

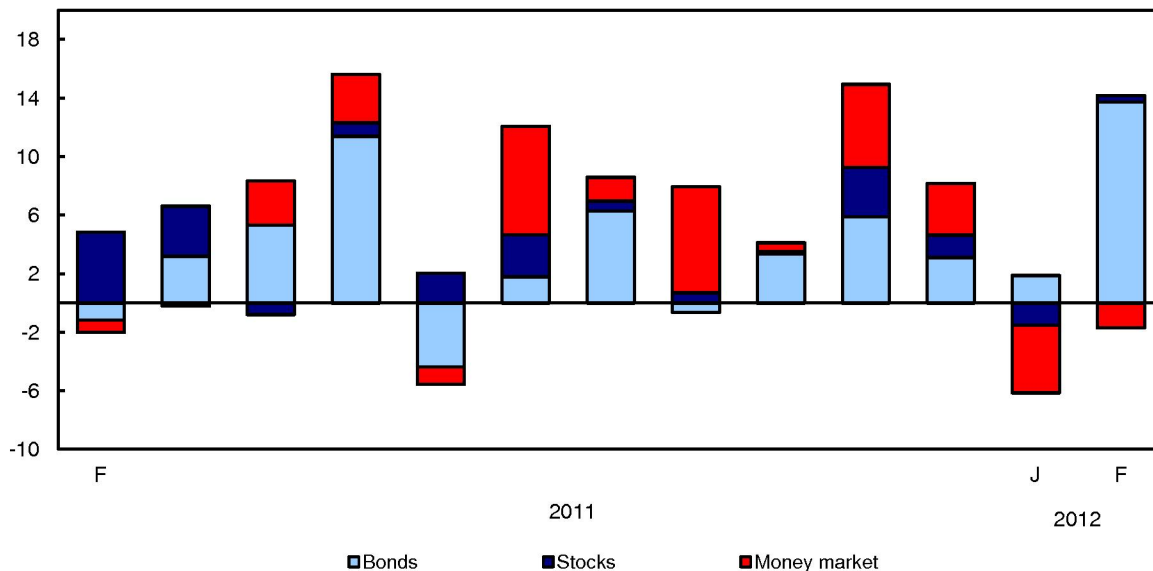
# Canada's international transactions in securities, February 2012

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Foreign investors resumed their acquisition of Canadian securities in February and added \$12.5 billion to their holdings, concentrated in federal government bonds. Canadian investors reduced their holdings of foreign securities by \$2.2 billion, marking the first such divestment in 10 months.

**Chart 1**  
Foreign portfolio investment in Canadian securities

billions of dollars



## Foreign investment in the Canadian debt market led by federal bonds

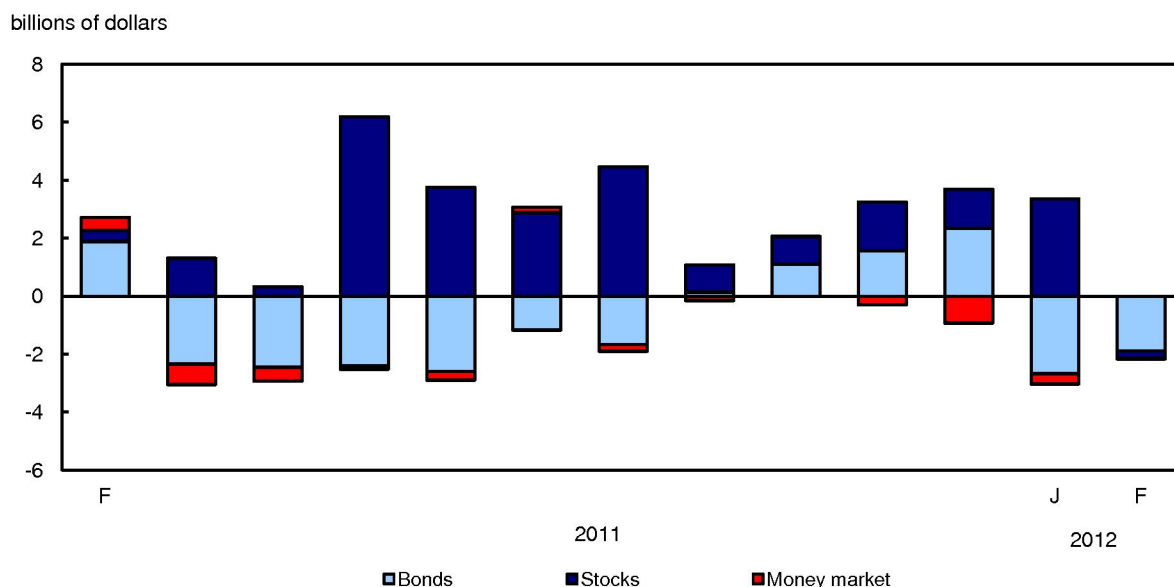
Foreign investors purchased \$13.7 billion of Canadian bonds in February, the largest monthly investment since May 2010. These inflows were led by a \$10.2 billion foreign investment in federal government bonds from both new issues and secondary market acquisitions. Most of these purchases were in shorter term-to-maturity federal bonds. The remainder of the activity in Canadian bonds was largely related to foreign purchases of new bonds issued by public and private corporations, mainly in the form of US dollar-denominated instruments. Canadian long-term interest rates fell six basis points in February as the long-to-short spread narrowed to 105 basis points, the smallest difference since May 2008.

Non-resident investors' holdings of Canadian money market instruments decreased by \$1.7 billion in February. This second straight month of foreign divestment in the Canadian money market was led by further retirements of Federal Treasury bills. This outflow was partially offset by increased foreign holdings of paper issued by provincial government enterprises and private financial corporations. Short-term interest rates gained seven basis points during the month.

## Non-residents add Canadian stocks to their holdings

Foreign investors added \$442 million of Canadian stocks to their portfolios in February, after a \$1.5 billion divestment in January. Foreign investment was all in new issues of Canadian shares. In contrast, secondary market activity resulted in a second month of net sales by non-residents. Canadian stock prices were up 1.5% in February, the second straight monthly increase.

**Chart 2**  
Canadian portfolio investment in foreign securities<sup>1</sup>



## Canadian investors further reduce their holdings of foreign bonds

Canadian investors removed \$1.9 billion from their holdings of foreign bonds in February, following a \$2.7 billion reduction in January. The divestment was mainly in medium-term US government bonds and was supplemented by maple bonds, as retirements outpaced new issues in February. The differential between long- and short-term US interest rates narrowed to 189 basis points, the smallest spread since February 2008.

Canadians also continued to reduce their holdings of foreign money market instruments for a fourth straight month, down \$36 million in February. The divestment was led by retirements of paper issued by European governments and US non-bank financial institutions. This divestment was moderated by Canadian purchases of US bank paper. US short-term commercial paper yields increased nine basis points after two straight months of declines.

## Canadians sell foreign stocks for the first time in more than a year

Canadian investors sold \$238 million of foreign stocks in February, all US corporate shares. This was the first divestment in foreign stocks since December 2010, a period during which they had accumulated \$29.3 billion of these instruments. US equity prices gained 4.1% in February, following a 4.4% increase in January.

**Note to readers**

All values in this release are net transactions unless otherwise stated.

The data series on international security transactions cover portfolio transactions in stocks, bonds and money market instruments for both Canadian and foreign issues.

**Stocks** include common and preferred equities, as well as warrants.

**Debt securities** include bonds and money market instruments.

**Bonds** have an original term to maturity of more than one year.

**Money market instruments** have an original term to maturity of one year or less.

**Government of Canada paper** includes treasury bills and US-dollar Canada bills.

**Table 1**  
**Canada's international transactions in securities**

	December 2011	January 2012	February 2012	January to February 2011 <sup>1</sup>	January to February 2012 <sup>1</sup>
	millions of dollars				
<b>Foreign investment in Canadian securities</b>	<b>8,168</b>	<b>-4,278</b>	<b>12,498</b>	<b>15,783</b>	<b>8,221</b>
Bonds (net)	3,096	1,871	13,739	8,889	15,610
Outstanding	7,537	2,221	8,338	4,892	10,559
New issues	2,972	2,436	5,949	7,813	8,385
Retirements	-4,968	-3,663	-1,105	-5,294	-4,768
Change in interest payable <sup>2</sup>	-2,446	876	558	1,479	1,434
Money market paper (net)	3,522	-4,627	-1,682	1,020	-6,309
Government of Canada	368	-4,745	-2,677	543	-7,422
Other	3,154	118	994	477	1,112
Stocks (net)	1,551	-1,522	442	5,874	-1,080
Outstanding	2,183	-2,079	-507	4,907	-2,586
Other transactions	-632	557	949	967	1,506
<b>Canadian investment in foreign securities</b>	<b>-2,769</b>	<b>-330</b>	<b>2,161</b>	<b>-4,604</b>	<b>1,831</b>
Bonds (net)	-2,343	2,670	1,888	-1,571	4,557
Money market paper (net)	918	358	36	-965	394
Stocks (net)	-1,344	-3,358	238	-2,068	-3,120

1. Cumulative transactions.

2. Interest accrued less interest paid.

**Note(s):** A minus sign indicates an outflow of money from Canada, that is, a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.

**Available without charge in CANSIM: tables 376-0018 to 376-0029, 376-0042, 376-0058 and 376-0063.**

**Definitions, data sources and methods: survey number 1535.**

The February 2012 issue of *Canada's International Transactions in Securities* (67-002-X, free) will soon be available.

Data on Canada's international transactions in securities for March will be released on May 17.

For more information, contact Statistics Canada's National Contact Centre (toll-free 1-800-263-1136; 613-951-8116; [infostats@statcan.gc.ca](mailto:infostats@statcan.gc.ca)).

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