

# Canada's international transactions in securities, December 2012

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Non-residents reduced their holdings of Canadian securities by \$1.9 billion in December, led by large retirements of bonds and equities. Meanwhile, Canadian investors added \$5.5 billion of foreign securities to their portfolios, marking a fourth straight month of investment. This was the second consecutive month of a net outflow of funds in the form of securities.

## **Non-residents add Government of Canada debt securities to their holdings**

Non-resident investors acquired \$4.8 billion of Canadian debt securities in December, a sixth straight month of investment. Inflows were focused on money market instruments as non-residents purchased \$5.4 billion. Federal government paper accounted for \$3.7 billion, despite a reduction in the overall supply of these instruments in the month.

Foreign holdings of Canadian bonds declined by \$0.7 billion in December. This first reduction in six months was attributable to large retirements and coupon payments. Nevertheless, foreign acquisitions of Canadian bonds on the secondary market reached a three-month high of \$8.2 billion, mainly federal government bonds. This activity largely offsets the significant retirements in the month.

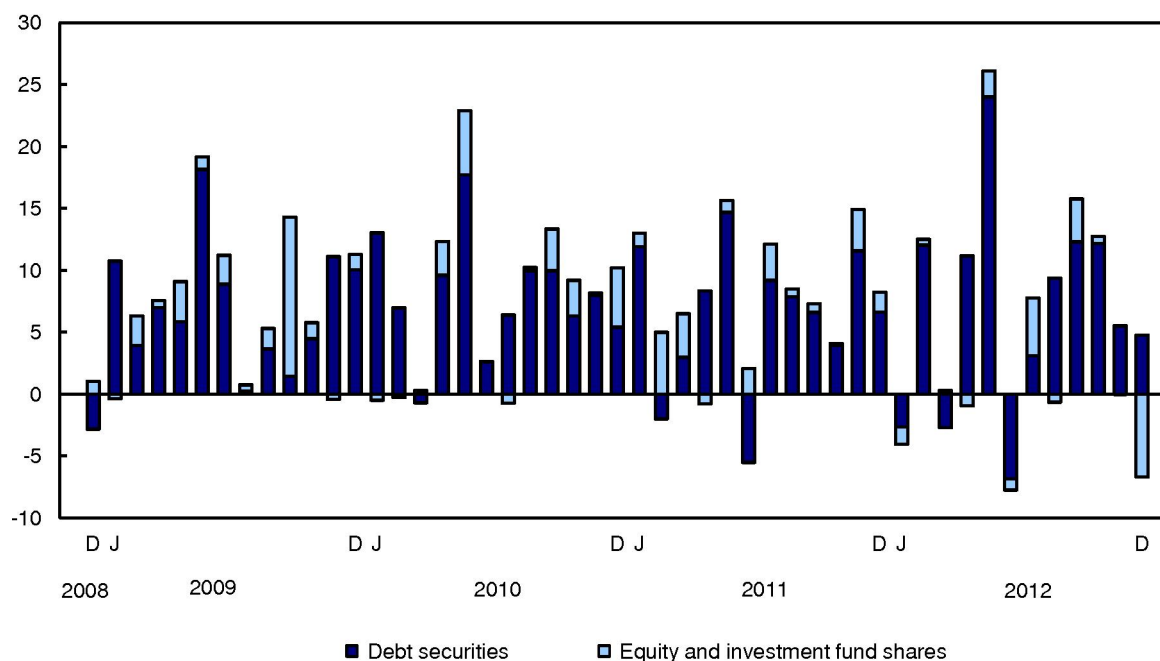
## **Cross-border merger and acquisition activity leads to reduction in non-resident holdings of Canadian portfolio shares**

Non-residents reduced their holdings of Canadian shares by \$6.7 billion in December, the largest divestment since November 2007. This was related to cross-border merger and acquisition activity, as non-resident portfolio investors rendered their Canadian shares to foreign direct investors. Secondary market transactions in Canadian equities generated a minimal inflow. Canadian stock prices were up 1.6%, ending December at their highest level since February 2012.



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

billions of dollars



## Canadian acquisitions of foreign bonds focus on US government instruments

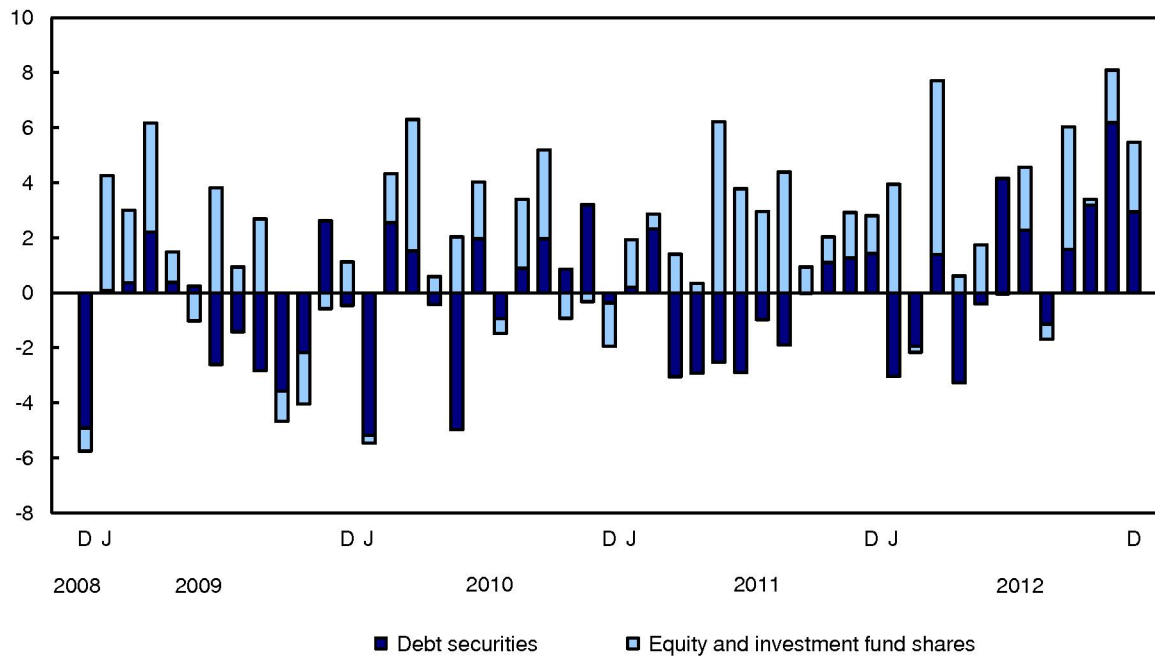
Canadian investors purchased \$3.8 billion of foreign bonds in December, with US government bonds accounting for \$3.2 billion of the outflow. At the same time, Canadians continued to reduce their holdings of maple bonds, with \$1.4 billion of these instruments maturing over the month. In December, long-term interest rates in Canada exceeded comparable US rates by the largest differential since April while the Canadian dollar continued to trade above par against the US dollar.

## Canadian investment in foreign equities strengthened

Canadian investment in foreign equities strengthened to \$2.5 billion in December. Almost three quarters of this investment was placed in a well-diversified basket of US shares. US stock prices edged up 0.7% in December to reach their highest level in three months.

**Chart 2**  
**Canadian portfolio investment in foreign securities**

billions of dollars



### Note to readers

The data series on international transactions in securities cover portfolio transactions in equity and investment fund shares, bonds and money market instruments for both Canadian and foreign issues.

**Equity and investment fund shares** include common and preferred equities as well as units/shares of investment funds.

**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.

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

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

|                                                  | October 2012  | November 2012 | December 2012 | January to<br>December 2011 <sup>1</sup> | January to<br>December 2012 <sup>1</sup> |
|--------------------------------------------------|---------------|---------------|---------------|------------------------------------------|------------------------------------------|
| millions of dollars                              |               |               |               |                                          |                                          |
| <b>Foreign investment in Canadian securities</b> | <b>12,726</b> | <b>5,495</b>  | <b>-1,916</b> | <b>97,335</b>                            | <b>83,192</b>                            |
| Debt securities                                  | 12,157        | 5,523         | 4,769         | 76,198                                   | 82,224                                   |
| Money market instruments                         | -3,328        | 3,820         | 5,424         | 32,021                                   | 13,255                                   |
| Governments                                      | -3,118        | 3,282         | 4,152         | 27,884                                   | 3,479                                    |
| Federal government                               | -1,483        | 3,303         | 3,704         | 25,764                                   | 457                                      |
| Other governments                                | -1,635        | -20           | 448           | 2,120                                    | 3,022                                    |
| Corporations                                     | -211          | 538           | 1,271         | 4,137                                    | 9,776                                    |
| Government business enterprises                  | 364           | -690          | 33            | 1,623                                    | 369                                      |
| Private corporations                             | -575          | 1,227         | 1,238         | 2,514                                    | 9,407                                    |
| Bonds                                            | 15,485        | 1,703         | -655          | 44,177                                   | 68,969                                   |
| Governments                                      | 8,146         | -1,169        | 1,831         | 26,830                                   | 45,828                                   |
| Federal government                               | 3,608         | 2,003         | 1,305         | 12,724                                   | 32,393                                   |
| Other governments                                | 4,539         | -3,172        | 526           | 14,106                                   | 13,434                                   |
| Corporations                                     | 7,339         | 2,872         | -2,485        | 17,347                                   | 23,141                                   |
| Government business enterprises                  | -1,588        | 1,529         | -3,671        | 6,575                                    | 2,780                                    |
| Private corporations                             | 8,926         | 1,343         | 1,186         | 10,772                                   | 20,361                                   |
| Equity and investment fund shares                | 570           | -28           | -6,684        | 21,136                                   | 968                                      |
| <b>Canadian investment in foreign securities</b> | <b>3,393</b>  | <b>8,096</b>  | <b>5,474</b>  | <b>18,331</b>                            | <b>35,131</b>                            |
| Debt securities                                  | 3,185         | 6,179         | 2,943         | -7,924                                   | 11,933                                   |
| Money market instruments                         | 298           | -59           | -898          | -2,036                                   | -1,615                                   |
| Bonds                                            | 2,887         | 6,238         | 3,841         | -5,888                                   | 13,548                                   |
| Equity and investment fund shares                | 208           | 1,916         | 2,531         | 26,255                                   | 23,198                                   |

1. Cumulative transactions.

**Note(s):** In this table, a plus sign denotes an increase in investment and a minus sign denotes a decrease in investment. Transactions are recorded on a net basis.

**Available in CANSIM: tables 376-0131 to 376-0138, 376-0145 and 376-0146.**

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

Data on Canada's international transactions in securities for January will be released on March 18.

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