

# Norwegian Financial Markets

January 2012

## Currency

- NOK is above its long run average in trade-weighted terms.
- NOK is not systematically above or below its longer-term historical averages against the other major currencies.
- Compared to six months ago, the krone is not systematically higher or lower against the other major currencies.

## 90 Day Rates

- The 90 day FRAs curve has moved lower in yield during the past six months.
- The sight deposit rate is priced to be steady near the current 1.75% in the coming year.
- The yield curve has become inverted but it is not steep by historical standards.

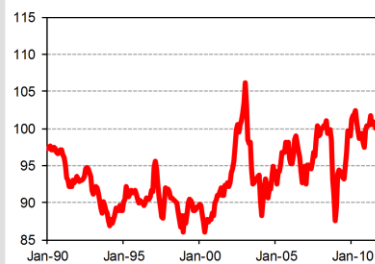
## 10 Year Yields

- Yields are 1.2% below the levels of six months ago and at 2.0%, they are very low versus historical norms.
- Norwegian yields have fallen slightly more than global yields so bond spreads have generally decreased.
- Bond spreads are lower than their historical norms against all other major countries except Sweden.

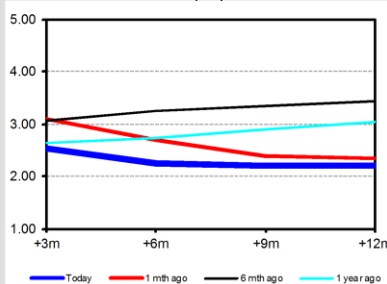
## Equities

- Equity prices have declined in recent months and have provided a loss of almost -10% in the past year.
- Norwegian returns have been in the middle tier globally during the past year.
- A cumulative loss exceeding -10% in the past five years is in line with the performance of other major markets.

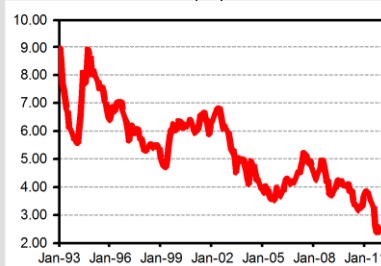
**Real Trade-Weighted Index (BIS)**



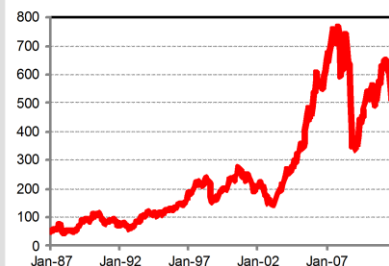
**90 Day FRA Strips (%)**



**10 year bond yields (%)**



**Norwegian Equity Market (Total return index)**

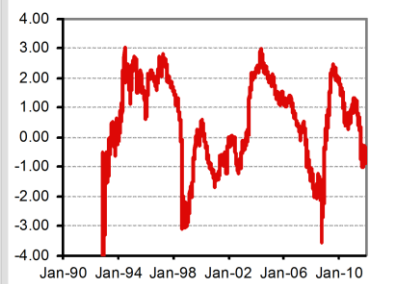


**NOK: Now vs History**

	Now	Average	Difference
USD	5.99	6.92	13%
EUR	7.65	8.14	6%
JPY	12.8	16.9	-32%
STG	9.28	11.46	19%
CHF	6.31	5.09	-24%
SEK	1.15	1.09	5%
CAD	5.89	5.30	-11%
AUD	6.18	4.86	-27%
NZD	4.75	4.06	-17%
<b>TWI</b>	<b>94</b>	<b>101</b>	<b>8%</b>

(average refers to 1990-2010)

**Yield Curve (10 year – 90 day)**



**Bond Spreads: Now vs History**

	Now	Average	Difference
USA	0.06	0.40	-34bp
Ger	0.15	0.74	-59bp
Japan	1.05	3.52	-247bp
UK	-0.05	0.04	-9bp
Swiss	1.34	2.26	-93bp
Swede	0.34	0.19	15bp
Can	0.05	0.20	-14bp
Aus	-1.88	-0.87	-100bp
NZ	-1.83	-1.16	-67bp

(average refers to 1995-2010)

**Recent Equity Returns**

	6m	1 year	5 years
US	-4%	2%	-1%
Euro	-18%	-17%	-34%
Japan	-13%	-17%	-52%
UK	-14%	-9%	5%
Swiss	-6%	-11%	-33%
Swede	-13%	-15%	-3%
Nor	-6%	-9%	-12%
Can	-10%	-11%	-7%
Aus	-6%	-9%	-5%
NZ	-4%	1%	-18%