

# NORGES BANK'S MONEY MARKET SURVEY

2017



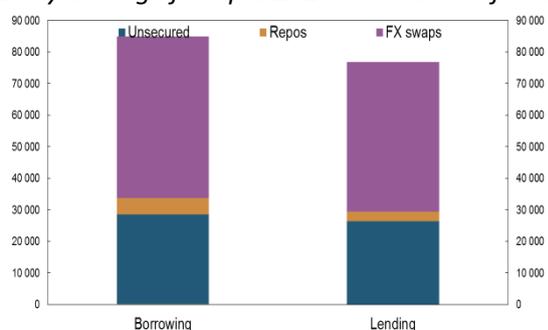
NORGES BANK

## Money market survey 2017

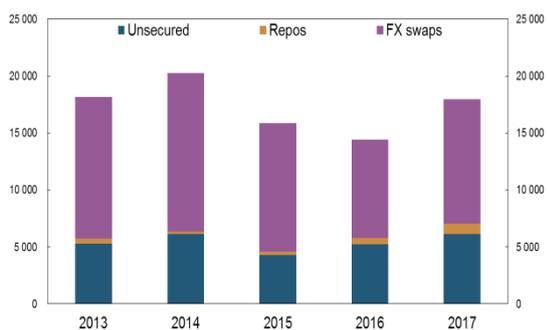
Each year, Norges Bank conducts a survey of activity in the Norwegian money market. The money market plays a key role in the implementation of monetary policy and in the financial system in general. As there are few publicly available sources of information about activity in the Norwegian money market, 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 2017 survey<sup>1</sup>, reporting lending and borrowing activity using unsecured bank deposits, foreign exchange (FX) swaps<sup>2</sup> and repurchase agreements (repos) in April 2017. The banks also responded to questions about activity in the market for Norwegian forward rate agreements (FRAs). This report summarises the 2017 survey results and developments between 2013 and 2017. Data for 2017 show average daily activity in April 2017. Data for developments between 2013 and 2017 show average daily activity by reporting bank in April of the applicable year.<sup>3</sup>

*Chart 1: Lending and borrowing by instrument. Daily average for April 2017. In millions of NOK*



*Chart 2: Total activity in the money market. Daily average per bank, 2013–2017. In millions of NOK*



## Total activity

Chart 1 shows banks' average daily borrowing and lending in the money market by financial instrument. Banks borrowed more than they lent in all three instruments. Most of both borrowing and lending was via FX swap agreements. Furthermore, repos accounted for a relatively small share of money market turnover.

Average daily money market activity per bank rose in 2017, after declining over the two previous years (Chart 2). The breakdown of activity by instrument has changed somewhat between 2013 and 2017.

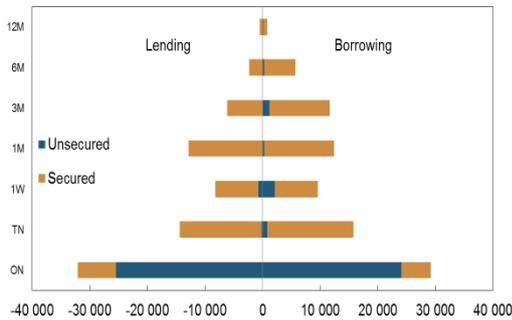
As a share of total activity, FX swaps have declined from approximately 70% in the first three years to approximately 60% in 2016 and 2017. The share of repos has risen from between 1% and 2% in the first three years to around 5% in 2017. Unsecured borrowing accounted for between 26% and 30% of total activity in the first three years, and for around 35% in 2016 and 2017.

<sup>1</sup> In 2013, 2014, 2015 and 2016, nine, ten, eleven and eight banks, respectively, took part in the money market survey.

<sup>2</sup> Banks have only reported FX swap agreements involving NOK.

<sup>3</sup> 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.

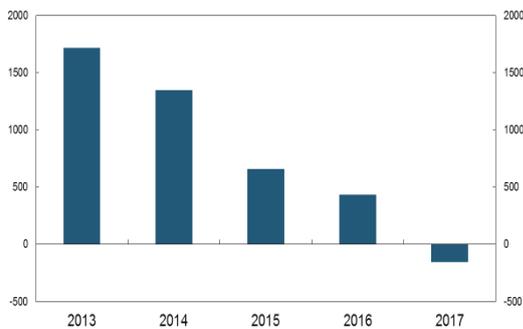
**Chart 3: Lending and borrowing by maturity, transaction type and sign. Daily average for April 2017. In millions of NOK**



### Unsecured transactions

Chart 3 shows the breakdown of banks' borrowing and lending between unsecured and secured<sup>4</sup> transactions, as well as the maturity of these transactions. Unsecured transactions primarily take place at overnight (ON) maturities, and account for approximately 80% of the ON market. Virtually all of the secured ON transactions are FX swaps. Banks borrow more than they lend at all maturities, except for one month and ON.

**Chart 4: Net unsecured overnight borrowing. Daily average per bank in 2013–2017. In millions of NOK**



Average daily net unsecured ON borrowing per bank has fallen every year 2013 (Chart 4). For the first time over the past five years, banks report that they lend more than they borrow in unsecured transactions at this maturity.

**Chart 5: Unsecured lending activity by maturities beyond one day. Daily average per bank in 2013–2017. In millions of NOK**

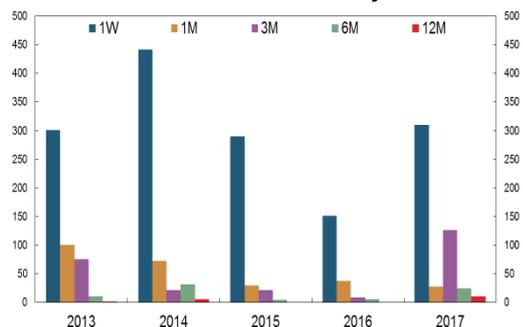
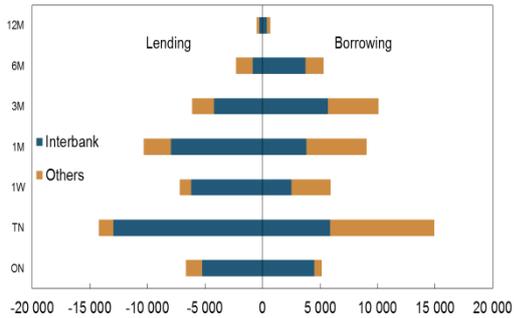


Chart 5 shows that turnover in unsecured transactions at maturities beyond one day has picked up since 2016. In 2017, the level was approximately the same as in 2013. Turnover increased the most at one-week and three-month maturities. Banks report that unsecured transactions are primarily conducted in the interbank market.

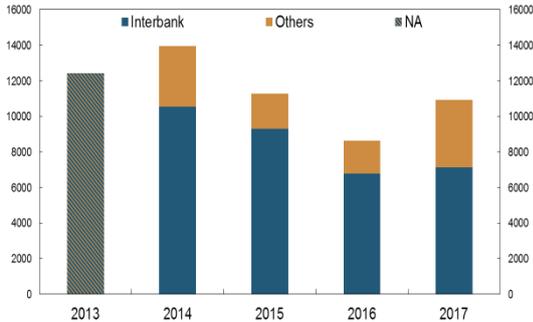
<sup>4</sup> FX swaps and repos are secured transactions.



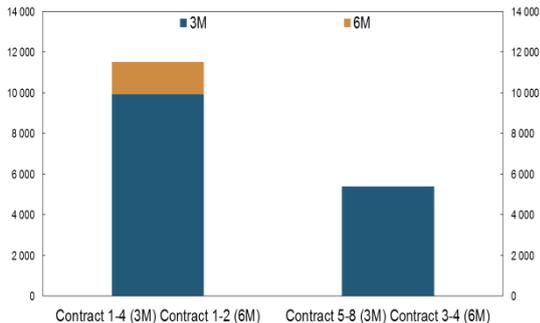
**Chart 9: FX swap activity by maturity, counterparty and transaction sign. Daily average in April 2017. In millions of NOK**



**Chart 10: FX swap activity by counterparty<sup>5</sup>. Daily average per bank in 2013–2017. In millions of NOK**



**Chart 11: Turnover volumes for FRAs measured by the notional amounts of the contracts. Daily average in April 2017. In millions of NOK**



<sup>5</sup> In 2013, the survey did not distinguish between the counterparties of FX swaps.

**Foreign exchange (FX) swaps**

Chart 9 shows the breakdown of reporting banks’ FX swap transactions by maturity. Activity was highest at tomorrow/next (T/N), and reporting banks’ lending exceeded borrowing at this maturity. Most net borrowing took place at three-month maturity, and most net lending took place overnight.

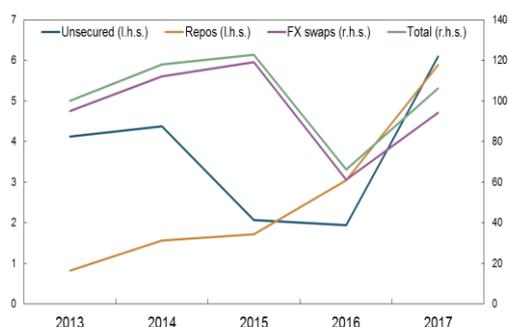
Daily FX swap activity per reporting bank was approximately NOK 11bn in 2017. This is over NOK 2bn more than in 2016, but lower than in the previous years (Chart 10). The increase in FX swap activity over 2016 was primarily with non-bank counterparties. The share of trades with non-banks was approximately 35% in April 2017. In the years 2014 to 2016, this share has ranged between 18% and 24%.

**Forward rate agreements (FRAs)**

Chart 11 shows turnover volumes for Norwegian FRAs by settlement date<sup>6</sup> and maturity of the underlying money market rate. Around 90% of the turnover volume comprises contracts with a three-month underlying money market rate. The corresponding percentage for 2015 was 93% and for 2016, 98%. 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.

<sup>6</sup> The first four three-month and first two six-month FRAs are contracts with settlement on IMM dates from June 2017 to March 2018, while settlement on the second four three-month and second two six-month FRA is on IMM dates from June 2018 to March 2019.

*Chart 12: Maturity-weighted activity by instrument. Daily average per bank in 2013–2017. Total maturity-weighted activity is indexed to 100 in 2013*



## Maturity-weighted activity

Maturity-weighted<sup>7</sup> activity picked up in 2017 after falling in 2016 (Chart 12).

Since 2016, there has been an increase in maturity-weighted activity in all instruments.

The increase in the unsecured market generally reflects higher volume, and more activity in unsecured transactions at longer maturities (Chart 5). Maturity-weighted turnover in the unsecured market is at the highest level since the survey began in 2013.

Maturity-weighted repo activity has increased every year since 2013, which may reflect a general increase in activity and higher turnover in repos with longer maturities (Charts 6 and 7).

The increase in maturity-weighted FX swap activity from 2016 reflects a general increase in activity (Chart 10). The survey does not show any clear trend for developments in FX swap maturities.

<sup>7</sup> Turnover is weighted by the maturity of the transaction. ON and TN are weighted by 1, one week by 7, one month by 30 and so on up to 360 for 12 months.

Table 1: Borrowing and lending in the Norwegian money market. April 2017. Daily average.  
In millions of NOK

	Unsecured	Repo	FX swaps	Sum
<b>Borrowing</b>	<b>28537</b>	<b>5224</b>	<b>51070</b>	<b>84830</b>
Overnight	24027	0	5153	29179
Tomorrow-Next (T/N)	772	0	14929	15700
T/N- 1 week	2053	1579	5921	9553
1 week - 1 month	224	3138	9035	12396
1 month - 3 months	1135	384	10066	11586
3 months - 6 months	227	123	5286	5636
6 months - 12 months	100	0	679	779
<b>Lending</b>	<b>26399</b>	<b>2965</b>	<b>47354</b>	<b>76718</b>
Overnight	25440	24	6658	32122
Tomorrow-Next (T/N)	202	0	14229	14431
T/N- 1 week	734	322	7203	8259
1 week - 1 month	24	2550	10342	12915
1 month - 3 months	0	63	6113	6176
3 months - 6 months	0	5	2313	2318
6 months - 12 months	0	0	496	496
<b>Sum</b>	<b>54936</b>	<b>8188</b>	<b>98423</b>	<b>161548</b>

Table 2: Turnover in Norwegian FRAs. April 2017. Daily average. In millions of NOK

	FRAs			Total
	Contract 1-4 (3M) Contract 1-2 (6M)	Contract 5-8 (3M) Contract 3-4 (6M)		
3M	9 919	5 382		15 302
6M	1 588	0		1 588
<b>Total</b>	<b>11 508</b>	<b>5 382</b>		<b>16 890</b>