

# Fair Value on Danish Government and Mortgage Bonds

An innovative pricing model approach

## Unique, objective methodology exclusive to Nasdaq

The traditional method of modeling bond prices produces questionable results, especially when applied to callable bonds trading above par. The challenges for the traditional method involve accurately estimating cash flow, defining the liquidity spread, and navigating issuer price differences.

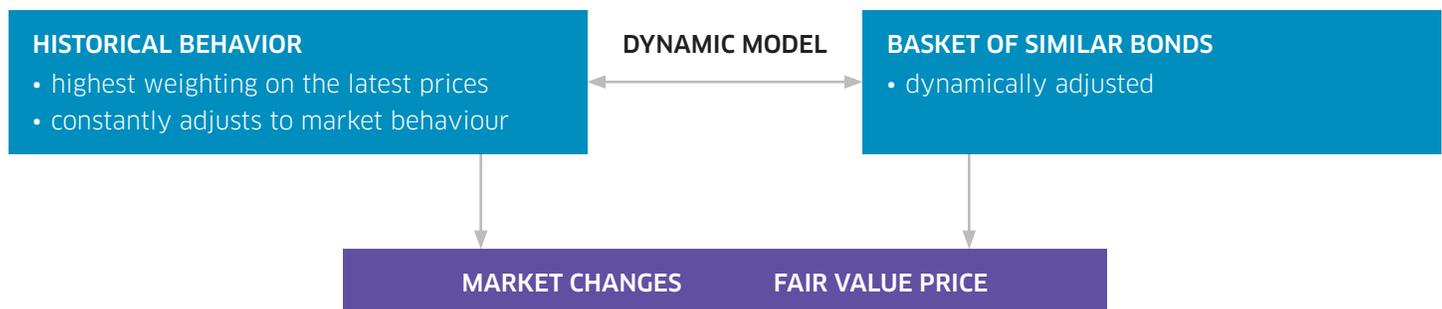
Nasdaq has developed a purely data-driven, highly-effective approach to bond pricing that results in significantly more accurate metrics, even when applied to illiquid callable bonds trading above par. Importantly, this methodology also highlights the ISIN-level quarterly price jumps that occur after a percentage of the bond is redeemed at par – a pricing differential that can provide valuable insight for the investing community.

### Where can we apply Fair value?

- All Danish mortgage bonds
- Danmarks Skibskreditfond (Danish Ship Finance)
- KommuneKredit
- Danish government bonds

### Want more information?

Email [dataeurope@nasdaq.com](mailto:dataeurope@nasdaq.com)



## Advantages of Nasdaq fair value methodology

### ISIN specific ex-redemption price jumps defined

The sharp pricing differential when bonds are traded, ex-redemption, is outside of general market movement. Our method calculates the relative prepayment rate- $\Delta$  in relation to general market movements and adjusts prices accordingly. The incorporation of this price jump into the Nasdaq methodology provides greater accuracy to the pricing model.

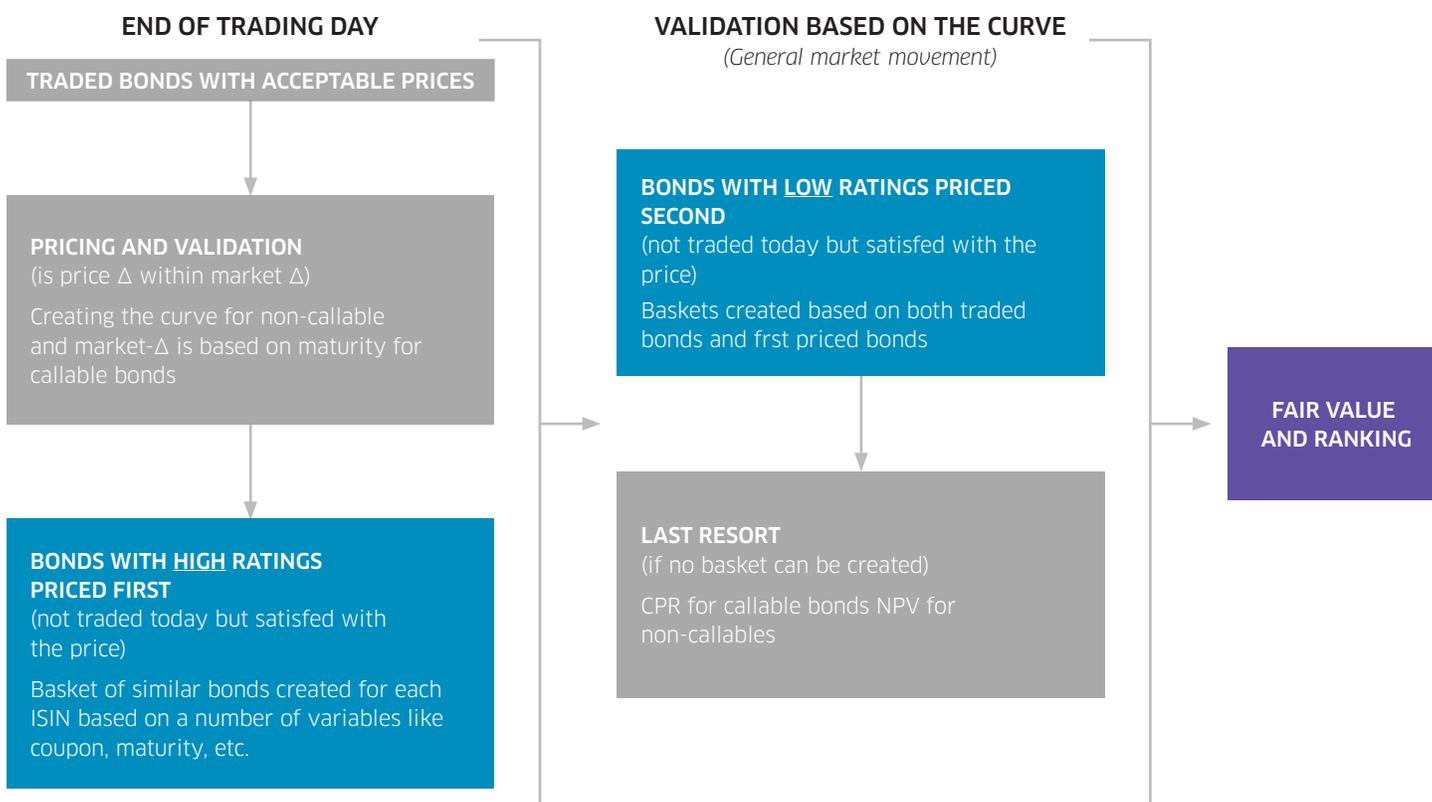
### Trading volume considered as an important variable

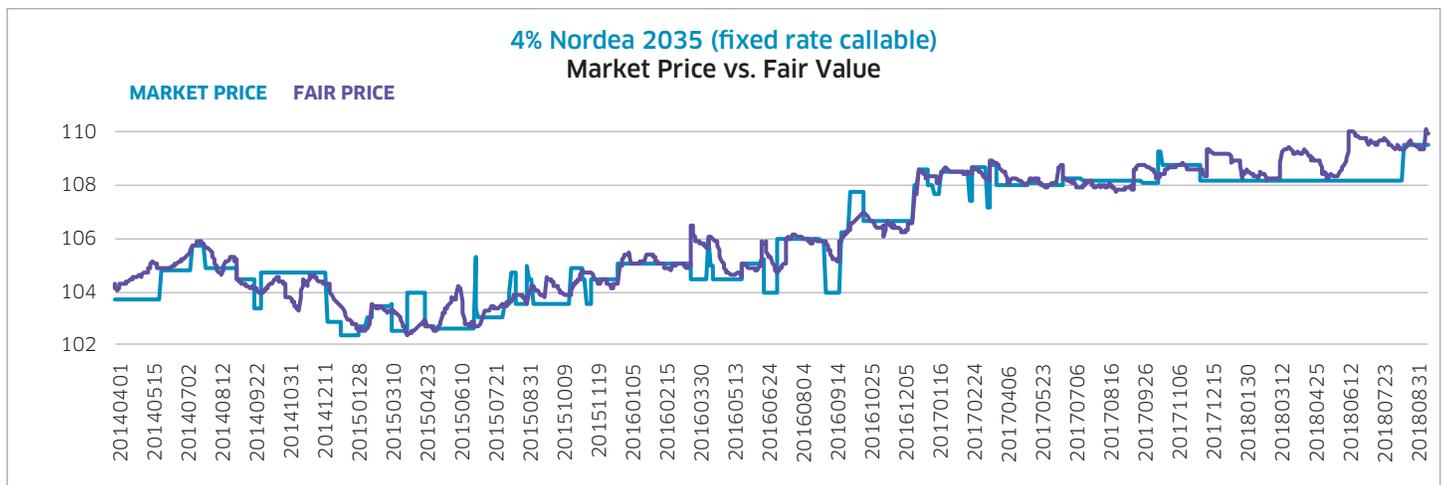
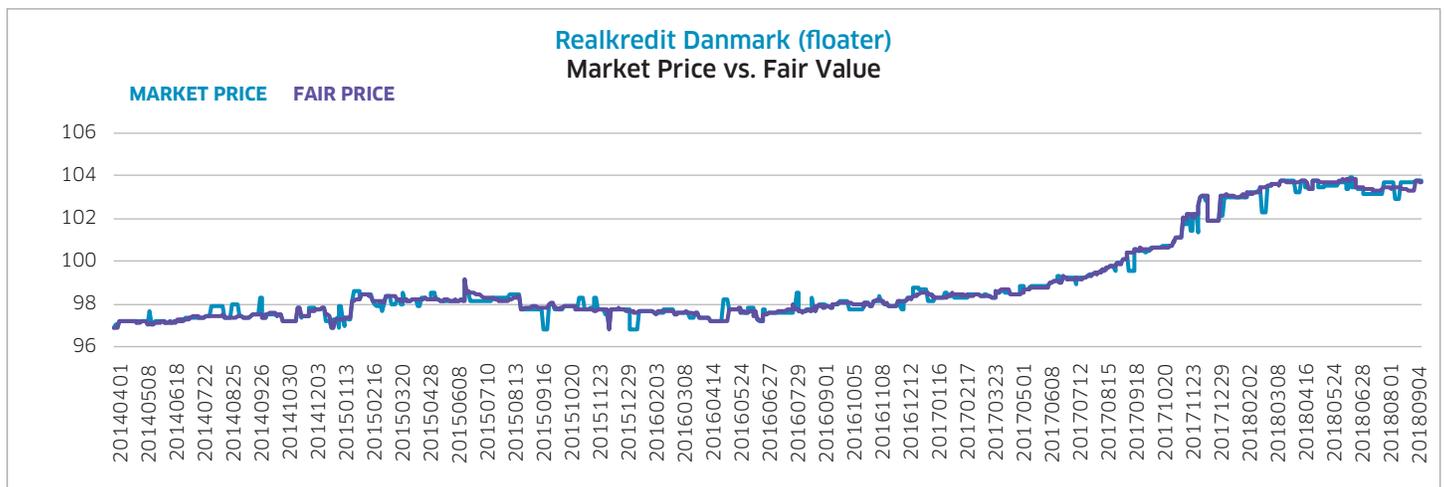
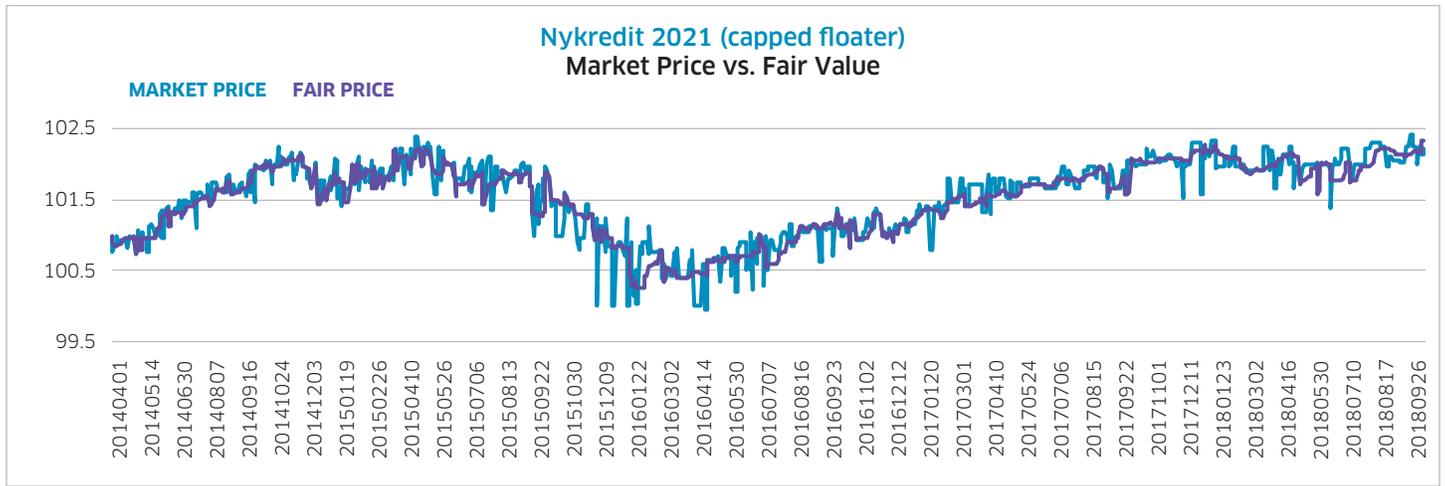
Trades with high volumes are more heavily weighted.

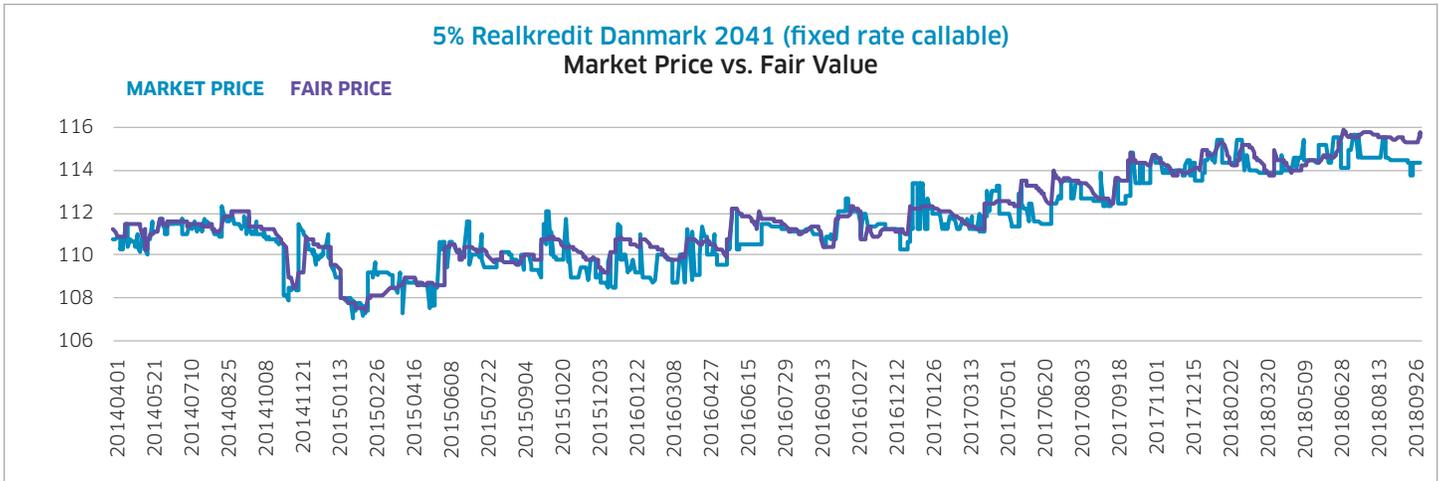
### Price source for Fair value: Nasdaq CPH Consolidated Reference Price as a benchmark

The Nasdaq CPH Consolidated Reference Price, used as a source for the Fair value model, provides full transparency of the Danish Fixed Income market. Based on the Nasdaq CPH Consolidated Trade Feed, it includes Nasdaq on- and off-exchange trades (OTC trades reported to Nasdaq APA), as well as duplication of transactions from other trading venues sent to Nasdaq by Danish market participants and trade reports for Primary Transactions and Loan Payments (financing mortgages).

### Model process







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