

HP Invest

Short Term Danish Bonds KL W

November 2018



Most of the Western world has for several years witnessed a period with a stable, moderate growth. In Europe, notably Italy has struggled trying to introduce reforms that might facilitate increased dynamics needed to reinvigorate the Italian economy and increase fiscal maneuverability, hampered by existing debt to GDP ratio. The rest of Europe seems to progress in areas of employment and retail sales, although it is a trifle worrying that broad PMI figures expressing company confidence have steadily weakened throughout this year.

Growth in USA has been surprisingly robust and the central bank has increased money market rates to 2 % and is still expected to continue increases, though latest statements are less hawkish. Interest rate curves have predicted short term rates to reach 3- 3,5 %, though now appear less so convinced.

It takes a creative mind to foresee Trump's next moves on international trade tariffs so the perceived uncertainty in this field has spilled into equity markets and caused unpleasant fluctuations in world indices. Moves out of stocks have been supportive of bond prices and helped keep interest rates at low levels.

The major issues at present seem to be Trump, Brexit and Italian budget negotiations. Not even distasteful initiatives in the Middle East and arm flexing near Crimea seem at this moment to influence market perceptions.

Given the fact that we are now in the month of December in a very difficult investment year, we do not think that major market movements shall be initiated by market participants – happy just to have survived this far. We have no predictions as for the political protagonists.

Long term Government bond yields fell 6bp. from end October on the backdrop of renewed uncertainty in stock markets. Despite continued foreign buying into mortgage bonds, yield spreads to government bonds widened.

Refinancing activity amongst mortgage debtors is still low in the high-coupon segment.

The fund is defensively invested and saw a gain of 0.03 % in the month and 0.63 % in 2018.

For 2019 we expect a return around 0.25 – 1.25 %.

Return %	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Avg. return
HP STDBW	5.73	8.53	3.70	4.50	4.05	1.96	0.96	-0.90	1.55	1.40	2.93
BM	5.88	5.91	3.95	5.05	3.46	0.33	2.67	-0.13	1.78	1.31	2.79
Excess return	-0.16	2.62	-0.26	-0.55	0.59	1.63	-1.71	-0.77	-0.23	0.09	0.14

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
HP	0.06	-0.22	0.17	0.08	0.17	0.07	0.05	0.14	0.08	0.00	0,03		0.63
BM	-0.28	-0.33	0.44	-0.12	0.27	0.08	-0.14	0.19	-0.10	0.05	0,13		0.20
Exc. Ret	0.34	0.11	-0.27	0.20	-0.10	-0.01	0.19	-0.05	0.18	-0.05	-0,10		0.43

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Fund information

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Bloomberg ticker:	SFHPSDW DC	Risk indication:	2 of 7
Inception date:	05-07-2017	Currency:	DKK