

2020-21 Debt Management Strategy Consultations Summary

Summary of Comments

Regular consultations with market participants are an essential component of the Government's ongoing commitment to a well-functioning Government of Canada securities market and an integral part of the debt management process.

In September and October 2019, the Department of Finance and the Bank of Canada held over 30 bilateral meetings with organizations in Toronto, Montreal and New York. These consultations sought the views of market participants on issues related to the design and operation of the Government of Canada's domestic debt program for 2020–21, as can be found at the following link:

<https://www.bankofcanada.ca/2019/09/debt-management-strategy-consultations-2020-21/>

The Department of Finance and the Bank of Canada value the comments provided by market participants. The comments received during the consultation period, which are summarized below, will be taken into consideration in the development of the *Debt Management Strategy for 2020–21*.

Treasury Bill Program

Market participants indicated that they are supportive of the higher treasury bill year-end target of \$151 billion for 2019-20 and that primary and secondary markets have been generally functioning well over the past year. Some commented that treasury bills have been trading through the overnight rate because, to respect some regulatory requirements, demand is strong for these products. Many noted that the strong demand for treasury bills also indicates that a higher year-end target could be well absorbed in the market.

Some participants raised that the inversion of the yield curve over the later part of the year caused some tightness in the 3-month tranche. Still, most opinions support the current allocation between the 3, 6 and 12 months treasury bill sectors as appropriate.

Bond Program

Consulted participants were supportive of last year's increased issuance in the 3-, 5- and 30-year sectors as the bond markets functioned well over the past year. However, there continues to be robust demand for longer duration products. Notably some tightness in the 30-year has been observed and many participants highlighted that with the recent inverted/flat yield curve, it may be beneficial to issue more long bonds both from a market and funding perspective.

As for the other sectors, participants noticed that the 5-year futures market has developed considerably over the year and has contributed to the liquidity of the 5-year sector. The 10-year sector continues to remain liquid with the support of the 10-year futures market. The 2-year sector remains well supplied and liquid.

Participants were also encouraged to provide responses to the questions set out in the Real Return Bond Consultations document, which can be found at the following link:

<https://www.bankofcanada.ca/2019/08/government-canada-real-return-bond-consultations/>

The summary of the RRB Consultations are published alongside this summary at the following link:

<https://www.bankofcanada.ca/wp-content/uploads/2020/03/gouvernement-canada-rrb-consultations-summary.pdf>

Miscellaneous

While most participants supported increasing issuance in the long bonds, they were divided on where to source the additional issuance. Some opined that the 3-year sector, being a small share of the market and in accordance with its fiscal buffer role, might be reduced to accommodate added issuance in the long sectors. Meanwhile, other participants felt that demand for the RRB sector has declined in the past years and some issuance in that sector could be re-allocated into the 30-year nominal sector where demand is strong. These participants added this might be beneficial as the expected cost is currently relatively high in the RRB sector compared to the nominal.

Market participants emphasized the usefulness of publishing a predictable and transparent Debt Management Strategy. They also expressed a strong preference that we continue providing information to the market in a timely fashion and communicate effectively if changes to the strategy are necessary during the year.