

Sweden - Riksbank Preview

Same old... same old

Tomorrow at 9.30 CET the Riksbank is set to announce its rate decision and publish its third Monetary Policy Report of the year. We expect the following:

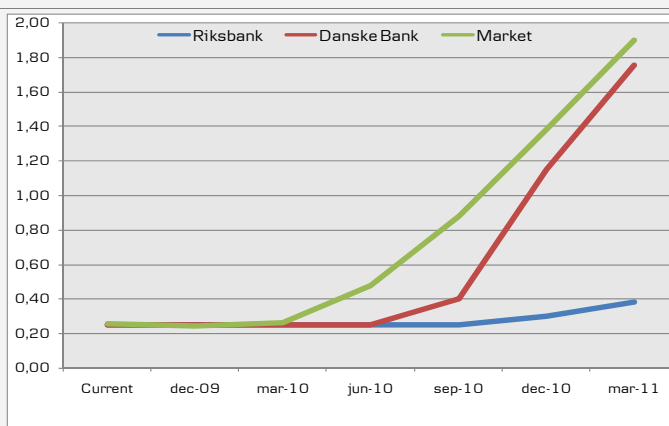
- The repo rate will be left unchanged at 0.25%. This is fully expected.
- There will probably not be further non-standard measures announced tomorrow, but this is uncertain. We don't expect much of a negative reaction in Swedish mortgage bonds, for example, in the event that there is no new fixed-rate loan scheme.
- The repo rate forecast path is likely to be left unchanged, but with a risk for higher rates in the long end – still more dovish than current market expectations.
- The Riksbank is likely to note that the world economy is improving, especially as indicated in PMI data, but that great uncertainty as to global rebalancing and the sustainability of the recovery remains. Moreover, there is still much slack in the Swedish economy that implies little inflationary pressure.
- There may be a discussion as to why the transmission mechanism seems to be working so well in Sweden relative to other currency areas. The risk of a real estate, or other asset bubble, is not likely to be raised as a real concern, but it could be identified as an issue that should be monitored.
- Both the Swedish Finance Minister and the head of the Debt Office have recently highlighted the risks from the Baltics to the Swedish financial system and economy. The Riksbank may also point to this as an event risk.
- Based on our expectations for the Riksbank communication tomorrow we reiterate our recommendation to sell SEP-10 RIBA futures in anticipation of an unchanged repo rate in the first half next year

Key points

This is a brief recap of our expectations for tomorrow's scheduled Riksbank announcement.

We reiterate our recommendation to sell SEP-10 RIBA futures ahead of the publication of the decision.

Market and Riksbank "forecast" disconnected



Source: Danske Markets & Riksbank

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Disclosure

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