Making a difference...together

Appendix A

Market Analysis

Applies to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

In 2020, the Bank of Canada reacted to the COVID-19 global pandemic by dropping its key overnight rate three times in March 2020, from 1.75% to 0.25%. These moves decreased the prime rate as well as the rate offered on cash deposits with the CRD's primary bank, the Royal Bank of Canada (RBC). For most of 2020, both the short term high-interest savings accounts and short term GICs were offering competitive returns when compared to long-term GICs. The table below presents key indicator rates at December 31 for the period 2018 to 2020:

Table A1: Indicative Market Rates 2018 to 2020

Rate	2018	2019	2020
Bank Of Canada – Overnight Rate	1.25% - 1.75%	1.75%	0.25% - 1.75%
HISA	1.96% - 2.46%	2.46%	0.80% - 1.06%
RBC – Bank Rate	1.70% - 2.30%	2.30%	0.80% - 2.30%
Fixed GIC – 180 day /1 Year (sample)	1.57% / 2.68%	1.68% / 2.30%	0.92% / 1.24%

Investment Marketplace

Throughout 2020, HISA rates were highly competitive compared to fixed term GIC products. In many cases, HISA returns were higher than maturities up to terms as long as four (4) years.

On January 28, 2020, the MFA introduced a new pooled investment fund, called the MFA Mortgage Fund, which invests in existing PH&N pooled fund products, providing investment exposure to commercial investment grade mortgages.

On May 4, 2020, the MFA introduced a Fossil Fuel-Free Bond Fund (FFF). The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing, and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund. Both offerings are responses to demand from local government and both offer the same liquidity and pooled structure as the existing MFA investment offerings.

Staff will assess investment placements in these two new MFA pooled funds in the future, for the CRD, the CRHD, and the CRHC, as the need to place long-term funds arises.