

Absent hedge funds, Japanese sell-offs and foreign purchases

New data on ownership distribution – November

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Marketing communication

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- Hedge funds have not participated sufficiently in the refinancing auctions to retain their ownership share of FRNs and bullets
- Sale of low-coupon callables is likely attributable to Japanese sell-offs
- However, sell-offs are more than offset by other foreign investors' purchases of OTR callables, and foreign ownership continues to increase.

Monthly change in ownership distribution of FRNs and bullets

FRN and CF ownership shares, monthly change (pct-points)					
Sector	2025-Nov	2025-Oct	2025-Sep	2025-Aug	2025-Jul
All	0.0	0.0	0.0	0.0	0.0
Insurance and pension	-0.3	0.1	-1.9	-1.3	0.8
Investment funds	-0.3	0.1	-0.3	-0.2	0.5
MFI	1.1	-0.7	1.1	0.3	-3.5
Households	-0.0	0.0	-0.0	-0.0	-0.1
Other domestic	0.1	1.0	-0.2	0.3	1.8
Foreign	-0.5	-0.5	1.3	0.9	0.5

Bullet ownership shares, monthly change (pct-points)					
Sector	2025-Nov	2025-Oct	2025-Sep	2025-Aug	2025-Jul
All	0.0	0.0	0.0	0.0	0.0
Insurance and pension	-1.4	-0.1	0.0	-0.9	-0.0
Investment funds	-0.8	0.4	-0.2	0.1	0.3
MFI	4.8	-0.7	-0.2	0.8	-0.9
Households	-0.1	0.0	-0.0	-0.0	0.1
Other domestic	-1.0	0.9	-0.1	-0.0	0.6
Foreign	-1.4	-0.4	0.5	0.1	-0.1

Shrinking foreign ownership in FRNs and bullets

Foreign ownership in FRNs and bullets was down by 0.5 percentage points and 1.4 percentage points, respectively, in November. Nominal foreign holdings of FRNs and bullets continued to grow by DKK 6 billion and DKK 3 billion, respectively.

Assuming that foreign ownership in bullets and FRNs remains primarily driven by Danish-controlled hedge funds, the ownership distribution data suggests that they did not participate sufficiently in the November refinancing auctions to retain their ownership share.

Foreign holdings of FRNs came to DKK 181 billion in November, up DKK 68 billion since January 2025, whereas the holdings of bullets landed at DKK 217 billion, up DKK 33 billion since January 2025.

Foreign holdings of callables increased in November

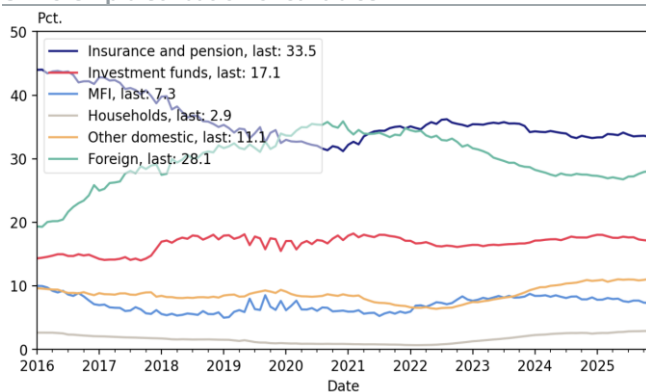
We recently wrote that we believe the Japanese sell-off of callables will continue (read [here](#)). Nonetheless, foreign holdings of callables rose (again) in November, with an increase of about 1 percentage point since the beginning of summer.

The increase in foreign holdings in November covers purchases of DKK 4.5 billion-worth of OTR callables and sell-offs of around DKK 1.5 billion in low coupons (<3%). Net foreign holdings of callables thus increased by DKK 3 billion in November.

We believe that other foreign investors have begun purchasing Danish callables to an extent that more than offsets the Japanese sell-offs.

In nominal terms, foreign holdings have returned to the same level as in January 2025. However, due to negative net issuance in callables, the ownership share is now marginally higher than it has been over the past 18 months.

Ownership distribution of callables



Source: Danmarks Nationalbank, Nykredit Markets

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December data

We believe that the ownership distribution data for December available at the end of January will show a modest foreign sell-off of callables. We expect that Japanese investors will have reduced their holdings more actively in December, and we do not expect other foreign investors to have purchased sufficient callables to offset this sell-off.

In addition, we believe that FRNs and bullet spreads were not sufficiently attractive in December for Danish hedge funds to generate meaningful inflows. We therefore expect the foreign ownership share in these segments to remain broadly unchanged.

Outlook for 2026 – slightly cautious

We expect Japanese investors to continue selling their low-coupon callables in 2026.

After the latest Japanese interest rate hike, we do not expect Japanese investors to start buying OTR callables again any time soon.

We are more uncertain about whether (potential) new foreign investors will continue purchasing Danish callables to the same extent as we saw in the autumn. In our view, with the currently tight pricing of callables, this is probably unlikely.

Whether Danish hedge funds can continue to purchase bullets and FRNs is highly dependent on available repo funding. Even if the repo markets were to expand this year, we find it hard to imagine growth on a scale that would support increases in foreign holdings of FRNs and bullets of the same magnitude as observed in 2025.

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Recom- menda- tion	
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As at 13.12.2024

Note: Distribution of our recommendations, which therefore add up to 100%.

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