

DANMARKS NATIONALBANK

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Fixed rate mortgage bonds are popular abroad

Foreign investors continue to buy fixed rate mortgage bonds. In the last three months foreign investors have bought fixed rate mortgage bonds for kr. 11 billion. Foreigners now own 31 per cent of these bonds.

In particular, foreign investors have bought 30-year 2 per cent bonds which were introduced at the beginning of 2015. These bonds constitute the predominant part of new issuances of fixed rate mort-

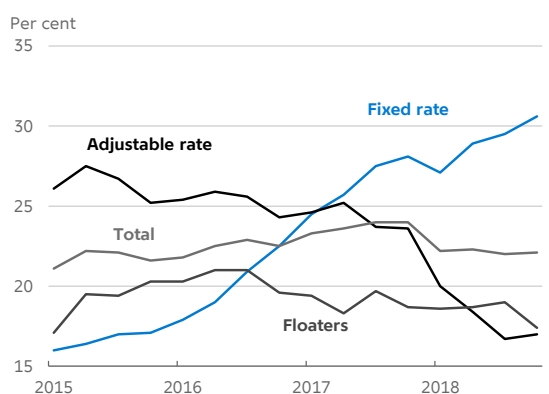
gage bonds. Foreign investors own 40 per cent of these bonds.

According to data from Bank of Japan, Japanese investors have bought Danish bonds for a significant amount since 2016. The purchase has continued in recent months. The low interest rate level with a 10-year government bond interest rate close to zero means that Danish 30-year mortgage bonds with an interest rate close to 2 per cent may be attractive for Japanese investors, also after hedging the foreign exchange exposure. Typically, foreign investors in Danish bonds denominated in kroner hedge the foreign exchange exposure.

On the other hand, foreign investors have reduced their holdings of short-term mortgage bonds financing interest rate adjustment loans. The interest rates on these bonds are closer to the Danish monetary policy rate which is low both in a historical and international perspective.

Today, foreign investors own mortgage bonds for kr. 651 billion, corresponding to around 22 per cent of the total amount outstanding. 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 for Danish borrowers.

Increasing proportion of foreign owners of fixed rate mortgage bonds Chart



Note: Fixed rate mortgage bonds, bonds financing adjustable rate mortgages and mortgage bonds floaters. Data for January, April, July and October. New and improved data for the Danish investment fund sector since January 2018 mean a downward adjustment of the foreign ownership share compared to previously.

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