

# DEBT FINANCINGS SLOW DOWN BUT ON PACE FOR RECORD YEAR

After a record setting second quarter, total debt financings in Canada pulled back during the third quarter with issuance dropping 23% to \$54.1 billion during the period (Chart 1). This, however, still represents a 54% increase from a year ago. Crown corporations and provincial bonds accounted for the majority of the issuance decline in Q3, falling 77% and 50% respectively. For the first nine months of 2009, total financings amounted to \$170 billion and are on pace to surpass the record level of issuance achieved in 2007. Total bond trading volumes remained fairly stable sliding just 2% for the quarter.

## Government bonds

Issuance of Government of Canada bonds continued to climb with \$30.9 billion raised during the period— surpassing its previous quarterly high of \$22.6 billion posted in Q2. However, federal crown corporation financings dropped significantly due to reduced offerings from Canada Housing Trust. Provincial and municipal issuance followed suit with each falling over 50% from the previous quarter.

## Corporate bonds

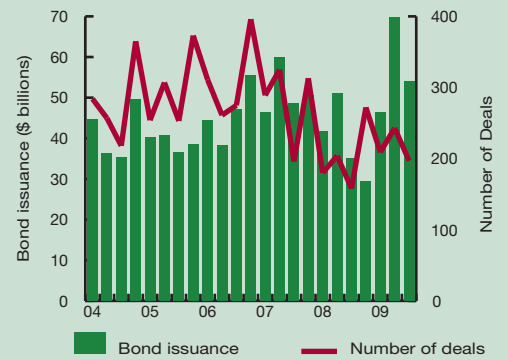
Despite tighter credit spreads during the period, corporate bond issuance decreased by 31% from the previous quarter, but were still 7% higher than 2008's Q3 levels.

The financial sector accounted for over 60% of the \$11.7 billion in corporate issuance during Q3 (Chart 2). Maple bonds reappeared in the Canadian market with an issuance of \$121 million from the International Bank for Reconstruction and Development.

## Money market & strip bond trading

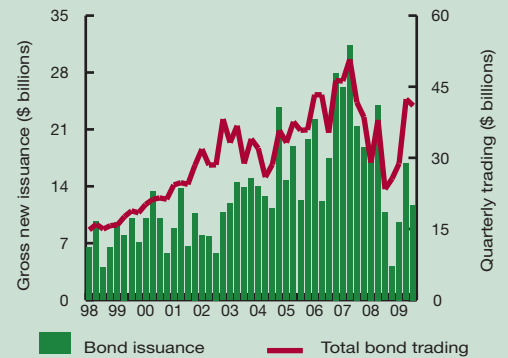
Trading in money market instruments remained relatively unchanged down a mere 2% from Q2 (Chart 3). Softer trading activity was experienced for strip bonds which fell 8% during the quarter.

Chart1: Total bond issuance



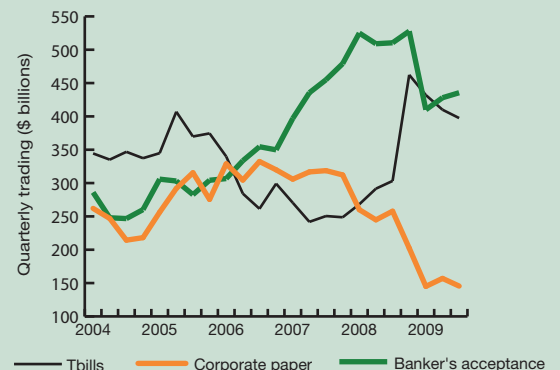
Source: IIAC, FPinformart

Chart 2: Corporate bond gross issuance & trading



Source: IIAC, FPinformart

Chart 3: Money market trading



Source: IIAC

### Q3 2009 Summary Debt Trading & New Issuance

	Value						Percentage change		
	Q4 09	Q3 09	Q2 09	Q1 09	YTD 09	YTD 08	Q3/Q2 09	Q3 09/Q3 08	YTD 09/08
<b>Trading</b>	\$ Billions								
<b>Governments</b>									
Government of Canada bonds		1,198.6	1,202.5	982.6	3,383.8	3,729.9	-0.3%	13.3%	-9.3%
Crown corporation bonds		141.6	151.9	135.8	429.2	484.3	-6.8%	-15.6%	-11.4%
<b>Total federal bonds</b>		1,340.2	1,354.4	1,118.4	3,813.0	4,214.2	-1.0%	9.3%	-9.5%
Provincial bonds		133.0	156.9	130.0	419.9	397.4	-15.2%	11.3%	5.7%
Municipal bonds		3.2	4.1	2.9	10.2	7.3	-22.0%	60.0%	39.9%
<b>Total government bonds</b>		1,476.4	1,515.4	1,251.3	4,243.1	4,618.9	-2.6%	9.6%	-8.1%
<b>Corporates</b>		41.0	42.4	28.8	112.2	90.4	-3.3%	75.2%	24.1%
<b>Other</b>		41.8	39.8	49.3	130.0	138.7	5.0%	0.5%	-6.3%
<b>Total debt trading</b>		<b>1,559.2</b>	<b>1,597.6</b>	<b>1,329.4</b>	<b>4,485.3</b>	<b>4,848.0</b>	<b>-2.4%</b>	<b>10.4%</b>	<b>-7.5%</b>
<b>Issuance</b>	\$ Billions								
<b>Governments</b>									
Government of Canada bonds		30.9	22.6	13.6	67.1	20.2	36.7%	263.5%	232.2%
Crown Corporation bonds		3.2	13.6	13.9	30.7	33.5	-76.5%	-68.0%	-8.4%
<b>Total federal bonds</b>		34.1	36.2	27.5	97.8	53.7	-5.9%	84.3%	82.1%
Provincial bonds		7.6	15.1	8.5	31.1	19.0	-50.0%	40.6%	63.4%
Municipal bonds		0.8	1.7	0.8	3.2	2.1	-54.7%	64.7%	54.0%
<b>Total government bonds</b>		42.4	53.0	36.7	132.1	74.8	-20.0%	74.3%	76.7%
<b>Corporates</b>		11.7	16.8	9.6	37.9	52.9	-30.2%	8.1%	-28.4%
of which: Maple bonds		0.1	-	-	0.1	0.7	n.m.	-39.5%	-82.7%
<b>Total debt issuance</b>		<b>54.1</b>	<b>69.8</b>	<b>46.3</b>	<b>170.0</b>	<b>127.7</b>	<b>-22.4%</b>	<b>53.9%</b>	<b>33.2%</b>
<b>Number of issues</b>	Number								
<b>Governments</b>									
Government of Canada bonds		12	9	4	25	13	33.3%	200.0%	92.3%
Crown Corporation bonds		3	4	6	13	7	-25.0%	50.0%	85.7%
<b>Total federal bonds</b>		15	13	10	38	20	15.4%	150.0%	90.0%
Provincial bonds		24	58	40	122	90	-58.6%	-11.1%	35.6%
Municipal bonds		100	105	121	326	213	-4.8%	33.3%	53.1%
<b>Total government bonds</b>		139	176	171	486	323	-21.0%	28.7%	50.5%
<b>Corporates</b>		58	67	38	162	214	-13.4%	28.9%	-24.3%
of which: Maple bonds		1	-	-	1	5	n.m.	0.0%	-80.0%
<b>Total debt issues</b>		<b>197</b>	<b>243</b>	<b>209</b>	<b>648</b>	<b>537</b>	<b>-18.9%</b>	<b>28.8%</b>	<b>20.7%</b>

Note: Figures may not sum due to rounding

### Money Market & Strip Bond Trading

	Value						Percentage change		
	Q4 09	Q3 09	Q2 09	Q1 09	YTD 09	YTD 08	Q3/Q2 09	Q3 09/Q3 08	YTD 09/08
<b>Money market trading</b>	\$ Billions								
Government of Canada T-bills		397.5	410.4	432.1	1,240.1	571.4	-3.1%	31.1%	117.0%
Bankers' acceptances (BAs)		435.5	428.2	409.8	1,273.5	1,035.4	1.7%	-14.7%	23.0%
Corporate Commercial paper		145.5	157.0	144.5	447.0	517.9	-7.3%	-43.6%	-13.7%
<b>Total</b>		<b>978.5</b>	<b>995.6</b>	<b>986.4</b>	<b>2,960.6</b>	<b>2,124.7</b>	<b>-1.7%</b>	<b>-8.7%</b>	<b>39.3%</b>
<b>Strip bond trading</b>	\$ Billions								
Provincial strip bonds		16.9	18.5	14.2	49.6	25.9	-8.6%	19.9%	91.5%
Government of Canada strip bonds		4.9	5.4	4.2	14.5	10.5	-9.3%	-2.0%	38.1%
<b>Total</b>		<b>23.2</b>	<b>25.2</b>	<b>19.3</b>	<b>67.7</b>	<b>36.4</b>	<b>-7.9%</b>	<b>21.5%</b>	<b>86.0%</b>

### Q3 2009 Corporate issuance by sector

Sector	Value (\$ Millions)	Percentage of total
Manufacturing hi-tech	218.5	1.9%
Finance	7,119.8	60.7%
Services*	650.0	5.5%
Resources**	905.0	7.7%
Utilities	1,595.0	13.6%
Real estate	564.5	4.8%
Other	667.4	5.7%
<b>Total corporate bond issuance</b>	<b>11,720.2</b>	<b>100.0%</b>

Source: FP Infomart

\* Services = includes high-tech and other services

\*\* Resources = includes mining, forestry and oil & gas

### Top corporate bond issues in Q3 09

Issue	Value (\$ Millions)	% Total corporate issuance
Manulife Financial Capital Trust II	1,000.0	8.6%
Bank of Nova Scotia	1,000.0	8.6%
CIBC	1,000.0	8.6%

Source: FP Infomart

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