ECB BMCG
REAL MONEY INVESTOR STRATEGIES IN A LOW-YIELD ENVIRONMENT

PAULI MORTENSEN,
HEAD OF FIXED INCOME TRADING
NORGES BANK INVESTMENT MANAGEMENT

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Fund size and government spending
As at 31.12.2019. Percent (left axis) and billions of kroner (right axis)
Strategic equity share of 70% since 2017
A mechanical rebalancing rule

Rebalancing rule with a +/- 2% no-trade band

Note: for illustration only.
Role of fixed income in the Fund

- Reduce volatility
- Provide liquidity
- Earn risk premia
Role of government bonds in the portfolio

Equity-bond correlation

Notes: equity returns are represented by the MSCI EMU index. German bunds are represented by the Bloomberg Barclays Germany Government All Bonds Total Return index. Italian government bonds are represented by the Bloomberg Barclays Italy Government All Bonds Total Return index. Daily data, sample period is 1 January 2000 through 9 June 2020.
Hedging properties at the ELB

Lower volatility of term premium impairs hedging properties?

-1% 0% 1% 2% 3% 4% 5% 6%
1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019
3M EONIA (left axis)
Term premium German bunds (right axis)

Term premium volatility (bps p.a.)
1999-2014 83
2015-2020 33

Notes: monthly data, sample period is January 1999 through May 2020. Internal estimates of term premium.
Role of government bonds in the portfolio

Equity-bond correlation during the COVID-19 crisis

Notes: equity returns are represented by the MSCI EMU index, German bunds are represented by the Bloomberg Barclays Germany Government All Bonds Total Return index, Italian government bonds are represented by the Bloomberg Barclays Italy Government All Bonds Total Return index. Daily data, sample period is 1 October 2018 through 9 June 2020.
US Treasury yields vs model
Bps, actual vs fair value. X-axis: ytm. End-2019
US Treasury yields vs model
Bps, actual vs fair value. X-axis: ytm. 19 March 2020
Central bank government bond holdings
Percent of outstanding government debt securities

Source: Deutsche Bank.
Harvest risk premiums in bond markets
Indexed cumulative returns

Source: Carry (return spread b/w EM and DM segments of JP Morgan GABI GOVERNMENT TOTAL RETURN USD), Term premium (return spread b/w all-maturity and 1-3yr segments of Bloomberg Barclays Euro-Aggregate Treasury), Credit premium (duration-matched excess return on Bloomberg Barclays Euro-Aggregate Corporate)
Harvest risk premiums in bond markets

Spreads in basis points

Source: Corporate IG OAS (duration-matched OAS on Bloomberg Barclays Euro-Aggregate Corporate), EMD carry (yield spread b/w EM and DM segments of JP Morgan GABI), Term premium German bunds (internal NBIM calculations)
Diversifying into real assets
Away from FI (and EQ)

Real estate = 5%
Renewable infrastructure = 1%