

# Short Term Danish Bonds

November 2025

The historically long government shutdown in the US ended at the beginning of November, and economic indicators have slowly begun to be published again. Many of the released indicators have been weaker than expected — including notable declines in the Michigan Consumer Confidence Indicator and Chicago PMI, which signal a retreat in both private consumption and industry. Surveys also show that fears of losing one's job among US wage earners are approaching levels previously seen only in times of crisis. A combination of weaker economic indicators and more cautious central bank rhetoric has led the market to price in a high probability of a rate cut from the FED already on the 10<sup>th</sup> of December.

At the latest FOMC meeting, leadership acknowledged that tight monetary policy is now noticeably dampening economic activity, and Powell explicitly commented that further tightening "is not necessarily required" if inflation continues to decline. The FED also emphasized that tighter financial conditions and higher real rates are already working towards cooling the economy, which was interpreted as a clear shift towards a more subdued line, although no official announcements of upcoming rate cuts were made.

In the stock market, it has been the tech sector in turmoil with rising concern about extremely large capex investments in data centers and AI infrastructure. The market feared that investments would exceed financial sustainability for several companies, putting pressure on balances and funding — as evidenced by rising CDS spreads on bond issuances from companies like Oracle. However, a strong quarterly earnings report from Nvidia in the middle of the month turned the mood — both regarding earnings momentum in the tech sector and general confidence that the investment strategy could be fruitful. This stabilized and boosted both tech stocks and the credit sentiment in the sector.

On the geopolitical scene, Trump presented his 28-point peace plan for Ukraine. The plan is largely seen as formulated on Putin's terms and signals an American prioritization of a quick resolution over a principled position on Ukraine's territorial integrity. Europe is currently in a reactive and defensive stance, now attempting to develop a European counterproposal to regain strategic influence.

At the latest ECB meeting, the council assessed that the current level of the deposit rate is appropriate to withstand potential economic shocks but maintained that all options are open — future decisions will therefore largely depend on data. Simultaneously, the ECB began to explicitly discuss the risk of "political over-tightening" in November, which could indicate that rates will be kept at this level or lower.

Additionally, November was characterized by significant movement in oil prices, which dropped considerably over the month. An analysis shows that although demand is rising, supply is increasing threefold. This strengthens the global disinflationary narrative and helped to anchor expectations for rate cuts — primarily in the US.

Stock markets fell in the first part of November, driven by weak key figures and concerns in the tech sector. In the last weeks of the month, the sentiment turned, supported by expectations of rate cuts and strong financial statements from key companies, which lifted prices again. Overall, this left the market close to unchanged at the end of the month.

Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
31-12-2022	3.55	3.38	3.32	2.65	-0.23
31-12-2023	2.94	2.62	2.67	2.51	-0.27
31-12-2024	2.26	2.36	2.49	2.29	0.23
31-03-2025	2.24	2.50	2.76	2.74	0.52
30-06-2025	2.10	2.41	2.76	2.86	0.67
30-09-2025	2.25	2.52	2.81	3.00	0.56
31-10-2025	2.24	2.50	2.81	3.04	0.57
30-11-2025	2.28	2.57	2.91	3.22	0.63

Date	EUR SWAP 2Y	EUR SWAP 5Y	EUR SWAP 10Y	EUR SWAP 30Y	EUR SWAP 10Y-2Y
31-12-2022	3.38	3.21	3.17	2.50	-0.21
31-12-2023	2.82	2.44	2.50	2.34	-0.32
31-12-2024	2.19	2.24	2.36	2.16	0.17
31-03-2025	2.15	2.36	2.62	2.60	0.47
30-06-2025	2.00	2.27	2.60	2.75	0.60
30-09-2025	2.16	2.38	2.68	2.89	0.52
31-10-2025	2.04	2.34	2.65	2.90	0.61
30-11-2025	2.17	2.41	2.75	3.07	0.58

Source: Nordea Analytics

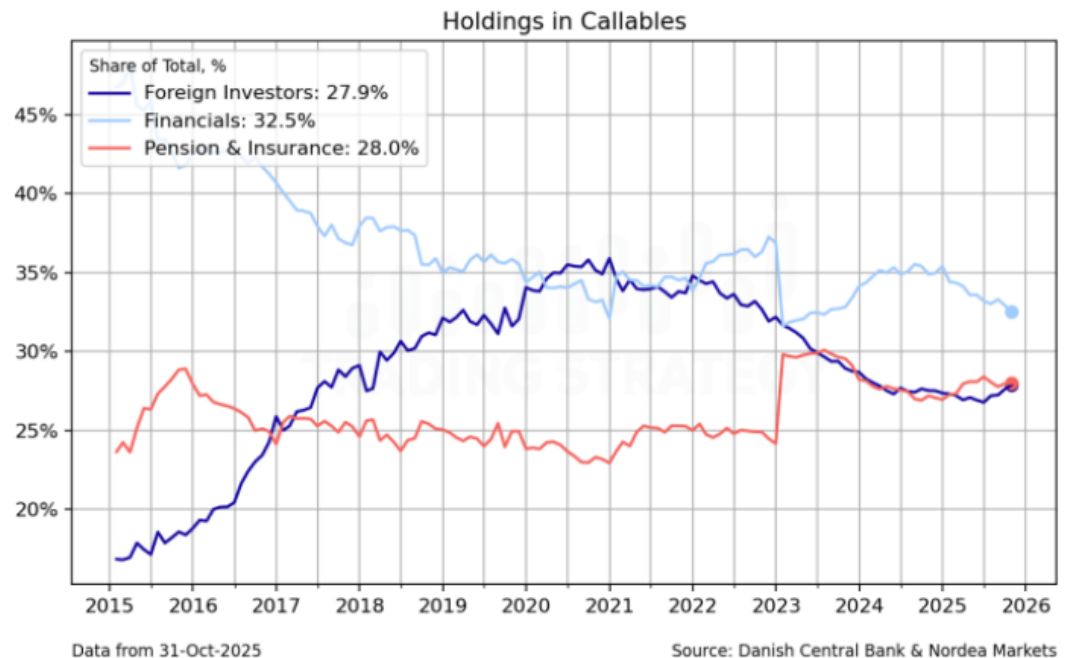
## The Bond Market

After a period with a focus on large extraordinary withdrawals in callable mortgage loans and a focus on the reallocation of futures money, November was a month where interest turned towards refinancing auctions and the general mood in the flex market. Short-term flex loans (1-3 years) performed well up to the auctions, but it became clear during the auction week that investors were more selective about the very short maturities. This reflected a tendency in the market to seek a slightly longer duration to achieve a better balance between yield and risk profile.

The demand was therefore surprisingly strong in the longer series — especially around 5-year flex bonds — despite some of the largest auction volumes we have seen in a long time and from both Danish and foreign investors. This preference for duration was also supported by macroeconomic developments, where weaker US indicators and expectations of future rate cuts have boosted demand for papers with longer maturities.

The callable segment continues to benefit from low volatility and although the OAS levels are on the expensive side historically, the segment is still considered relatively cheap compared to the rest of the credit market. The 4% series now appears as a relatively attractive carry paper, as there should be room for further price increases with declining yields while there should also be some protection against minor yield increases. The 5% series are still relevant, but have lost some of their momentum due to the large extraordinary withdrawals, and the market is gradually shifting towards lower coupons with a better risk/return profile towards 2026.

The ownership distribution statistics for October initially showed a foreign net purchase of approximately DKK 6 billion in callable bonds, but the change should be read with caution. The National Bank's shift from settlement date to trade date accounting periodically creates noise in the figures around term dates, where domestic players' reporting before and after withdrawals can affect the residual calculation. However, the holding levels are considered accurate, and it is apparent that the foreign nominal holding of callable bonds increased from DKK 317 billion to DKK 321 billion from August to October. This suggests a real, albeit gradual, rebuilding of foreign exposure — primarily outside the Eurozone.



Source: Nordea Analytics

From the Danish investor perspective, we continue to see strong and stable demand from institutional investors, including pension funds and investment funds, who remain active in the segment. Liquidity in Danish bonds is good, the DKK market is stable with a relatively high net position, and overall, the supply/demand situation turns in favor of callable bonds.

Overall, the mortgage market stands solid, though in an environment where the difference between short and long duration and an active choice of coupon have once again become crucial. This means that the balance between carry and rate sensitivity will be a critical discipline in the coming period.

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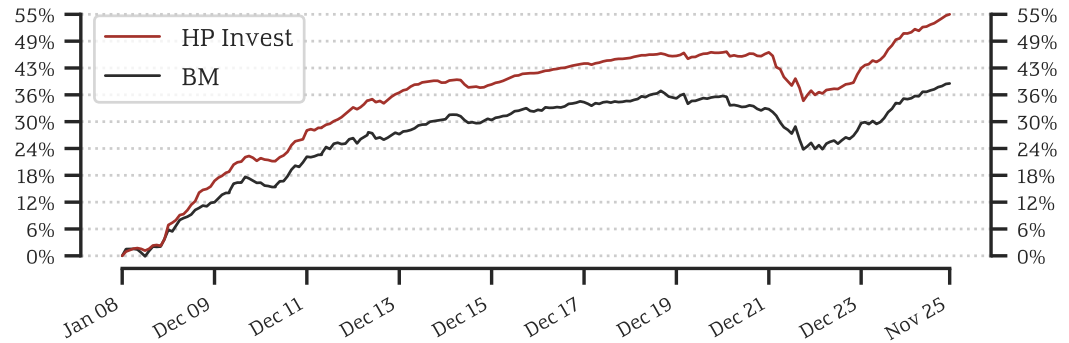
Benchmark yields for the year are shown in the table below.

	1Y	2Y	3Y	5Y	7Y
DK Mortgage CM		3.13	3.03	2.53	
DK Mortgage Callable CM			4.53	3.65	2.70
DK Mortgage Non-Callable CM	2.04		2.37		
DK Government CM		1.84	1.67	0.86	-0.27

Tabel: Return in % for CM index, 2025, source: Nordea Analytics

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\*Benchmark: 35% DK Govt CM 2Y, 65% DK Mort CM 3Y

	HP	BM	Excess
YTD	2.89	2.62	0.27
1 year annualized return	2.87	2.54	0.33
3 year annualized return	4.03	3.46	0.57
5 year annualized return	1.17	0.45	0.72
Since Start	6.56	2.46	4.10
Avg.	1.07	0.41	0.66

Key figures	EOM
NAV	102.56
Duration	2.75
HPR	3,04 %
Residential mortgage lending	63,34 %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
HP	0.19	0.46	-0.25	0.56	0.07	0.29	0.22	0.35	0.38	0.39	0.19
BM	0.15	0.37	-0.04	0.75	0.00	0.23	0.18	0.36	0.17	0.35	0.08
Excess	0.04	0.09	-0.21	-0.19	0.07	0.06	0.04	-0.01	0.21	0.04	0.11

Most Danish bonds ended the month around zero, while 3.5% and 4% callable bonds performed best with returns around 0.4%.

For November, the subfund delivered a return of 0.19%, which was slightly better than the benchmark of 0.08%. For the year, the portfolio has achieved a total return of 2.89%, while the benchmark return for the same period is at 2.62%.

The subfund's duration is 2.75, which is level with the benchmark. Compared to last month, the proportion of government bonds is higher, while the proportion of flex/floating is lower.

The subfund's 12-month holding period return at the end of November is 3.04%.

Visit the subfund's website [www.hpinvest.dk](http://www.hpinvest.dk).