



The Daily

Statistics Canada

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After accumulating \$21.4 billion of Canadian securities from February to May 2003, foreign investors reduced their holdings by \$1.1 billion in June. Meanwhile, Canadian investors continued to purchase foreign bonds but resumed their selling of foreign equities.

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NEW PRODUCTS

Data availability: CANSIM and publications

Due to the power failure in Ontario, readers may encounter delays in the availability of data on CANSIM, and in the release of publications referred to in today's edition of *The Daily*.



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MAJOR RELEASES

Canada's international transactions in securities

June 2003

After accumulating \$21.4 billion of Canadian securities from February to May 2003, foreign investors reduced their holdings by \$1.1 billion in June. They divested \$1.5 billion of debt instruments, but invested a small amount in Canadian stocks. Meanwhile, Canadian investors continued to purchase foreign bonds, but resumed their selling of foreign equities.

Pause in foreign investment in Canadian securities

Following the large foreign investment in Canadian securities from February to May primarily in Canadian bonds, foreign investors paused in June and reduced their holdings of debt instruments: \$1.1 billion of bonds and \$0.4 billion of money market instruments.

Through the combination of selling existing secondary-market bonds and the retirement of foreign-held Canadian issues, foreign investors reduced their holdings of federal government bonds by \$8.9 billion in June. This completely eliminated the \$8.6 billion they accumulated from January to May 2003.

This heavy divestment was partly offset by foreign purchases of new and existing issues of the federal enterprise sector totalling \$5.2 billion. Corporations were also active in the primary market, issuing \$4.8 billion of new bonds abroad, while retiring just \$1.6 billion of foreign-held debt.

On a currency basis, foreign investors reduced their holdings of Canadian-dollar bonds by \$4.5 billion. However, they increased their holdings of foreign-currency bonds by \$3.4 billion, mainly through new issues sold in the American market. Geographically, European investors contributed to June's reduction in foreign holdings, while some buying continued to come from Asia. American investment was flat for the second consecutive month.

Foreign investors reduced their holdings of Canadian money market instruments by \$0.4 billion in June, bringing to \$1.7 billion their divestment for the first half of 2003. A \$0.7 billion divestment split between provincial and corporate paper overshadowed a foreign investment of \$0.4 billion in federal treasury bills. This has been the pattern during the first half of 2003; foreign

Related market information

In June, short-term interest rates declined on both sides of the border. A nine-point drop in Canada, compared to a 15-point drop in the United States, resulted in the differential between the two countries rising by a further six basis points to 215 basis points. This continued to favour investment in Canada. Canadian rates closed June at 3.07%, still 112 basis points above their recent low of 1.95% in December 2001. By contrast, US rates continued to establish new recent historical lows by breaking below the 1.0% mark and closing June at a mere 92 basis points.

On the long-term side, the gap in favour of Canada narrowed to 99 basis points in June from 106 basis points in May. A 13-basis-point drop in Canadian rates to 4.37% was only partially matched by a six-basis-point drop in comparable American rates to 3.38%.

Canadian stock prices recorded their third consecutive monthly gain in June with an addition of 1.8%, bringing to an even 10.1% the three-month rise from April to June. The S&P/TSX composite index at 6983.1 at the end of June 2003 represents a 13.0% recovery from the recent low set in September 2002, and brings prices back to the level of June 2002. Similarly, American stock prices recorded their fourth consecutive gain, adding 1.1% in June for a cumulative rise 14.9% since March 2003. June's close of 974.5 on the Standard & Poor's composite 500 index represents a 19.5% recovery from its recent low also recorded in September 2002.

The stellar performance of the Canadian dollar continued in June with a gain of an additional 1.14 US cents against the US dollar, bringing the cumulated advance to nearly 11 cents, or 17.1%, in the first half of this year. June's close of 74.21 US cents is a level not seen by the Canadian dollar since January 1997.

The data series on international security transactions cover portfolio transactions in stocks and bonds (both Canadian and foreign issues) and Canadian money market instruments.

***Stocks** include common and preferred equities, as well as warrants. **Debt securities** include bonds and money market instruments. **Bonds** have an original term to maturity of more than one year. **Money market instruments** have an original term to maturity of one year or less. **Government of Canada paper** includes treasury bills and US-dollar Canada bills. **Other money market instruments** include treasury bills and other paper issued by other Canadian governments or their enterprises, bankers' acceptances, bearer demand notes of banks, commercial paper and other short-term paper.*

investors purchased a small \$0.4 billion of federal treasury bills, but sold off \$2.1 billion of a combination of provincial, federal enterprises and corporate paper.

The short-term interest rate gap which favours investment in Canada continued to grow in June, reaching 215 basis points. Short-term rates on both

sides the border continued falling. The US rate declined to a mere 92 basis points, while the Canadian rate fell to 307.

Foreign investors continue to purchase Canadian stocks, but at a reduced pace

Foreign investors purchased a small \$0.3 billion of Canadian stocks in June, following a more significant acquisition of \$2.2 billion in May. This was the third consecutive monthly investment, bringing to \$2.9 billion their total accumulation for the latest three months.

Foreign investors also bought \$0.7 billion of secondary-market equities, bringing to \$2.3 billion their investment in that market in the first half of 2003.

A \$0.3 billion divestment was recorded in other transactions when foreign investors tendered shares of a Canadian company involved in a takeover by a foreign direct investor. Canadian stock prices recorded their third consecutive monthly gain in June, adding 1.8%, and bringing to 10.1% the rise over the past three months.

Canadian investors resume selling stock, and continue buying foreign bonds

After purchasing foreign stocks for only the first time this year in May (\$1.3 billion), Canadian investors

resumed their selling (\$0.2 billion) in June. For the year to date, resident investors, led by mutual funds, have reduced their holdings of foreign stocks by \$2.2 billion, in sharp contrast to the same period in 2002 when Canadians purchased \$13.6 billion. The selling in 2003 was split roughly between US equities and overseas equities.

Canadian investors bought foreign bonds for a sixth consecutive month in June, adding \$0.6 billion to their holdings. This brought to \$6.3 billion their investment in the first half of 2003. June's investment was directed entirely to US treasury bonds.

Available on CANSIM: tables 376-0018 to 376-0029 and 376-0042.

The June 2003 issue of *Canada's international transactions in securities* (67-002-XIE, \$14/\$132) will be available soon. See *How to order publications*.

For more information or to enquire about the concepts, methods or data quality of this release, please contact Donald Granger (613-951-1864), Balance of Payments Division.

□

Canada's international transactions in securities

	March 2003	April 2003	May 2003	June 2003	January to June 2002	January to June 2003
	\$ millions					
Foreign investment in Canadian securities	6,783	5,003	4,900	-1,142	12,485	17,217
Bonds (net)	7,865	3,903	3,614	-1,096	9,920	16,280
Outstanding	1,902	1,764	1,886	-1,137	2,441	11,117
New issues	7,689	5,090	4,101	7,761	26,679	30,944
Retirements	-1,845	-3,432	-3,140	-6,180	-19,616	-26,135
Change in interest payable *	119	480	767	-1,540	415	354
Money market paper (net)	-704	665	-867	-390	1,649	-1,730
Government of Canada	299	1,125	-204	426	720	397
Other	-1,003	-460	-663	-817	929	-2,127
Stocks (net)	-378	435	2,153	344	916	2,667
Outstanding	-387	586	1,333	685	-1,407	2,283
Other transactions	8	-151	821	-342	2,323	384
Canadian investment in foreign securities	930	-1,073	-1,663	-411	-18,300	-4,062
Bonds (net)	-1,272	-1,670	-381	-614	-4,740	-6,269
Stocks (net)	2,202	597	-1,282	203	-13,560	2,207

* Interest accrued less interest paid.

Note: A minus sign indicates an outflow of money from Canada, i.e., a withdrawal of foreign investment from Canada or an increase in Canadian investment abroad.

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OTHER RELEASES

Steel wire and specified wire products

June 2003

Data on steel wire and specified wire products production are now available for June.

Available on CANSIM: table 303-0010.

The June 2003 issue of *Steel wire and specified wire products*, Vol. 58, no. 6 (41-006-XIB, \$5/\$47) is now available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (1-866-873-8789; 613-951-9497; manufact@statcan.ca), Manufacturing, Construction and Energy Division ■

Construction Union Wage Rate Index

July 2003

The Construction Union Wage Rate Index (including supplements) for Canada remained unchanged

in July, compared with the revised June level of 128.0 (1992=100). The Composite index increased 2.3%, compared with the revised July 2002 index.

Union wage rates are published for 16 trades in 20 metropolitan areas for both the basic rates and rates, including selected supplementary payments. Indexes on a 1992=100 time base are calculated for the same metropolitan areas, and are published for those where a majority of trades are covered by current collective agreements.

Available on CANSIM: tables 327-0003 and 327-0004.

The third quarter 2003 issue of *Capital expenditure price statistics* (62-007-XPB, \$24/\$79) will be available in December 2003. See *How to order publications*.

For more information, or to enquire about the concepts, methods, and data quality for this release, contact Rebecca McDougall (613-951-3357; infounit@statcan.ca, fax: 613-951-1539) Client Services Unit, Prices Division. ■

NEW PRODUCTS

Steel wire and specified wire products, Vol. 58,
no. 6, June 2003
Catalogue number 41-006-XIB (\$5/\$47).

All prices are in Canadian dollars and exclude sales
tax. Additional shipping charges apply for delivery
outside Canada.

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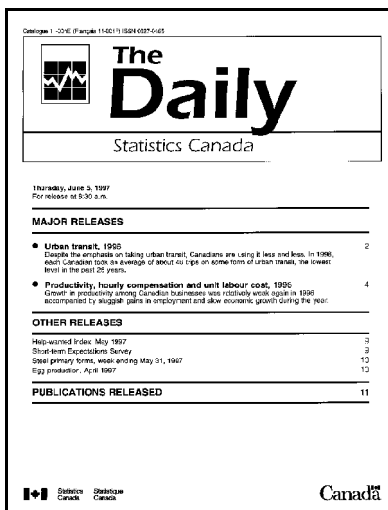
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