

## Management of Norges Bank's money market portfolio Report for the fourth quarter and for the year 2006

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 6.5 billion<sup>1</sup> at end-2006.

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 Q1	0.86	0.85	-0.97	-0.99	0.02
2006 Q2	0.91	0.89	-1.57	-1.59	0.02
2006 Q3	1.04	1.01	5.35	5.31	0.03
2006 Q4	1.09	1.06	-1.47	-1.50	0.03
2006	3.95	3.86	1.18	1.08	0.10

The fourth quarter return was 1.09 per cent measured in terms of the benchmark currency basket and -1.47 per cent measured in NOK. The return in NOK is estimated at NOK -87.5 million. There were no active foreign exchange positions in the period. The money market portfolio outperformed the benchmark in the fourth 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 10.5 million in the fourth quarter.

For 2006, the return on the portfolio measured in terms of the benchmark portfolio's currency basket was 3.95 percentage points. The return in NOK is estimated at 1.18 percentage points, equivalent to NOK 66.2 million. The excess return compared with the benchmark portfolio was 0.10 percentage point, equivalent to NOK 7.2 million. Active foreign exchange positions made a positive contribution of NOK 0.1 million. In addition, Norges Bank's purchases of foreign exchange for the Government Pension Fund - Global resulted in exchange gains of NOK 31.2 million.

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 2006.

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 costs amounted to NOK 0.2 million in the fourth quarter and NOK 0.8 million for 2006 as a whole. Overhead costs are also estimated at NOK 0.2 million in the fourth quarter and NOK 0.8 million for the year.

<sup>1</sup> 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.