

Jyske Research

Norway
- a good buy!

International Bonds
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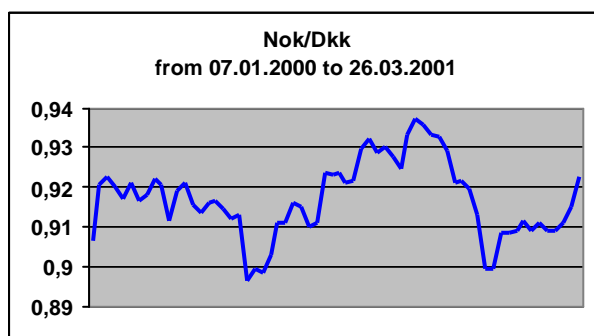
Economy

	2000	2001	2002
GDP growth (%)	2.2	2.0	1.75
Inflation (%)	3.0	3.0	2.5
Unemployment (%)	2.75	2.75	2.75

In recent years the Norwegian economy has been characterised by high oil prices, accelerating economic growth, rising inflation, falling unemployment and high private consumption. In 2000 the central bank raised the leading interest rate by 1.50 percentage point to dampen inflation. The central bank expects the inflation rate to fall to 3.0% for 2001 and to 2.5% for 2002. The high inflation rate is to some extent due to high prices of electricity and oil.

Currency

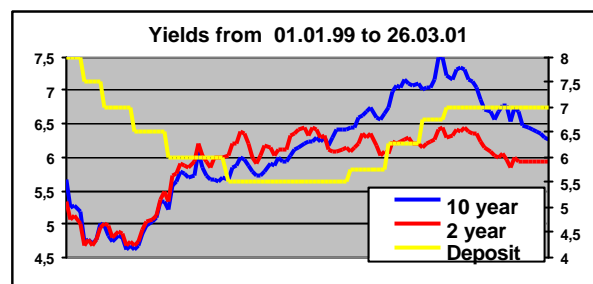
The Norwegian krone has appreciated by more than 2% since its low in January 2001. The recent increase in value is partly due to the fact that OPEC chose to reduce oil production at the latest meeting, partly to the inflow of oil revenue due around 1 April. The Norwegian krone currently trades at 92.30 against DKK. **From the technical point of view NOK definitely looks set to appreciate!** We expect the Norwegian krone to **appreciate by more than 2% to 93.90** at 1 - 3 months' term!



Interest rates

Market rates in Norway have fallen over the past year in line with the falling euro-zone market rates. And this is in spite of some mediocre indicators for inflation, unemployment and domestic debt. At the moment, rates discount an interest-rate reduction of 0.50 percentage point in the second half of 2001.

However, the Norwegian central bank has expressed concern over the tight labour market and has upgraded its forecast of wage rises in 2001. The central bank has repeatedly stood out against the interest-rate cuts anticipated by the market participants.



Norwegian interest rates depend on the development of the following factors:

- the inflation rate
- private consumption
- domestic debt
- oil and electricity prices
- the global economy

Recommendation

We find that the short end currently offers the best potential. This is because recent developments in the indicators do not point in the same direction for interest rates.

Investors can obtain a premium of no less than 2.70 percentage points over the euro-zone rate for 2-year government bonds!

Government bonds

B97689	7.00	Norway	31.05.01	99.93	7.36%
B94586	9.50	Norway	31.10.02	103.72	6.93%
B97112	5.75	Norway	30.11.04	98.05	6.38%
B97826	6.75	Norway	15.01.07	102.65	6.21%
B93345	5.50	Norway	15.05.09	96.85	6.04%
B99769	6.00	Norway	16.05.11	99.95	6.04%

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