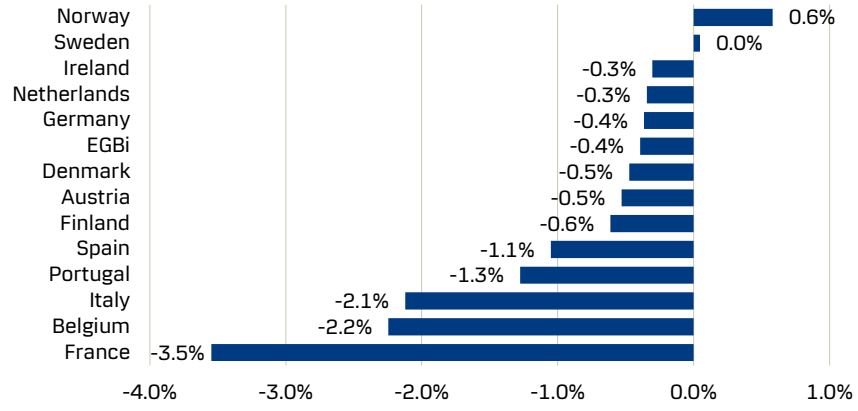
23 October 2026

RtM Norway

Norway the new "safe haven" market

- Norway stands out positively in a market increasingly focused on balance-sheet risks. High energy prices, strong public finances, a solid external balance and resilient domestic data make Norway look more robust than trading partners.
- NOK has safe-haven characteristics in a European context but remains risk-sensitive. The krone can stay supported if energy prices remain high and uncertainty stays focused on European fiscal risks, but it could weaken if global risk aversion rises sharply, energy prices fall or Norges Bank turns more dovish.
- Fixed income. NGBs has been the best performer relative to EGBs, SGBs and DGBs in 2026 (see chart below). Given that there is modest supply, no QT as well as a low "beta" to both US Treasuries and Bunds, and a rising domestic investor share, then NGBs look attractive for foreign investors despite the FX hedging cost. The breakeven spread tightening on a 12mth horizon varies between 10-15bp to some 30bp depending on whether the investor is EUR-, GBP- or USD-based.

The YtD risk-adjusted return on the Bloomberg 1-10Y govt. bond indices. Norway, Sweden and Denmark is in local currency.



Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Chief Economist Frank Jullum
+47 85 40 65 40
fju@danskebank.no

FI & FX Strategist Silje Bue
+47 98 81 09 79
sbue@*danskebank*.no

Senior FX analyst Mohamad Al-Saraf
+45 45 14 12 24
mohals@danskebank.dk

Director Jens Peter Sørensen
+45 45 12 85 17
jenssr@danskebank.dk

Norway in a world of balance-sheet risks

Global markets are increasingly focused on balance-sheet risks, having recently shifted their attention from inflation fears to concerns regarding public debt sustainability. Not long ago, there was widespread anticipation of persistent high inflation in both the Eurozone and the US, driven by second-round effects from elevated energy prices. However, this inflationary outlook has yet to materialise significantly, causing a recalibration in market expectations.

In this new scenario, markets were initially pricing a series of rate hikes among Norway's trading partners, while the Norwegian yield curve inverted, suggesting a different outlook for interest rates domestically. Now, with foreign interest rates falling considerably without a corresponding decrease in Norwegian rates, the divergence has become more pronounced.

In Europe, concerns about public debt sustainability have intensified, most visibly in France. In the US, investors are questioning whether the scale of AI-related investment can be justified by future earnings, while high public debt and elevated oil prices add to concerns about the outlook for both government finances and household consumption.

Norway stands out in this environment. Brent oil has traded above USD 100 per barrel for most of October, supporting national income, the external balance and activity linked to the petroleum sector. At the same time, domestic key figures continue to surprise on the upside or in line with previous releases. This contrasts with several of Norway's trading partners, where the data flow is increasingly surprising on the downside.

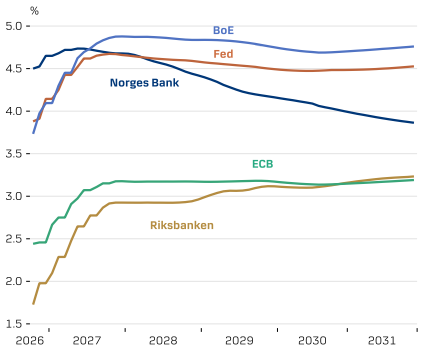
The divergence has clear monetary policy implications. Weaker data abroad has reduced market pricing of further rate hikes among several trading partners, while Norway still shows few signs of needing rate cuts in the near term. The labour market remains tight, wage growth is high, inflation is elevated and business sentiment has held up well. Norges Bank therefore has little reason to move quickly towards an easing cycle.

This keeps interest rate differentials between Norway and its trading partners high. Combined with strong public finances and high energy income, this makes Norway look increasingly attractive in relative terms. It's worth noting that political stability, while a positive aspect, is not a primary driver of the krone's performance; instead, it's the economic fundamentals that dominate the narrative.

Norway is not immune to global shocks. A sharp global risk-off move, a fall in oil prices or a broader repricing of risky assets would still matter for both the economy and financial markets. However, Norway is resilient compared to many other advanced economies due to little public debt and a large Oil fund, as well as being less directly dependent on AI-related capital expenditure delivering very high future returns.

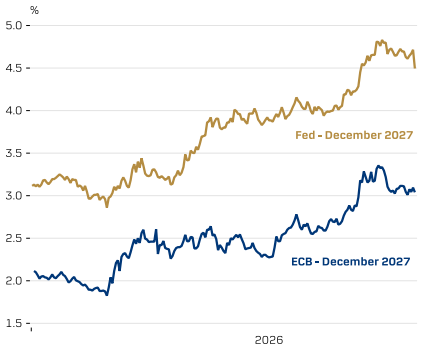
The key point is that while Norway is not fully disconnected from the global cycle, the country is still insulated from some of the more significant balance-sheet risks currently worrying markets. This divergence helps explain why domestic rates have remained relatively stable despite large moves abroad and why the krone has strengthened even in a global context that typically presents headwinds.

Market pricing of the central banks



Source: Danske Bank

Fed and ECB pricing has declined



Source: Danske Bank

Norway's relative macro resilience is now visible in markets: Norwegian rates have been much less sensitive to global volatility, while high rate differentials and strong public finances have supported demand for NOK exposure.

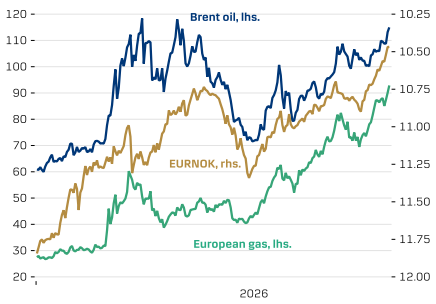
NOK: A European safe harbour

The Norwegian krone has been the best performing G10 currency so far this year, strengthening by more than 7% against the US dollar and more than 13% against the euro year-to-date. The move has been supported by a hawkish Norges Bank, wide rate differentials, high energy prices and a domestic economy that continues to hold up better than many of Norway's trading partners.

The relative rates story remains important. While markets briefly priced aggressive rate hikes abroad over the past couple of months, weaker figures among several trading partners have reduced the likelihood that these hikes will materialise. In Norway, however, the market still prices another rate hike. Sticky domestic inflation keeps that risk alive, with core inflation at 3.0% y/y in September, slightly above Norges Bank's 2.9% forecast.

High oil and gas prices have added further support. Energy prices have repeatedly reached new highs in 2026, strengthening Norway's terms of trade and supporting the external balance. In a world increasingly focused on debt sustainability, external balances, and energy security, this makes Norway stand out.

EUR/NOK has moved lower in line with rising oil and gas prices this year



Source: Danske Bank

Still, NOK is not a classic safe-haven currency. It has been the most volatile G10 currency this year and remains highly sensitive to oil prices, risk appetite and changes in relative rate expectations. A sharp fall in energy prices or a broader global risk-off move could therefore still weigh heavily on the krone. However, the current market environment is not a normal risk-off episode. Investors are increasingly worried about fiscal risks in Europe, high public debt in the US, stretched AI-related investment expectations, and the impact of high energy prices on consumers. Norway is not immune to these risks, but less directly exposed to several of them. Strong public finances, high energy revenues, and a central bank with little reason to cut rates give NOK an unusual degree of relative support.

We would therefore describe NOK as having safe-haven characteristics in a European context, rather than being a true safe-haven currency. If uncertainty remains centred on European fiscal risk and weaker growth abroad, NOK can remain supported. If uncertainty turns into a broader global liquidity shock, NOK's high volatility and high-beta characteristics are likely to dominate.

For the krone to maintain its upward momentum, several key elements will need to align. If both oil and gas prices continue to reach new heights or maintain their elevated levels, Norway's trade balance will benefit significantly, attracting capital inflows. This boost could enhance the attractiveness of the krone, especially against currencies facing greater uncertainty and instability. Furthermore, continued weakness in economic data from Norway's trading partners could encourage investors to seek out NOK as a relatively safer asset, thereby keep supporting its strength.

Conversely, there are several potential triggers that could lead to a depreciation of the krone. An increase in global risk aversion, for instance, could exert downward pressure on NOK. If we experience a sharp drop in equity markets or a disruption in AI-related investments, the krone's historical reputation as a risk-sensitive currency could come to play, leading to a decline in its value.

A significant drop in oil and gas prices poses another risk. Should energy prices experience a sharp downturn, this would negatively impact the Norwegian economy and likely result in a shift weakening of the krone, as reduced energy exports could harm both the trade balance and the overall macroeconomic outlook. Moreover, any noticeable shift towards a dovish monetary policy from Norges Bank would narrow the interest rate differential with trading partners, which could also weaken the krone.

However, the krone might also remain stable around the levels seen in recent weeks, but for that to happen, a careful balancing of several factors will be required. Stable energy prices and moderated inflation growth would create a more predictable economic environment, preventing substantial fluctuations in the krone's value.

In light of our recent FX forecast, we project that the krone will continue to hold its ground over the next few months, maintaining levels seen in the past week. Nonetheless, it is clear that the future trajectory of the krone will depend on a mixture of domestic and global factors, making it essential to monitor these developments closely.

NOK fixed income – NGBs provides a stable alternative to Bunds and Treasuries

There has been significant volatility in the European fixed income markets on the back of the fiscal and political problems in France. Traditionally, smaller market like the Nordic bond markets will also be affected by this, but here we have seen very limited impact on the Scandinavian government bond markets (Norway, Sweden and Denmark). Furthermore, looking forward then the issuance in Scandinavian bond markets is very small relative to the issuance in the EGB markets as shown in the table below, where we have the expected issuance for the EGB issuers and the Scandies

Expected issuance in 2027 from the Eurozone and Scandinavian countries – Norway's issuance target of NOK 100bn (approx. EUR 10bn) is less than Ireland's

Supply forecast	2027					2026				
	Gross	Redemptions	Net	QT	Net of QT	Gross	Redemptions	Net	QT	Net of QT
Germany	375	238	137	64	201	350	213	137	64	201
France*	340	195	145	53	198	310	174	136	52	188
Italy*	350	272	78	73	151	360	262	98	79	177
Spain	185	148	37	37	74	177	127	50	38	88
Netherlands	55	33	22	8	30	50	29	21	9	30
Austria	45	26	21	5	26	45	32	13	8	21
Belgium	55	28	27	7	34	52	27	25	8	33
Finland	23	11	12	3	15	25	11	14	3	17
Ireland	12	8	4	2	6	12	12	0	4	4
Portugal	20	16	4	4	8	24	10	14	3	17
Greece	10	6	4	2	6	8	7	2	2	3
Slovakia	12	5	7	3	10	10	4	6	3	9
Total	1482	986	498	260	**758**	1423	908	515	272	**787**

	Gross	Redemptions	Net	QT	Net of QT	Gross	Redemptions	Net	QT	Net of QT
Denmark (DKK)	65	82	-17	0	No QT	65	70	-5	0	No QT
Sweden (SEK)	246	154	92	0	No QT	226	116	110	11	121
Norway (NOK)	100	57	43	0	No QT	95-105	58	37-47	0	No QT

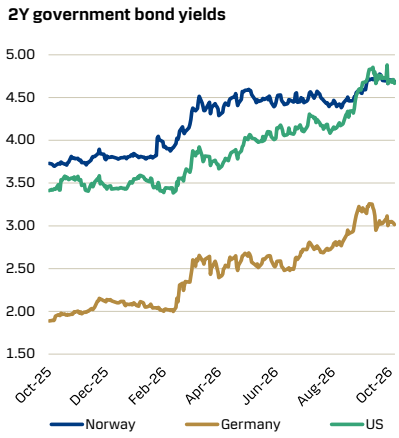
Source: European Debt Offices and Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

As can be seen from the table then issuance from Norway is very modest relative to the EGB issuers – Norway is expected to sell NOK 100bn (approx. EUR 10bn), which is less than the gross issuance from e.g. Ireland. Furthermore, there is no QT in Norway (or Denmark and Sweden), which is also a supportive factor for NGBs and the net issuance is also less than all the EGB issuers mentioned in the table.

If we look at the movement in yields relative to both US treasuries and German government bonds, then the NGB yield has been very "stable", as shown in the charts below. Here we look at the 2Y, 5Y and 10Y government bond yields. Especially, the long end of the NGB curve has been very stable relative to the move in both Bunds and Treasuries.

2Y NGB's vs. US Treasuries and Schatz



Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

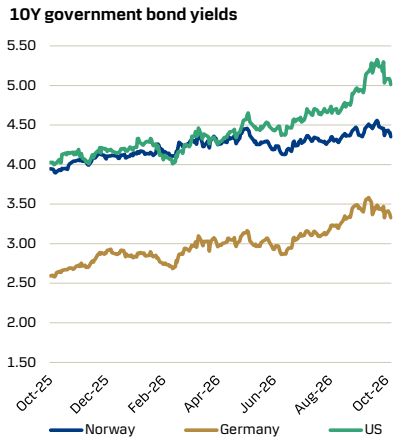
5Y NGB's vs. US Treasuries and Schatz



Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

10Y NGB's vs. US Treasuries and Schatz

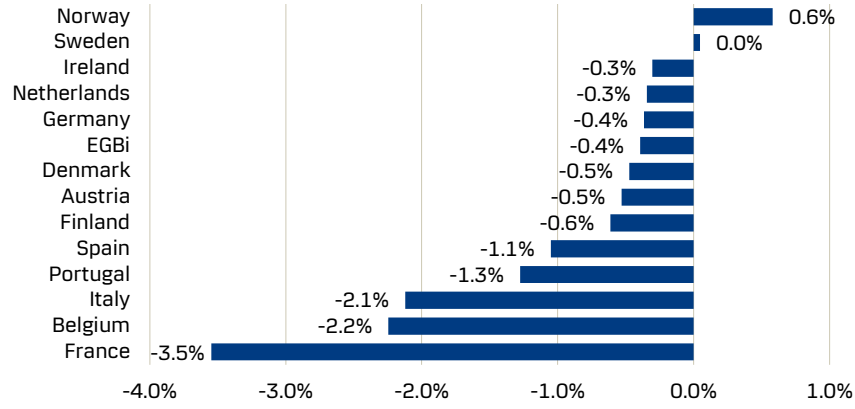


Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Hence, we have seen an outperformance of NGBs in 2026 relative to both Bunds and Treasuries, as shown by the performance of the Bloomberg 1-10Y bond indices below.

The YtD risk-adjusted return on the Bloomberg 1-10Y govt. bond indices. Norway, Sweden and Denmark is in local currency.



Source: Bloomberg, Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Given the significant fiscal deficit in both US and Eurozone, then we prefer buying NGBs relative to US Treasuries, Bunds etc. and e.g. EU bonds, and we suggest that investors should use the recent widening of the spread between NGBs and Bunds/Treasuries to buy NGBs.

We see solid investor interest at NGB syndications this year, where the deals have been heavily oversubscribed and the performance has been strong afterwards, as well as at the regular auctions, where there has also been decent demand. In the table below, we show the details of the syndications.

The syndicated deals since 2022 – solid bid-to-cover and strong secondary market performance

	Sep-26	May-26	Jan-26	May-25	Feb-25	May-24	Feb-24	Oct-23	Feb-23	Sep-22	Feb-22
Bond	20Y NGB 2046	10Y NGB 2036	10Y NGB 2036	10Y NGB 2035	10Y NGB 2035	15Y - NGB 2039	10Y - NGB 2034	10Y- NGB 2033	10Y NGB 2033	20Y NGB 2042	10Y NGB 2032
IPT	MS+14bp	MS+3bp	MS+4bp	MS+6bp	MS+4bp	MS+2bp	MS+4bp	MS-12bp	MS+2bp	MS+20bp	MS-12bp
Pricing	MS+9bp	MS+0bp	MS+2bp	MS+4bp	MS+0bp	MS-3bp	MS+0bp	MS-15bp	MS+0bp	MS+18bp	MS-16bp
NIP (new issue prem.)	**NIP 2-3bp**	**NIP 2-3bp**	**0.5-1bp**	**2bp**	**2bp**	**7bp**	**3bp**	**4bp**	**4bp**	**11bp**	**3bp**
Current pricing	MS -4bp	MS -14bp	MS -14bp	MS -16bp	MS -16bp	MS-10bp	MS -19bp	MS -23bp	MS -23bp	MS -6bp	MS -26bp
Sold at auction	NOK 10bn	NOK 15bn	NOK 20bn	NOK 15bn	NOK 22bn	NOK 12bn	NOK 20bn	NOK 10bn	NOK 22bn	NOK 10bn	NOK 20bn
Bid-to-cover	5.9	5.2	4.15	3.94	4.10	6.67	6.00	4.7	3.09	2.35	4.5
Region											
Norway	61%	30%	44%	41%	31%	34%	39%	31%	39%	75%	29%
UK	17%	27%	19%	20%	26%	17%	26%	25%	11%	13%	16%
Other Nordic	13%	22%	20%	23%	29%	30%	24%	28%	17%	6%	28%
Other Europe	4%	5%	4%	7%	4%	9%	6%	5%	13%	5%	10%
US	1%	5%	9%	7%	5%	9%	3%	6%	6%	0%	4%
Asia	3%	4%	1%	1%	5%	0%	2%	4%	4%	1%	3%
Middle East		7%	3%	1%	0%	1%	0%	1%	10%	0%	10%
Investor type											
Asset managers	23%	39%	34%	31%	38%	30%	39%	35%	41%	19%	28%
Insurance and pension funds	40%	8%	15%	21%	23%	35%	29%	10%	6%	52%	13%
Bank Treasuries	10%	21%	15%	19%	16%	12%	12%	25%	12%	6%	21%
Hedge funds	12%	13%	14%	13%	9%	15%	10%	16%	16%	7%	13%
Central Banks and Off. Inst.	15%	19%	18%	16%	14%	8%	10%	14%	25%	16%	25%

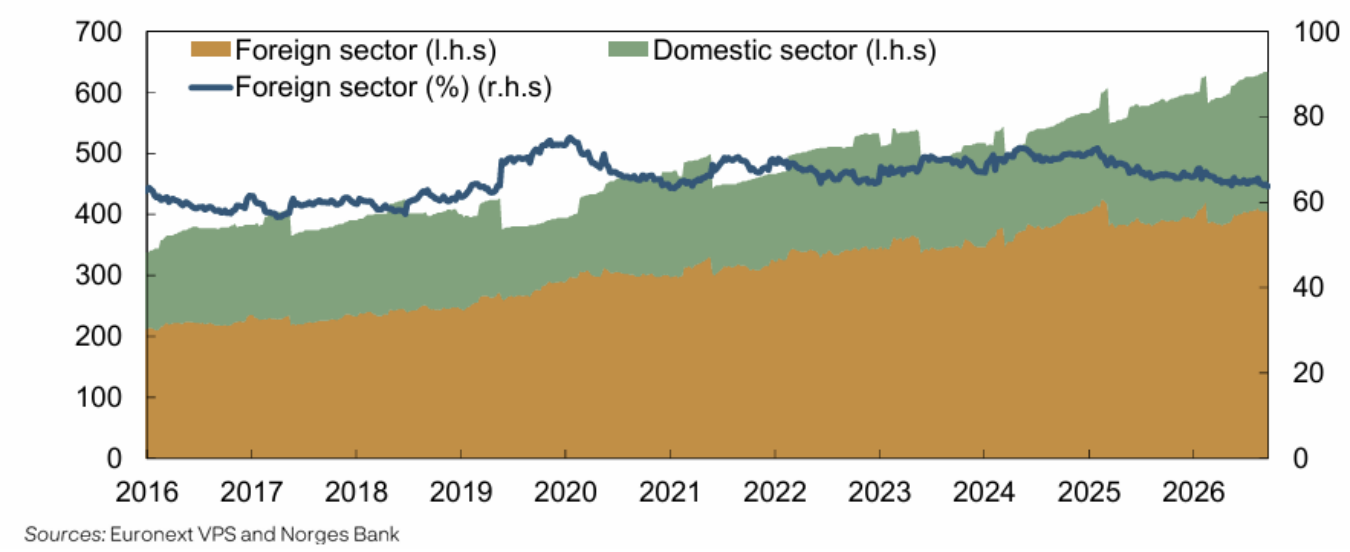
Source: Norges Bank and Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Typically, the 10Y benchmark is solid around MS+0bp to +2bp and tightens gradually after the syndication, as shown above. The average bid-to-cover at the auctions has been 3.8 in the 2Y benchmark and 3.4 in the 10Y benchmark.

If we look at the investor base in Norway, the foreign investor base has been good, but has declined modestly in recent years, as shown by the numbers from Norges Bank.

Foreign and domestic ownership of government bonds: NOK bn and the %-share of the outstanding volume



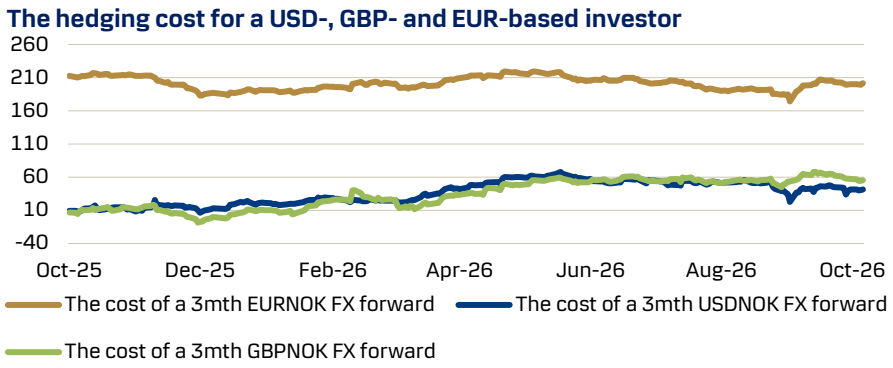
Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Foreign investors have reduced their ownership share, while domestic life insurance companies and pension funds have increased their share since the introduction of the 15Y and 20Y NGBs from some 5% to 10%. Furthermore, the banks and public sector have a steady share of some 20-25%. Here, the combination of yield level and tight spread between covered bonds and municipals to NGBs has probably driven some domestic investors towards NGBs given that they have a lower risk weight than municipals and covered bonds.

The main challenge for foreign investors is the FX risk and that the hedging cost is significant, especially in 3mth FX forwards for EUR, while it is less for GBP and USD-based investors, as shown below.

Significant hedging cost for an EUR-based investor, but less for a GBP and USD-based investors



Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

If we look at 2Y, 5Y and 10Y NGBs hedged into EUR, GBP and USD, it takes away the yield pick-up to matching Bunds, Treasuries and Gilts, as shown in the table below

Hedging NGBs into EUR, USD and GBP

	NGBs in EUR	Bunds	NGBs in USD	US Treasury	NGBs in GBP	UK Gilts
2Y	2.67	3.01	4.27	4.67	4.14	4.77
5Y	2.48	3.13	4.08	4.81	3.94	4.98
10Y	2.34	3.33	3.94	5.01	3.80	5.37

Source: Danske Bank

Note: Past performance is not a reliable indicator of current or future results.

Hence, we need to see a tightening of the yield spread between NGBs and Bunds/Treasuries and Gilts of some 15bp to 30bp in the 2Y segment, 15-20bp in the 5Y segment and 10-15bp in the 10Y segment, all on a 12mth horizon.

Conclusion. We see a solid potential in NGBs relative to EGBs, Treasuries and EU bonds given the significantly better fiscal outlook and limited political uncertainty. Furthermore, there is no QT in Norway and NGBs have a low "beta" to Bunds and Treasuries. Domestic investors are increasing their share of NGBs given the significant yield on NGBs, and the issuance of certificates from Norges Bank has had a limited impact on short-dated NGBs. Long-dated NGBs are attractive for lifers and pension funds. The hedging costs are significant for foreign investors, but the breakeven spread tightening is not significant on a 12mth horizon.

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