

DANMARKS NATIONALBANK

28. SEPTEMBER 2020

SECURITIES, AUGUST 2020

Large sale of Danish government securities during the corona crisis

On the behalf of the Danish government, the Danish central bank has net sold government securities for kr. 260 billion since March. Foreign investors have increased their holdings by a total of kr. 154 billion while domestic investors have increased their holdings by the remaining kr. 106 billion.

The sale of government securities is based on the Danish government's need to cover the cost of the financial support packages used to cushion the economic consequences of covid-19 for businesses and households.

Foreigners buy short-term government securities

Most of the sale, 67 pct., is in securities with a short maturity, i.e. treasury bills in kroner and commercial papers in foreign currency. The main reason is that the government has short-term financing needs as a result of transitory liquidity shifts

Commercial papers are sold abroad and are predominantly bought by foreign investors. The government use these both to adjust the foreign exchange reserve and as part of their liquidity contingency. In order to minimize currency exposure, it is swapped into euros.

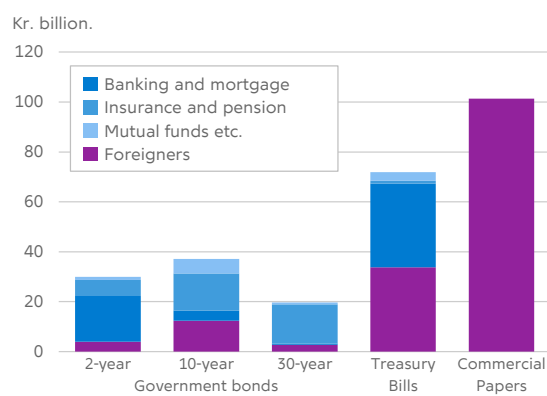
Both foreign investors and financial institutions have a strong interest in Danish treasury bills. Treasury bills are e.g. used to manage liquidity in banks. Therefore, the return on similar investments, e.g. the Danish central bank certificates of deposits, affects the demand of treasury bills.

Danish investors' buy government bonds

The insurance and pension sector has particularly bought long 10- and 30-year government bonds to hedge their long-term pension obligations. On the other hand, the banking and mortgage sector have bought 2-year government bonds. Since March, Danish investors have bought a net total of 2/3 of the government securities issued in kroner.

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Since march, foreign investor have in particular bought short-term government securities



Note: Accumulated net transaction of government securities issued from march to august. Insurance and pension incl. their capital funds.