

DANMARKS NATIONALBANK

28 SEPTEMBER 2020

PORTFOLIO INVESTMENTS, AUGUST 2020

Large purchases of foreign bonds and stocks from April to August

From April to August, Danish investors have purchased foreign bonds for kr. 86 billion and foreign stocks incl. investment funds for kr. 108 billion.¹ The purchase occurred after the significant sale of foreign securities in March where closures and uncertainties caused a large decline in prices on global stock markets.

Especially banks purchase foreign government bonds

In the period April – August, Danish investors have purchased a total of kr. 27 billion government bonds. Banks are the primary buyers, including kr. 13 billion in German and French government bonds with a maturity under a year. Banks also typically purchase

short-term government bonds in Denmark.

Danish investors own foreign government bonds for kr. 708 billion. Insurance and pension companies own a major part of the foreign government bonds, primarily long-term bonds, which are used to hedge the companies' guaranteed pension obligations.

Although yields on government bonds are generally low, they can be attractive investments. Typically, they have low credit risk, and therefore they can contribute to risk-diversification in the overall portfolio. Thus, bond prices often rise during periods when stock prices fall.

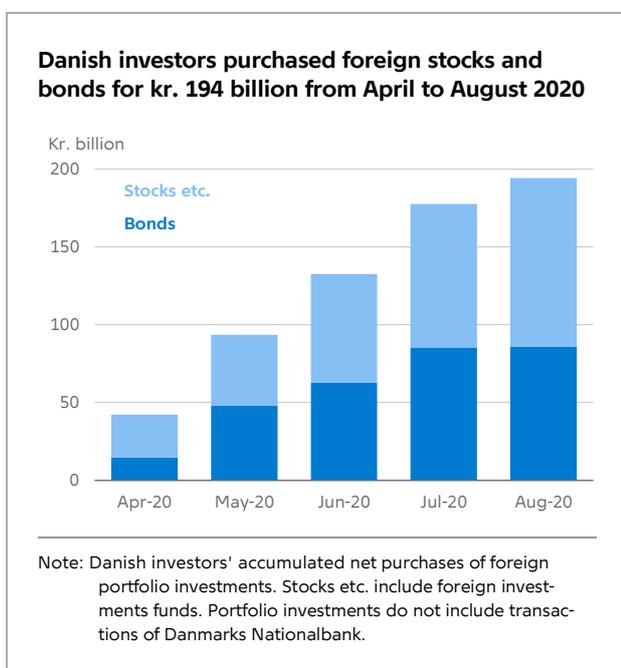
Continued purchase of foreign stocks

In the wake of the large price declines in the global stock market indices in March, Danish investors have purchased large amounts of foreign stocks incl. investment funds. As of April, Danish investors have purchased US stocks for kr. 49 billion. American technology stocks still constitute the majority of Danish investors' foreign shares.

Foreign stocks and bonds for kr. 3,762 billion

At the end of August 2020, Danish investors' foreign portfolio investments amounted to kr. 3,762 billion, of which bonds amount to kr. 1,489 billion, and stocks incl. investment funds amount to kr. 2,273 billion.

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¹ Both listed and unlisted stocks.