

How does this June 1st compare? Kinda depends

By Warren Lovely

Back on May 2nd, we penned a [detailed note](#) analyzing the enormous cash, roll, and duration adjustments that will heavily influence Canada's domestic bond market in June. While an annual event, there's never anything 'normal' about the outsized nature of June index adjustments that kick off on the very first day of the month. So the intense investor interest we continue to witness is understandable.

This *Addendum* to our earlier *Market View* adds some extra context, specifically as it relates to June 1st impacts on the long end of the Canadian bond index universe. Investors know June 1st is a big deal, but just how big are the duration impacts? More specifically, we get asked how this June 1st compares to prior iterations and/or the other big GoC coupon/maturity days (like December 1st)? As always, we're happy to oblige, with Charts 1-2 putting simulated June 1st duration

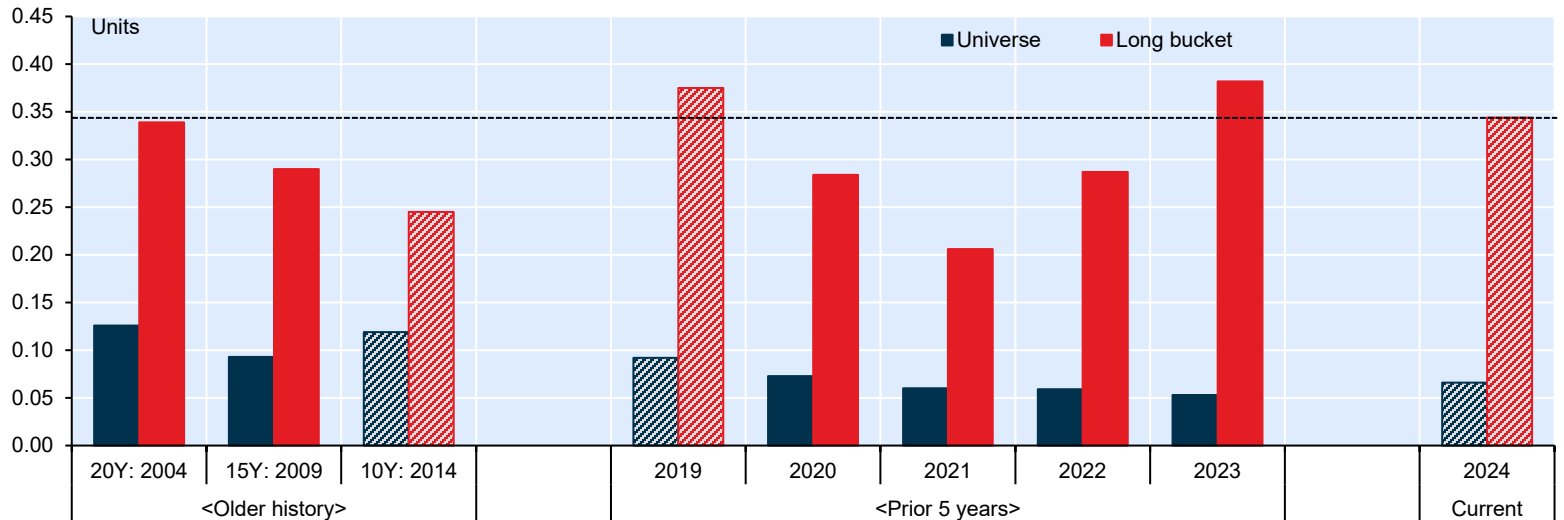
adjustments in perspective. The punch line: Duration impacts are clearly significant, even if not quite a record. But hang on a sec...

We strongly emphasize that **any discussion of this year's June 1st index impacts is essentially theoretical in nature**. That's because June 1st falls on a Saturday this year. And that makes June 2nd—which happens to be another monster cashflow/duration adjustment day—a Sunday. So as we highlighted clearly in our original report, June's already hefty cashflow and index adjustments will be even more concentrated than normal in 2024. All else equal, the 3-day duration boost to the long end of the index could be closer to 0.5 units on June 3rd... a massive jump anyway you slice it.

For those interested in the specific securities behind all the cash and duration adjustments, then the detailed Table on page 2 is for you.

Chart 1: June 1st impact clearly significant, if not a record... impact theoretical in 2024, since cash/rolls lumped into June 3rd

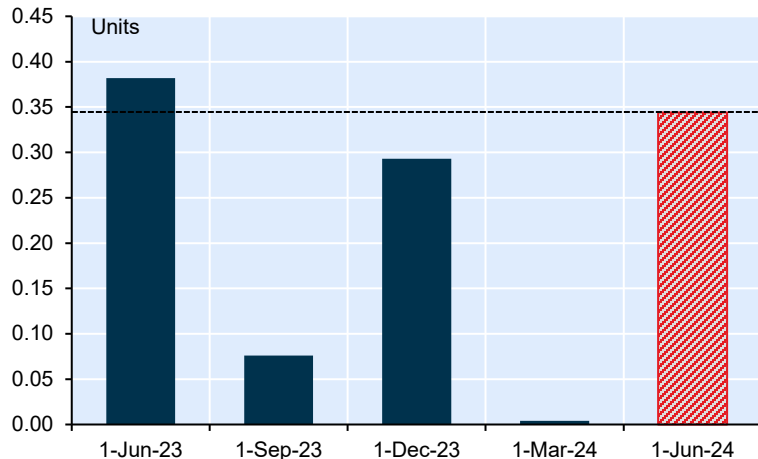
Projected 1-day change in modified duration of FTSE Canada Universe Bond Index & 'Long' bucket (i.e., >10Y): 31-May to 1-Jun



Source: NBF, FTSE Russell | Note: NBF simulations of 1-Jun impact for select years; simulations based on index composition & prices as at 10-May to 13-May of each year; figures are presented for illustrative purposes; simulated change in duration can differ from actual/reported duration change, owing to shifts in yields/curves & issuance from simulation date to 1-Jun; crosshatching denotes theoretical impact as day falls on weekend, where associated index adjustments would be captured on the next good business day

Chart 2: Comparing to other big GoC days on calendar

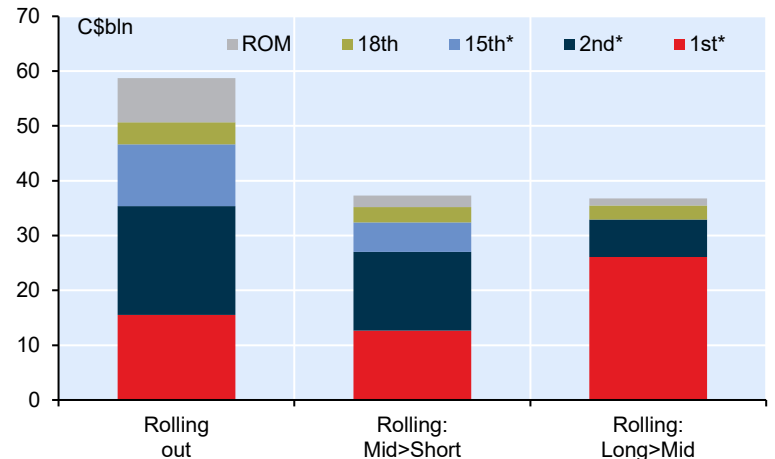
FTSE Canada Universe Bond Index: Simulated duration chg of 'Long' bucket



Source: NBF, FTSE Russell | Note: NBF simulations generated using Universe constituents/pricing on 13th day of preceding month; crosshatching denotes theoretical impact as day falls on weekend

Chart 3: Don't forget cash/rolls on June 2nd (and 15th... and 18th)

Value of bonds rolling out/over in FTSE Canada Universe Bond Index: Jun-24



Source: NBF, FTSE Russell | Note: Based on index constituents as at 13-May-24; note that 1-Jun, 2-Jun & 15-Jun all fall on weekend in 2024; refer to Table (page 2) for specific security details



Table: Quite a long list of bonds roll out or roll over this June, with weekends creating super-concentration of impacts

Specific bond issues rolling out of FTSE Canada Universe Bond Index or rolling down from one term 'bucket' to another: June 1st, 2nd, 15th & 18th

June 1st* [to be captured June 3rd]														
Rolling out of UNIVERSE					Rolling over MID to SHORT					Rolling over LONG to MID				
Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %
CAN	2.25	1-Jun-25	9,829	0.46	CAN	5.75	1-Jun-29	4,893	0.26	CAN	3.00	1-Jun-34	24,000	1.08
ALTA	2.35	1-Jun-25	3,700	0.17	CAN	2.25	1-Jun-29	5,386	0.24	FINQUE	5.25	1-Jun-34	1,522	0.08
Q	5.35	1-Jun-25	652	0.03	CANMFA	3.63	1-Jun-29	650	0.03	FNFACA	4.10	1-Jun-34	357	0.02
BCMFA	1.1	1-Jun-25	615	0.03	NS	4.05	1-Jun-29	600	0.03	CALGRY	4.20	1-Jun-34	180	0.01
CAN	9.00	1-Jun-25	416	0.02	AIREIN	2.71	1-Jun-29	600	0.03					
NS	2.15	1-Jun-25	300	0.01	NWRWPT	4.25	1-Jun-29	550	0.03					
Total rolling out			15,512	0.72	Total rolling over			12,679	0.61	Total rolling over			26,059	1.18

June 2nd* [to be captured June 3rd]														
Rolling out of UNIVERSE					Rolling over MID to SHORT					Rolling over LONG to MID				
Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %
ONT	2.60	2-Jun-25	13,810	0.64	ONT	2.70	2-Jun-29	9,325	0.42	ONT	4.15	2-Jun-34	5,750	0.27
MP	2.45	2-Jun-25	2,940	0.14	CPPIBC	3.60	2-Jun-29	2,200	0.10	MP	4.25	2-Jun-34	900	0.04
NF	2.30	2-Jun-25	1,039	0.05	MP	2.75	2-Jun-29	1,800	0.08	PRINCE	4.05	2-Jun-34	200	0.01
ATDBCN	3.60	2-Jun-25	700	0.03	NF	2.85	2-Jun-29	1,000	0.04					
ENBCN	2.44	2-Jun-25	550	0.03										
BAMREP	3.75	2-Jun-25	400	0.02										
ENMAXC	3.33	2-Jun-25	300	0.01										
ONT	9.50	2-Jun-25	108	0.01										
Total rolling out			19,847	0.92	Total rolling over			14,325	0.64	Total rolling over			6,850	0.32

June 15th* [to be captured June 17th]														
Rolling out of UNIVERSE					Rolling over MID to SHORT					Rolling over LONG to MID				
Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %
CANHOU	0.95	15-Jun-25	11,259	0.51	CANHOU	3.70	15-Jun-29	4,000	0.19	N/A				
					PSPCAP	3.75	15-Jun-29	1,400	0.07					
Total rolling out			11,259	0.51	Total rolling over			5,400	0.25	Total rolling over			0	0.00

June 18th														
Rolling out of UNIVERSE					Rolling over MID to SHORT					Rolling over LONG to MID				
Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %	Issuer Ticker	Cpn %	Maturity Date	O/S C\$m/n	Weight %
BRCOL	2.85	18-Jun-25	4,050	0.19	BRCOL	5.70	18-Jun-29	2,806	0.14	BRCOL	4.15	18-Jun-34	2,600	0.12
Total rolling out			4,050	0.19	Total rolling over			2,806	0.14	Total rolling over			2,600	0.12

Summary: June 2024														
Rolling out of UNIVERSE					Rolling over MID to SHORT					Rolling over LONG to MID				
Date	# of securities	C\$m/n	%		Date	# of securities	C\$m/n	%		Date	# of securities	C\$m/n	%	
Jun 1st*	6 issues	15,512	0.72		Jun 1st*	6 issues	12,679	0.61		Jun 1st*	4 issues	26,059	1.18	
Jun 2nd*	8 issues	19,847	0.92		Jun 2nd*	4 issues	14,325	0.64		Jun 2nd*	3 issues	6,850	0.32	
Jun 15th*	1 issue	11,259	0.51		Jun 15th*	2 issues	5,400	0.25		Jun 15th*	-	0	0.00	
Jun 18th	1 issue	4,050	0.19		Jun 18th	1 issues	2,806	0.14		Jun 18th	1 issue	2,600	0.12	
Rest of M	17 issues	8,045	0.36		Rest of M	6 issues	2,069	0.10		Rest of M	4 issues	1,244	0.04	
Total	33 issues	58,712	2.71		Total	19 issues	37,279	1.74		Total	12 issues	36,753	1.67	

Source: NBF, FTSE Russell | Note: Relevant constituent securities as of 13-May-24; amount O/S & weight (in Universe) references "current holdings"; rest of month in summary section (bottom) of table refers to all other securities rolling out or rolling over on the other 26 days of Jun-24 (excl. 1st, 2nd, 15th, 18th); note that 1-Jun, 2-Jun & 15-Jun all fall on weekend in 2024; 18-Jun is a good business day in 2024



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