

Manager Tor Svelland after the Oslo Børs giant's krone criticism: - A blow to the face

The BW Group chairman dropped a small bombshell at the Pareto conference about the impact of the weak krona on the Norwegian stock market.

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In the main session at Pareto's energy conference on Wednesday morning, harsh words about the Norwegian stock market came from one of the world's major shipping and energy companies.

Chairman Andreas Sohmen-Pao of BW Group controls a group with ownership in a number of companies within oil and gas, oil services, infrastructure, renewables, tanks and other shipping, which eventually represents approximately NOK 70 billion in the Norwegian stock market alone. When he was asked by Pareto's head of analysis Eirik Haavaldsen about recent comments regarding several listings in the US, he replied that it is still the case that Norway and the investors here have an outstanding understanding of shipping and offshore.

But:

- One of the reasons why Oslo has been so good is that Børsen has been adaptable. We see that some of it is being lost, perhaps because of the Euronext system, but that is one of the challenges, Sohmen-Pao said from the stage.

- The second is that the Norwegian krone is not a preferred currency today. I will not speculate as to why, but it is not stable despite Norway's strong finances, and we are now hearing investors in other parts of the world say that they do not want to take as much krone risk.

Sohmen-Pao pointed out that several companies that have also been listed on the US stock exchange have been priced higher and are extremely much more liquid. This and other factors suggest that there will be more US listings in the future, he says.

- The statistics support several US listings. The US has 32 shipping companies, Oslo has 34, but Oslo Børs must figure out how to stay competitive, because the statistics speak for themselves.

BW LPG has previously communicated that it will apply for a listing on the New York Stock Exchange, but the idea is that the company will remain listed on the Oslo Stock Exchange as well. Outgoing BW LPG manager Anders Onarheim, who works closely at Pao, is aware that confidence in our stock exchange has weakened.

- I can confirm that international investors are now far more concerned about both political risk and the krone exchange rate than what we have experienced in the past. It is perhaps not so surprising that they are skeptical when our own trust in politicians is also falling sharply, he says.

The series of political scandals has undoubtedly been damaging, believes Onarheim, who for many years was head of the Swedish investment bank Carnegie's Norwegian operations.

- For investors, the focus is of course on how the policy creates uncertainty for the earnings of the companies. Then rapid tax changes are unfortunate. Naturally, they also learn that a number of high-profile entrepreneurs and other business actors are choosing to leave the country in a hurry.

- Starting to become a problem

In the hall at the Holmenkollen Park Hotel, the Norwegian hedge fund manager Tor Svelland, with several decades in the commodity and freight markets behind him, sat and reluctantly nodded in recognition of Sohmen-Pao's comments.

- It was a real blow in the face, he tells DN afterwards.

Where the BW Group top does not want to speculate on the reasons for the weak krone, Svelland is resoundingly clear on where he stands in the debate that has raged this year: The reason is the government's policy, and primarily the tax changes that were announced in autumn 2022, including within farming and power generation.

- It is quite obvious that it is. The krone is becoming more volatile and less liquid, and this is starting to become a problem for those on the Oslo Stock Exchange. Had we not had high oil and gas prices, Oslo Børs would have been even less liquid, says Svelland.

- It has become clearer and clearer: After changes were made to the salmon tax and on the renewables side, things have worsened on Oslo Børs. There is poor turnover, many have withdrawn, and those who have withdrawn are not coming back. Turnover is completely dependent on it. Without liquidity, you will not get the right pricing. So it's a negative spiral Oslo Børs is in now, says the man who also led billionaire John Fredriksen's management company for a year until 2021.

He adds that Oslo Børs is relatively small from before.

- When you increase taxes on sectors that you should really invest in, there are consequences. Tax in itself is not a problem, you just have to communicate properly. You have to report 12 months before, you have to investigate. Do that overnight, then we are on par with all countries in the world that are politically uncertain.

Reduced crown exposure

Svelland believes it is extra frightening to hear such a thing from such an important player on the Oslo Stock Exchange, because that in itself can amplify the effect.

- This is what we hoped would not happen, that we would get even worse liquidity. Now we are beginning to see the consequences of the policy that has been pursued, we are getting even less interest from international actors. He is a significant owner of Oslo Børs, and this is very negative.

- What kind of consequences does it have for you and your fund?

- This means that we invest more in the USA and elsewhere in Europe, and less in Norway. Already after the first tax change, I reduced it by NOK 700 million. Then I increased a little when the krone collapsed, but I see now that the big ones that are out, they are not coming back.

Don't worry

Eika's investment director, Gaute Eie, is not very worried about Oslo Børs as a market place. He believes that Sohmen-Pao's statement should not be overinterpreted.

- It's an exciting topic, but I think you should be humble and honest about the fact that the energy sector is strong on Oslo Børs. I think all brokerage houses can document good access to international investors who trust our stock exchange, he says, adding:

- What he says is frightening if it is the start of a new trend, but I am not too worried about it.

Eie understands that international investors are skeptical of a currency that has fallen 25 percent against the dollar in two years. Although Eie emphasizes that abrupt tax changes are negative, he doubts that political risk and investor flight are the main explanations for the krone's weakening. According to Statistics Norway, foreigners have net sold Norwegian shares for several quarters in a row, but this is after a period in which the net purchases were very large.

- We generally see that the world is now flocking to the big companies, and this will also be the case on the currency side. In itself, this is a negative and scary long-term development for a small currency like the Norwegian, but we will see in a couple of years. I will not be surprised if we then stand here and talk about a euro or a dollar at nine kroner.