



TD Economics

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Data Release: Canadian investment abroad resumed in September, while foreign interest in Canada ebbed

- Foreign investment in Canadian securities slowed in September, to \$4.4 billion (August: \$10.3 billion). Canadian purchases of foreign debt and equity rose sharply, reaching \$8.6 billion in September, following a flat August.
- Foreign investors remained net buyers of Canadian debt and equity instruments, purchasing \$4.6 billion and \$4.7 billion, respectively, in September. In contrast, foreigners were net sellers of Canadian money market instruments, divesting \$5.0 billion. On a sectoral basis, foreign bond purchases were largely of private corporate issues, offset somewhat by divestment of federal government business enterprise bonds, largely due to retirements. Foreign divestment of money market instruments was largely concentrated in private corporate paper.
- Canadian purchases of foreign securities rebounded in September. Canadian investors purchased \$5.1 billion of foreign debt in September, led by US government and corporate bonds. In terms of foreign equity investments, Canadians added \$3.6 billion in September, entirely comprised of non-US equity investments (\$3.8 billion). Canadians reduced their US equity exposure for the second month in a row.

Key Implications

- Despite the market turbulence in September, including a fall in the S&P/TSX composite index of over 600 points, foreign demand for Canadian securities saw just a modest pullback, led by a drop in demand for money market instruments; foreign demand for both bonds and equities rose on the month. At the same time, despite the falling Canadian dollar, demand for foreign instruments was healthy in September, led by US debt and non-US equity investments.
- Looking ahead, continued market turbulence and the sharp fall in both oil prices and the Canadian dollar observed in October are likely to moderate both foreign demand for domestic securities, as well as Canadian investment in foreign securities. Consequently, international transactions in securities are expected to be somewhat muted over the short term.

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