Q2 12

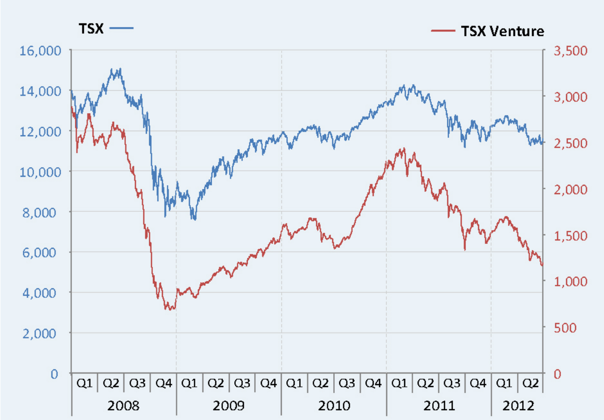
NEW ISSUES & TRADING

EQUITY

Equity Offerings Lose Steam in Q2

Equity issuance slowed considerably in the second quarter with capital raised through common equity more than halved compared to the same period last year. Fewer issues coming to the market contributed to the decrease, and there were no mega offerings to offset the decline in volume. The $1.2 billion raised through preferred shares, while still lofty, pales in comparison to over $2 billion raised for two consecutive quarters beginning Q4 2011. Income Trust issuance, particularly Real Estate Income Trusts (REITs) was a sole area to witness material growth during the period. The TSX Composite Index echoed the sentiments from primary markets, consistently trading below 12,000 and inching ever closer to the bottom seen in 2011.

S&P/TSX and S&P/TSX Venture Indexes



Source: S&P

The vibrant equity issuance market of last quarter quickly dissipated with the $6.2 billion raised in common equity in Q2 representing a $5 billion plummet from the previous quarter.

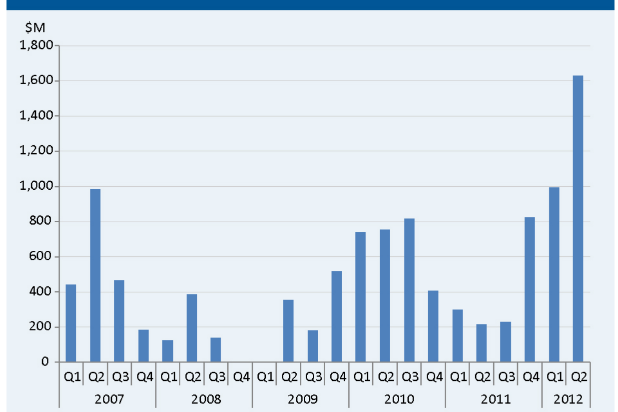
Common Equity Issuance

Source: IIAC

Recent issuance activity has primarily been driven by large, seasoned issuers, and a sudden reduction in secondary offerings put a dent on the quarter-end total. The narrow financing window remained virtually shut for small and mid-cap companies, and the IPO market showed few signs of improvement. Compared to the same period last year, issuance across all issue types saw a double-digit decline.

Issuance of REITs reached an all-time high this quarter totaling $1.6 billion. Market outperformance from REITs in recent quarters has reinvigorated real estate as an alternative asset class. Yields on many REITs hovers above that of TSX Composite, and periodic income distribution further adds appeal to the investors. Overall trust issuance was pushed higher to $2.4 billion, due to the popularity of income funds with focus on fixed income securities and preferred shares.

REIT Investment



Source: IIAC

Uncertainties over global economic growth plagued energy and material sectors, contributing to the TSX Composite Index's 6.4% decline in Q2. The current climate has proven even more difficult for venture stocks, as evidenced by TSX-Venture plunging below its 2011 nadir. Trading activity on TSX, TSX-Venture, and ATS marketplaces has also been hampered. The $480 billion in trading value in Q2 represents the weakest quarterly showing in over three years.

Q2 2012

Summary of Equity Issuance

	Quarter-over-Quarter			% Change		Annual Year-over-Year			% Change	
	Q2 12	Q1 12	Q2 11	Q2/Q1	Q2 12/11	2011	2010	2009	2011/2010	2010/2009
$ Billions **Issuance**										
Common equity	6.2	11.3	12.7	-45.3%	-51.2%	41.1	36.7	42.7	12.0%	-14.1%
Income trusts	2.4	1.2	1.5	97.1%	55.7%	4.8	5.4	8.0	-11.7%	-32.8%
Preferred shares	1.2	2.1	0.2	-41.1%	554.0%	4.3	4.3	9.7	-0.7%	-55.7%
Limited partnerships	0.0	0.2	0.0	-88.8%	-45.7%	0.7	0.7	1.4	-1.5%	-50.3%
Total Equity Issuance	9.8	14.8	14.4	-33.7%	-32.0%	50.8	47.1	61.9	7.9%	-23.9%
Number **Issues**										
Common equity	536	653	748	-17.9%	-28.3%	2,877	2,843	2,719	1.2%	4.6%
Income trusts	22	15	11	46.7%	100.0%	53	64	75	-17.2%	-14.7%
Preferred shares	9	7	2	28.6%	350.0%	22	27	45	-18.5%	-40.0%
Limited partnerships	4	10	1	-60.0%	300.0%	25	36	42	-30.6%	-14.3%
Total Number of Issues	571	685	762	-16.6%	-25.1%	2,977	2,970	2,881	0.2%	3.1%

Common Equity Issuance

	Quarter-over-Quarter			% Change		Annual Year-over-Year			% Change	
	Q2 12	Q1 12	Q2 11	Q2/Q1	Q2 12/11	2011	2010	2009	2011/2010	2010/2009
$ Billions **Issuance**										
Initial public offerings	0.2	0.2	1.9	-0.4%	-87.3%	5.3	7.8	2.6	-31.8%	204.0%
Secondary issues	3.9	8.8	7.2	-55.3%	-45.4%	25.2	19.8	31.5	27.6%	-37.2%
Private placements	2.0	2.3	3.6	-12.6%	-44.0%	10.6	9.2	8.7	15.4%	5.2%
Total Common Equity	6.2	11.3	12.7	-45.3%	-51.2%	41.1	36.7	42.7	12.0%	-14.1%
Number **Issues**										
Initial public offerings	49	44	70	11.4%	-30.0%	242	209	98	15.8%	113.3%
Secondary issues	52	75	99	-30.7%	-47.5%	550	338	300	62.7%	12.7%
Private placements	435	534	579	-18.5%	-24.9%	2,085	2,296	2,321	-9.2%	-1.1%
Total Number of Issues	536	653	748	-17.9%	-28.3%	2,877	2,843	2,719	1.2%	4.6%

Income Trust Issuance

	Quarter-over-Quarter			% Change		Annual Year-over-Year			% Change	
	Q2 12	Q1 12	Q2 11	Q2/Q1	Q2 12/11	2011	2010	2009	2011/2010	2010/2009
$ Billions **Issuance**										
Initial public offerings	0.8	0.2	1.2	312.0%	-31.6%	2.1	1.9	2.5	9.0%	-23.6%
Secondary issues	1.5	1.0	0.3	54.1%	389.2%	2.7	3.4	5.3	-21.4%	-35.5%
Private placements	0.0	0.0	0.0	n.m.	n.m.	0.0	0.1	0.3	-83.4%	-66.0%
Total Trust Issuance	2.4	1.2	1.5	97.1%	55.7%	4.8	5.4	8.0	-11.7%	-32.8%
Number **Issues**										
Initial public offerings	10	3	8	233.3%	25.0%	20	19	22	5.3%	-13.6%
Secondary issues	12	12	3	0.0%	300.0%	29	43	49	-32.6%	-12.2%
Private placements	0	0	0	n.m.	n.m.	4	2	4	100.0%	-50.0%
Total Number of Issues	22	15	11	46.7%	100.0%	53	64	75	-17.2%	-14.7%

	Trading Volume and Value									
	Quarter-over-Quarter			% Change		Annual Year-over-Year			% Change	
	Q2 12	Q1 12	Q2 11	Q2/Q1	Q2 12/11	2011	2010	2009	2011/2010	2010/2009
Billions of shares **Volume**										
TSX	21.6	24.7	24.6	-12.4%	-12.1%	103.6	104.6	118.5	-0.9%	-11.8%
TSX Venture	9.7	14.4	16.4	-33.0%	-41.0%	65.0	67.9	46.8	-4.3%	45.1%
ATS	15.8	18.3	21.8	-13.3%	-27.5%	85.6	65.0	27.4	31.7%	137.2%
Total Trading Volume	47.1	57.3	62.8	-17.8%	-25.0%	254.2	237.5	192.7	7.0%	23.2%
$ Billions **Value**										
TSX	293.7	357.0	355.0	-17.7%	-17.3%	1,480.2	1,390.7	1,398.4	6.4%	-0.5%
TSX Venture	5.8	8.5	12.7	-31.8%	-54.1%	42.5	34.4	16.1	23.8%	113.5%
ATS	180.2	212.5	214.7	-15.2%	-16.1%	856.5	674.5	325.8	27.0%	107.0%
Total Trading Value	479.7	578.0	582.3	-17.0%	-17.6%	2,379.2	2,099.6	1,740.3	13.3%	20.6%

Source: TSX

Top Common Equity Issues

Issuer Source: IIAC, FP	Value ($ Millions)	% of total
Fortis Inc.	601.3	9.7%
Enbridge Inc.	400.2	6.5%
Enbridge Inc.	400.0	6.5%
Intact Financial Corporation	237.2	3.8%
Genivar Inc.	225.0	3.6%

Common Equity Issuance by Sector

Sector Source: IIAC, FP	Value ($ Millions)	% of total
Financial	469.8	7.6%
Manufacturing	239.7	3.9%
Mining	1,146.5	18.5%
Oil and Gas	1,611.0	26.0%
Other	698.8	11.3%
Real Estate	154.3	2.5%
Services	263.0	4.3%
Utilities	1,602.0	25.9%
Total	6,185.1	

Income Trust Issuance by Sector

Sector Source: IIAC, FP	Value ($ Millions)	% of total
Financial	642.1	27.1%
Oil and Gas	95.5	4.0%
Real Estate	1,628.4	68.8%
Total	2,365.9	

Comments please!

Equity New Issues and Trading is produced quarterly by the Investment Industry Association of Canada (IIAC). We want to hear from you. Send feedback and suggestions for future editions to capitalmarkets@iiac.ca.

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