

# DANMARKS NATIONALBANK

3 APRIL 2018

## PORTFOLIO INVESTMENTS, FEBRUARY 2018

# Foreign investors own more mortgage bonds with long maturity

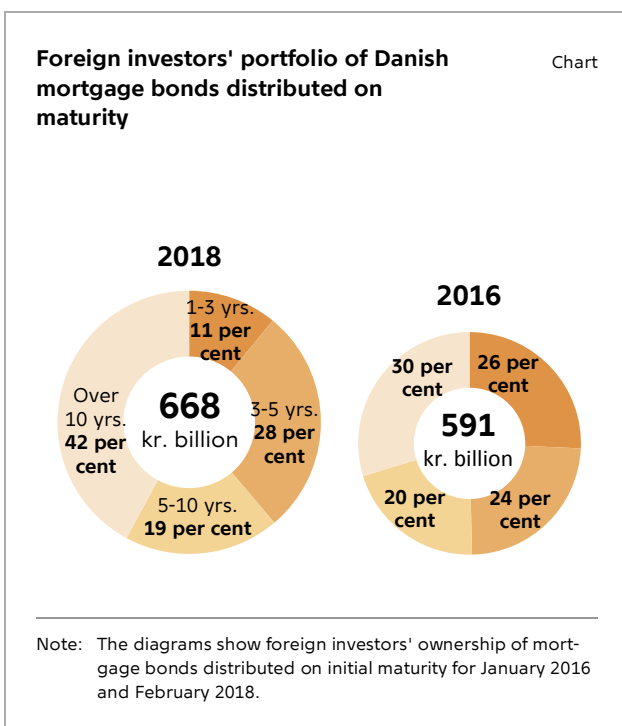
Foreign investors' total portfolio of Danish mortgage bonds reached kr. 668 billion by the end of February 2018.

Mortgage bonds with long maturity constituted the majority of foreign investors' portfolio of Danish mortgage bonds, equivalent to 42 per cent. Mortgage bonds with short maturity made up 11 per cent of the foreign investors' portfolio.

Foreign investors thereby hold the same composition of maturities on mortgage bonds as Danish investors. This has not been the case previously, where foreign investors have been more interested in Danish mortgage bonds with short maturity.

Since the beginning of 2016, foreign investors had primarily invested in fixed rate mortgage bonds with long maturity. Until February 2018, mortgage banks have increased the total outstanding amount of fixed rate long mortgage bonds with kr. 151 billion. Foreign investors' portfolio has increased by kr. 114 billion, while the portfolio of Danish investors has increased by kr. 36 billion. This type of bond is generally more sensitive to interest rate changes relative to bonds with shorter maturity.

By the end of February 2018, a 1 per cent increase in interest rate would lead to an estimated decline of kr. 18 billion in the value of foreign investors' portfolio of Danish fixed rate mortgage bonds. Foreign investors can hedge interest rate sensitivity with financial instruments. However, losses due to price fluctuations are only realised if the bonds are sold.



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