

DANMARKS NATIONALBANK

3 SEPTEMBER 2021

INSURANCE AND PENSION, 2ND QUARTER 2021

Bonds account for less in pension investments

The insurance and pension sector's total investments consist of fewer bonds than before. Since the corona lock down in March 2020, the share of bonds in the portfolio has decreased from 58 per cent to 51 per cent in June 2021.

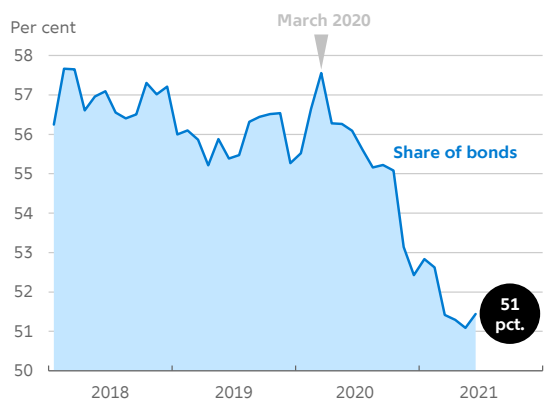
The smaller share of bonds is due to a large increase in the value of stocks, but also due to the sector having invested less in bonds than in other assets such as stocks. Since March 2020, the return on stocks has been kr. 351 billion, while bonds have generated a negative yield of kr. 59 billion. In the same period, the sector purchased kr. 125 billion worth of stocks, while purchasing kr. 69 billion worth of bonds.

Changes in composition of investments

The decrease in the share of bonds has either happened as a result of decisions made by the individual insurance and pension company or as a result of financial market developments. Each company continuously decides how to compose their investment portfolios of stocks, bonds, etc., as they come up with investment strategies. But the companies may choose to (briefly) deviate from the planned portfolio composition as the markets develop in order to, e.g., utilise market-related possibilities.

The smaller share of bonds in the pension investments may cause more fluctuations in the returns over time, as stocks, e.g., make up a higher share.

The insurance and pension sector's share of bonds has decreased sharply since March 2020



Note.: Share of bonds in the total investments of Danish insurance and pension companies since January 2018. Danish investment funds are being looked through, such that their allocation of stocks, bonds, etc. is visible. The measure is based on market values. Find chart data [here](#).

The companies have sold foreign government bonds

Since the corona lock down in March 2020, the companies have sold foreign government bonds, including especially Italian and Spanish bonds as well as American and German. The sector's share of foreign government bonds has decreased from 14 per cent in March 2020 to 12 per cent in June 2021. In total, they have sold kr. 16 billion worth of foreign government bonds, while having purchased kr. 9 billion worth of Danish government bonds and kr. 52 billion worth of Danish mortgage credit bonds.

At the same time, the companies have purchased kr. 24 billion worth of other bonds, but their share of investments has decreased from 12 per cent to 11 per cent in the same period. Especially US corporate bonds and bonds issued by EU institutions have been purchased.

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