SUMMARY OF THE DISCUSSION

Toronto, September 28, 2026, 4:00 p.m. to 5:30 p.m.

1. Recent bond market developments

Jason Williams, Co-head, G10 Rates Strategy Team, Citigroup, joined CFIF virtually and shared his assessment of recent movements in global yields, with a focus on the US Treasury market and the outlook for duration, inflation, and supply.

Mr. Williams characterized recent movement in global yields as mainly driven by recalibration of expectations of central bank actions. He noted that the September FOMC communication had increased uncertainty around the policy path and reduced the case for an immediate rally in yields in the long end. While US Treasury yields could stabilize after the recent repricing, he saw few near-term catalysts for a sustained rally.

He observed signs of a light buyer's strike and market dislocations, including weak Treasury auctions and a sharp cheapening at the 10-year point, which he associated in part with positioning unwinds. He also noted that the market was looking to the November refunding for possible reduction in long-end issuance.

Looking further ahead, he expected inflation dynamics to place a limit on the extent of further increases in longer-term yields. Based on historical comparisons with the 1999 and 2023 tightening episodes, his view was that a move materially above 5.5 per cent in the 10-year yield would be difficult to sustain, while the backdrop for duration could improve toward year-end or early 2027.

2. Update from FTSE Russell

Marina Mets, Managing Director at FTSE Russell joined CFIF in person and provided an update on developments affecting Canadian fixed-income benchmarks and related market products.

Ms. Mets reported that the FTSE Canada Bank Credit Spread Index Series, launched in June 2025, now supports the Montréal Exchange's FTSE Canada Bank Credit Index Futures. She noted that the infrastructure for the index is in place, and two quarterly roll cycles have been successfully completed. The next phase is focused on broader participation and liquidity.

CFIF members reiterated their strong support of the credit index futures initiative and believe this innovation is a positive development for the Canadian fixed income market.

Ms. Mets also reviewed the growing role of Maple bonds in the FTSE Canada Universe Bond Index. New Maple issuance has been eligible to be included in the index since January 2025, broadening credit exposure beyond domestic issuers. She noted that Maple bonds provide diversification to domestic corporate bond issuance both in terms of credit quality and sectors.

The discussion then turned to duration extension in the long federal bond market, a topic that was brought up in FTSE Russell's regular industry engagements. She pointed out that larger bond roll-downs and roll-outs of the index can produce noticeable extensions in index duration, with the effect most apparent around June 1 and December 1 because of Government of Canada issuance patterns. Ms. Mets noted that this is an inherent feature of the market and there is limited scope to make changes.

Members also discussed credit rating requirements for bonds eligible to be included in the index.

3. CIMPA update

The co-chair of the CIMPA Fail Fee Subgroup presented the fail fee best practice document and responded to comments previously raised by CFIF members on the draft best practices. CFIF endorsement was also sought on the repo valuation and pricing best practices document.

Subject to a minor adjustment and implementation preparedness suggestion, CFIF members endorsed both documents.

CIMPA co-chairs provided an update on the group's 2026 strategic priorities: accelerating adoption of the Canadian Collateral Management Service, advancing repo market modernization through CDCC Repo 2.0, and standardizing market practices relating to fail fees, repo valuation and Government of Canada securities settlement.

They reported that several deliverables had been completed, including the standardized CCMS settlement cut-offs, user-acceptance testing and a live trade for the Government of Canada general collateral basket, in addition to the best practices documents presented earlier. Work remained underway on onboarding cash providers and custodians to CCMS, launching bilateral NHA MBS general collateral baskets, finalizing principles-based guidance on repo haircuts, and expanding central-clearing participation and access.

The CORRA-based floating-rate BDN initiative had completed its legal, technical and operational requirements. However, the first implementation phase, involving manual interest-rate calculations, has been delayed to March 2027, while the second phase, involving automated calculations, was targeted for July 2027.

Meeting participants:

CFIF members:
Jim Byrd, RBC Capital Markets, Co-Chair
Nick Chan, BMO Capital Markets
Roger Casgrain, Casgrain & Company Limited
Karl Wildi, CIBC World Markets
Pablo Suarez, Citi Canada
TJ Sutter, Connor, Clark & Lunn Investment Management
Bronwyn Ward, CPP Investment Board
Philippe Ouellette, Fiera Capital
Inderjit Takk, iA
Jason Lewis, Ministry of Finance, Province of British Columbia
Chris Miller, National Bank Financial
Vinayak Seshasayee, PIMCO
Jason Cope, Polar Asset Management Partners
Elaine Lindhorst, TD Asset Management
Luc Fortin, TMX group

Item 1
Jason Williams, Citigroup

Item 2
Marina Mets, FTSE Russell

Bank of Canada:
Toni Gravelle, Co-Chair
Wendy Chan, Secretariat
Zahir Antia
Grahame Johnson
Stéphane Lavoie
Xuezhi Liu
Philippe Muller