

Norwegian Crown at high against Euro

The Norwegian Crown hit its highest level against EUR on 17th February 2010 since the collapse of Lehman Brothers in September 2008.

Norway's central bank increased borrowing costs twice in the fourth quarter of 2009 and is expected to continue to gradually raise rates this year, possibly as soon as March. But this month, Norges Bank said when it kept rates on hold that if the Crown should "appreciate considerably more than projected, the key policy rate may be increased to a lesser extent or later than envisaged". In line with this sentiment, Nordea issued a statement to the market believing that if the currency continues to remain strong against the single currency, that a rates rise in March would be 'difficult'.

Last week Norges Bank Governor Svein Gjedrem stated the crown was "very strong" and may fall over the longer-term.

The attached graph details the WM/Reuters closing mid rate for EUR v NOK which dropped to 8.012 on 17th February, having reached a high of 10.1075 on 26th Dec 08.

