

# DANMARKS NATIONALBANK

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## Foreign ownership of 30-year mortgages declines

Foreign investors' holdings of 30-year fixed-rate callable mortgage bonds have declined from 41 per cent to 37 per cent since mid-2020. The decline is counteracted by the fact that their ownership share of other fixed-rate callable mortgage bonds has increased from 17 per cent to 20 per cent in the same period. Thus, the total foreign ownership share is largely unchanged at around 26 per cent. This corresponds to foreign investors owning Danish mortgage bonds for approximately kr. 800 billion at the end of October.

The reduction in the foreign ownership share of 30-year fixed-rate mortgage bonds has largely been offset by an increase in the Danish insurance and pension sector's ownership share. Conversely, foreign

investors have increased their ownership share of other fixed-rate mortgage bonds by buying new issues of 20-year mortgage bonds with a coupon rate of 0.5 per cent.

### Total share stable but changed composition

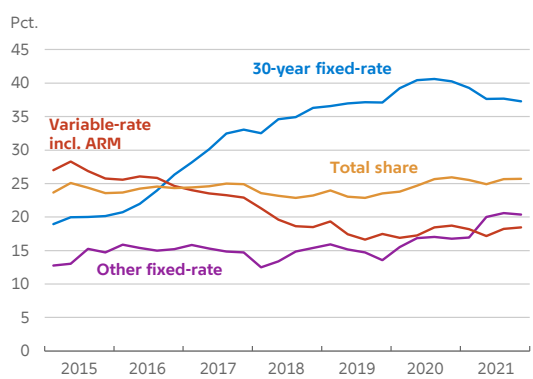
The foreign ownership share of Danish mortgage bonds has been fairly stable at around 25 per cent since 2015. Nevertheless, there have been relatively large changes in foreign investors' ownership share of various types of mortgage bonds. Thus, their ownership share of 30-year fixed-rate mortgage bonds grew by as much as 18 percentage points until October 2021. Conversely, their ownership share fell by 9 percentage points for variable-rate mortgage bonds (including adjustable-rate mortgage bonds, ARM).

### From variable to fixed-rate mortgage bonds

Foreigners' increased demand for fixed-rate mortgage bonds since 2015 must, among other things, be seen in the light of foreign central banks' purchasing programmes that have reduced the availability of other long-term bonds with high credit quality. For example, the European Central Bank expanded its purchase programme in early 2015.

Foreigners' reduced demand for variable-rate mortgage bonds coincides with Danish short-term interest rates decreasing significantly and becoming negative in 2015. It is not only interest rates that determine the investment decision. Foreign investors will typically hedge their currency risk from investments in Danish bonds, and the currency hedging can either increase or decrease the total return for the foreign investor.

**Foreign ownership share of 30-year fixed-rate mortgage bonds has declined since mid-2020**



Note: The data is excluding the institutions' own holdings. Fixed-rate non-callable mortgage bonds are excluded from the chart, but are included in the total ownership share. The calculations of foreign ownership share are most accurate in the term months, which are January, April, July and October. Therefore, only data for the term months are used in the chart. Find the chart data here ([link](#)).

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