

## Canada: November Net International Securities Flows Turn Negative for First Time in Four Months

- International transactions in securities generated their first net outflow from the Canadian economy in four months with CAD 7.3 bn hitting the exits in the month of November.
- Non-residents reduced their exposure to Canadian securities on a net basis by CAD 1.8 bn in November after three consecutive months of increases.
- Canadians invested abroad, on balance, for the second consecutive month purchasing net CAD 5.5 bn in foreign securities in November.

### CANADIAN NET CAPITAL FLOWS SLIP BACK INTO THE RED

Foreign investment in Canadian securities decreased by CAD 1.8 bn, while Canadian investors increased their holdings of foreign securities by CAD 5.5 bn, for a total net outflow of CAD 7.3 bn from the Canadian economy for the month of November (chart 1). The negative flow in November halts the momentum that had built up after three consecutive months of net positive securities inflows into the Canadian economy (chart 2).

### FOREIGN INVESTORS REVERSE COURSE IN NOVEMBER

Foreign investors pulled back slightly in November, divesting net CAD 1.8 bn in Canadian securities for the month, after having purchased net CAD 21.0 bn in securities over the previous three months. The divestment of Canadian securities was mainly from money market instruments and equities, and was partially offset by purchases of bonds, primarily government (chart 3).

On a sectoral basis, there was a shift away from private corporate debt into debt issued by governments and their enterprises (chart 4). Foreign investors purchased net CAD 2.1 bn in government and government run enterprises' money market instruments while divesting net CAD 3.2 bn in private corporate paper.

Foreign investors increased their holdings of Canadian bonds by net CAD 0.5 bn with CAD 6.9 bn in government and government enterprise purchases and net CAD 6.4 bn divestment in private corporate bonds, mainly attributable to net retirements of GBP denominated instruments which followed net new issues in the same currency in previous months.

Finally, foreign investors reduced their exposure to Canadian equities by net CAD 1.2 bn in November. The divestment was widespread across all sectors except for finance and insurance and, as a result, net foreign flows into Canadian equities are now in net negative territory for the year, down CAD 1.0 bn, after having started 2019 off with net inflows of CAD 15.8 bn in just the first two months.

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Chart 1

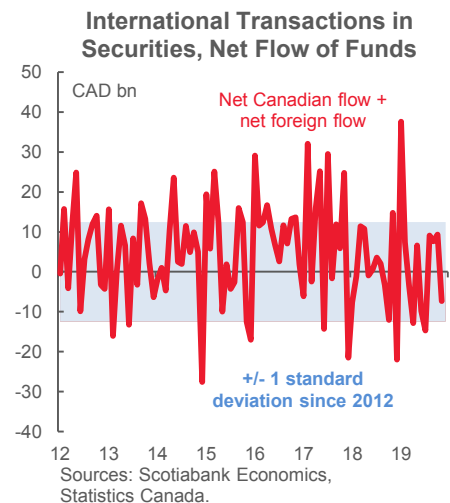
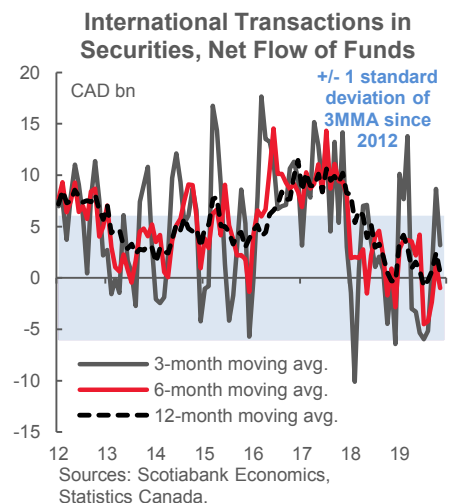


Chart 2



**CANADIAN INVESTORS CONTINUE TO PURCHASE FOREIGN SECURITIES**

Canadian investors increased their holdings of foreign securities for the second consecutive month, purchasing net CAD 5.5 bn in November (chart 5). Equities led the way in November with Canadian investors purchasing CAD 4.2 bn after three consecutive months of divestment totalling CAD 9.0 bn. The US and Europe were the primary targets for Canadian investors accounting for CAD 5.1 bn in equity investments while overall outflows were moderated with a reduction of CAD 0.9 bn to the rest of the world (chart 6). Despite a CAD 3.8 bn inflow into US equity markets in November, flows into US equities still remains down CAD 5.3 bn year-to-date (chart 7). Contrast this to debt markets where Canadian investors increased their exposure on net by CAD 1.4 bn in November, with CAD 2.1 bn in funds flowing into the US and CAD 0.8 bn divested from the rest of the world. As a result, the US remains by far the favourite destination for Canadian debt investors this year, amassing CAD 69.5 bn year-to-date of inflows (chart 8).

Chart 3

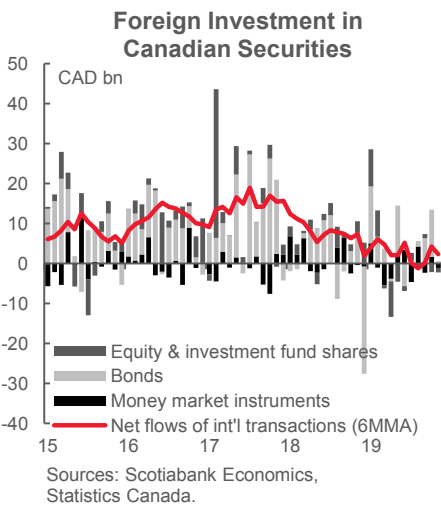


Chart 4

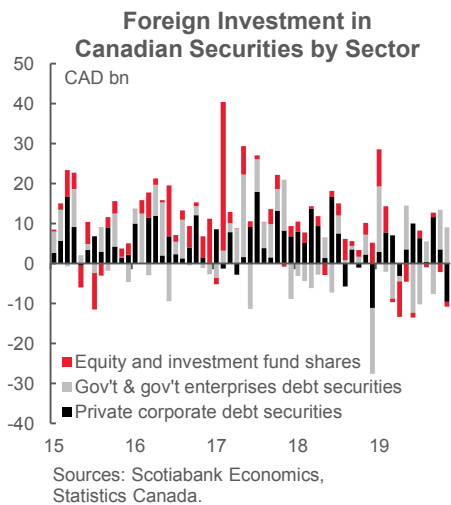


Chart 5

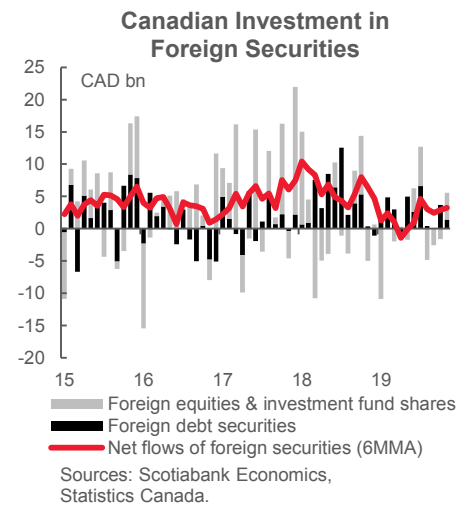


Chart 6

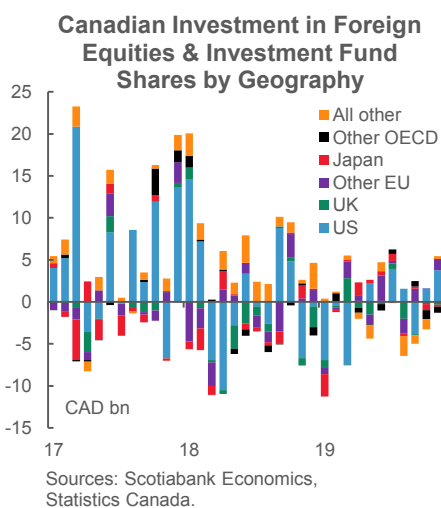


Chart 7

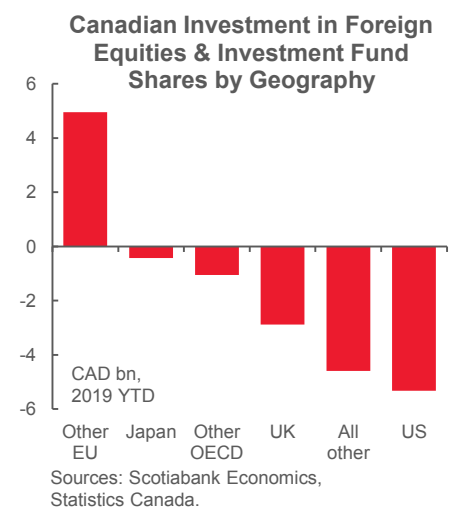
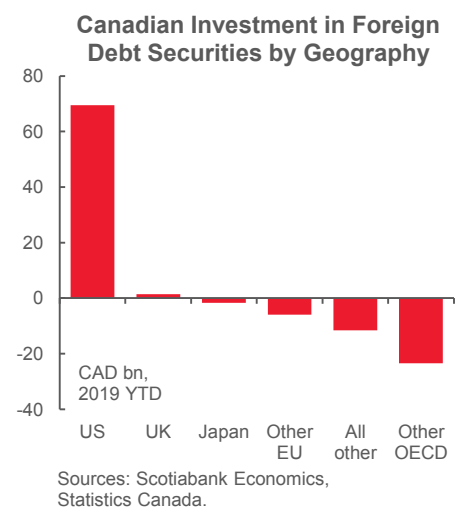


Chart 8



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