

## Canada: December Net International Securities Flows Hit the Exits

- Canadian international transactions in securities generated the largest monthly net outflow in 5 years with CAD 23.4 bn in funds leaving the economy in December.
- Non-residents reduced their exposure to Canadian securities by CAD 9.6 bn, mainly divesting government bonds.
- Canadians invested CAD 13.8 bn abroad in December, primarily purchasing foreign equities.

### CANADIAN NET CAPITAL FLOWS MOVE FURTHER INTO THE RED

Foreign investment in Canadian securities decreased by CAD 9.6 bn, while Canadian investors increased their holdings of foreign securities by CAD 13.8 bn, for a total net outflow of CAD 23.4 bn from the Canadian economy for the month of December (chart 1). The negative flow in December was the largest monthly net outflow of funds from the Canadian economy since December 2014. December and November combined for a net outflow of CAD 30.9 bn, erasing most of the net inflows recorded earlier in the year. As a result, net inflows to the Canadian economy totalled only CAD 5.1 bn, marking an improvement over 2018's net outflow of CAD 4.0 bn, but well below the 2016 high of CAD 137.3 bn over the last decade (chart 2).

### FOREIGN INVESTORS CONTINUE TO DIVEST IN DECEMBER

Foreign investors continued to reduce their exposure to Canadian securities, divesting CAD 9.6 bn on net in the month of December. The divestment of Canadian securities was mainly in bonds (chart 3), with non-residents shedding CAD 15.8 bn in the final month of the year. Net retirements of provincial government bonds accounted for about half the divestment after net new issues the previous two months (chart 4).

Non-residents increased their investment in money market instruments by CAD 6.6 bn, mainly in private corporate paper in the financial sector, while reducing their holdings of Canadian equities for the third straight month, divesting CAD 0.4 bn in December. Strong foreign purchases of Canadian shares on the secondary market, about CAD 3.0 bn, were offset by CAD 3.4 bn in net retirements, mainly due to cross-border M&A activity.

Overall in 2019, on a sectoral basis, non-residents continued to invest in Canadian private corporate debt, moving away from government issued debt, but for the first time since 2007 they also reduced their exposure to Canadian equity markets (chart 5).

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Chart 1

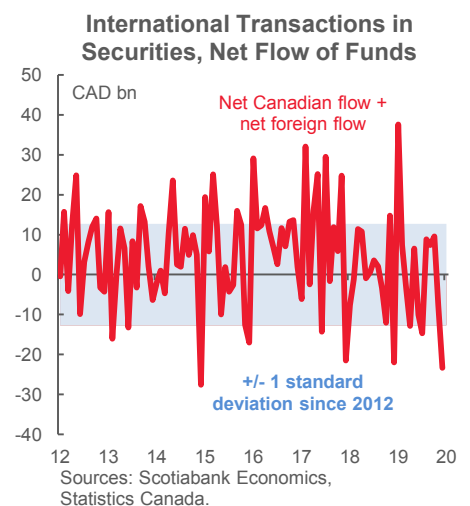
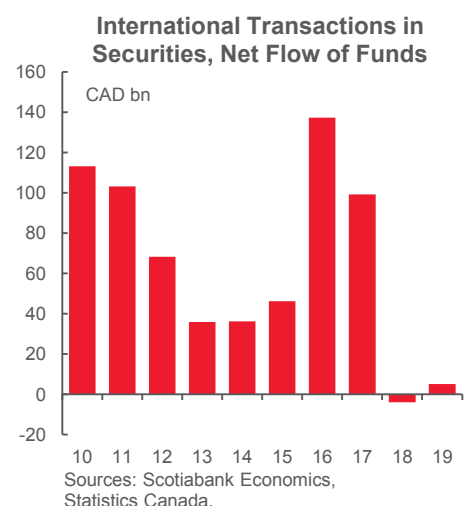


Chart 2



## CANADIAN INVESTORS CONTINUE TO PURCHASE FOREIGN EQUITIES IN DECEMBER

On the other side of the ledger, Canadian investors increased their holdings of foreign securities for the third consecutive month, purchasing net CAD 13.8 bn in December (chart 6). Equities led the way again with Canadian investors purchasing CAD 14.7 bn in December, the largest monthly investment since December 2017, and right on the heels of CAD 4.4 bn in purchases the previous month. The US and Europe continue to be Canadian investors' regions of choice accounting for CAD 11.9 bn in equity investments (chart 7). Canadian investors moderated their foreign exposure by shedding CAD 0.9 bn in debt securities, but coming off CAD 5.0 bn in purchases over the two months prior. While Canadian investors closed the year with large purchases in foreign equities, overall, 2019 only saw a CAD 5.5 bn increase in foreign equity holdings, a far cry from the CAD 68.6 bn purchased in 2017 (chart 8).

Chart 3

### Foreign Investment in Canadian Securities

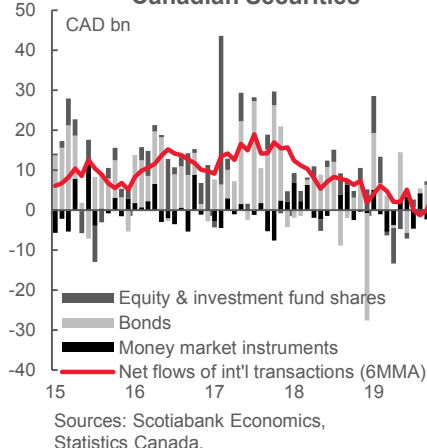


Chart 4

### New Bond Issues Net of Retirements

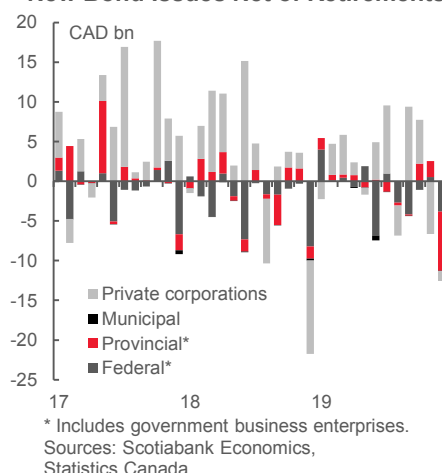


Chart 5

### Foreign Investment in Canadian Securities by Sector

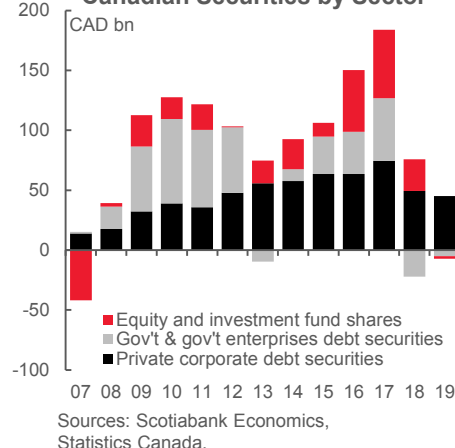


Chart 6

### Canadian Investment in Foreign Securities

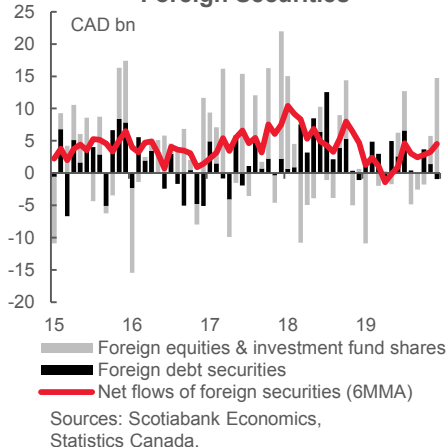


Chart 7

### Canadian Investment in Foreign Equities & Investment Fund Shares by Geography

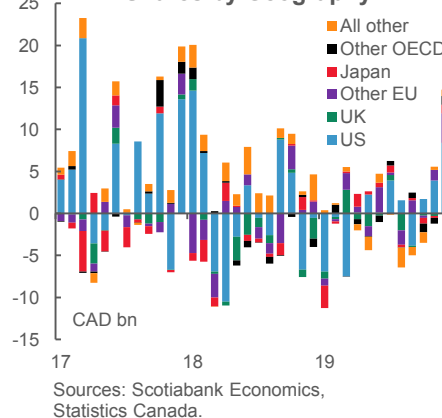
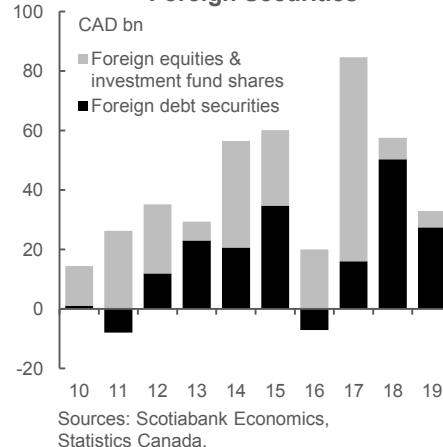


Chart 8

### Canadian Investment in Foreign Securities



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