

DANMARKS NATIONALBANK

30 JULY 2021

INVESTMENT FUNDS, 2ND QUARTER 2021

Large-scale purchase of investment fund shares

Danish households' purchase of Danish investment fund shares is gaining momentum. Since August 2020 alone, households have purchased kr. 32 billion worth of investment fund shares.

A reaction to negative deposit rates

There are indications that some household customers have reacted to the prospects of negative deposit rates by buying investment fund shares¹. Other circumstances, such as spending constraints during the corona lockdown, could also have added to the considerable increase in the purchase of investment fund shares. As of 1 August 2020, 16 of the largest Danish banks had implemented thresholds for when

negative interest rates kick in for household customers. Since the turn of the year, several of the largest banks have further lowered these thresholds.

Added purchase in stock and mixed funds

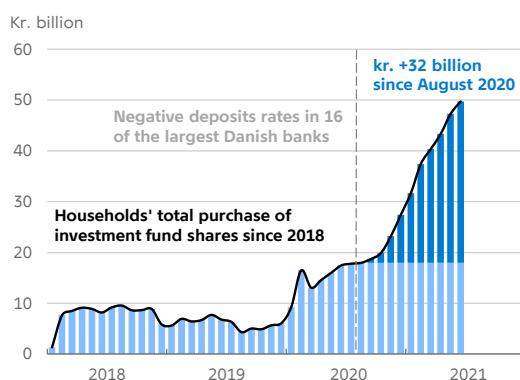
The significant purchase of investment fund shares since August 2020 has been dominated by purchases in stock funds and funds, investing in both stocks and bonds (so-called mixed funds). Kr. 21 billion worth of investment fund shares in mixed funds, kr. 10 billion in stock funds, and kr. 1 billion in bond funds have been purchased.

More risk since 2018

Since January 2018, households' wealth in investment funds has to a greater extent been invested in riskier funds. The share of the wealth invested in bond funds (typically associated with lower risk) has been reduced, while the share invested in funds investing in stocks has increased. The share of households' wealth invested in low risk² has decreased by 11 percentage points, while the share invested in medium and high risk has increased by 4 and 7 percentage points, respectively. In June 2021, the wealth in low risk constitutes 6 per cent of the total wealth of kr. 424 billion, while the wealth in medium and high risk constitutes 75 and 19 per cent, respectively.

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Considerable increase in the purchase of investment fund shares since August 2020



Note: Danish households' accumulated net purchase of investment fund shares. Data covers Danish investment funds, regulated by the Danish Investment Associations etc. Act (i.e. UCITS). Households include private Danes and exclude sole proprietorships. Find chart data [here](#).

¹ See Mandsberg, Otte and Spange (2021), The response of household customers to negative deposit rates, Danmarks Nationalbank ([link](#)).

² The risk ratings are constructed using the synthetic risk indicator (SRRI), which indicates risk on a scale of 1 (lowest) to 7 (highest) and measures the risk based on the variation in returns of previous years. "Low risk" covers 1-2, "medium risk" covers 3-5 and "high risk" covers 6-7. The lowest category is not synonymous with risk-free investment. The SRRI scale does not take unpredictable events into account.