

FX Alpha

Buy NOK/SEK

Buy NOKSEK

We recommend buying NOKSEK (spot ref: 0.9949) targeting 1.0240 and stop/loss 0.9780. The risks are lower oil prices and softer than expected Norway data.

Riksbank dovish pivot but Norges more cautious

The Riksbank was dovish this week (see [Riksbank review: goodbye November 1 Feb 24](#)). Into its meeting we saw several hawkish SEK risks and, to some extent we think, so did markets. In the end, SEK strengthened even more than we were expecting vs EUR and NOK for other reasons incl., on the domestic front, the much-improved Swedish sentiment data. But the hawkish Riksbank risks we had “feared” did not materialize, with the Riksbank turning dovish and, certainly, more so relative to our expectations.

Meanwhile, Norges Bank’s December message remained largely unchanged and relatively hawkish ([Norges Bank review: little new 25 Jan 24](#)), while the risk of *slightly* higher NOK sales in February (following the upward revised petroleum tax revenue estimates for 2023) we saw did not materialize.

Why we go long NOKSEK

First, while the relative Norges & Riksbank vs ECB stances currently priced are close to our economists’ base case, there is some room and, we think, scope for markets to reprice Norges Bank slightly higher and the Riksbank slightly lower relative to the ECB (please see also [Constructive Scandies in '24, with a preference for NOK 24 Jan 24](#)).

Second, with the Riksbank not planning to continue its FX hedging operation once the current phase is complete, NOKSEK stands to benefit, at least at the margin.

Third, NOKSEK also stands to benefit from higher geopolitical risks, in our view.

Fourth, the long NOKSEK positioning is probably slightly lighter following this week’s price action.

Risks to this trade are lower oil prices, softer than we expect Norway data, and a too high for the Riksbank’s comfort EURSEK level.

For a list of our open and closed trades, please refer to the latest [Global FX Weekly](#) publication.

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