

DANMARKS NATIONALBANK

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Foreign investors continue to buy fixed-rate mortgage bonds

Foreign investors continue to buy fixed-rate mortgage bonds and owned for kr. 345 billion at the end of January, corresponding to an ownership of 32 per cent. This is triple the level of 2012, when foreign purchases of fixed-rate mortgage bonds took off.

Over a longer period of time, foreign demand for mortgage bonds has been characterised by financial crises and central bank purchases. The foreign interest in Danish mortgage bonds declined in connection with the financial crisis, where foreign investors generally withdrew from small currencies. Foreign demand for Danish mortgage bonds again began to

rise in connection with the sovereign debt crisis in parts of the euro area. The crisis generated increased demand for bonds of high credit quality outside the euro area, including Danish papers, which were considered *safe haven*.

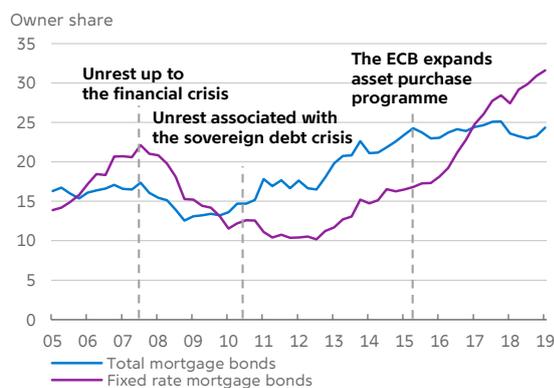
The foreign ownership-share of fixed-rate mortgage bonds has risen since 2015. Central banks' asset purchase programmes have reduced the effective supply of bonds with high credit quality. Thus, the ECB expanded its programme in early 2015 and the Bank of Japan in 2016. The euro area stock of Danish mortgage bonds has been increasing since 2015, and the Japanese investors' purchases took off in 2016.

Foreign investors have especially bought fixed-rate 30-year bonds, especially 2 per cent bonds, of which they now own 42 per cent. Foreign investors own 15 per cent of the 30-year 1.5 per cent bonds.

Foreign investors, on the one hand, contribute to a larger investor base which can contribute to cheaper loans for loan takers. On the other hand, dependence on foreign investors can increase market fluctuations in times of crisis if they seek back to their home markets.

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Foreign investors continue to increase their ownership of fixed-rate mortgage bonds Chart



Anm.: Quarterly data. Financial turmoil up to the financial crisis began in August 2007. Turbulence in connection with the sovereign debt crisis is set to May 2010, when the IMF and the EU agreed on an aid package for Greece. The ECB's asset purchase programme expanded in March 2015.