

## FX Alpha

## Buy USD/SEK

**Tactically long USDSEK post-NFP**

Following the blowout January US payrolls report ([Jan NFP review 2 Feb 24](#)) we joined our Technical Strategy ([Technical Advantage 2 Feb 24](#)) in recommending long USD/SEK via spot (entry spot: 10.49, target 10.65/10.90, stop: 10.30, current spot: 10.55).

For our current open and recently closed trades, please see our [latest Global FX Weekly](#).

**Near-term USD upside, dovish Riksbank, technicals**

First, we see near-term (tactical) upside USD risks. For the USD to weaken, we need both slower US growth and Fed rate cuts. We expect this will take longer than markets expect, so we have kept our EURUSD end-Q1 forecast at 1.07. Our end-2024 EURUSD forecasts remains 1.15, assuming the US economy slows from here and the Fed starts cutting in June. Even if the Fed easing cycle is slower than the current market pricing suggests, we do expect it, combined with US recoupling and positive risk sentiment, would lead to a softer USD (see [Despacito 2 Feb 24](#) and [USD Year Ahead 25 Jan 24](#)).

Second, the Riksbank has probably been the most dovish G10 central bank in recent weeks, in our view. Our call remains for a June start to its cutting cycle, shortly after that of the ECB, but the Riksbank's May meeting is certainly "live" (see also [Europe Economic Weekly 2 Feb 24](#) and [Riksbank review: goodbye November 1 Feb 24](#)).

Third, this trade can benefit from carry, while positioning is largely neutral ([LCBF 29 Jan 24](#)).

Fourth, our technical strategists argue a head and shoulders base favors USDSEK upside near 11.00. USDSEK would still need to break neckline at 10.50/10.52 for stronger conviction, while sub-10.30 levels would invalidate this pattern (see Chart 1 and [Technical Advantage 2 Feb 24](#)).

Risks to this trade come from: (1) US data softening more and faster than we expect, leading markets to price a higher chance of Fed rate cuts before June. (2) Upside inflation surprises in Sweden.

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**Chart 1: USDSEK – daily chart**

A head and shoulders base favors upside near 11.00. Still needs to break neckline at 10.50/10.52 to raise conviction. Below 10.30 invalidates pattern.



USDSEK Currency (USD-SEK X-RATE) BC: USDSEK Daily Daily 05AUG2023-02FEB2024

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