

DANMARKS NATIONALBANK

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30-year fixed-rate mortgage bonds exceed kr. 1,000 billion

In January 2021, the total outstanding volume of 30-year fixed-rate callable mortgage bonds amounted to kr. 1,037 billion, which is an increase of kr. 138 billion compared to last year. There has been a clear shift towards mortgage bonds with lower coupon rates in connection with falling interest rates and refinancing of mortgages. As a result, the share of bonds with a coupon rate of 1 per cent or lower has increased from 49 per cent to 71 per cent since January 2020.

Bonds with a coupon rate of 1 per cent predominate the Danish market at kr. 602 billion. Bonds with a

coupon rate of 0.5 per cent represent a smaller amount at kr. 133 billion. The fall in interest rates in January 2021 briefly closed the issuance of mortgage bonds with a coupon rate of 1 per cent, meaning that it was temporarily only possible to choose a mortgage loan with an underlying coupon rate of 0.5 per cent. For the Danes who accepted this loan, their interest payments will be lower, but they will have a considerable capital loss.

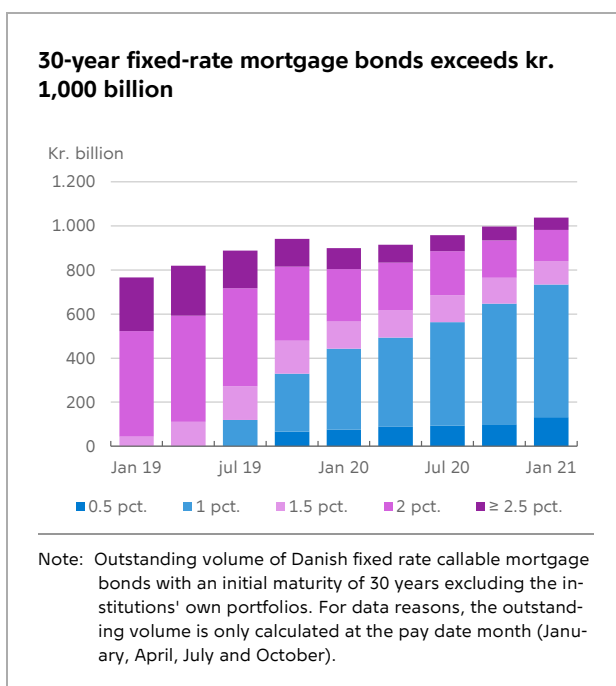
Refinancing totalling kr. 63 billion in January 2021

For the upcoming April 2021 pay date, fixed rate loans totalling kr. 63 billion have been redeemed. It is in line with the previous pay date, but still not as high as the level in 2019.

The level of refinancing depends on whether the loan restructuring is beneficial to the borrower. Firstly, the spread between the loans' interest rate and the refinancing rate has to be sufficiently large, and secondly the outstanding loan debt has to be sizeable. Thus, primarily loans with underlying coupon rates of 1.5 per cent and 2 per cent have been refinanced. For the majority of these loans, the outstanding debt exceeds kr. 1 million.

Institutional investors hold most mortgage bonds

Foreign investors' ownership of Danish mortgage bonds has been stable around 40 per cent in the past year. The remaining part is mostly owned by the insurance and pension sector (33 per cent) and investment funds (16 per cent).



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