

# Market Analysis

Ad-hoc research into market moving events from our in-house analysts

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## PREVIEW: Norges Bank Rate Decision due Thursday 23rd January 09:00GMT (1000CET, 04:00EST)

- Rates expected unchanged at 1.50%, in a unanimous call from all analysts surveyed by Reuters
- Recent data has been a touch softer overall, which, coupled with the NOK's strength, opens the possibility for a dovish-tweak
- This meeting does not include a MPR or press-conference

**OVERVIEW:** Norges Bank are expected to leave rates unchanged at 1.5% according to all 40 analysts surveyed by Reuters. Since the previous meeting slightly softer data prints and a firmer NOK have created some dovish-risk going into the decision, unlikely via the rate itself, but possibly through the rate path. Recent commentary has been minimal with Governor Olsen, in the first week of January, noting that it is too early to provide any signalling when speaking on the NOK's importance. Note, this meeting does not include a MPR or a press conference from Governor Olsen; the next MPR will be released in March.

**PREVIOUS:** In December, the Norges Bank left rates unchanged at 1.5% as expected in a unanimous decision. Additionally, the rate path was unchanged at 1.6% for 2020 and 2021 while, in a somewhat unexpected move, the 2022 path was increased to bring it in-line with the preceding years forecasts. Commentary at the meeting was relatively minimal, highlighting that the monetary stance has become less expansionary; overall, their assessment is that the balance of risks indicates a 'policy rate at close to the current level ahead'. Finally, in terms of the rate path, policymakers remarked that a weaker than forecast NOK 'implies in isolation a higher policy rate path. On the other hand, the upturn in the Norwegian economy appears to be a little more moderate than previously assumed. In isolation, this suggests a slightly lower rate path.'

**DATA:** Since December data releases have been largely uneventful; albeit with a negative bias overall, with the most notable metric being CPI for December. Where the YY number missed on market expectations at 1.4% vs. Exp. 1.5%, and down from the Prev. 1.6%; core CPI was 1.8% vs. Norges Bank Exp. 1.9%. While the miss isn't of an excessive magnitude, it is certainly a softer print and coupled with other

downbeat releases such as GDP (mainland) rising at its slowest pace in over 3-years and marginally higher unemployment numbers together paints a picture of a moderating economy. Recall in December the Norges Bank's statement: 'the upturn in the Norwegian economy appears to be a little more moderate than previously assumed. In isolation, this suggests a slightly lower rate path'. As such, some desks are positing that, while not sufficient for a rate cut, the moderation could result in a tweaking to the rate path; where it's possible the hiking bias could be removed in the near term or potentially entirely. Although, Danske Bank expects the Norges Bank to reiterate that rates are most-likely to remain unchanged for the forecast period, highlighting that this is an interim meeting at which they typically release limited updates.

**NOK:** As outlined above, in December Norges Bank noted that a weaker than forecast NOK 'implies in isolation a higher policy rate path'. Since the December meeting the NOK has appreciated from around 9.97 to a low thus far of 9.8154 vs the EUR. While the move isn't of a large magnitude, particularly considering EUR/NOK has been below 9.60 in the last year, when taken with the recent softer data it adds to the argument for the Bank implementing a dovish tweak to achieve a more neutral stance. However, even after adding the NOK's strength to the argument it remains more likely they will defer to March, when the next MRP and press-conference occurs, for such an alteration; alongside insight from the pertinent regional network report prior to the Spring MPR.

**RHETORIC:** Recent commentary out of the Bank has been very sparse. The most notable remarks emanating from Governor Olsen that the NOK's development is important to rates, but at present it is too early to provide any signalling.