

# CORRA Review

CORRA Advisory Group Meeting  
April 27, 2021

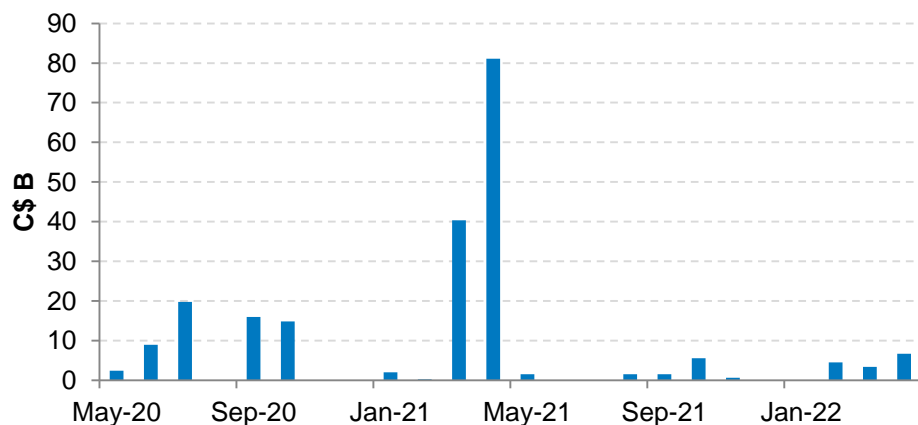
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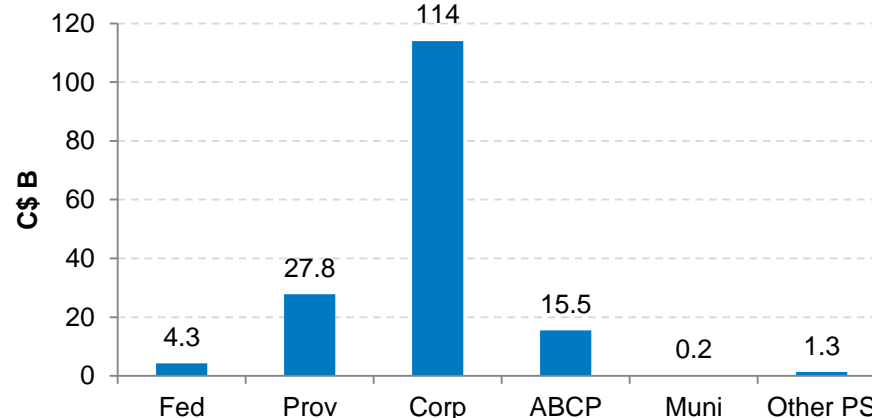
# Recap

- Since the last CAG meeting, CORRA has printed between the range of 0.20 to 0.15
  - Increased pressure on collateral at month-end/quarter-end (Japanese bank year end)
- BOC discontinued 'market functioning programs' March 23<sup>rd</sup>, 2021 including CPPP, PBPP, CBPP and the Term Repo operation will be suspended on May 10<sup>th</sup>, 2021
  - Immaterial impact given light usage of programs
- Speculation for CORRA to print higher post bulk maturities of BOC Term Repos (March-April) was quieted
  - ~17% of collateral provincial bonds; ~70% of collateral corporate bonds

**Term Repo Maturities**



**Total Term Repo by Asset Class**



- BOC's objective to achieve transparency and accurate representation of where GC trades has been well supported and has achieved increased market confidence
  - Additional information regarding errors (post publication) reporting as of April 6<sup>th</sup>, 2021 well received by derivatives markets
- BMO and RBC issued \$1B and \$500MM 1y FRN CORRA notes respectively

# Current

- Client activity
  - Reduced positions from leveraged community
  - Cash neutral trading persists; excess front end cash (LVTS ~300B)
  - International players very active in currency arb transactions from overnight to 3m terms
  - Term financing inquiries remain light
  
- Debt Management Strategy
  - Total bond issuance to decrease by \$88B, with all cuts targeted to 2s, 3s and 5s
  - 10yr + issuance will be 42% versus 29% last year
  - This dynamic forced QE conversation
  
- BOC Bank Meeting April 21<sup>st</sup>
  - Buy back reduction from 4B to 3B weekly, more clarity expected regarding proportionate vs targeted
  - No changes to SRO as of yet
  - Hawkish tone despite new/harsher covid restrictions
  
- Market Function
  - Steady CORRA print post March end at 0.17
  - Specials
  - Fails

C\$ blns	FY20/21	FY21/22	% change
<b>Tbills</b>	219	226	3%
<b>2y</b>	129	76	-41%
<b>3y</b>	56	36	-36%
<b>5y</b>	82	48	-41%
<b>10y</b>	74	84	14%
<b>30y</b>	32	32	0%
<b>RRBs</b>	1	1	0%
<b>Ultra longs</b>	—	4	—
<b>Green bonds</b>	—	5	—

Source: 2021 Federal Budget

# Ahead

- Persistent themes

- Front end cash balances to remain elevated

	2021-04-19	2021-04-20	2021-04-21	2021-04-22	2021-04-23	2021-04-26
Target (Available)						
Actual	292,797	298,548	299,130	306,381	304,222	

- SRO to remain key to the management of bond specials environment

Operation date	Maturity date	Maximum operation amount (\$M)	Total allocated amount (\$M)	Maximum Bid Rate
2021-04-26	2021-04-27	22,000	17,015	0.150
2021-04-23	2021-04-26	22,000	17,869	0.150
2021-04-22	2021-04-23	22,000	16,957	0.150
2021-04-21	2021-04-22	22,000	17,374	0.150
2021-04-20	2021-04-21	22,000	16,340	0.150

- Front end curve to remain flat through the year
- CORRA to continue to print sub target