

# DANMARKS NATIONALBANK

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SECURITIES, JULY 2021

## Increase in 30-year mortgage bonds with 1.5 per cent interest rate

The total value of 30-year fixed-rate mortgage bonds with a coupon interest rate of 1.5 per cent reached its highest level ever in July with kr. 165 billion. However, bonds with a coupon rate of 1 per cent still dominate with a total value of kr. 641 billion.

### Increase in 1.5 per cent; decrease in other coupons

From end-April until end-July, the value of 30-year bonds increased by kr. 32 billion. Bonds with a coupon rate of 1.5 per cent contributed positively with kr. 53 billion while all other coupon rates contributed negatively. Thus, the typical mortgage loan

raised by the Danes in this period has had an interest rate of 1.5 per cent. This may be due to the fact that the difference between face value and market value for loans issued in the alternative 1 per cent bond became larger as market interest rates on long-term mortgage bonds rose during the first half of 2021.

### Lowest conversion amount in more than five years

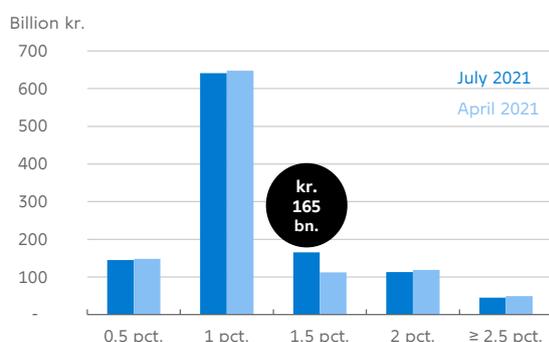
Data from the mortgage credit institutes show that there is no prospect of major movements in the 30-year bonds by the next conversion term in October. By the deadline for early redemption of mortgage loans at the end of July, only loans for around kr. 15 billion had been redeemed. This is the lowest amount since April 2016.

The lower activity may be partly due to many loans with relatively high coupon rates already being converted. In addition, rising market interest rates mean that, seen in isolation, it will be less attractive for Danes to refinance their mortgage loans to new loans with a lower interest rate.

### The I&P sector and foreign investors buy the bonds

The Danish insurance and pension (I&P) sector and foreigners are the largest investors in 30-year fixed-rate mortgage bonds. The share owned by the I&P sector has risen from 35 per cent to 37 per cent, while foreign investors' share has been stable around 38 per cent.

**The value of 30-year fixed-rate 1.5 pct. coupon rate mortgage bonds increases to 165 billion kr.**



Anm.: Outstanding nominal value of Danish 30-year fixed-rate convertible mortgage bonds excluding own holdings at group level. Find chart data here ([link](#)).

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