

NORGES BANK MONETARY POLICY

26 April 2010

Management of Norges Bank's money market portfolio Report for the first quarter of 2010

The money market portfolio, the most liquid portion of the foreign exchange reserves, is managed by Norges Bank Monetary Policy. The portfolio was NOK 24.9 billion, or SDR 2.7 billion, at the end of March 2010. This was a reduction of NOK 26.7 billion since the end of December 2009.

On 3 February 2010, the Executive Board established new guidelines for the portfolio. The size of the portfolio shall be between SDR 2 billion and SDR 3 billion. Investments in government securities shall be restricted to papers with a residual maturity of less than 1 year. The benchmark portfolio's currency allocation of 50 per cent to USD and 50 per cent to EUR was maintained. The benchmark portfolio shall be composed of overnight money market indices for US dollars and euro, and treasury bill indices for US dollars and euro.

Following the entry into force of the new guidelines, NOK 31 billion was transferred from the money market portfolio to the investment portfolio on 31 March. The money market portfolio now comprises short term money market instruments and government securities denominated in euro and US dollars with a residual maturity of less than 1 year.

The portfolio's expected relative volatility (tracking error) was 12-15 basis points in the first quarter of 2010. The Executive Board's guidelines limit the expected relative volatility to 1 percentage point.

The table shows the return measured against the benchmark portfolio. The first quarter return on the money market portfolio was 0.43 per cent against the benchmark currency basket, while the benchmark portfolio returned 0.38 per cent.

Total	Measured in terms of the benchmark currency basket		Measured in NOK		
	Actual portfolio	Benchmark portfolio	Actual portfolio	Benchmark portfolio	Excess return
2010 Q1	0.43	0.38	0.21	0.17	0.04