

# Who Will Be First?



Stockholm (HedgeNordic) - One of the largest hedge funds in the Nordics believes that Norway's central bank, Norges Bank, will be the first central bank within the G10 universe to increase interest rates. "We think Norges Bank will be the first central bank [in the G10 currency sphere] to raise rates," Bjørn Roger Wilhelmsen (*pictured*), founding partner and chief economist at Nordkinn Asset Management, tells Bloomberg.

According to Wilhelmsen, who used to work as an economist for the Central Bank of Norway developing economic models for the monetary policy department, reckons that the first interest rate increase "will probably come at the end of 2021." This view is currently reflected in market prices "to a smaller extent," asserts Wilhelmsen.

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Nordkinn Asset Management runs a global macro fixed-income fund that oversees more than €1.1 billion in assets under management. With a year-to-date advance of 6.1 percent through the end of August, **Nordkinn Fixed Income Macro Fund** is on track to achieve its best annual performance since launching during the summer of 2013. The global macro fixed-income fund delivered an annualized return of 3.3 percent since its launch in July of 2013, just shy of its return target of four percent over the risk-free rate. The returns, however, have been achieved

with an annualized volatility of only 2.3 percent, resulting in an inception-to-date Sharpe ratio of 1.4.

Nordkinn Asset Management has recently hired two investment strategies to strengthen the team's ability to find new opportunities in the current low-rate environment. The asset manager just recently hired Kjetil Høyland, a lead strategist at Nordea. "When interest rates are zero, you evidently need a lot of good ideas to create a 4 percent return," Wilhelmsen tells Bloomberg. "You need to do a lot of research to find good opportunities. We need more people to find them."

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Norges Bank, which is set to announce its next rate decision on September 24, announced during the summer that its key policy interest rate would be kept on hold at zero for the time being, signalling rates could go up in late 2022. However, Norway's mainland economy, which excludes the oil and gas sector, has navigated the COVID-19 pandemic better than other countries. "Norway distinguishes itself," Wilhelmsen tells Bloomberg. The team at Nordkinn is buying interest rate swaps in Norway and selling swaps in other countries to bet on Norges Bank raising interest rates at the end of 2021. "It's a relative value trade," according to Wilhelmsen.

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The team running Nordkinn Fixed Income Macro Fund also expects inflation in Sweden to be lower than in other countries. The fund is short Swedish inflation-linked bonds and long U.S. and eurozone inflation-linked bonds. "We believed there would be lower inflation expectations. And the Riksbank would keep rates at a low level for a long time. That theme was boosted by the corona crisis," Wilhelmsen tells Bloomberg. It is "one of the biggest cases we've had and with the highest conviction. We still have belief in that."