DANMARKS NATIONALBANK

PORTFOLIO INVESTMENT, OCTOBER 2019

Foreign investors maintain a large share of Danish mortgage bonds

In 2019, foreign investors bought many Danish 30-year mortgage bonds with a coupon rate of up to 1.5 per cent. They now own bonds with a low coupon rate for kr. 197 billion, corresponding to 41 per cent. The purchases should be seen in the light of the fall in market interest rates during the period and the refinancing boom which contributed to pre-payment of many of the foreign investors' existing bonds with higher coupon rates. Foreign ownership of all 30-year mortgage bonds is largely unchanged at approximately 37 per cent.[1]

Foreign investors own fewer bonds with high coupon rates

A large share of the foreign investors' holdings of 30-year mortgage bonds with a coupon rate down to 2 per cent has been sold or prepaid in connection with the refinancing boom in 2019. The foreign investors have reduced their ownership share of these by 5 percentage points in 2019 to just under 33 per cent in October.

### Large acquisition of the new bonds with low coupon rates

In the first 10 months of 2019, foreign investors bought mortgage bonds with a coupon rate of up to 1.5 per cent for a total of kr. 190 billion. The large purchase, combined with the reduction in bonds with high coupon interest rates, has all else equal reduced foreign investors' exposure to future extraordinary redemptions.

Institutional investors

Foreign investors are largely institutional investors, e.g. foreign pension funds seeking returns in a low interest rate environment. Danmarks Nationalbank does not have information broken down by countries but international statistics indicate that especially Japanese and European investors own the Danish 30-year fixed-rate mortgage bonds.

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Foreign investors' net purchase of 30-year convertibles totalled kr. 67 billion in 2019
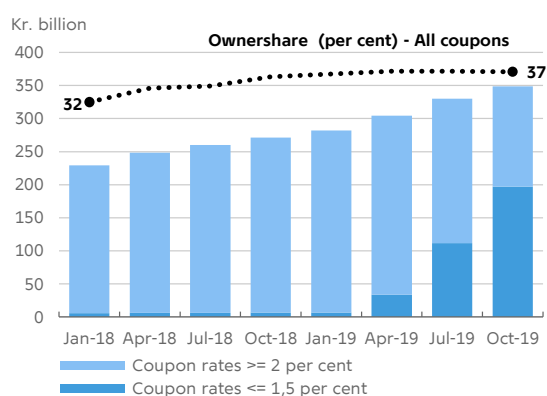
Note: Danish convertible fixed-rate 30-year mortgage bonds. The group's own holding of mortgages is not included.

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[1] The ownership of foreign investors is most accurate in the months January, April, July and October each year. Therefore, only figures and accumulated transactions for these months are used.