Foreign investors want carry, but also government bonds

Ownership distribution – July

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Marketing communication

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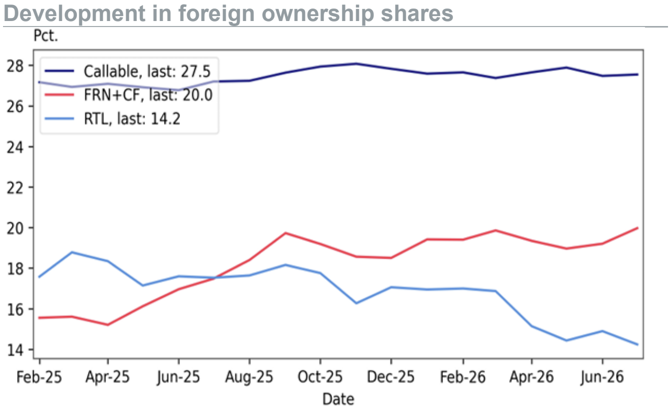
- Foreign holdings of bullets and FRNs ticked down in July, but foreign investors still show interest in the long end of the curve
- Foreign ownership share of callables was largely unchanged in July
- Foreign investors continued to buy Danish government bonds, increasing their ownership share to 36.3% of the market in July

Foreign holdings of bullets and FRNs decreased by DKK 12.8 billion and 7.4 billion, respectively, in July, mainly driven by bonds maturing on 1 July, but partly also by active sell-offs. However, foreign investors increased their holdings of 3Y FRNs and 5Y bullets by DKK 2.9 billion and DKK 4.2 billion, respectively. In the callables segment, the foreign ownership share was virtually unchanged. Meanwhile, foreign investors continue to increase their ownership share of Danish government bonds.

Development in foreign ownership shares



Foreign ownership of FRNs is rising, while that of bullets is falling.

Source: Danmarks Nationalbank, Nykredit Markets

Foreign investors roll further out the FRN and bullet curves

FRN+CF: Foreign sector nominal holdings monthly change

Bond type	2026-Jul	2026-Jun	2026-May	2026-Apr	2026-Mar	2026-Feb	2026-Jan
1Y	-5.3	-2.6	-4.7	-6.9	0.4	-7.8	0.7
3Y	2.9	3.2	11.2	0.0	1.7	14.0	3.3
5Y	-0.6	1.7	10.4	0.3	-0.3	0.0	1.2
5Y+	0.1	-0.1	0.0	0.1	-0.1	0.0	0.0
Total holdings monthly change	-3.0	2.1	16.9	-6.4	1.7	6.2	5.3

RTL: Foreign sector nominal holdings monthly change

Bond type	2026-Jul	2026-Jun	2026-May	2026-Apr	2026-Mar	2026-Feb	2026-Jan
1Y	-6.1	1.5	-13.5	-10.9	-7.7	8.1	-6.6
3Y	-2.2	1.3	2.6	0.4	-2.1	9.9	0.6
5Y	4.2	4.5	7.2	0.8	6.3	10.0	0.7
5Y+	0.0	0.1	0.1	0.3	0.0	0.0	0.1
Total holdings monthly change	-4.1	7.4	-3.6	-9.5	-3.4	27.9	-5.2

Foreign investors buy 3Y FRNs and 5Y bullets.

Source: Danmarks Nationalbank, Nykredit Markets

Foreign investors prefer long-dated FRNs and bullets

On Friday, we received ownership distribution data for the month of July. Not surprisingly, foreign holdings have declined in both the FRN and bullet segments due to these bonds maturing on 1 July.

Foreign holdings of FRNs declined by DKK 7.4 billion over the month. Of this, DKK 4.5 billion was attributable to FRNs maturing on 1 July, while DKK 2.9 billion reflected active sell-offs.

A more detailed review of ISIN-level data shows that the active sell-offs especially centred around the 1Y maturities, while foreign investors increased their holdings of 3Y FRNs. We see two reasons why foreign investors have sold 1Y FRNs and purchased 3Y FRNs. First, the hedged and funded return per unit of spread risk on the underlying bullet curve increases with maturity, giving hedge funds an incentive to roll further out the bullet curve. Second, the FRN-bullets spread at the 3Y point traded significantly higher than the 1Y and 2Y points in July, which further increased the incentive to roll out the curve.

Despite the DKK 7.4 billion decline in foreign holdings, foreign investors' ownership share of FRNs rose by 0.8 percentage points in July and has therefore reached an all-time high of 20.0%.

Looking more closely at foreign investors' holdings of bullets, they declined by DKK 12.8 billion over the month. Of this, DKK 8.8 billion was attributable to bullets maturing on 1 July, while DKK 4 billion reflected active sell-offs. Most of the sell-offs were concentrated in shorter maturities, and foreign investors were net sellers of bullets all the way out to the 5Y point. At the 5Y point, however, foreign investors were fairly active buyers, increasing their ownership share of Jul31 bullets from 26.6% in May to 35.5% in July. This movement is consistent with the earlier observation that the hedged and funded return per spread risk unit is highest in the longer maturities.

Foreign investors prefer high-coupons over low-coupons

Foreign holdings of callables rose by approx DKK 2 billion in July, although overall holdings have remained broadly flat year to date. The same applies to their ownership share, which stood at 27.5% in July, which is 0.1 percentage points lower than at the beginning of the year. Overall, the foreign investors' ownership share of callables has remained very stable over the past year.

A more granular look at foreign investors' preferences within the callables segment shows that, as usual, they favoured high-coupons over low-coupons in July. Adjusted for prepayments, foreign investors increased their holdings of high-coupons by DKK 3.9 billion while reducing their holdings of low-coupons by DKK 1.7 billion.

This is not particularly surprising. Issuance is currently concentrated in the high-coupon segment, and foreign investor can most likely find bonds in their domestic markets with characteristics similar to those of the low-coupons. However, they may not be able to finds bonds offering the high carry generated by the sold volatility exposure embedded in the high-coupons.

Foreign investors keep buying Danish government bonds

Since the end of 2025, foreign investors have significantly increased their holdings of Danish government bonds, and according to the latest ownership distribution data, foreign investors continued to add to their holdings in July. Foreign holdings rose by DKK 3 billion in July to DKK 210 billion. As a result, foreign investors owned 36.3% of all Danish government bonds, which is a 0.3 percentage points increase since June.

As in the previous months of 2026, foreign investors primarily bought the OTR bonds DGB’28 and DGB’35, thereby increasing their ownership share. This reflects stronger foreign participation in government bond issuance than has been the case historically.

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