

NORGES BANK'S MONEY MARKET SURVEY

2019



NORGES BANK

Money market survey 2019

Each year, Norges Bank conducts a survey of activity in the Norwegian money market. The money market plays a key role in the implementation of monetary policy and in the financial system in general. As there are few publicly available sources of information about activity in the Norwegian money market, the money market survey was established in order to expand the information base. Carried out for the first time in 2013, the survey is conducted every April.

Ten banks took part in the 2019 survey¹, reporting lending and borrowing activity using unsecured bank deposits, foreign exchange (FX) swaps² and repurchase agreements (repos) in April 2019. The banks also responded to questions about activity in the market for Norwegian forward rate agreements (FRAs). This report summarises the 2019 survey results and developments between 2013 and 2019.³

Total activity

Chart 1 shows the banks' average daily borrowing and lending in the money market by financial instrument. The banks borrowed more than they lent via FX swaps and repos (for repos, lending and borrowing means lending and borrowing cash, while for FX swaps, lending and borrowing means lending and borrowing NOK). Most of the turnover was in FX swaps. Furthermore, repos accounted for a relatively small share of money market turnover.

Chart 1: Lending and borrowing by instrument. All maturities. Daily average for April 2019. In millions of NOK.

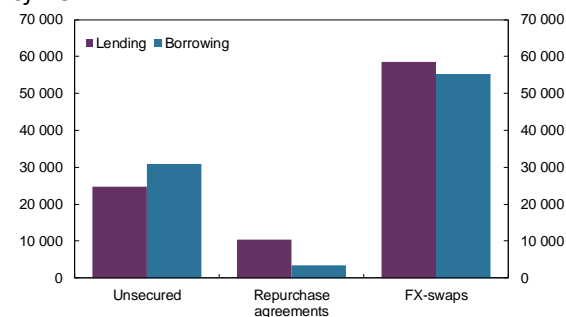
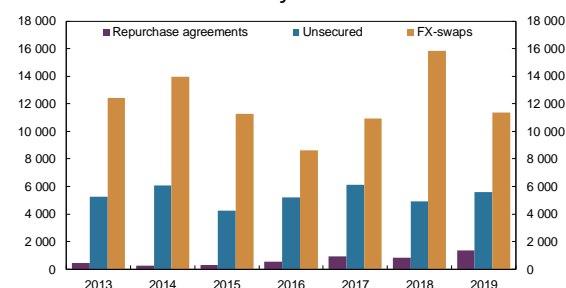


Chart 2 shows daily activity per bank for the various instruments between 2013 and 2019. After having risen in the period 2016-2018, FX swap activity declined in 2019. Repo activity has risen in recent years, while activity in the unsecured market has varied somewhat from year to year, but does not show any clear trend.

Chart 2: Activity in the money market by instrument. All maturities. Daily average per bank, 2013 - 2019. In millions of NOK.



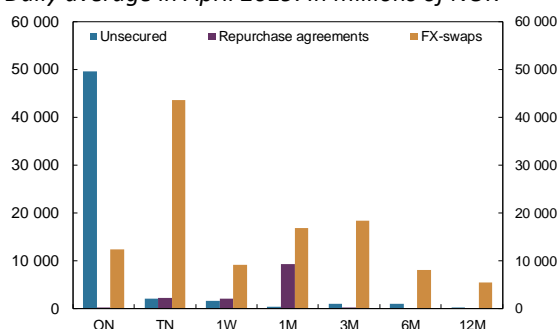
Most of the activity in the unsecured market takes place overnight (Chart 3). In the FX swap market, most of the activity takes place at maturities of up to three months, with a large share of daily turnover taking place in the tomorrow/next (TN) market. Most of the activity in the repo market takes place at maturities from one week to one month.

¹ Between 2013 and 2019, between eight and 11 banks took part in the money market survey.

² Banks have only reported FX swap agreements involving NOK.

³ Variation in the number of trading days in April, in the dates of Easter, and in which banks participate limits comparability somewhat from one year to the next.

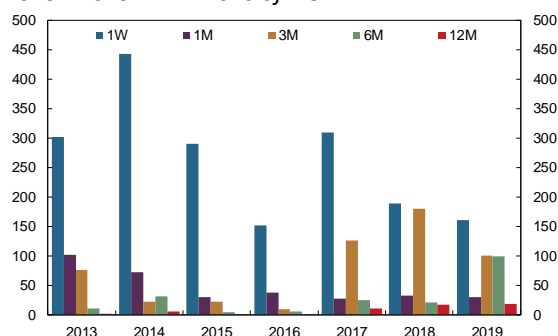
Chart 3: Activity by maturity and transaction type. Daily average in April 2019. In millions of NOK



Unsecured transactions

Chart 4 shows that activity in unsecured transactions at maturities beyond one day is highest at one-week and three- and six-month maturities. Activity in unsecured transactions at longer maturities rose in 2019 compared with activity in unsecured transactions at shorter maturities, and the amount of transactions with six and three-month maturities is now at the same level. The banks report that unsecured transactions are primarily conducted in the interbank market.

Chart 4: Unsecured lending activity by maturities beyond one day. Daily average per bank in 2013 - 2019. In millions of NOK



Repos

In 2019, the daily average of repo activity per reporting bank was around 1300m (Chart 5). This is a clear increase from 2018 and the

highest reported activity over the past six years.

Chart 5: Repo activity. Daily average per bank in 2013 - 2019. In millions of NOK

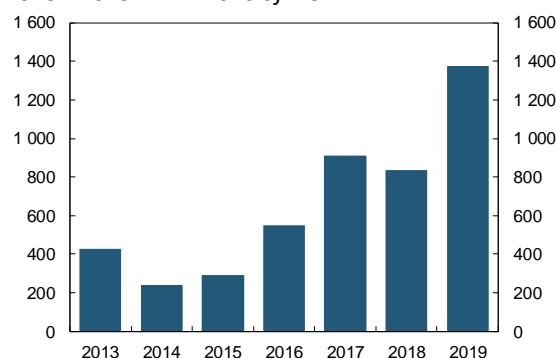


Chart 6 shows total repo activity by maturity between 2013 and 2019. Most of the banks' reported repos are at one-month maturity. The increase in activity in the TN market continued from 2018.⁴ At maturities longer than one month, repo activity declined for the first time since 2013.

Chart 6: Repo activity by maturity. Daily average per bank in 2013 - 2019. In millions of NOK

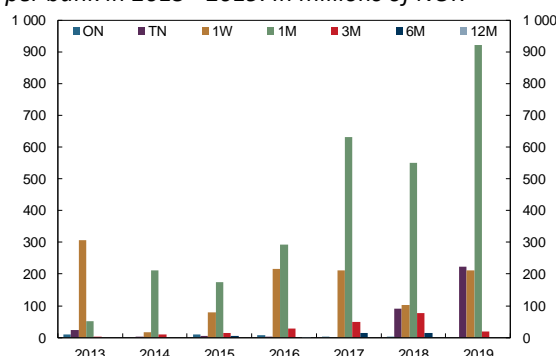
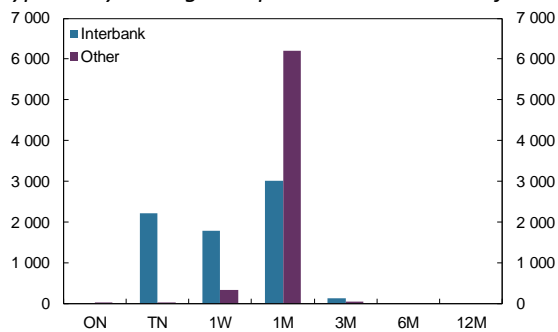


Chart 7 shows repo activity by maturity and counterparty type. Most of the banks' repo trades are with other financial market participants, but there is some interbank activity.

⁴ Please note that cumulative lending from the government's own stock to primary dealers in government bonds and bills was also higher in April 2019 compared to April 2018 and this may

contribute to the higher turnover in the repo market, particularly in the TN-segment. For more information see Quarterly Report 2/2019 from Government Debt Management.

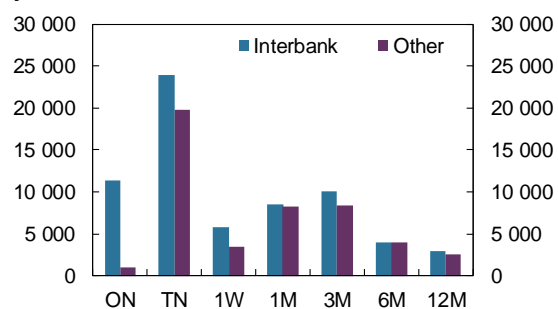
Chart 7: Repo activity by maturity and counterparty type. Daily average in April 2019. In millions of NOK



Foreign exchange (FX) swaps

Chart 8 shows the breakdown of reporting banks' FX swap transactions by maturity and counterparty type. The banks have a higher turnover with other banks than with other financial counterparties.

Chart 8: FX swap activity by maturity and counterparty. Daily average in April 2019. In millions of NOK



Most of the banks' reported activity in the interbank market is FX swaps with foreign banks (Chart 9). Trades with foreign banks account for a large share of the total volume in the interbank market at most maturities and account for most of the total daily activity in the TN market. Most of the banks' reported FX swap trades with other financial counterparties are with domestic counterparties (Chart 10).

Chart 9: FX swap activity in the interbank market by maturity and broken down by domestic and foreign banks. Daily average in April 2019. In millions of NOK

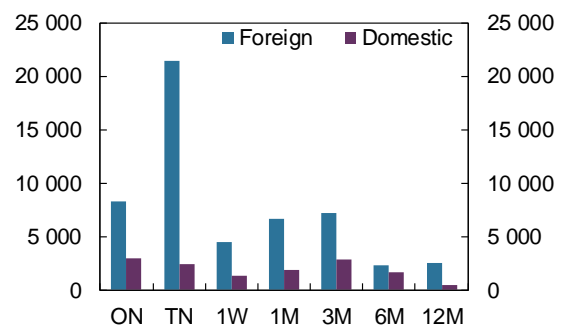
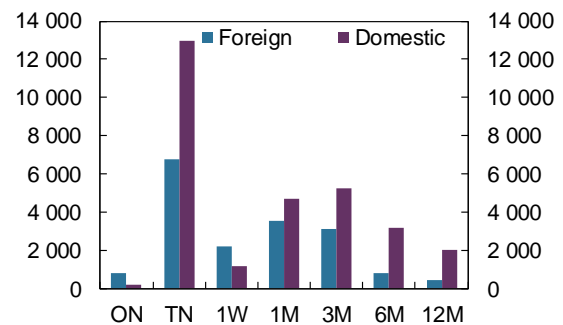


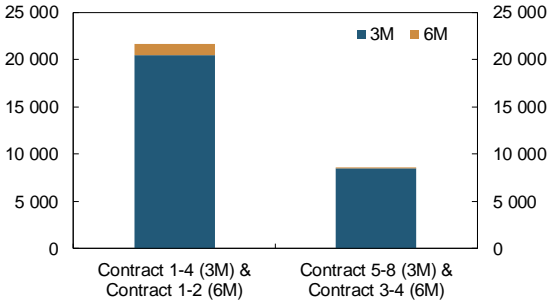
Chart 10: FX swap trades with other financial institutions, by maturity and participant. Daily average in April 2019. In millions of NOK



Forward rate agreements (FRAs)

Chart 11 shows turnover volumes for Norwegian FRAs by settlement date⁵ and maturity of the underlying money market rate. Around 96% of the turnover volume comprises contracts with a three-month underlying money market rate. The corresponding percentage for 2017 was 91% and for 2018, 95%. Over the past three years, the first four three-month contracts and the first two six-month contracts accounted for between 68% and 85% of turnover.

Chart 11: Turnover volume of FRAs measured in notional amounts. Daily average in April 2019. In millions of NOK



⁵ At the time of the survey, the first four three-month and first two six-month FRAs are contracts with settlement on IMM dates from June 2019 to

March 2020, while settlement on the second four three-month and second two six-month FRA is on IMM dates from June 2020 to March 2021.

Table 1: Borrowing and lending in the Norwegian money market in April 2018 by maturity and instrument. Daily average for all banks in total. In millions of NOK

Borrowing		Unsecured	Repurchase agreement	FX-swap	Sum
Overnight		25 773	0	7 353	33 126
Tom/Next		1 527	29	15 978	17 533
Up to 1 week	2 - 7 days	1 206	769	3 587	5 562
> 1 week to 1 month	8 - 31 days	260	2 396	8 734	11 390
> 1 month to 3 months	32 - 91 days	1 000	136	10 033	11 169
> 3 months to 6 months	92 - 183 days	984	0	5 745	6 729
> 6 months to 1 year	184 - 365 days	187	0	3 825	4 012
Sum borrowing		30 937	3 330	55 254	89 521
Lending		Unsecured	Repurchase agreement	FX-swap	Sum
Overnight		23 822	1	5 009	28 831
Tom/Next		572	2 200	27 666	30 438
Up to 1 week	2 - 7 days	402	1 338	5 586	7 326
> 1 week to 1 month	8 - 31 days	38	6 828	8 029	14 895
> 1 month to 3 months	32 - 91 days	0	50	8 318	8 368
> 3 months to 6 months	92 - 183 days	0	0	2 244	2 244
> 6 months to 1 year	184 - 365 days	0	0	1 624	1 624
Sum lending		24 833	10 417	58 474	93 724

Table 2: Daily average turnover in Norwegian FRAs in April 2019. In millions of NOK

Underlying: 3m Nibor	Average daily turnover
Contract 1-4	20 460
Contract 5-8	8 468
Underlying: 6m Nibor	Average daily turnover
Contract 1-2	1 159
Contract 3-4	28