

Management of Norges Bank's money market portfolio Report for the third quarter of 2008

The money market portfolio, the most liquid portion of the foreign exchange reserves, is managed by Norges Bank Monetary Policy. During the third quarter, the portfolio has primarily consisted of secured deposits in foreign banks. The size of the money market portfolio was NOK 15.8¹ billion at the end of the third quarter of 2008. At end-September, NOK 8.7 billion was transferred from the investment portfolio to the money market portfolio. In September, the money market portfolio also borrowed USD 5 billion from Norges Bank Investment Management in connection with market operations. The loan was reimbursed in full at the end of the third quarter.

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
1. 2008 Q2	0.95	0.92	-1.61	-1.64	0.03
2. 2008 Q2	0.82	0.78	0.76	0.72	0.04
3. 2008 Q2	1.08	0.79	8.81	8.52	0.29

The third quarter return was 1.08 per cent measured in terms of the benchmark portfolio's currency basket and 8.81 per cent measured in NOK. The return in NOK is estimated at NOK 580.8 million. In the third quarter, the money market portfolio outperformed the benchmark portfolio² by NOK 18.1 million, equivalent to 0.29 percentage point.

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 third quarter of 2008.

Management costs consist of Norges Bank Monetary Policy's operating expenses and its share of Norges Bank's overheads. The work effort is estimated at half a person-year on an annual basis. Operating costs amounted to NOK 0.25 million in the third quarter whereas overheads are estimated at NOK 0.25 million.

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. At end-September, the upper limit increased by about NOK 8.7 billion.

² Merrill Lynch LIBID overnight index with euros (50 per cent) and US dollars (50 per cent). As from 30 September 2008, euros (20 per cent) and US dollars (80 per cent).