

# Canada's international transactions in securities, December 2018

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Foreign investors reduced their holdings of Canadian securities by \$19.0 billion in December, led by a record divestment in Canadian bonds. At the same time, Canadian investors reduced their holdings of foreign securities by \$425 million, on sales of US Treasury instruments.

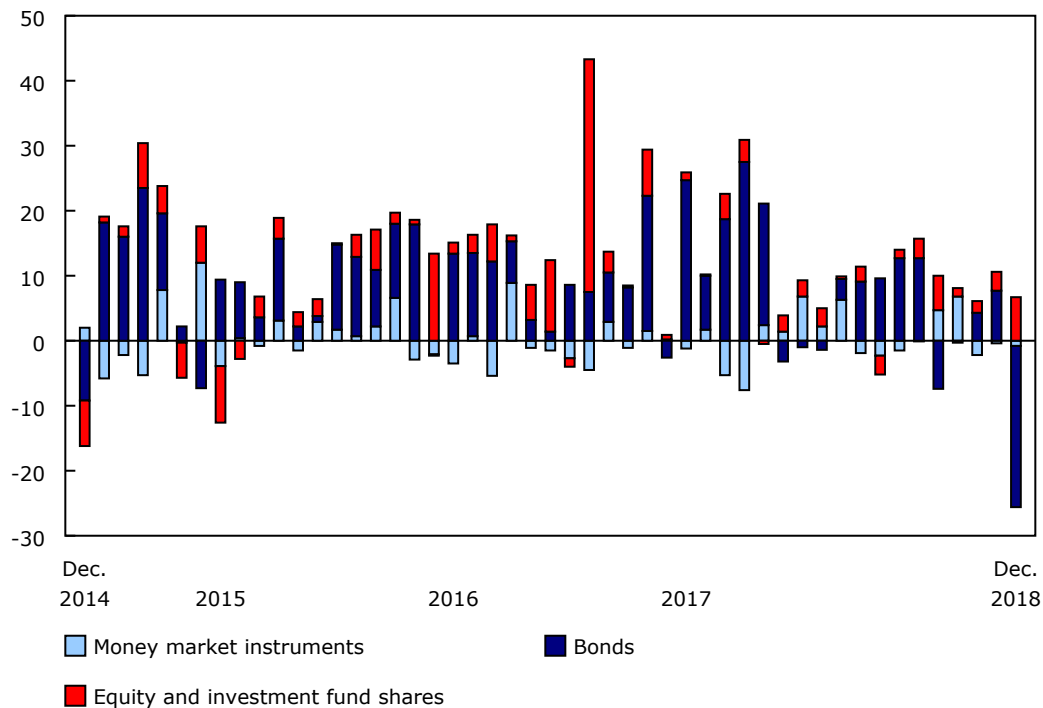
As a result, international transactions in securities generated a net outflow of funds of \$18.5 billion in December. For 2018 as a whole, portfolio investment generated a net inflow of funds into the Canadian economy of \$11.4 billion, down considerably from \$104.5 billion in 2017, and the lowest in 11 years.

## Foreign investors reduce their holdings of Canadian bonds at unprecedented levels

Foreign investors reduced their holdings of Canadian securities by \$19.0 billion in December, the highest divestment since October 2007. They significantly reduced their holdings of Canadian debt instruments in the month but added shares to their portfolio.

**Chart 1**  
Foreign investment in Canadian securities

billions of dollars



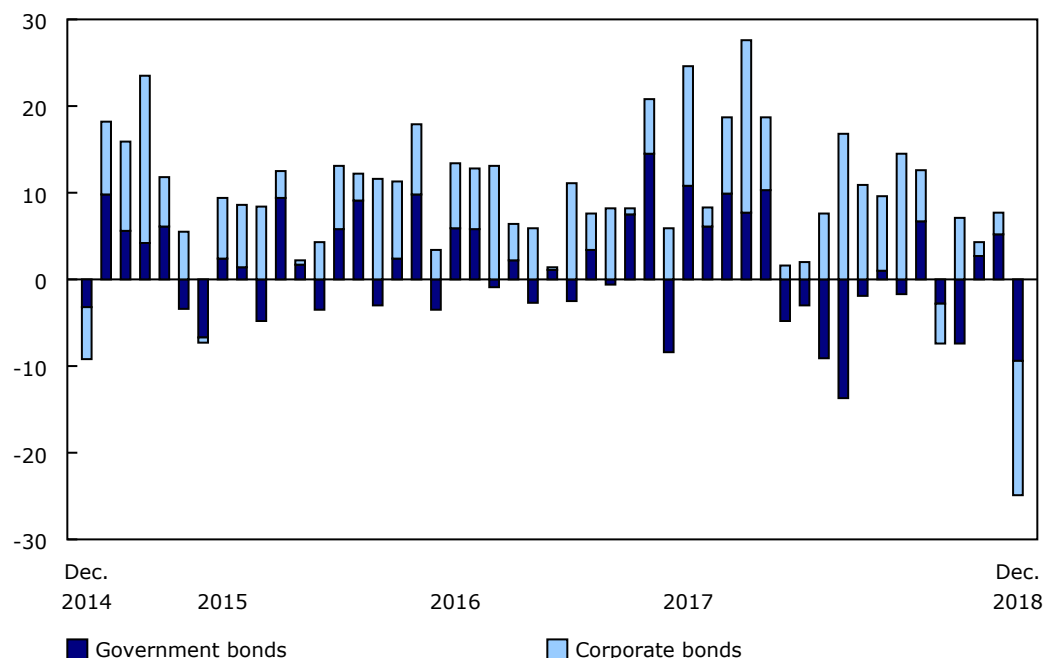
Source(s): Table 36-10-0028-01.

Non-resident investors reduced their holdings of Canadian bonds by a record \$24.8 billion in December. The decline was in both corporate and government bonds. Foreign holdings of Canadian corporate bonds were down by \$15.5 billion, mainly on retirements. This followed large new issue activity abroad in the first half of the year, totalling \$44.2 billion. Meanwhile, the divestment in government bonds was led by secondary market sales of federal bonds.

Canadian long-term interest rates were down by 35 basis points and the Canadian dollar lost 1.9 US cents against its US counterpart in December.

## Chart 2 Foreign investment in Canadian bonds

billions of dollars



Source(s): Table 36-10-0028-01.

Activity in the Canadian money market resulted in a foreign divestment of \$827 million in December, the third consecutive monthly divestment. Canadian private corporate paper accounted for the bulk of the reduction in the month.

On an annual basis, foreign investment in Canadian debt securities totalled \$42.0 billion in 2018, the lowest level in five years. In comparison, this activity totalled \$132.6 billion in 2017. The weaker external demand for Canadian government bonds mainly contributed to this decline. Foreign investors reduced their exposure to government bonds by \$33.3 billion in 2018, while they had acquired \$53.7 billion worth of these instruments in the previous year.

## Foreign investment in Canadian equities led by issuances of new shares

Foreign investment in Canadian equities amounted to \$6.7 billion in December, the largest investment since May 2017. Issuances of new Canadian shares to non-resident portfolio investors led the activity during the month. Sales by non-residents on the secondary market slightly moderated the overall inflow of funds into the economy.

Overall, foreign investment in Canadian equities was \$27.5 billion in 2018, following a record \$56.5 billion investment in 2017. Nevertheless, purchases by non-residents on the secondary market grew in 2018 compared with 2017. Canadian stock prices were down by 5.8% in December and by 11.6% in 2018.

### Canadian investors sell US instruments

Canadian investors sold \$425 million of foreign securities in December, following a \$5.0 billion divestment in the previous month. Sales of foreign debt securities were moderated by acquisitions of foreign equities in the month.

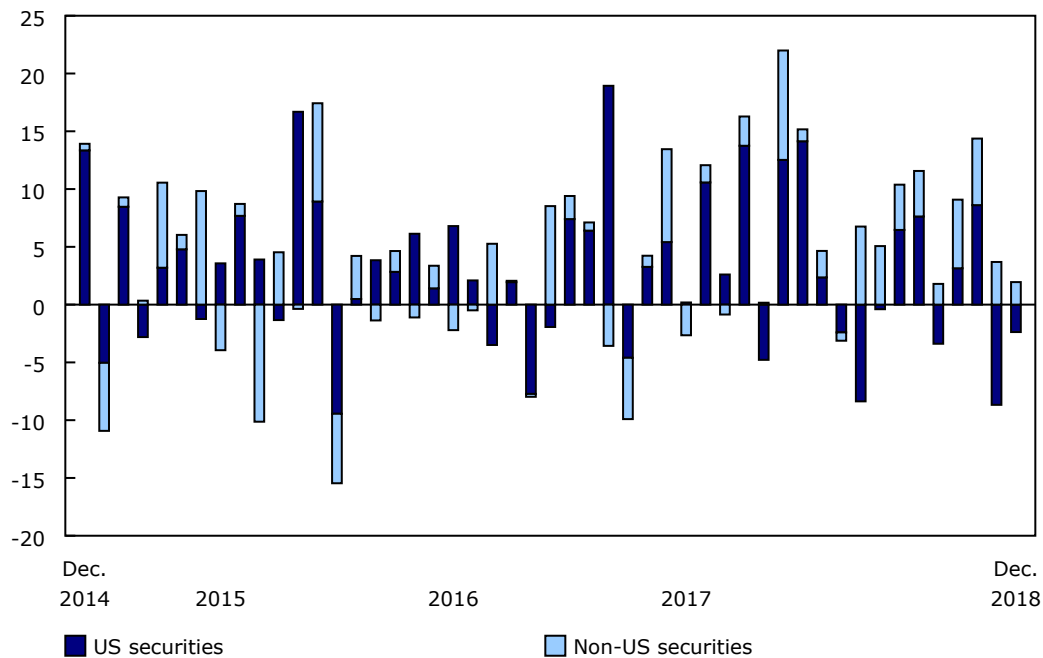
The Canadian divestment in foreign debt securities was \$1.1 billion in December. Investors sold US Treasury instruments in the month. US short-term interest rates increased slightly, while US long-term rates were down by 29 basis points in December.

Canadian investment in foreign shares resumed with acquisitions of \$643 million in December, following a \$5.3 billion divestment in November. Purchases of non-US foreign shares were moderated by sales of US shares in the month. This was the second straight month of divestments in US shares.

In 2018, Canadian investment in foreign securities reached \$58.1 billion compared with \$84.7 billion in 2017. Acquisitions in 2018 mainly targeted foreign bonds as opposed to foreign shares in the previous year. Canadian investors sold \$12.5 billion of US shares in 2018, following acquisitions of \$56.8 billion in 2017. US stock prices were down by 9.2% in the month and by 6.8% in 2018.

**Chart 3**  
Canadian investment in foreign securities

billions of dollars



Source(s): Table 36-10-0028-01.

**Note to readers**

The data series on international transactions in securities covers 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, which are 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.

**Next release**

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

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

	October 2018	November 2018	December 2018	2017	2018
	millions of dollars				
<b>Foreign investment in Canadian securities</b>	<b>3,911</b>	<b>10,235</b>	<b>-18,961</b>	<b>189,166</b>	<b>69,569</b>
Debt securities	2,107	7,293	-25,676	132,617	42,025
Money market instruments	-2,163	-409	-827	-12,095	17,755
Governments	2,218	1,852	-25	-10,795	9,029
Federal government	1,439	1,690	-32	-7,312	3,902
Other governments	779	162	7	-3,484	5,129
Corporations	-4,381	-2,261	-802	-1,303	8,725
Government business enterprises	-1,740	-1,580	319	-2,095	3,439
Private corporations	-2,640	-681	-1,121	792	5,285
Bonds	4,270	7,701	-24,849	144,714	24,267
Governments	2,685	5,153	-9,369	53,669	-33,286
Federal government	1,147	3,006	-7,268	29,173	-38,198
Other governments	1,539	2,147	-2,100	24,497	4,913
Corporations	1,586	2,548	-15,481	91,045	57,553
Government business enterprises	-1,483	-421	-7,461	11,269	-1,501
Private corporations	3,068	2,970	-8,019	79,778	59,053
Equity and investment fund shares	1,803	2,942	6,716	56,548	27,546
Shares	1,287	2,416	6,622	56,273	26,136
Investment fund shares	517	527	94	275	1,410
<b>Canadian investment in foreign securities</b>	<b>14,369</b>	<b>-4,982</b>	<b>-425</b>	<b>84,656</b>	<b>58,140</b>
Debt securities	5,308	347	-1,068	16,028	50,376
Money market instruments	977	679	-772	3,766	2,290
Bonds	4,332	-333	-296	12,262	48,087
Equity and investment fund shares	9,061	-5,329	643	68,628	7,766

**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.

**Source(s):** Tables [36-10-0028-01](#) and [36-10-0583-01](#).

Available tables: [36-10-0028-01](#) to [36-10-0035-01](#) , [36-10-0444-01](#), [36-10-0475-01](#), [36-10-0486-01](#), [36-10-0583-01](#) and [36-10-0584-01](#).

**Definitions, data sources and methods: survey number [1535](#).**

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available. This publication will be regularly updated to maintain its relevance.

The updated *Canada and the World Statistics Hub* ([13-609-X](#)) is available online. This product illustrates the nature and extent of Canada's economic and financial relationship with the world using interactive graphs and tables. This product provides easy access to information on trade, investment, employment and travel between Canada and a number of countries, including the United States, the United Kingdom, Mexico, China and Japan.

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