

Canada's international transactions in securities, March 2020

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Canada's international transactions in securities measures cross-border investment activities between Canadian and foreign investors in negotiable instruments such as equities, bonds and money market instruments.

This monthly program provides timely information on investment decisions made by Canadian investors regarding their portfolio of foreign negotiable instruments as well as the extent to which Canadian equity and debt markets attract foreign investment.

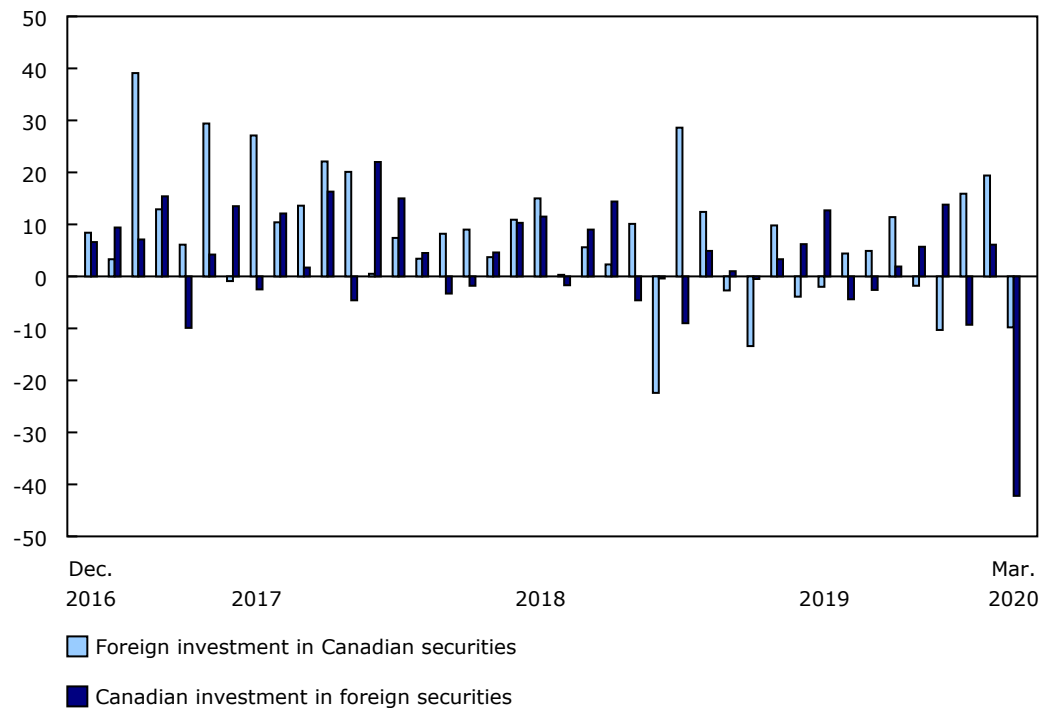
It was in late February that global stock and capital markets started to show higher volatility in the context of an intensifying COVID-19 crisis. In Canada, the last few days of February were marked by the beginning of a severe decline in stock prices and government bond yields as uncertainty unfolded. This volatility extended to March as business closure policies were put in place by provincial governments in an attempt to contain the virus.

Canadian and foreign investors react to rapidly changing conditions on financial markets

Canada's international transactions in securities showed a changing pattern throughout the first three months of the year as the situation of the virus outbreak evolved. While January was characterized by large inflows of funds in Canadian bonds on the strength of private corporations' financing activities abroad, the investment pattern of February and March was considerably different.

Chart 1
Canada's international transactions in securities

billions of dollars

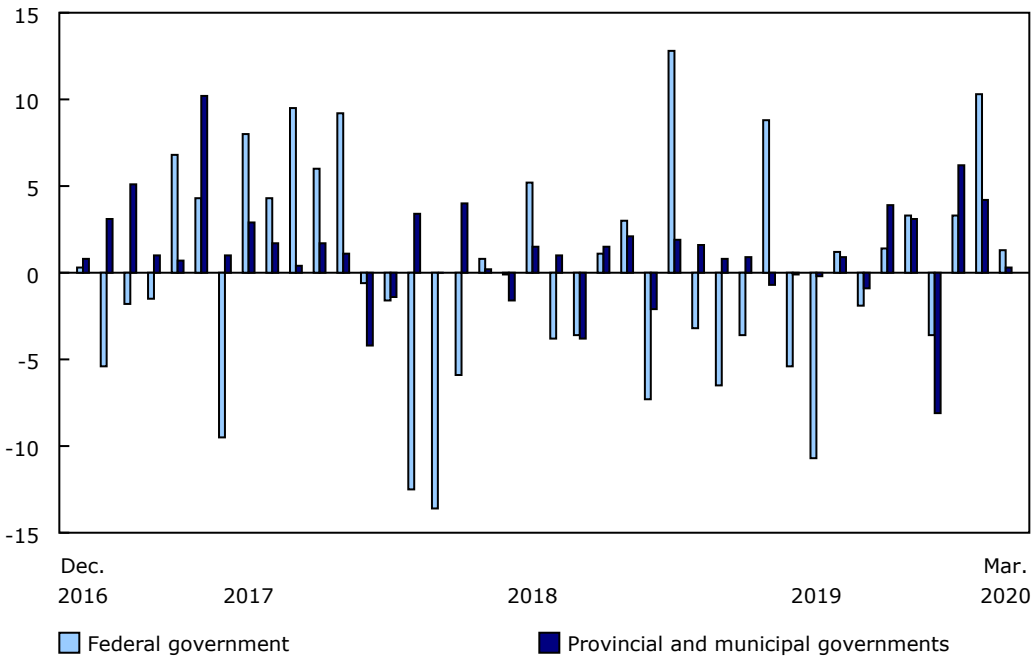


Source(s): Table 36-10-0028-01.

In February, foreign demand for Canadian bonds remained strong but the investment focus switched to public debt instruments rather than private debt, notably federal government bonds. Foreign acquisitions of federal bonds in February reached one of the highest levels of investment since 1988, when monthly data began to be compiled. A large part of this activity occurred in the last week of the month and the bulk of the foreign demand targeted instruments with a remaining maturity between three and five years. This coincided with a sharp decline in Canadian bond yields for these maturities.

Chart 2
Foreign investment in Canadian government bonds

billions of dollars



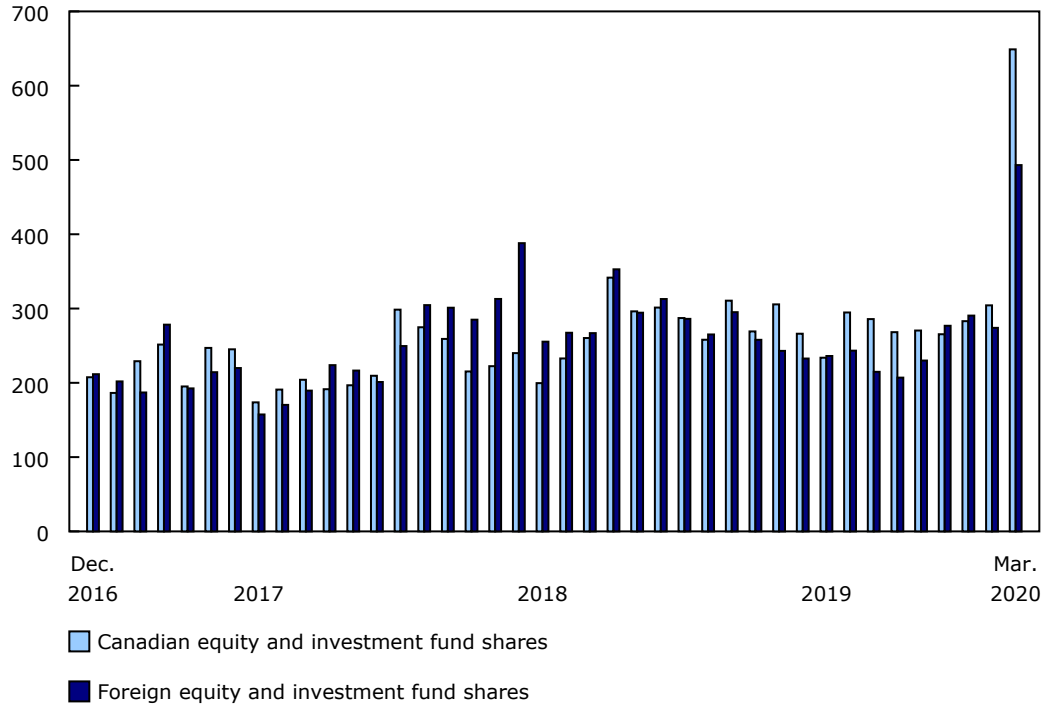
Source(s): Table 36-10-0028-01.

Record sales of foreign securities by Canadian investors in March

The first quarter ended with a month of March marked by record-high volumes of cross-border trading in both Canadian and foreign securities, notably equities, as volatility on markets intensified.

Chart 3
Gross cross-border sales and purchases of equity and investment fund shares

billions of dollars

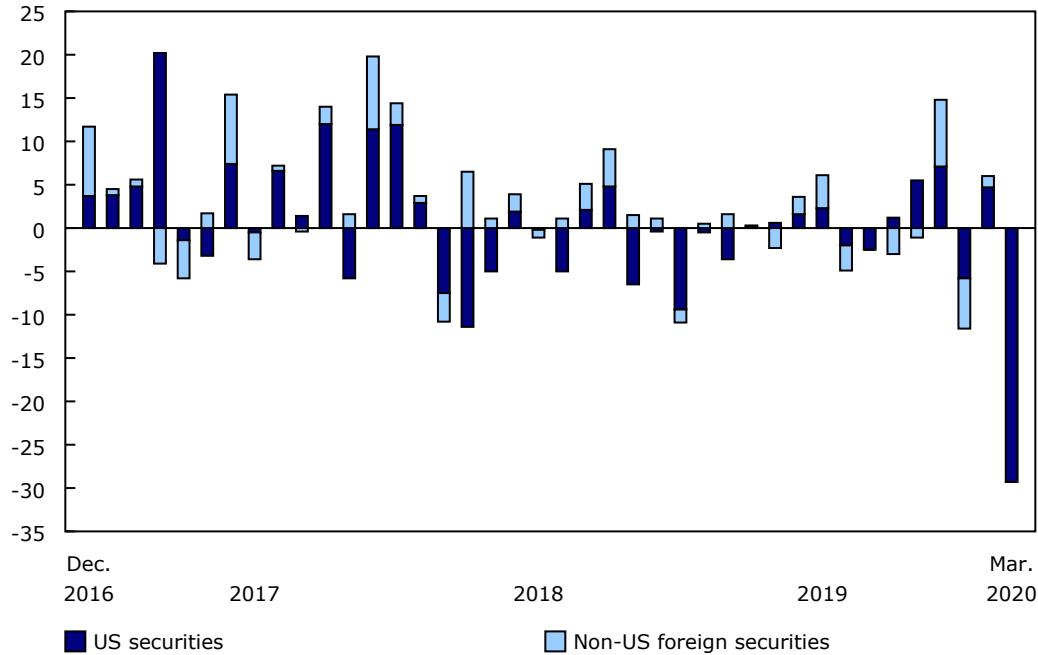


Source(s): Table 36-10-0028-01.

As global stock markets experienced considerable losses, Canadian investors shed a record amount of US shares from their holdings in March. The divestment amounted to \$29.3 billion and was, by far, the largest ever observed since data have been compiled. At the end of 2019, Canadian investors held \$1,234.1 billion worth of US stocks.

Chart 4
Canadian investment in foreign equity and investment fund shares

billions of dollars



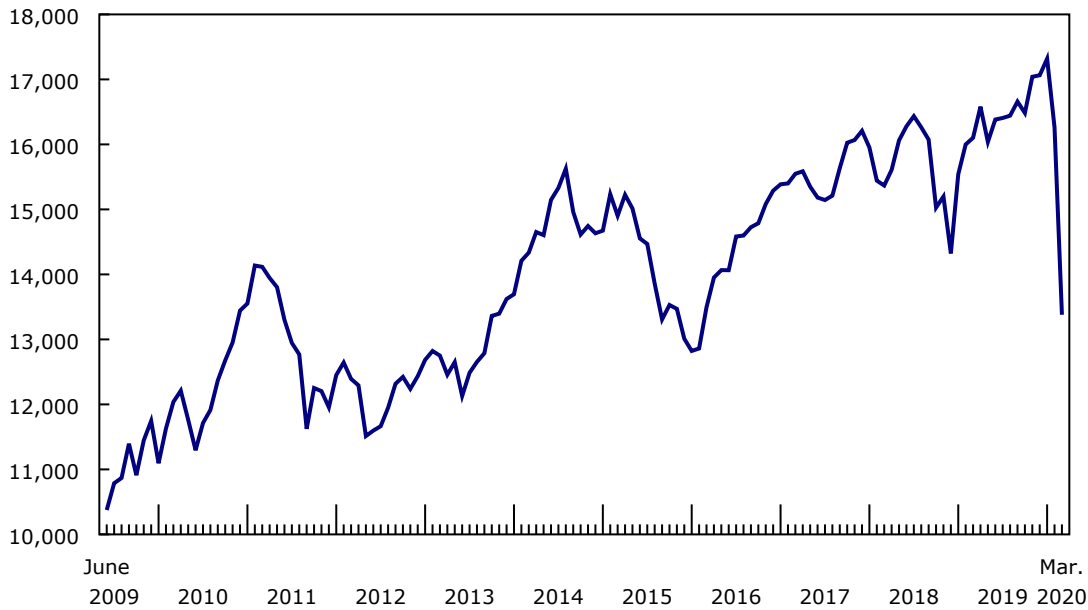
Source(s): Table 36-10-0028-01.

The divestment in foreign securities in March extended to foreign bonds. Canadian investors sold \$11.5 billion worth of these instruments, with nearly half in US Treasury bonds. US long-term interest rates fell sharply in March and the Canadian dollar depreciated strongly against the US dollar.

Foreign divestment in Canadian securities in March

Foreign investors reduced their exposure to Canadian securities in March, largely on sales of shares. They divested \$6.1 billion of Canadian shares for a total of \$13.4 billion in the first quarter. Banking as well as energy and mining sectors were the largest contributors to the foreign divestment in the month. Canadian stock prices fell 17.7% in March and 21.6% in the first quarter. Stock prices have been trending upwards since the end of March.

Chart 5
Standard and Poor's/Toronto Stock Exchange Composite Index, at close



Source(s): Table 10-10-0125-01.

The Bank of Canada lowered interest rates in March and launched a series of measures to support the credit market as the impact of COVID-19 on the economy intensified. Meanwhile, the Government of Canada started to put in place fiscal measures to help Canadians through the crisis.

Large amounts of bonds were issued on the domestic market by Canadian banks in March following measures initiated by the Bank of Canada to support lending activities. From an international perspective, foreign acquisitions of Canadian bonds slowed significantly in March compared with January and February for both federal and private corporate bonds.

Overall, foreign investment in Canadian private corporate bonds was \$2.1 billion in March, almost all primary market-related activity, compared with \$15.3 billion in the first two months of the year. Private corporations issued \$16.4 billion worth of bonds abroad in March, while their retirements amounted to \$13.9 billion, a level of activity slightly higher than the monthly average of the last 12 months. Banks accounted for over three-quarters of the new issues activity in March with the vast majority issued in euros.

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 April will be released on June 16.

Table 1
Canada's international transactions in securities

	January	February	March	January to March 2019	January to March 2020
millions of dollars					
Foreign investment in Canadian securities	15,919	19,418	-9,780	38,304	25,557
Debt securities	22,236	20,340	-3,660	23,338	38,916
Money market instruments	1,003	-2,192	-6,759	-1,387	-7,948
Governments	-2,622	2,545	-6,868	-4,205	-6,945
Federal government	-1,710	3,643	-3,347	-510	-1,414
Other governments	-911	-1,098	-3,521	-3,695	-5,530
Corporations	3,624	-4,737	109	2,818	-1,004
Government business enterprises	628	1,326	5,047	-1,377	7,001
Private corporations	2,996	-6,063	-4,938	4,195	-8,005
Bonds	21,233	22,533	3,099	24,725	46,865
Governments	9,560	14,521	1,559	7,470	25,640
Federal government	3,348	10,271	1,284	3,123	14,903
Other governments	6,212	4,250	275	4,346	10,737
Corporations	11,673	8,012	1,540	17,255	21,225
Government business enterprises	2,973	1,405	-596	3,690	3,782
Private corporations	8,700	6,607	2,136	13,565	17,443
Equity and investment fund shares	-6,317	-922	-6,121	14,967	-13,360
Shares	-5,935	-489	-5,312	14,477	-11,736
Investment fund shares	-382	-433	-809	490	-1,624
Canadian investment in foreign securities	-9,327	6,133	-42,242	-3,144	-45,436
Debt securities	2,221	144	-12,893	9,724	-10,528
Money market instruments	956	2,155	-1,432	368	1,679
Bonds	1,265	-2,010	-11,461	9,354	-12,206
Equity and investment fund shares	-11,548	5,989	-29,349	-12,869	-34,908

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.

The data visualization product "[Securities statistics](#)," part of the series *Statistics Canada – Data Visualization Products* ([71-607-X](#)), is available online.

The *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.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinformedias.STATCAN@canada.ca).