

DANMARKS NATIONALBANK

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Fixed rate mortgage bonds are attractive for foreigners

Foreign investors owned Danish fixed rate mortgage bonds for kr. 295 billion at the end of July 2018. This corresponds to 29 per cent of the total amount of the bonds. Foreign investors' interest in these bonds has been steadily increasing since the beginning of 2016 where they owned for kr. 154 billion, corresponding to 18 per cent.

Foreigners' total holdings of mortgage bonds (fixed rate, bonds backing interest rate adjustment loans, and variable rate) amount to kr. 614 billion, corresponding to 23 per cent of the total outstanding amount. The owner share is approximately the same

as at the beginning of 2016 while foreign investors' holdings have increased by kr. 27 billion.

The foreign investors' interest in Danish mortgage bonds contributes to ensuring a broad demand for mortgage bonds. This may underpin the price of the bonds and thus make borrowing cheaper.

Danmarks Nationalbank does not have information about foreign ownership of Danish securities distributed on investor country. However, data from the Japanese central bank show that Japanese investors have bought long-term Danish non-government bonds amounting to around kr. 50 billion in the period 2016 to June 2018.

The Japanese investors' interest in Danish mortgage bonds should be seen in the light of the Japanese central bank's purchase of Japanese bonds. This purchase has reduced the effective supply of bonds and put a downward pressure on the Japanese interest rate level, and the interest rate on e.g. 10-years Japanese government bonds is close to zero.

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