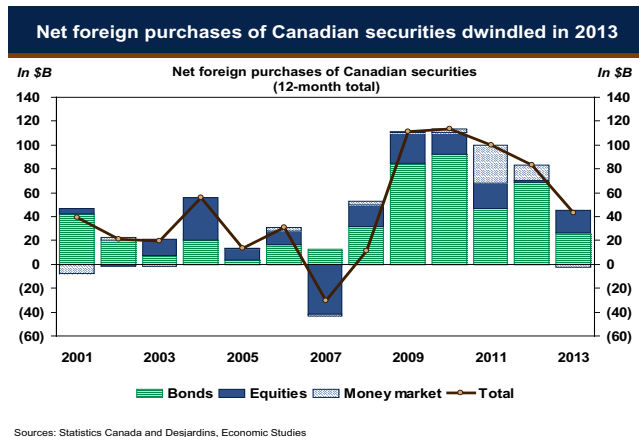


 **CANADA**

Renewed interest in Canadian equities confirmed

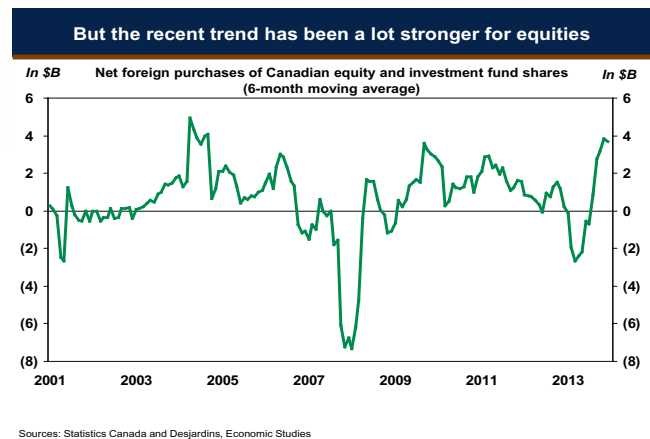
Last week, Statistics Canada released the figures on international securities transactions for December. Foreign investors reduced their holdings of Canadian securities by \$4.3B in the last month of 2013, confirming the sharp downtrend noted in recent quarters. After making total net purchases of more than \$100B from 2009 to 2011 and of \$83.2B in 2012, foreign investors snapped up only \$42.8B in Canadian securities throughout 2013.



This noteworthy decline in Canadian securities purchases by foreigners may have contributed to weakening the loonie. Looking at the composition of purchases, we noted however that this decline is only due to government debt securities. The marked improvement in Canada's public finances, especially at the federal level, has sharply reduced the need for governments to seek financing.

This downtrend in foreign bond purchases has been noted for some time. The strong recovery in the net foreign purchases of Canadian equities is however an interesting development. From a tad less than \$1B in 2012, foreign purchases soared to almost \$19B in 2013. Moreover, these purchases were made for the most part in the last few months of the year, as the six-month trend in foreign

purchases of Canadian equities shows. We would have to go back about 10 years, when commodity prices were surging, to see such a strong trend.



Implications: After dragging its heels for the past few years, Canada's stock market has outperformed most other markets in the past few months. That this performance does not rely solely on stronger demand from Canadian investors is an encouraging sign. Foreigners are also showing renewed interest in Canadian companies. If the global economy gains traction as expected in 2014, demand for commodities should firm up, and Canada's stock market could continue to perform well.

Mathieu D'Anjou
Senior Economist

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Senior Director and Deputy Chief Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

Mathieu D'Anjou
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

Jimmy Jean
Senior Economist

Hendrix Vachon
Senior Economist

NOTE TO READERS: The letters **K**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.
IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2014, Desjardins Group. All rights reserved.