Market View
Economics and Strategy

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Reflecting on relative bond supply (& index evolution)

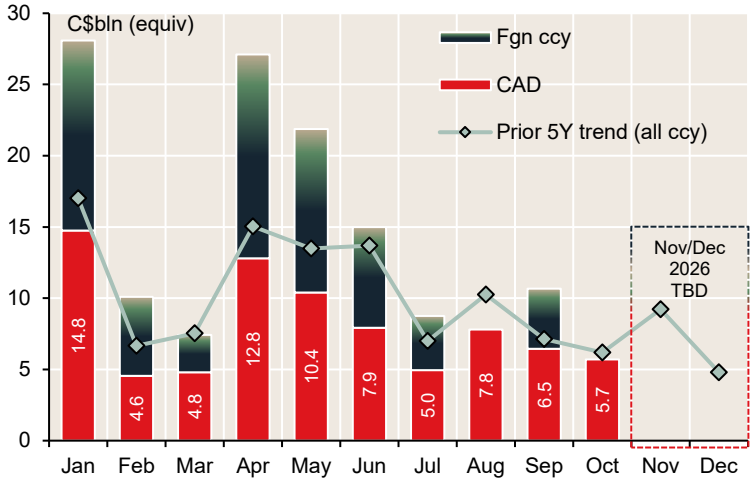
By Warren Lovely, with assistance from Kevin Bernard (Vice President, Corporate DCM)

With another month of bond supply in the books, we reflect on issuance trends and related bond index evolution. This *Market View* puts a particular focus on provincial issuance, which has taken on a more international flavour this year. By subtraction, there's been less domestic (i.e., CAD-denominated) issues for provincial bond investors to take down this year. When isolating for domestic provincial supply, a smaller share of issuance has been placed out the curve. But with provincial issuers having earlier locked in so much of their debt for longer, the provincial bond stock rolls *much* slower than competing issuers/sectors.

Meanwhile, provincial issuance looks comparatively modest versus a striking increase in corporate new issues (which have included some chunky, multi-tranche Maple trades in 2026). There's a widening gap between relative corporate vs. provincial supply (gross and net), with broader supply technicals remaining a key valuation consideration.

Chart 1: Visualizing 2026's provincial bond crop

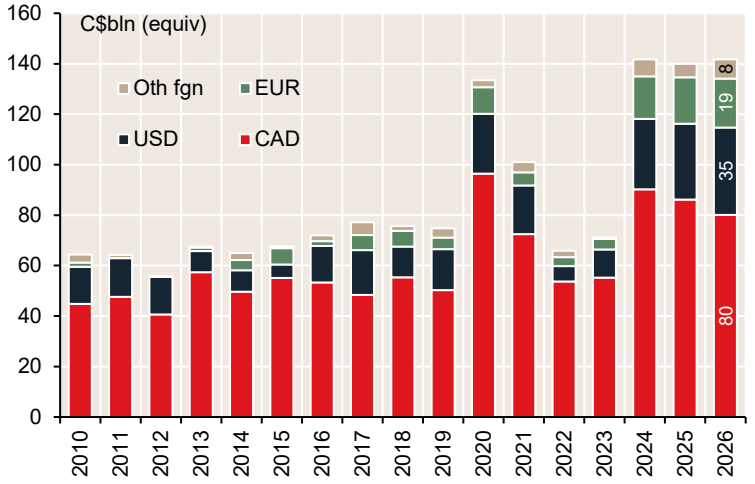
Gross provincial bond issuance by currency of issue: 2026:YTD vs. prior trend



Source: NBC, BBG | Note: Fgn ccy issues converted to CAD using prevailing FX rate(s)

Chart 2: CAD issues comprise smaller share of total supply

Gross provincial bond issuance by currency of issue: YTD basis (Jan-Oct)

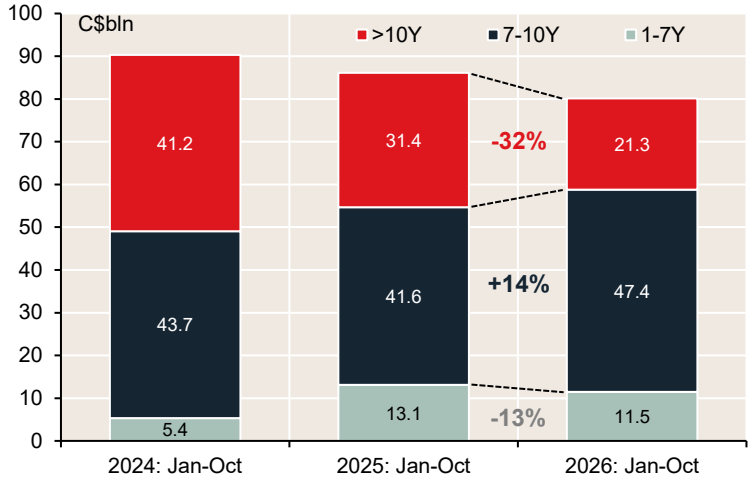


Source: NBC, BBG | Note: Fgn ccy issues converted to CAD using prevailing FX rate(s)

With $5.7bln issued last month (October), year-to-date provincial bond supply stands at $142.5bln (all currencies, CAD equivalent). That more-or-less matches the corresponding YTD tallies from the prior two years. One notable difference: The domestic share of 2026:YTD supply, at 56%, is lower than at any time in the post-GFC period, with more provi bonds having gone international.

Chart 3: Less provincial issuance in long(er) end

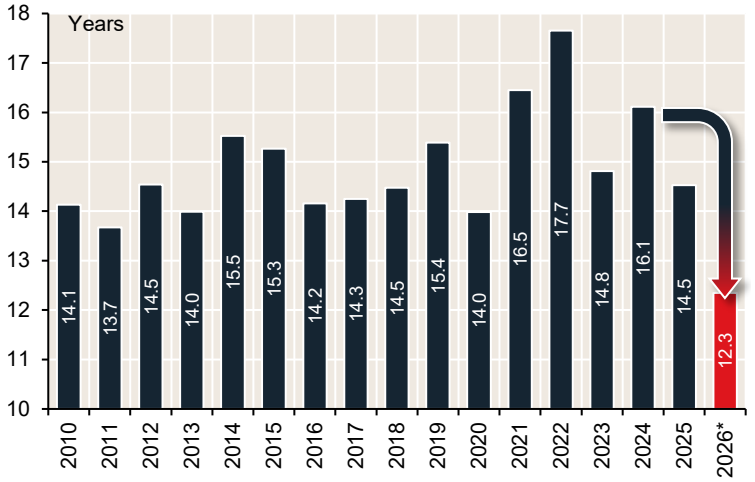
Gross provincial bond issuance by term to maturity: Domestic issues only



Source: NBC, BBG

Chart 4: Weighted average term of provi supply has shrunk

Weighted average term of gross provincial bond issuance: All currencies of issue

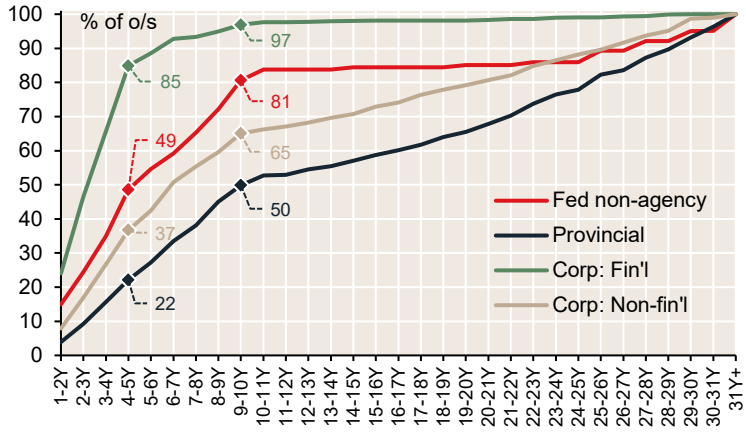


Source: NBC, BBG | Note: 2026 is YTD (Jan-Oct), others are full-year averages

Isolating for domestic (CAD) issues, the long end (i.e., >10Y) has accounted for a smaller-than-average share of provincial supply in 2026. Canada may enjoy a long-term yield edge versus many developed bond markets, but provincial coupons are hardly skinny these days (presumably a consideration for issuers). Meanwhile, investors could be forgiven for bouts of duration anxiety given inflation uncertainty. Whatever the reason, the shifting skew (i.e., shortening) of domestic supply combined with the heavy utilization of international markets has driven the weighted average term (WAT) of year-to-date provincial supply down to 12.3 years—lower than at any time since 2010. But before one gets *too* alarmed about provincial refi risk, consider the prevailing maturity profile…

Chart 5: More provi bonds have been locked-in for longer

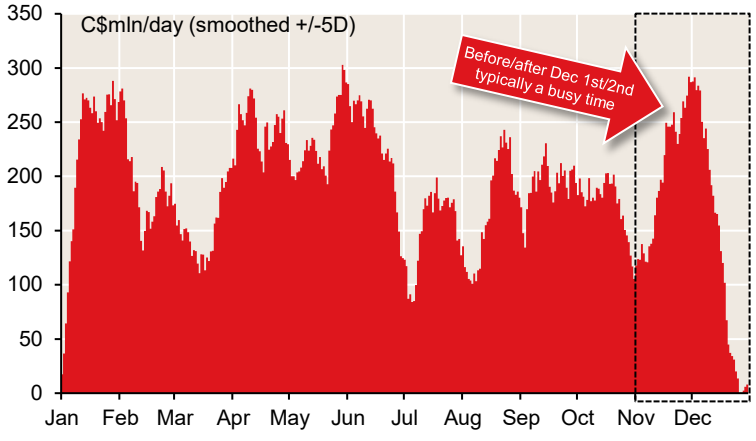
Cumulative share of domestic index-eligible bonds by sector & term to maturity



Source: NBC, FTSE Russell | Note: Based on FTSE Canada Universe on 31-Oct-26

Chart 6: Seasonal demand for duration looms?

Seasonal pattern of gross domestic provincial bond supply: Post-GFC average

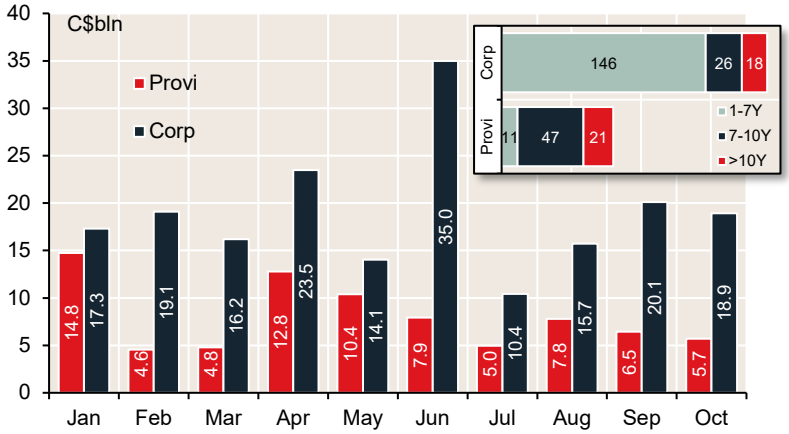


Source: NBC, BBG | Note: Based daily distribution of marketable bond supply from 2010-25

Based on a benchmark domestic bond index, barely 20% of eligible provincial bonds mature in the coming five years and only half come due within a decade. That's far less relative refi/rollover exposure than competing sectors (be it the risk-free govi or corporates). As December draws near, provincial issuers could well benefit from lumpy seasonal cashflows and outsized index extensions.

Chart 7: Corp issuance vastly outstrips provi supply

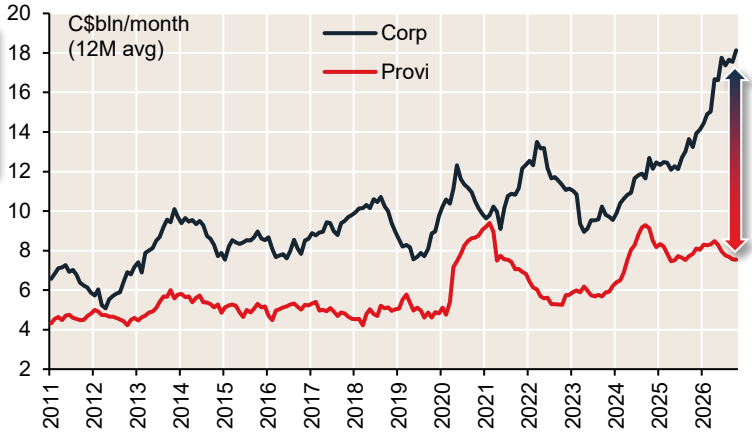
Gross domestic provincial & corporate bond issuance: 2026:YTD | Inset by bucket



Source: NBC, BBG | Note: Inset chart is 2026:YTD supply by bucket (figures in C$bln)

Chart 8: Widening gap between corp & provi supply

Gross domestic provincial & corporate bond issuance: Trend

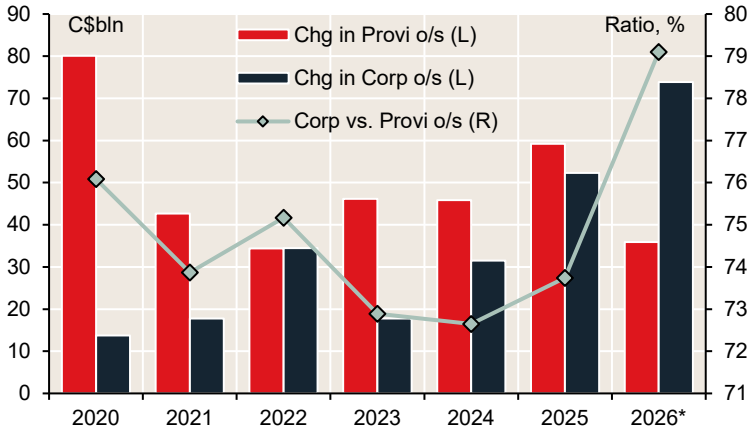


Source: NBC, BBG | Note: Rolling 12M average to better visualize issuance trend(s)

How does the domestic provincial supply impulse compare with the corporate sector? Well, it really doesn't… with domestic corporate bond issuance (including Maples) vastly outstripping provincial supply. Corporate issues (including Maples) have been plentiful (in absolute and relative terms). Domestic provincial bonds may not be scarce but technicals are supportive for relative valuations.

Chart 9: Evolution of key bond index tells a similar story

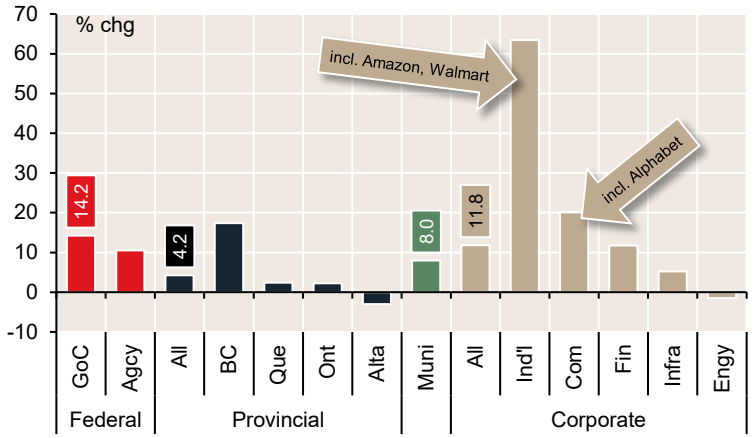
Change in domestic index-eligible outstandings: Provincial vs. corporate



Source: NBC, FTSE Russell | Note: Based on change in (and ratio of) FTSE Canada Universe Bond Index holdings; 2026 is YTD to 30-Oct-26, others are full-year totals

Chart 10: Not-so-subtle increase in some corporate sectors

Growth in domestic index-eligible outstandings by sector/issuer: 2026:YTD



Source: NBC, FTSE Russell | Note: Based on change in FTSE Canada Universe Bond Index holdings from 31-Dec-25 to 30-Oct-26; select Maple issuers highlighted in corporate sector

The evolution of domestic bond indices like the FTSE Canada Universe Bond Index tells a similar story, with the net increase in eligible corporate outstandings surging almost $75bln (or 11.8%) so far this year. That's more than twice as fast as the growth in the provincial sector. The only major sector/issuer outgunning corporates is the GoC, where a looming federal budget will likely show plenty of net new GoC bond supply to come. All else equal, rapid growth in the GoC bond stock reduces the convenience yield on sovereign debt, contributing to tighter G-spreads.

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