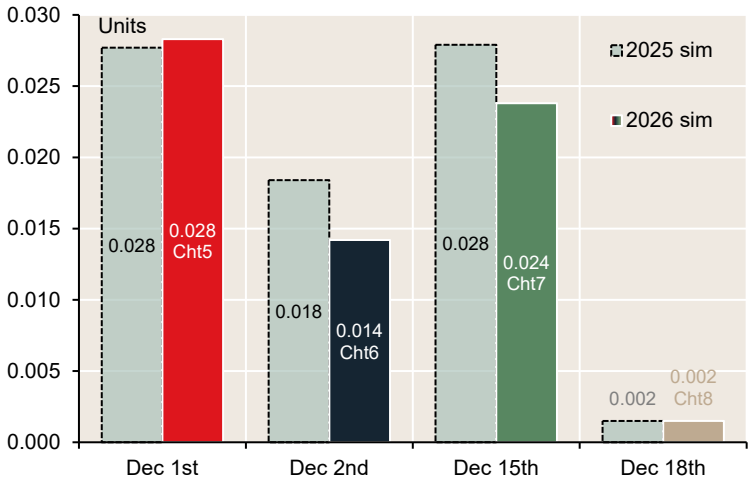
FTSE Canada Universe Bond Index: Simulated duration chg on 'Universe'



Source: NBC, FTSE Russell | Note: Simulated impact based on index composition as of 27-Oct-26; solid portion refers to coupon impact; cross-hatch portion refers to roll out impact

Chart 4: Comparing simulated impacts to the prior year

FTSE Canada Universe Bond Index: Simulated duration chg on 'Universe'

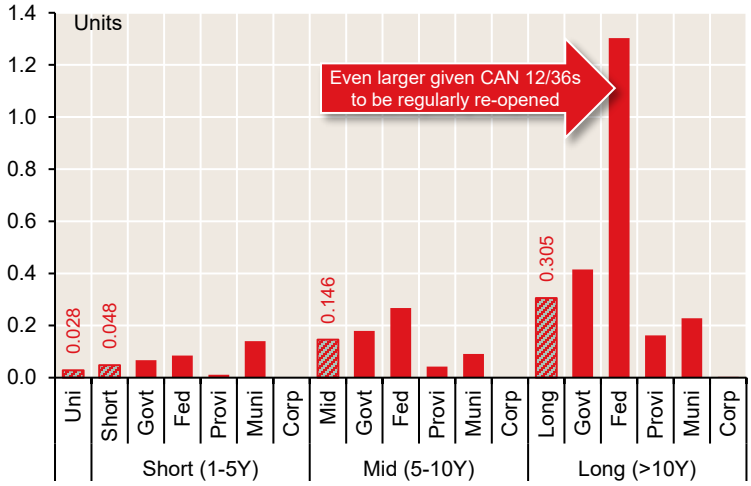


Source: NBC, FTSE Russell | Note: Simulated impact based on index composition as of 27-Oct for both 2025 & 2026; column height combines coupon & roll out impacts

Based on above-noted cashflow dynamics and the current composition of the FTSE Canada Universe Bond Index (as of 27-Oct-26), we project a 0.028 duration increase for the 'Universe' on December 1st. The bulk of that projected increase would be coupon related. All else equal, the duration of the 'Universe' would be expected to extend by 0.014 on December 2nd (all coupon related) and by 0.024 on December 15th (mostly due to roll outs). Caution: Simulated impacts presented above and on page 2 are based on prevailing index constituents/outstandings/pricing and are thus subject to change. As but one example, actual December 1st impacts (for the 'Universe' and individual buckets/sectors) can be expected to defer from what has been simulated here given that the index will evolve, including via three scheduled re-openings of the CAN 3.5% 1-Dec-36 issue. We will continue to update our analysis/simulations as we approach December 1st.

Chart 5: Dec 1st duration impact focused on 'Long Federal'

FTSE Canada Universe Bond Index: Simulated duration change on 1-Dec-26

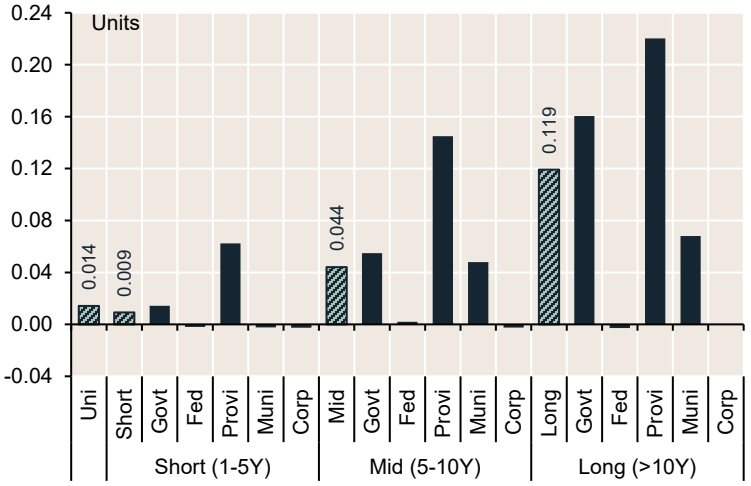


Source: NBC, FTSE Russell | Note: Based on index composition as at 27-Oct-26; in some cases outstanding amounts will change prior to 1-Dec-26; assumes no change in yield curve

December 1st effects: $11.8bln in period cashflows | 2 bonds roll out, 10 bonds roll over ($57.2bln affected). NBC currently estimates a 0.028 duration increase for the 'Universe', with ~90% coupon related. As in prior years, the prospective adjustment to the 'Long Federal' sub-sector should be most significant, with duration currently estimated to extend 1.303 units. Note that final/actual impacts should be materially larger given that the CAN 3.5% 1-Dec-36 issue (currently $20bln o/s, and due to roll 'Long' to 'Mid') will be re-opened 3 times prior to December 1st. All else equal, index impacts should support performance of longer dated Canadas.

Chart 6: Provis a noted focal point on Dec 2nd

FTSE Canada Universe Bond Index: Simulated duration change on 2-Dec-26

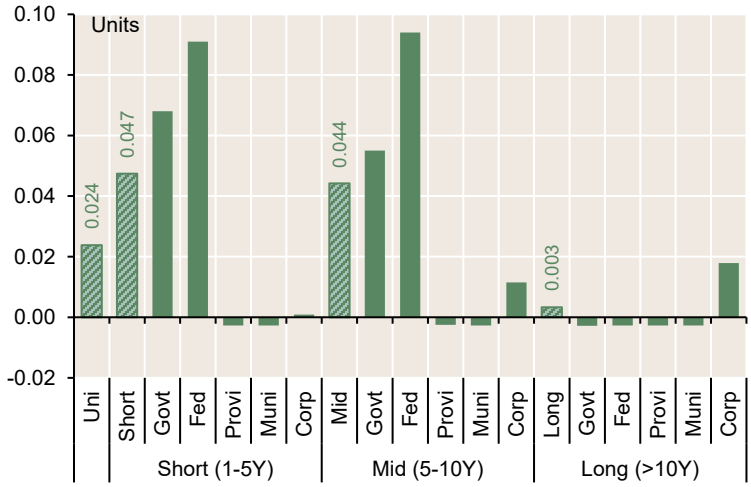


Source: NBC, FTSE Russell | Note: Based on index composition as at 27-Oct-26; in some cases outstanding amounts will change prior to 2-Dec-26; assumes no change in yield curve

December 2nd effects: $7.0bln in period cashflows | No bonds roll out, 3 bonds roll over ($13.6bln affected). NBC currently estimates a 0.014 duration increase for the 'Universe', all of it coupon related. As with December 1st, the largest duration impacts are expected in the 'Long' end. This is partly a function of the ONT 3.85% 1-Dec-36s ($7.0bln o/s) rolling over from the 'Long' to the 'Mid' bucket. Combined with lingering cashflow and index extension impacts from the preceding day (i.e., December 1st), select issuers could naturally respond to underlying investor demand and portfolio repositioning needs (subject to market conditions).

Chart 7: As always, CMBs top of mind on Dec 15th

FTSE Canada Universe Bond Index: Simulated duration change on 15-Dec-26

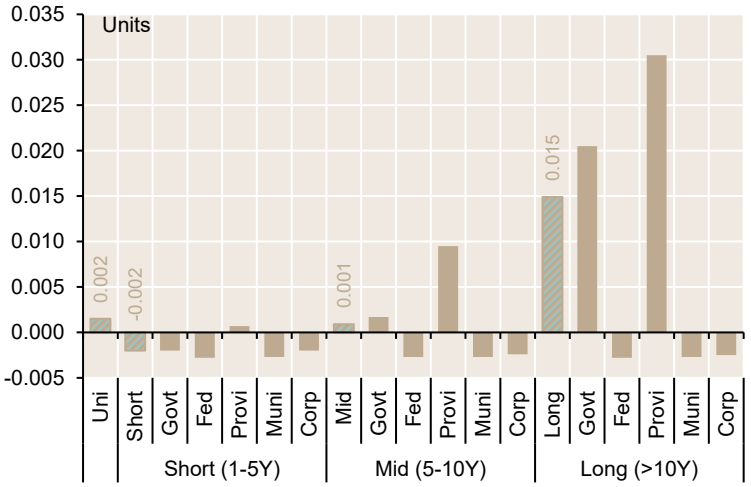


Source: NBC, FTSE Russell | Note: Based on index composition as at 27-Oct-26; in some cases outstanding amounts will change prior to 15-Dec-26; assumes no change in yield curve

December 15th effects: $2.2bln in period cashflows | 2 bonds roll out, 6 bonds roll over ($32.1bln affected). NBC currently estimates a 0.024 duration increase for the 'Universe', with little more than 10% coupon related. This duration increase is primarily a 'Federal Agency' (or Canada Mortgage Bond) story. Of note, the CANHOU 3.6% 15-Dec-27s ($10.0bln o/s) will roll out of the 'Universe'. Elsewhere, a collection of CANHOU Dec-31 issues (>$20bln combined o/s) roll 'Mid' to 'Short' on the 15th. As a reminder, primary CMB issuance is scheduled for mid-November (10Y fixed, new Mar-37 bond) and mid-December (5Y fixed, re-open Dec-31s).

Chart 8: Provis back in focus come Dec 18th

FTSE Canada Universe Bond Index: Simulated duration change on 18-Dec-26



Source: NBC, FTSE Russell | Note: Based on index composition as at 27-Oct-26; in some cases outstanding amounts will change prior to 18-Dec-26; assumes no change in yield curve

December 18th effects: $1.7bln in period cashflows | No bonds roll out, likewise no bonds are set to roll over. NBC currently estimates a 0.002 duration increase for the 'Universe', all of it coupon related. Period cashflows are mainly linked to the provincial sector. We currently estimate a 0.031 duration increase for 'Long Provincial' sub-sector on what (if history is any guide) is likely be one of the final major trading days of the calendar year.

What's next

We next intend to explore what Canada's seasonal features have meant for government spread product, with a particular focus on past movements/tendencies in constant maturity provincial G-spreads and credit curves. We'll likewise highlight the established tendency on the part of some issuers/sectors, including provinces, to tap into seasonal pockets of demand. Stay tuned.

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