

Management of Norges Bank's money market portfolio – fourth quarter 2008

The ordinary quarterly report was not written for the fourth quarter of 2008. The text below is based on Norges Bank's Annual Report 2008.

The money market portfolio is invested in short-term money market instruments, primarily secured lending to approved international banks. It is to be invested in such a way that it can be used at short notice as a monetary policy instrument or to promote financial stability. The money market portfolio is also used to execute transactions on behalf of the IMF and to carry out foreign exchange transactions on behalf of the Government Petroleum Insurance Fund.

Due to the turmoil in global financial markets, it was decided in autumn 2008 to increase the size of the money market portfolio through transfers from the investment portfolio. At the end of September, an agreement was also reached with the Federal Reserve on a credit facility of up to USD 5bn. This facility was expanded in mid-October to a maximum of USD 15bn.

In addition, parts of the money market portfolio were invested as short term deposits in other countries' central banks in preparation for Norges Bank's market operations. The money market portfolio amounted to NOK 44.7bn at the end of 2008, compared with NOK 8bn at the end of 2007.

In periods during the fourth quarter of 2008, the currency composition of the money market portfolio was very different from that of the benchmark portfolio, as the need for market operations was greatest in USD. From mid-September onwards, market operations were given priority over generating an excess return on this portfolio.