

NORGES BANK'S MONEY MARKET SURVEY

2018



NORGES BANK

Money market survey 2018

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.

Nine banks took part in the 2018 survey¹, reporting lending and borrowing activity using unsecured bank deposits, foreign exchange (FX) swaps² and repurchase agreements (repos) in April 2018. The banks also responded to questions about activity in the market for Norwegian forward rate agreements (FRAs). This report summarises the 2018 survey results and developments between 2013 and 2018.³

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 2018. In millions of NOK.

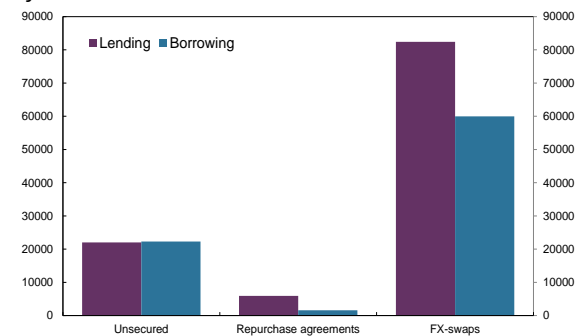
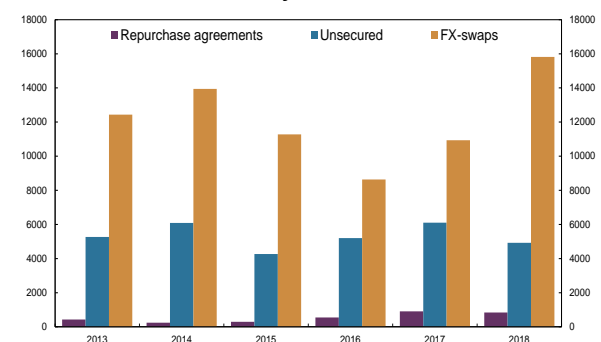


Chart 2 shows daily activity per bank for the various instruments between 2013 and 2018. In recent years, FX swap activity has risen somewhat. Repo activity has also risen in recent years, but was little changed between 2017 and 2018. Activity in the unsecured market has varied somewhat from year to year, but does not show any clear trend.

Chart 2: Activity in the money market by instrument. All maturities. Daily average per bank, 2013 - 2018. In millions of NOK.



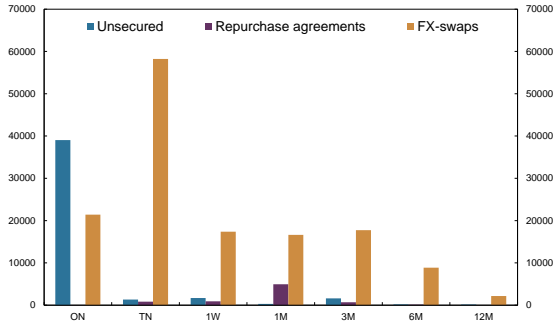
¹ Between 2013 and 2018, between eight and 11 banks took part in the money market survey.

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.

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.

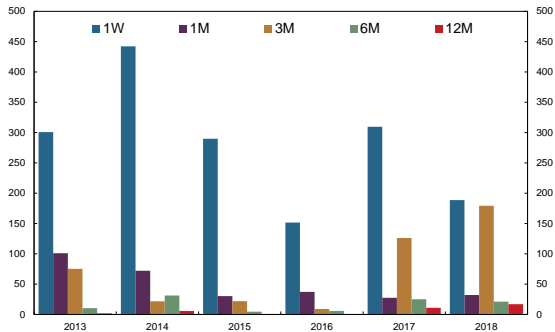
Chart 3: Activity by maturity and transaction type. Daily average in April 2018. In millions of NOK



Unsecured transactions

Chart 4 shows that activity in unsecured transactions at maturities beyond one day is highest at one week and three month maturities. 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 - 2018. In millions of NOK



Repos

In 2018, the daily average of repo activity per reporting bank was around 830m (Chart 5). This is marginally lower than in 2017, which was the year with the highest reported activity over the past six years.

Chart 5: Repo activity. Daily average per bank in 2013 - 2018. In millions of NOK

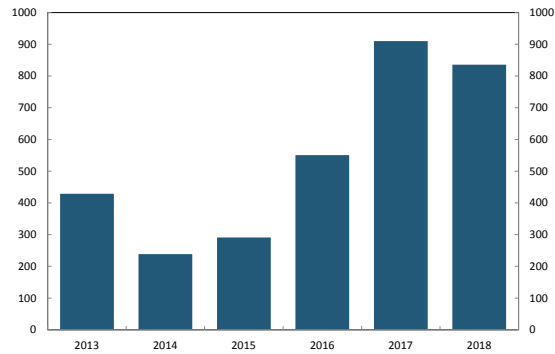


Chart 6 shows total repo activity by maturity between 2013 and 2018. Most of the banks' reported repos are at one month maturity. Over the past year there has been a substantial increase in activity in the TN market. At maturities longer than one month, repo activity has risen each year since 2013.

Chart 6: Repo activity by maturity. Daily average per bank in 2013 - 2018. In millions of NOK

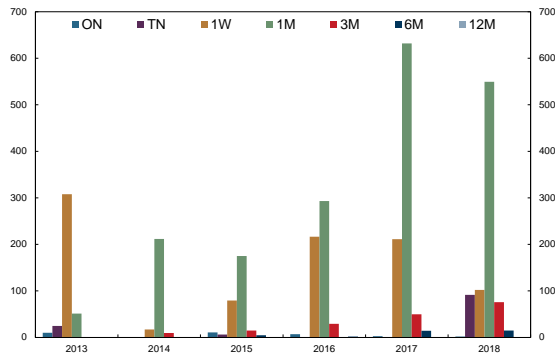
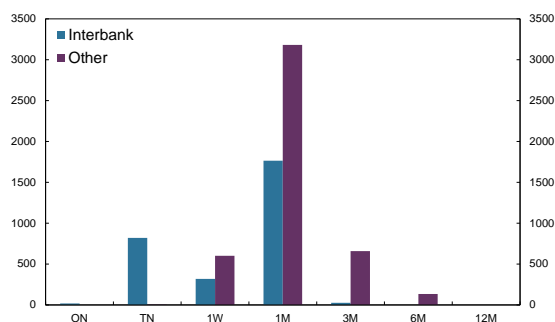


Chart 7 shows repo activity by maturity and counterparty type. Most of the banks' repo trades are with other financial market participants, but there is some interbank activity.

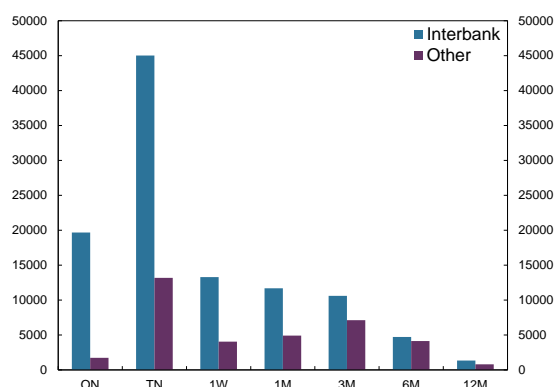
Chart 7: Repo activity by maturity and counterparty type. Daily average in April 2018. In millions of NOK



Foreign exchange (FX) swaps

Chart 8 shows the breakdown of reporting banks' FX swap transactions by maturity and counterparty type. Most of the banks' reported FX swap activity is interbank, with a very large share taking place in the TN market.

Chart 8: FX swap activity by maturity and counterparty. Daily average in April 2018. In millions of NOK



Most of the banks' reported activity 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 2018. In millions of NOK

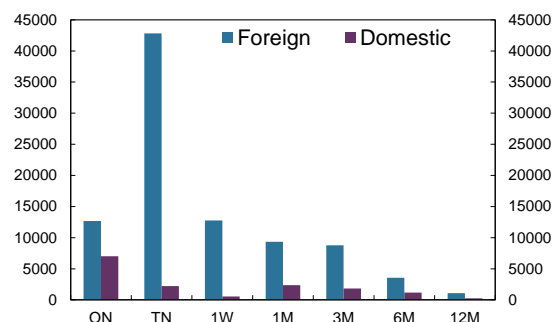
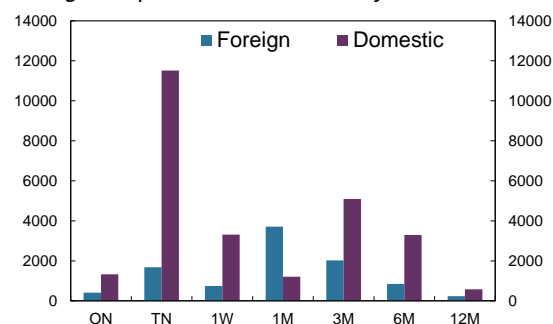


Chart 10: FX swap trades with other financial institutions, by maturity and participant. Daily average in April 2018. In millions of NOK



Forward rate agreements (FRAs)

Chart 11 shows turnover volumes for Norwegian FRAs by settlement date⁴ and maturity of the underlying money market rate. Around 94% of the turnover volume comprises contracts with a three-month underlying money market rate. The corresponding percentage for 2016 was 98% and for 2017, 90%. Over the past three years, the first four three-month contracts and the first two six-month contracts accounted for around two-thirds of turnover.

⁴ 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 2018 to March 2019, while settlement on the second four three-month and second two six-month FRA is on IMM dates from June 2019 to March.

Chart 11: Turnover volume of FRAs measured in notional amounts. Daily average in April 2018. In millions of NOK

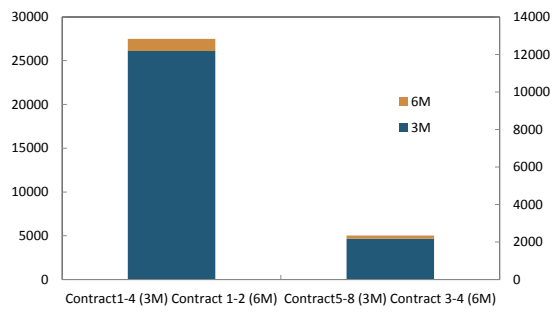


Table 1: Borrowing and lending in the Norwegian money market in April 2018 by maturity and instrument. Daily average for all banks in total. In millions of NOK

Borrowing		Unsecured	Repurchase agreement	FX-swap	Sum	
Overnight		18381		17	10138	28536
Tom/Next		744		5	19040	19789
Up to 1 week	2 - 7 days	930		107	5405	6442
> 1 week to 1 month	8 - 31 days	289		1179	7526	8993
> 1 months to 3 months	32 - 91 days	1614		300	10629	12543
> 3 months to 6 months	92 - 183 days	190		0	5973	6164
> 6 months to 1 year	184 - 365 days	153		0	1270	1423
Sum borrowing		22301		1607	59982	83891
Lending		Unsecured	Repurchase agreement	FX-swap	Sum	
Overnight		23807		0	11276	35083
Tom/Next		592		819	39184	40594
Up to 1 week	2 - 7 days	768		813	11956	13536
> 1 week to 1 month	8 - 31 days	0		3766	9089	12855
> 1 months to 3 months	32 - 91 days	0		383	7091	7474
> 3 months to 6 months	92 - 183 days	0		133	2899	3033
> 6 months to 1 year	184 - 365 days	0		0	903	903
Sum lending		25166		5915	82397	113478

Table 2: Daily average turnover in Norwegian FRAs in April 2018. In millions of NOK

Underlying 3m Nibor	Average daily turnover
Contract 1-4	26 117
Contract 5-8	4 663
Underlying: 6m Nibor	Average daily turnover
Contract 1-2	1 376
Contract 3-4	364