Canada's international transactions in securities, December 2013

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Foreign investors reduced their holdings of Canadian securities by $4.3 billion in December, mainly Canadian dollar-denominated bonds. Canadian investors acquired $3.7 billion of foreign securities, led by US dollar-denominated bonds.

Foreign investors reduce exposure to Canadian dollar-denominated bonds

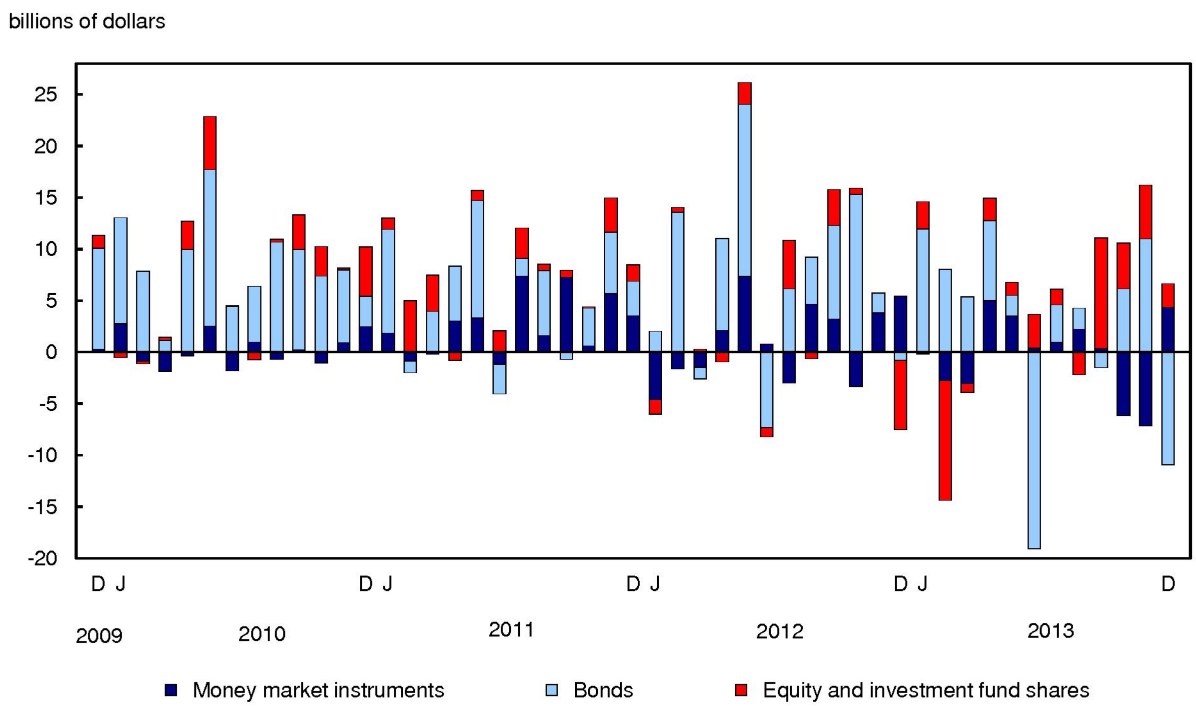
Foreign holdings of Canadian debt securities fell by $6.6 billion in December, the largest decline in six months. This activity reflected a divestment in Canadian bonds, partially offset by an investment in Canadian money market instruments.

Non-residents' holdings of Canadian bonds were down by $10.9 billion in December. The reductions were focused on federal government bonds, mostly bonds with short-term maturities, and to a lesser extent, federal government business enterprise bonds. These outflows were mainly composed of retirements and sales of Canadian dollar-denominated instruments.

Moderating this activity was foreign investment of $4.3 billion in the Canadian money market. Non-residents acquired US dollar provincial government and private corporate paper. However, they reduced their holdings of federal government paper for a third straight month.

In December, the Canadian dollar continued to depreciate against its US counterpart, closing the month at its lowest level since August 2010. The differential between Canadian long- and short-term interest rates continued to widen, as long-term rates were up further while short-term rates eased.

Chart 1
Foreign investment in Canadian securities



Non-residents continue to add Canadian equities to their holdings

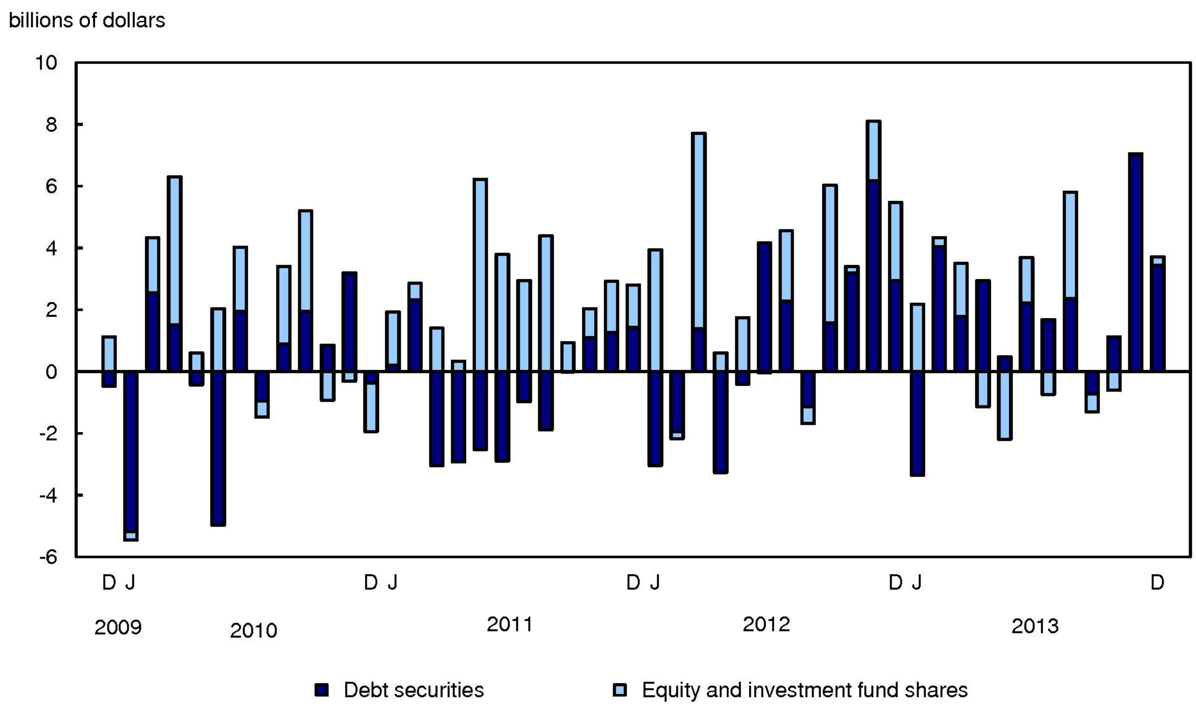
Non-residents added $2.3 billion of Canadian equities to their portfolios in December, a fourth straight month of investment in these instruments. Canadian stock prices were up for a sixth consecutive month in December. Foreign investment in Canadian equities totalled $18.9 billion in 2013, compared with $1.0 billion in 2012.

Canadian investors continue to favour foreign bonds

Canadian investors acquired $3.4 billion of foreign debt securities in December, a third consecutive month of investment. As in November, US government bonds accounted for the bulk of the activity. Canadian investors have significantly increased their holdings of foreign bonds in the past two years, acquiring a cumulative $35.0 billion worth of these instruments. This follows a $30.7 billion divestment between 2008 and 2011, against the backdrop of ongoing global credit concerns.

Canadian investment in foreign equities was $276 million in December. Acquisitions of non-US foreign shares were moderated by sales of US equities over the month. US stock prices were up in December to close the month at an all-time high.

Chart 2
Canadian investment in foreign securities



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. This activity excludes transactions in equity and debt instruments between affiliated enterprises, classified as foreign direct investment in the international accounts.

***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 2013	November 2013	December 2013	2012[1]	2013[1]
	millions of dollars				
Foreign investment in Canadian securities	**4,438**	**9,071**	**-4,283**	**83,205**	**42,789**
Debt securities	-10	3,854	-6,592	82,237	23,903
Money market instruments	-6,136	-7,128	4,322	13,255	-2,521
Governments	-6,691	-4,038	2,620	3,479	-6,899
Federal government	-5,184	-1,179	-2,146	457	-10,016
Other governments	-1,507	-2,859	4,767	3,022	3,116
Corporations	555	-3,089	1,702	9,776	4,379
Government business enterprises	-424	-1,373	269	369	272
Private corporations	979	-1,716	1,432	9,407	4,107
Bonds	6,126	10,982	-10,914	68,982	26,423
Governments	-187	3,051	-7,976	46,528	-10,268
Federal government	1,253	2,535	-6,554	32,884	-7,161
Other governments	-1,440	517	-1,422	13,644	-3,108
Corporations	6,313	7,930	-2,938	22,454	36,692
Government business enterprises	1,645	4,010	-1,311	2,790	4,636
Private corporations	4,668	3,921	-1,627	19,664	32,056
Equity and investment fund shares	4,448	5,217	2,309	968	18,886
Canadian investment in foreign securities	**518**	**7,053**	**3,714**	**35,141**	**27,188**
Debt securities	1,126	7,016	3,437	11,933	23,028
Money market instruments	588	-482	287	-1,615	1,586
Bonds	538	7,498	3,150	13,548	21,442
Equity and investment fund shares	-608	37	276	23,208	4,159

1. Cumulative transactions.
Note(s): *In this table, a positive value denotes an increase in investment and a negative value denotes a decrease in investment. Transactions are recorded on a net basis. Figures may not add up to totals as a result of rounding.*

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 17.

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