

DANMARKS NATIONALBANK

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Low coupon rate for more than half of the fixed-rate mortgage bonds

The 30-year fixed-rate convertible mortgage bonds amount to kr. 941 billion, of which 51 per cent in October have a coupon rate of 1.5 per cent or less. The trend towards bonds with lower coupon rates continues in the beginning of next year as more Danes will convert their mortgages into a loan with a lower coupon rate in January 2020.

The fixed rate with a low coupon rate is attractive

The increase in the 30-year fixed-rate coupon bonds with low coupon rate is linked to a fall in interest rates and the subsequent conversion wave. To this

end, several Danes have also chosen to take out a larger loan in their houses. In total, fixed-rate 30-year bonds have increased by kr. 174 billion in 2019.

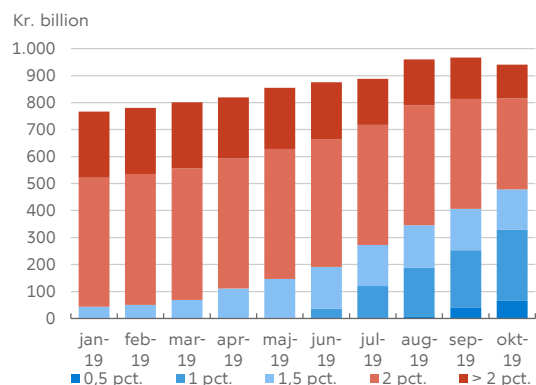
The institutional investors are buying

The main buyers of the new mortgage bonds are domestic and foreign institutional investors, mainly the insurance and pension sector. In particular, they buy mortgage bonds to obtain duration in their investment portfolio to secure long-term pension obligations. The domestic insurance and pension sector and foreign investors own for kr. 331 billion kr. 349 billion respectively in October 2019.

The conversion wave continues

The volume of conversions in October was record high, as mortgage bonds worth kr. 185 billion was early redeemed. By comparison, bonds worth kr. 111 billion were redeemed in July. It is already known that bonds worth kr. 184 billion are to be early redeemed in January next year. The total conversion volume since July amounts to just under kr. 500 billion. Almost all is in 30-year fixed-rate mortgage bonds.

Conversion wave in 2019 implies the coupon rate typically is low on 30-year fixed-rate bonds



Note: 30-year fixed-rate convertible mortgage bonds. Excluding ownership of own bonds on group level.

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