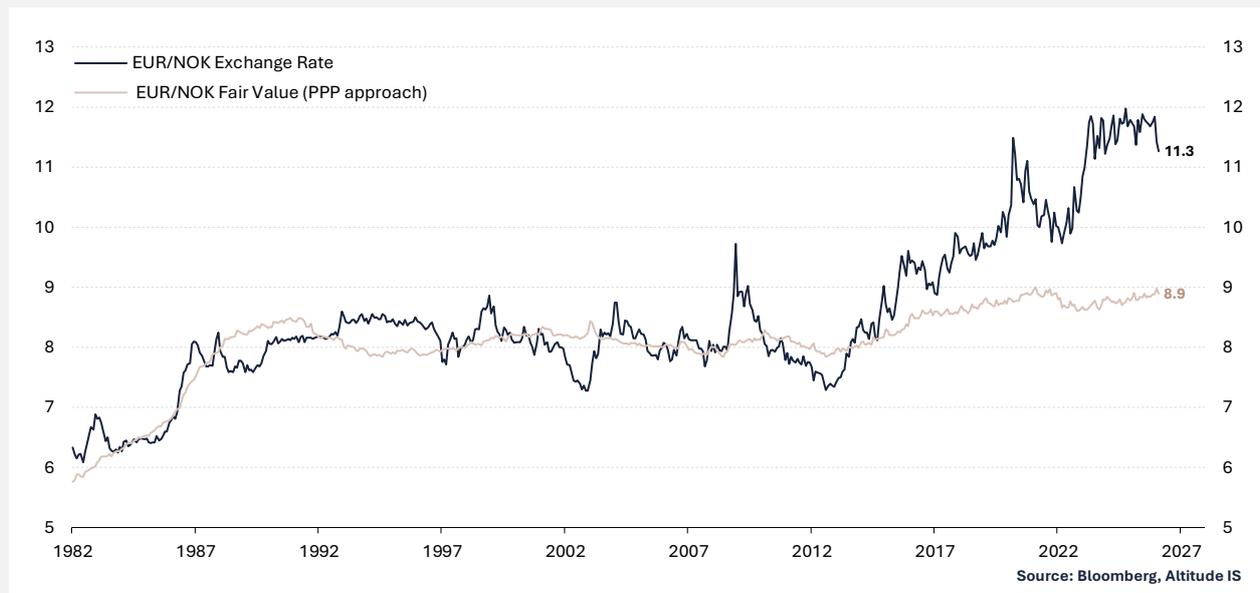


The flexiweekly that reaches new heights - published on 23 February 2026

"NORWAY IS ON THE VERGE OF A BOREAL PERFORMANCE"

- Economic momentum is strong in northern Europe
- Thanks to oil, Norway enjoys a significant financial windfall
- Paradoxically, it was its sovereign wealth fund that weakened the Norwegian krone
- Things are changing and NOK is staging a powerful rebound

CHART OF THE WEEK: "It's time for Norway to let its krone shine"



FINANCIAL MARKETS ANALYSIS

Norway enjoys exceptional economic and financial health. Its gross domestic product is growing faster than anywhere else in Europe, its unemployment rate is very low and its trade balance benefits greatly from oil exports. As a result, the country of the midnight sun ranks among the happiest countries in the world. Better still, it has the largest sovereign wealth fund on the planet, with more than \$2 trillion under management. And yet, despite this idyllic picture, the Norwegian financial markets have not performed well in recent years. Worse still, the Norwegian krone has suffered massive erosion. Fortunately, it seems that this long night of underperformance has come to an end. **Norway is on the cusp of a year that has everything it takes to be exceptional.** The aurora will be borealis.



The Norwegian currency (NOK) is more technical than it appears, as it depends on unusual financial flows. Oil companies sell their hydrocarbon production in dollars, but they must meet their tax obligations in local currency. The state uses part of this money to finance the country's budget, while the financial surplus goes to the sovereign wealth fund. As the latter represents four times the country's GDP, it is subject to very strict legal rules. It is not allowed to hold Norwegian assets, or even kroner. This "sealing clause" prevents the fund from reinvesting its petrodollars locally, which would cause economic overheating and/or a disproportionate appreciation of the Norwegian krone.

Thus, **before contributing capital to the sovereign wealth fund, the government sells large volumes of kroner to purchase foreign currencies, such as the dollar or the euro.** This operation is carried out with the assistance of the central bank, Norges Bank. Between 2014 and 2024, krone sales were massive and far exceeded investor demand. This net selling flow acted as a powerful factor in the depreciation of the exchange rate. The Norwegian currency thus moved considerably away from its economic fundamentals, such as purchasing power parity (PPP).

Fig. 2 – USD/NOK exchange rate & PPP

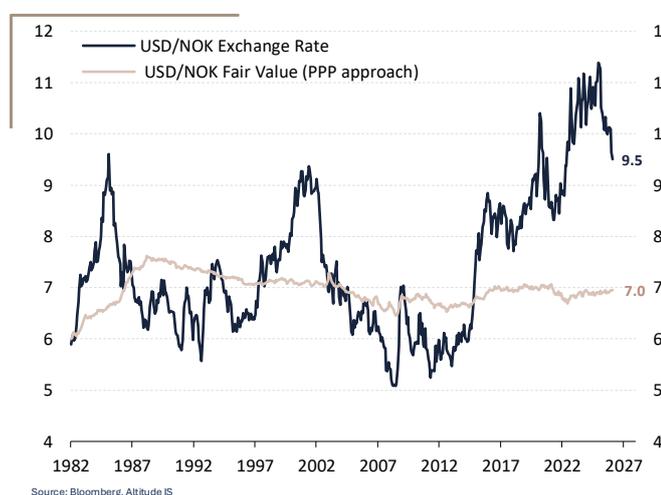
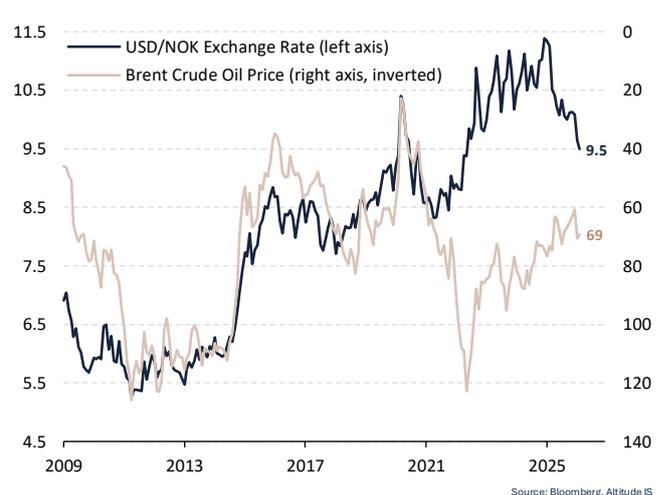


Fig. 3 – USD/NOK exchange rate & oil price



The theoretical stock of the Norwegian krone against the dollar and the euro is around 7 and 9 kroner, respectively (see Fig. 2 & Chart of the week). At the beginning of the year, however, the market was still trading the two main global currencies at 11 and 12 kroner. **The krone had become one of the most undervalued currencies among developed countries.** The cost of living in Norway does not justify such a low exchange rate. Nor do current oil prices (see Fig. 3). Since the beginning of 2026, currency traders seem to be converging towards fundamentals. This normalisation process has the potential to be powerful, as it is based on sound fundamentals. Institutional investors are not mistaken, gradually reintegrating Norway into their asset allocations. They are thus seeking to take advantage of a historically attractive entry point and see significant potential for gains.

The main reason is that Norway's fiscal situation changed radically in 2025. The government had to cope with very high financing needs. National defence required unprecedented investment due to the geopolitical context in Europe. Healthcare and social security costs rose in line with the ageing population. Infrastructure needed to be modernised or renewed in order to meet energy transition and decarbonisation targets. As a result, since last year, the government has been consuming a much larger share of its tax revenues, causing the surplus allocated to the sovereign wealth fund to melt away like snow in the sun.



The forecasts for 2026 are even more striking. The deficit could rise to NOK 450 billion. At the same time, oil taxes collected in local currency would only amount to NOK 300 billion. The government would therefore need an additional NOK 150 billion to balance its budget. Under this scenario, Norway will have to stop selling kroner on the foreign exchange market and, on the contrary, buy them to make up for the shortfall in the Treasury. **The selling flow will become a buying flow.** With Norway keeping its kroner for itself, investors will have to pay more to obtain them. **This reversal will cause a mechanical and rapid appreciation of the exchange rate.** Given the fundamentals, the potential for a catch-up is high.

The NOK will also benefit from other supportive factors, notably high bond yields. With the Norwegian labour market more dynamic than that of its eurozone neighbours, inflation tends to be more persistent. As long as unemployment remains at historically low levels and there is a labour shortage in many sectors, the price-wage spiral is likely to continue. As proof of this, trade unions have recently succeeded in securing significant wage increases to protect households' purchasing power. Faced with this situation of slight inflationary overheating (see Fig. 4), the central bank will seek to adopt a restrictive monetary policy.

Fig. 4 – Inflation rate

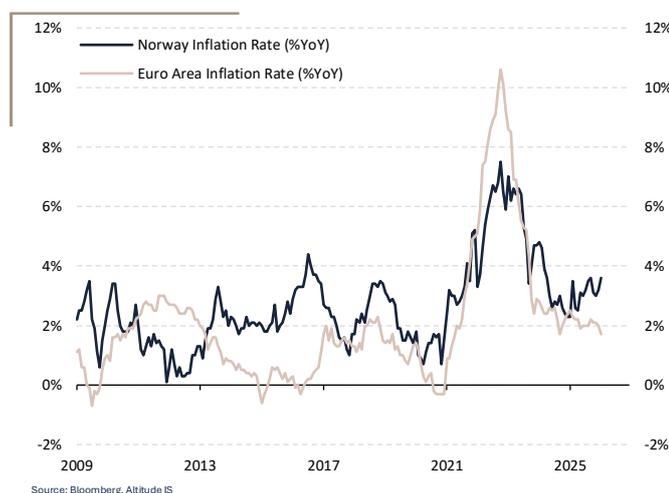
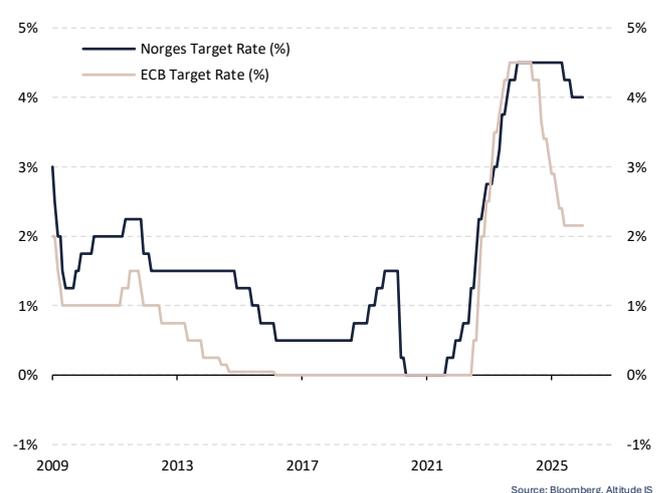


Fig. 5 – Key interest rates



Norges Bank has clearly indicated that it will not lower its rates prematurely. It will maintain its key rate at a significantly higher level than that of the European Central Bank (see Fig. 5). This positive interest rate differential will attract investors keen on carry trading, a strategy that aims to generate profits by borrowing money in a low-interest-rate currency and reinvesting it in a currency offering a higher yield. The objective is to capture the interest rate differential (carry) and benefit from the currency's appreciation. After years in the shadows, the Norwegian currency is once again becoming a currency of choice for carry strategies.

The Norwegian bond market is seen as a safe haven in a world where most developed countries have abysmal sovereign debt levels. With a public debt ratio of 43% of GDP and an AAA rating from each of the major rating agencies, NOK bonds offer investors high-quality, profitable diversification (see Fig. 6). Recently, shares listed on the Oslo Stock Exchange have attracted enough renewed interest to make up their losses and take a slight lead (see Fig. 7). This outperformance is set to increase. In the energy sector, but also in the food sector and, more rarely, in maritime services, companies such as Equinor, Kongsberg, Norsk Hydro, Mowi and Orkla are among the leaders in their fields. Furthermore, in an



investment environment where a global stock market correction cannot be ruled out, the generous dividends offered by companies such as DNB Bank, Telenor and Aker BP will be an asset. **The Oslo Stock Exchange is becoming a promising theme for active management seeking stable growth.**

Fig. 6 – Sovereign bond yields

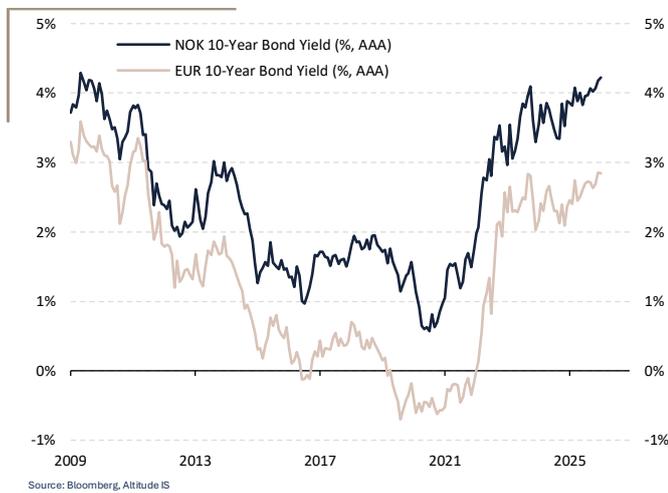
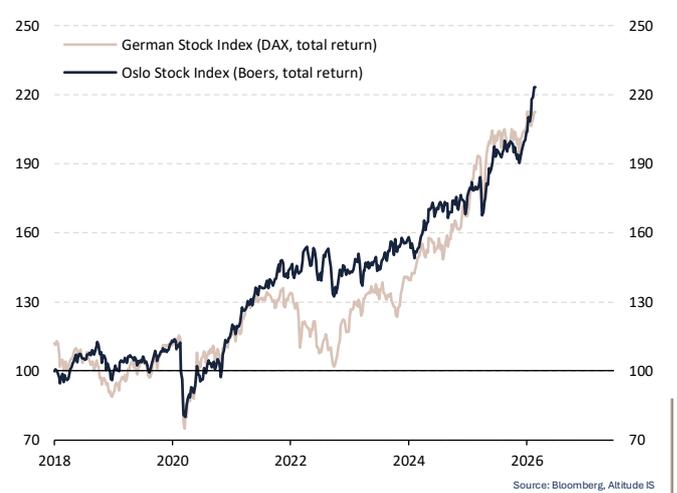


Fig. 7 – Stock market index performance



Conclusion:

Discreet Norway is regaining its place at the heart of the European financial environment, particularly for investors seeking peace of mind, high returns and attractive dividends. Beyond bonds and equities, the appreciation of the Norwegian krone is a significant advantage. On its own, it could give portfolios a northern glow.



RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)	
Equities								
World (MSCI)	1 053.0	59.20	1.0%	3.1%	3.9%	22.9%	18.0%	
USA (S&P 500)	6 910	51.24	1.1%	1.8%	1.1%	17.9%	25.0%	
USA (Dow Jones)	49 626	53.70	0.3%	2.5%	3.4%	14.9%	15.0%	
USA (Nasdaq)	22 886	45.89	1.5%	-0.2%	-1.5%	21.2%	29.6%	
Euro Area (DJ EuroStoxx)	648.8	65.74	2.5%	4.5%	6.2%	25.2%	10.2%	
UK (FTSE 100)	10 687	72.06	2.6%	5.8%	7.9%	25.7%	9.6%	
Switzerland (SMI)	13 860	75.15	1.9%	5.2%	4.5%	18.0%	7.5%	
Japan (Nikkei)	56 826	62.54	-0.2%	7.2%	12.9%	28.6%	21.3%	
Emerging (MSCI)	1 567	65.13	0.8%	5.9%	11.7%	34.3%	8.0%	
Brazil (IBOVESPA)	190 534	71.60	2.2%	14.6%	18.3%	34.0%	-10.4%	
Mexico (IPC)	71 437	63.50	-0.1%	5.5%	11.2%	35.1%	-11.0%	
India (SENSEX)	83 134	46.44	0.2%	0.9%	-2.7%	10.5%	9.6%	
China (CSI)	4 660	45.89	0.4%	-1.9%	0.9%	21.0%	18.2%	
Com. Services (MSCI World)	162.5	45.72	1.6%	0.4%	-1.0%	33.0%	31.9%	
Cons. Discretionary (MSCI World)	446.1	40.45	0.7%	-1.9%	-2.5%	9.8%	20.7%	
Cons. Staples (MSCI World)	321.7	70.11	-1.3%	7.6%	11.2%	9.3%	4.7%	
Energy (MSCI World)	312.2	68.75	1.2%	13.7%	18.7%	14.8%	2.9%	
Financials (MSCI World)	228.7	52.36	1.6%	1.8%	1.3%	29.5%	25.1%	
Health Care (MSCI World)	405.8	56.01	-0.3%	2.0%	3.0%	15.3%	1.5%	
Industrials (MSCI World)	531.0	77.27	1.4%	7.5%	13.8%	26.1%	12.8%	
Info. Tech. (MSCI World)	969.6	51.15	1.6%	1.6%	0.4%	26.6%	31.9%	
Materials (MSCI World)	458.2	62.96	0.8%	7.5%	16.0%	32.5%	-7.6%	
Real Estate (MSCI World)	1 077	71.73	0.1%	6.4%	9.3%	3.6%	-0.4%	
Utilities (MSCI World)	211.6	73.40	-0.4%	7.9%	9.7%	24.7%	13.0%	
Bonds (Bloomberg)								
World (Aggregate)	3.44%	63.94	-0.2%	1.8%	1.6%	8.2%	-1.7%	
USA (Sovereign)	3.85%	65.56	-0.1%	1.5%	1.0%	6.3%	0.6%	
Euro Area (Sovereign)	2.81%	76.13	0.2%	1.2%	1.6%	0.6%	1.9%	
Germany (Sovereign)	2.50%	70.86	0.1%	0.9%	1.2%	-1.6%	0.6%	
UK (Sovereign)	4.33%	74.61	0.5%	1.2%	1.5%	6.1%	-3.0%	
Switzerland (Sovereign)	0.42%	58.34	0.1%	0.7%	0.9%	0.3%	5.4%	
Japan (Sovereign)	1.86%	63.38	0.7%	1.3%	0.1%	-4.6%	-2.1%	
Emerging (Sovereign)	5.80%	75.69	0.1%	1.4%	1.6%	13.1%	7.0%	
USA (IG Corp.)	4.75%	69.01	0.0%	1.0%	1.3%	7.8%	2.1%	
Euro Area (IG Corp.)	3.13%	77.40	0.0%	0.8%	1.1%	3.0%	4.7%	
Emerging (IG Corp.)	5.96%	75.00	0.2%	0.5%	1.1%	8.1%	7.0%	
USA (HY Corp.)	6.56%	69.36	0.2%	0.2%	0.9%	8.6%	8.2%	
Euro Area (HY Corp.)	5.40%	69.16	0.2%	0.3%	0.9%	5.2%	8.2%	
Emerging (HY Corp.)	7.18%	79.78	0.1%	1.2%	2.0%	13.9%	14.9%	
World (Convertibles)	576.0	60.73	0.4%	2.4%	6.9%	22.4%	9.4%	
USA (Convertibles)	744.3	56.78	0.2%	1.8%	6.3%	16.9%	10.1%	
Euro Area (Convertibles)	305.2	84.65	1.1%	3.2%	5.0%	24.8%	14.7%	
Switzerland (Convertibles)	299.6	77.71	0.2%	4.7%	5.9%	17.5%	-10.5%	
Japan (Convertibles)	288.3	74.27	1.0%	6.3%	11.8%	13.8%	6.4%	
Hedge Funds (Bloomberg)								
Hedge Funds Industry	1 860	91.29	n.a.	2.8%	2.8%	12.4%	11.1%	
Macro	1 534	84.72	n.a.	4.4%	4.4%	9.4%	7.4%	
Equity Long Only	2 528	82.34	n.a.	2.0%	2.0%	12.1%	12.0%	
Equity Long/Short	2 030	91.22	n.a.	3.0%	3.0%	17.6%	14.0%	
Event Driven	1 948	89.61	n.a.	1.6%	1.6%	11.2%	8.7%	
Fundamental Equity Mkt Neutral	1 928	97.45	n.a.	2.9%	2.9%	13.5%	12.4%	
Quantitative Equity Mkt Neutral	1 800	82.76	n.a.	-0.4%	-0.4%	8.6%	9.8%	
Credit	1 742	98.90	n.a.	1.3%	1.3%	7.8%	8.5%	
Credit Long/Short	1 776	100.00	n.a.	2.4%	2.4%	6.6%	10.0%	
Commodity	2 111	92.37	n.a.	6.2%	6.2%	11.1%	14.7%	
Commodity Trading Advisors	1 491	71.28	n.a.	4.6%	4.6%	6.2%	7.9%	
Volatility								
VIX	19.09	52.65	-7.3%	-5.0%	27.7%	-13.8%	39.4%	
VSTOXX	18.69	50.33	-5.3%	-6.4%	27.0%	-13.5%	25.3%	
Commodities								
Commodities (CRB)	546.8	n.a.	0.7%	1.0%	1.3%	0.6%	5.1%	
Gold (Troy Ounce)	5 148	n.a.	3.1%	3.2%	19.2%	64.6%	27.2%	
Silver (Troy Ounce)	86.52	n.a.	12.9%	-16.2%	20.7%	148.0%	21.5%	
Oil (WTI, Barrel)	66.39	n.a.	5.6%	10.6%	15.6%	-19.9%	0.1%	
Oil (Brent, Barrel)	72.27	n.a.	3.1%	6.3%	15.7%	-15.7%	-4.6%	
Currencies (vs USD)								
USD (Dollar Index)	97.46	48.33	0.6%	-0.1%	-0.9%	-9.4%	7.1%	
EUR	1.1826	51.67	-0.2%	0.0%	0.7%	13.4%	-6.2%	
JPY	154.47	53.39	-0.6%	0.8%	1.5%	0.3%	-10.3%	
GBP	1.3530	46.86	-0.7%	-0.8%	0.4%	7.7%	-1.7%	
AUD	0.7082	62.58	0.1%	2.7%	6.1%	7.8%	-9.2%	
CAD	1.3668	51.01	-0.2%	0.2%	0.4%	4.8%	-7.9%	
CHF	0.7725	55.06	-0.4%	1.0%	2.6%	14.5%	-7.3%	
CNY	6.9049	79.83	0.4%	1.1%	1.2%	4.5%	-2.7%	
MXN	17.152	60.43	0.1%	1.2%	5.0%	15.7%	-18.5%	
EM (Emerging Index)	1 871.7	59.96	0.0%	1.2%	1.0%	7.2%	-0.7%	
XBT	65 705	n.a.	-0.9%	-26.4%	-25.0%	-6.5%	120.5%	

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)



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