

Management of Norges Bank's money market portfolio Report for the first quarter of 2007

The money market portfolio, the most liquid portion of the foreign exchange reserves, is managed by Norges Bank Monetary Policy. The bulk of the portfolio has been invested in secured deposits during the period, and the remainder has been invested in unsecured deposits in approved banks. The value of the money market portfolio was NOK 6.8¹ billion at the end of the first quarter of 2007.

Table 1: Return on the money market portfolio (excluding foreign exchange purchases for the Government Pension Fund - Global)

Total	Measured in terms of the benchmark currency basket		Measured in NOK		
	Actual portfolio	Benchmark portfolio	Actual portfolio	Benchmark portfolio	Excess return
2006 Q4	1.09	1.06	-1.47	-1.50	0.03
2007 Q1	1.12	1.09	-0.39	-0.42	0.03

The first quarter return was 1.12 per cent measured in terms of the benchmark currency basket and -0.39 per cent measured in NOK. The return in NOK is estimated at NOK -14.7 million. Active foreign exchange positions made a positive contribution of NOK 0.02 million. The money market portfolio outperformed the benchmark in the first quarter by NOK 2.1 million, equivalent to 0.03 percentage point. In addition, Norges Bank's purchases of foreign exchange for the Government Pension Fund – Global resulted in exchange gains of NOK 10.9 million in the first quarter.

Management of the money market portfolio has complied with the guidelines laid down by the Executive Board and the Governor of Norges Bank at all times during the first quarter of 2007.

Management costs consist of Norges Bank Monetary Policy's operating expenses and its share of Norges Bank's overheads. The time spent is estimated at half a person-year on an annual basis. Operating expenses amounted to NOK 0.2 million in the first quarter. Overhead costs are also estimated at NOK 0.2 million in the first quarter.

¹ In accordance with the Executive Board's guidelines, dated 8 February 2006, the value of the money market portfolio shall normally be between NOK 3 billion and NOK 10 billion.