

DANMARKS NATIONALBANK

29 JANUARY 2019

PORTFOLIO INVESTMENTS, DECEMBER 2018

Large purchase of foreign portfolio assets in 2018

In 2018 Danish investors purchased foreign portfolio shares and bonds totalling kr. 115 billion; the largest purchase since 2014. The foreign portfolio assets amount to kr. 3,020 billion corresponding to 138 per cent of the gross domestic product, GDP.

Danish investors predominantly purchased shares in 2018. This has also been the case over the last decade. Today portfolio shares constitute 61 per cent of total portfolio investments compared to 36 per cent ten years ago.

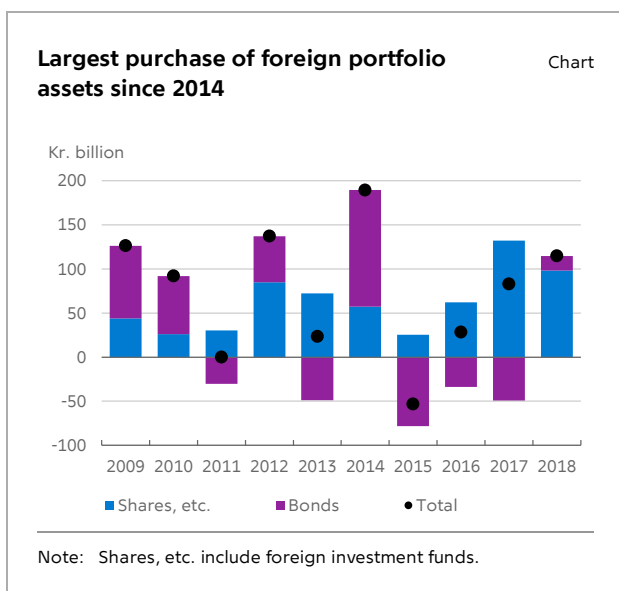
The insurance and pension sector, I&P¹, owns a large part of the foreign portfolio assets, i.e. kr. 1,839 billion, of which shares also constitute 56 per cent. Only a couple of years back the sector had about an

equal amount of shares and bonds. The shift towards shares reflects among other things the low level of interest rates and the larger prevalence of pension schemes with market rate products.

However, it is not possible to get the full picture of I&P's exposure to shares from Danmarks Nationalbank's data alone. I&P also use financial derivatives, e.g. stock futures, to manage the exposure to shares.² Stock futures are applied both for hedging and investment purposes at lower costs than direct purchase and sale. On the other hand direct ownership of shares gives the owners the possibility of influencing the company.

Danmarks Nationalbank has data of I&P's use of financial derivatives to hedge foreign exchange risk. I&P hedge 69 per cent of their dollar assets e.g. by applying foreign exchange forwards which are agreements to purchase and sell foreign exchange at a fixed rate on a future date. The hedging of the dollar exposure has decreased from around 80 per cent a couple of years ago. Euro assets are 18 per cent hedged and other currencies 46 per cent.

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¹ Including the investments made through Danish investment funds.
² A stock future is an agreement to purchase or sell a share or a stock index at a fixed price on a future date.