

Sweden 360: Weekly Markets (Re)View

17 March 2025

Content and summary

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Summary: Rate Market Views

- **Riksbank in March: Let's wait and see.** The Riksbank is likely to keep policy rate unchanged in the MPR presented on Thursday. We predict that the rate path from December will still hold, suggesting that the policy rate will remain at 2.25% until the end of 2027. Higher inflation in the beginning of 2025 means that the Riksbank could indicate some probability for a rate hike later this year, but unemployment and the recovery in growth still needs to be confirmed. The board is likely to state that it stands ready to act if the upturn in inflation proves to be less transitory than expected.
- **SEB's Investor survey: Everyone expects unchanged Riksbank policy rate until June.** Expectations for the policy rate in June are more mixed, but a solid majority expects the policy rate to remain flat. Most predict a largely unchanged rate path too: The highest prediction is a policy path that increases gradually, starting in June, to signal a probability of one rate hike in 2025. The lowest estimate points in the other direction, indicating a high probability of a rate cut at some point during the coming two years.
- **We find further increases in Swedish defence expenditures likely, but the issuance impact is likely to primarily be a “beyond 2025” story –** read more [here](#). While expenditures are very likely to rise more than in the current government plan, public investments are already at high levels. We view an increase to 3.5% of GDP as reasonable, which could increase net nominal issuance in 2025-2026 to around SEK 70bn/per year.
- **Active view:**
 - **Short 10Y SGB on ASW:** More issuance to weigh on SGBs.

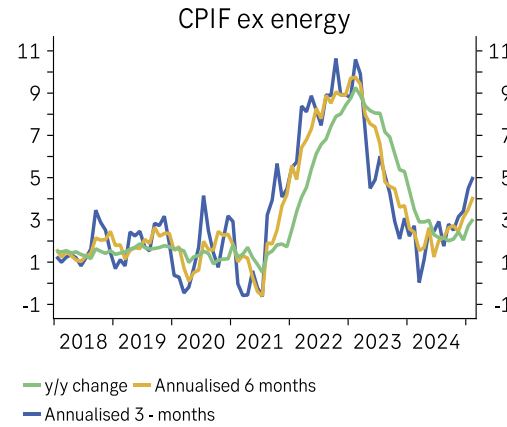
Summary: FX Market Views

- **Equity rotation part of Scandie performance,** but defense only constitutes a small share of GDP; broader & larger Swe industrial sector may benefit from European infra & defense investment.
- **Swedish dividend season starting this week:** Swedish firms will between the week starting 17 March to the week ending 30 May payout dividend to its shareholders.
- **Updated EUR/SEK forecast:** We still expect a correction higher in Q1 and Q2 but a more modest one to around 11.20. After that there is more support for SEK than before – where the increased investment agenda in Europe is important – and consequently we expect an even stronger SEK starting Q3 with EUR/SEK reaching below 11.00 on Q4.
- **FX Hedge:** High SEK-USD basis and a steep curve present an opportunity for long-term dollar funding via XCCY swaps. With lower volatility, low call/put skew, NOKSEK downside via options remains

Highlights: Rate Market Views

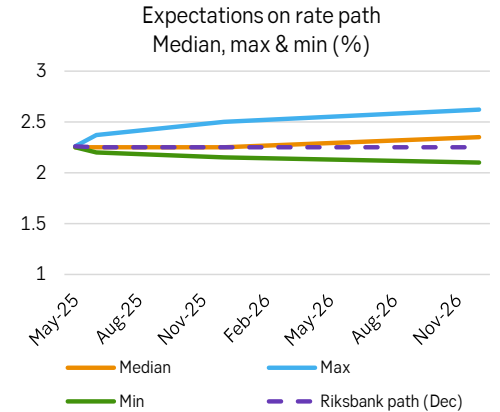
• Riksbank in March: Let's wait and see

- The Riksbank is likely to keep policy rate unchanged in the MPR presented on Thursday. We predict that the rate path from December will still hold, suggesting that the policy rate will remain at 2.25% until the end of 2027.
- Higher inflation in the beginning of 2025 means that the Riksbank could indicate some probability for a rate hike later this year, but unemployment and the recovery in growth still needs to be confirmed.
- The board is likely to state that it stands ready to act if the upturn in inflation proves to be less transitory than expected.
- For more, see our [Riksbank Preview](#).



• SEB's Investor Survey shows all respondents expect unchanged policy rate in March & May; rate path predicted to indicate rates on hold for long period ahead

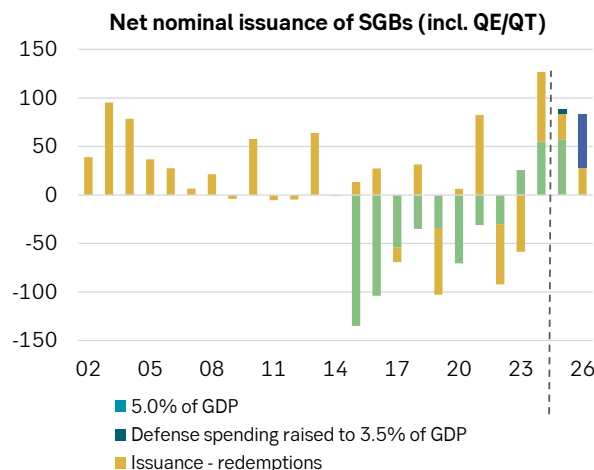
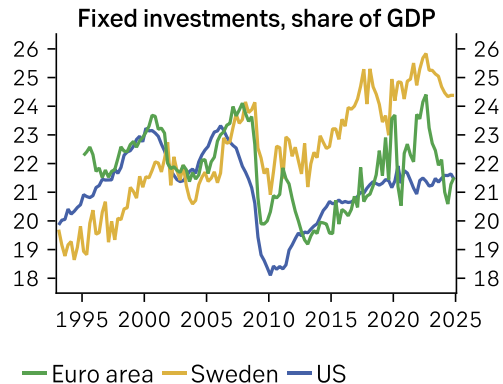
- Expectations for the policy rate in June are more mixed, but a solid majority expects the policy rate to remain flat. Some respondents expect another rate cut to 2.00%, while a small minority expects a rate hike to 2.50%.
- Most predict a largely unchanged rate path too: The highest prediction is a policy path that increases gradually, starting in June, to signal a probability of one rate hike in 2025. The lowest estimate points in the other direction, indicating a high probability of a rate cut at some point during the coming two years.
- For more, see our [Fixed Income Investor Survey](#).



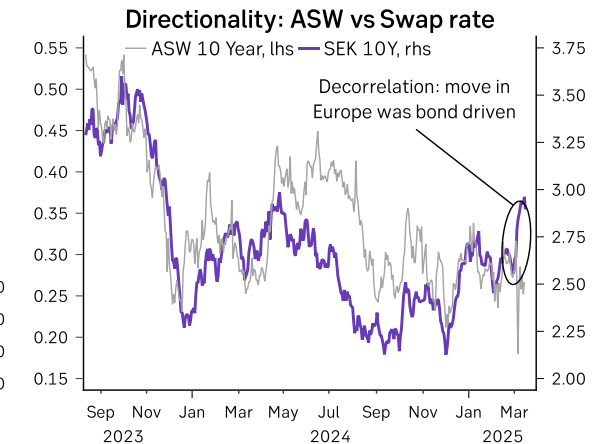
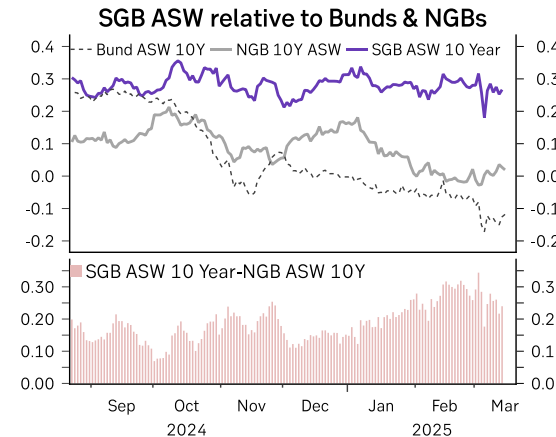
• Reasonable to assume further increase in Swedish defence expenditures, but issuance impact is likely to primarily be a "beyond 2025" story – read more [here](#).

Expenditures very likely to rise more than in the current gov. plan but public investments are already at high levels.

An increase to 3.5% of GDP could increase net nominal issuance in 2025-2026 to around SEK 70bn



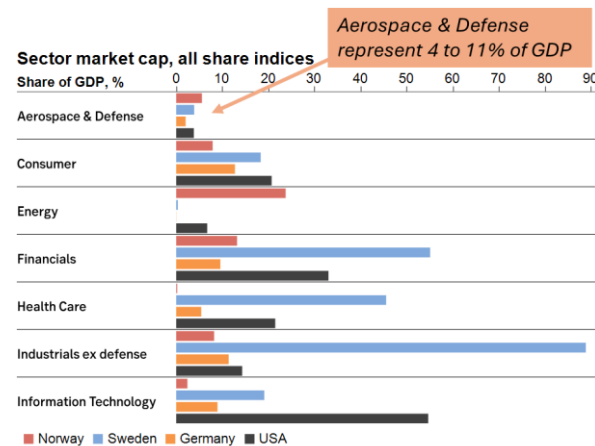
• We stay short SGBs on ASW for now: SGBs catching a 'bund beta' on European defence & infrastructure spending. Convergence vs NGBs reasonable.



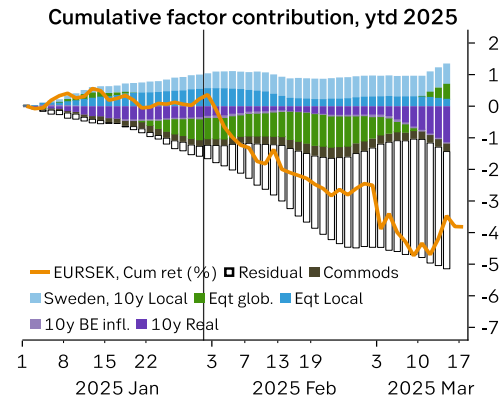
Norway does not issue NGBs for defense spending, instead covers outlays by transfers from the oil fund

Highlights: FX Market Views

- Equity rotation part of Scandie performance**, but defense only constitutes a small share of GDP; broader & larger Swe industrial sector may benefit from European infra & defense investment.

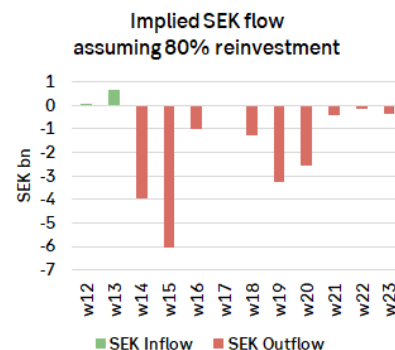
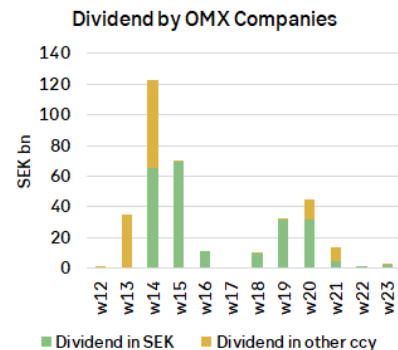


Speculative positioning major contr. factor to SEK performance YTD; CTA signal long SEK since early Feb.



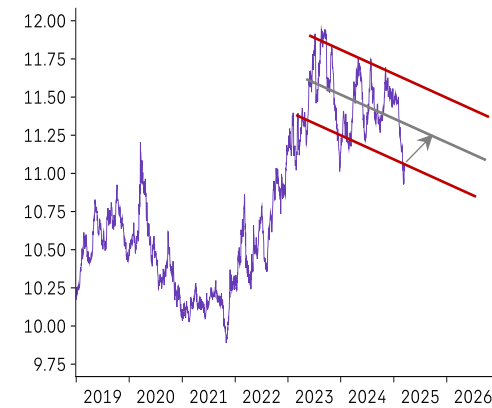
- Swedish dividend season starting this week:** Swedish firms will pay dividends to its shareholders 17 March to 30 May

As many of these are foreigners that do not reinvest all, there tends to be an outflow of SEK providing a spring headwind for the currency (which is one reason for our forecast of near-term correction). However, in week 12-13, some flows conversely turn SEK-positive due to dividends denominated in foreign currencies being converted back into SEK.

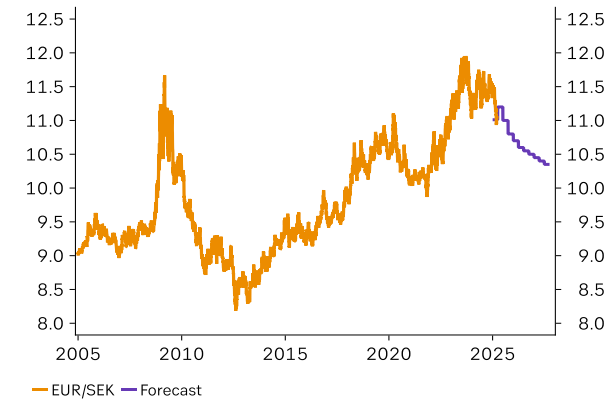


- Updated EUR/SEK forecast:** We still expect a correction higher in Q1 and Q2 but a more modest one to around 11.20. After that there is more support for SEK than before – where the increased investment agenda in Europe is important – and consequently we expect an even stronger SEK starting Q3 with EUR/SEK reaching below 11.00 on Q4.

EUR/SEK shorter-term

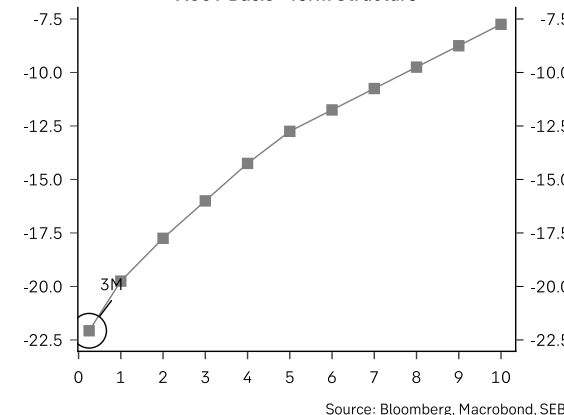


EUR/SEK longer-term

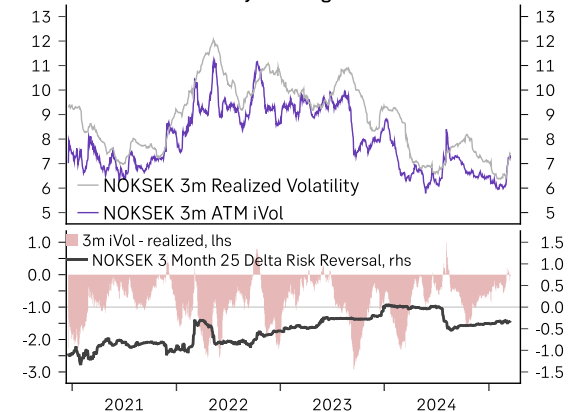


- FX Hedge:** High SEK-USD basis and a steep curve favour long-term dollar funding via XCCY swaps
- With lower volatility, low call/put skew, our likes for playing NOKSEK downside via options remains

USD-SEK: SOFR/Stibor
XCCY Basis - Term Structure



NOKSEK Volatility Showing a Downward Shift



Source: Bloomberg, Macrobond, SEB

Highlights: Upcoming Data and Events

Focal Points:

- **The quarterly inflation expectations survey (Wed)** including labour market organizations will be highly interesting. The higher-than-expected inflation in the beginning of the year means that inflation expectations will be very important for the Riksbank. We predict that there will be some upward pressure on near-term expectations. A wage deal will likely be presented within the next 2 weeks, and both unions and employers say they are looking for a 3-year agreement. A long-term wage agreement at moderate levels would send a strong signal to the Riksbank that inflation will be contained in the medium term.
- **The Riksbank (Thu) will keep rates unchanged in March**, but the rate path is more uncertain and the wording in the press release will also be important to understand how the board will react to the unexpectedly high inflation in the beginning of this year. We predict that the Riksbank will keep the rate path unchanged but say that policy will react if the upturn in inflation shows signs of becoming permanent.

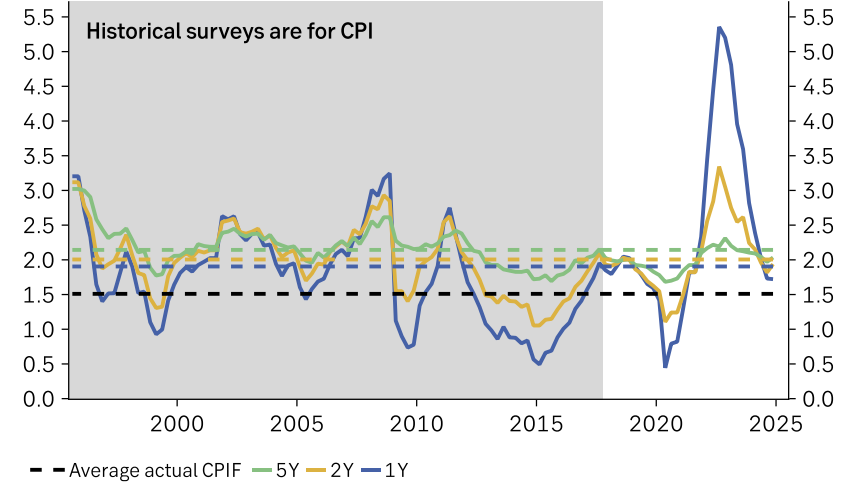
SWE: Origo group inflation exp. (Mar)

Wednesday 19, 08:00

All (Money market players)	SEB	Cons.	Prev.
1y CPIF	2.1 (2.2)	---	1.7 (1.9)
2y CPIF	2.2 (2.1)	---	2.0 (2.0)
5y CPIF	2.1 (2.2)	---	2.0 (2.2)

Swe: Inflation expectations CPIF

All respondents, Prospera/Origo



Source: Origo Group, Macrobond, SEB

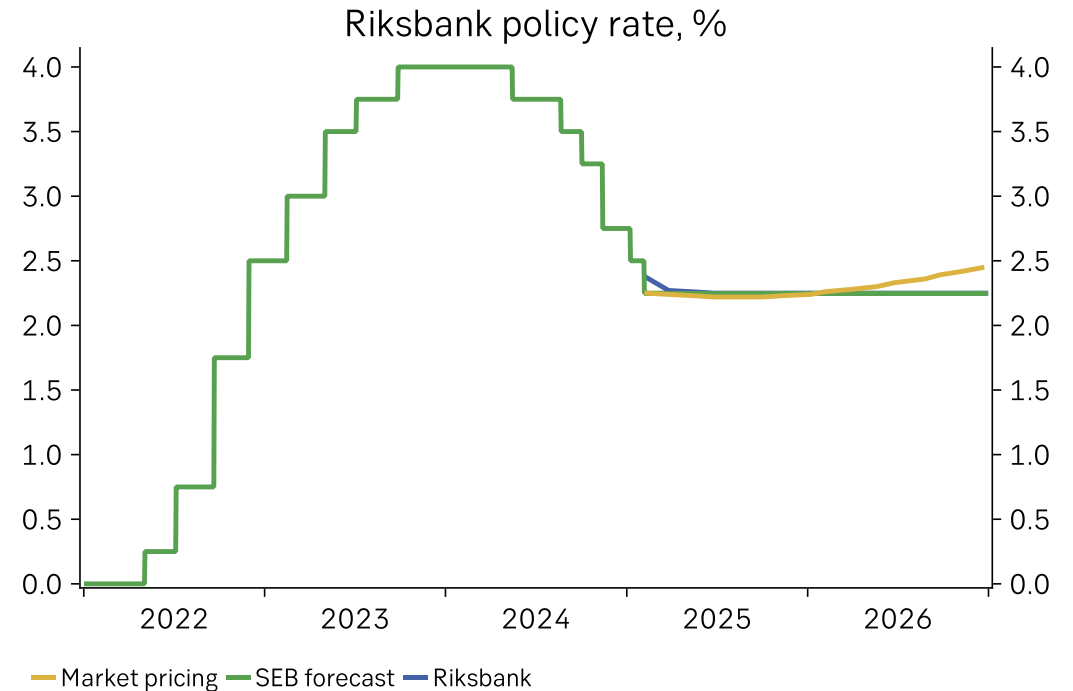
Expected Riksbank forecasts on 20 March

	Riksbank in Mar. (SEB fc)	Riksbank in Dec.
CPIF 25	2.6	2.0
CPIF 26	2.0	1.9
CPIF 27	2.0	2.0
CPIF excl. energy 25	2.9	2.2
CPIF excl. energy 26	2.0	2.0
CPIF excl. energy 27	2.0	2.0
Wages 25	3.7	3.6
Wages 26	3.6	3.6
Wages 27	3.4	3.4
GDP 25	2.0	1.8
GDP 26	2.6	2.6
GDP 27	2.2	2.1
Unemployment 25	8.8	8.4
Unemployment 26	8.4	8.0
KIX index 25	120.0	125.9
KIX index 26	119.0	121.8

Highlights: Riksbank Pricing

Riksbank policy rate (2025-03-17)							
Decision date	Market pricing		Riksbank Dec 2024		SEB forecast		Market vs.
	Policy rate	chg	Policy rate	chg	Policy rate	chg	RB SEB
29/01/2025	2.25	-25	2.38	-12	2.25	-25	-13 0
20/03/2025	2.24	-1	2.27	-11	2.25	0	-3 -1
08/05/2025	2.23	-1	2.26	-1	2.25	0	-3 -2
18/06/2025	2.22	-1	2.25	-1	2.25	0	-3 -3
20/08/2025	2.22	0	2.25	0	2.25	0	-3 -3
23/09/2025	2.22	0	2.25	0	2.25	0	-3 -3
05/11/2025	2.23	1	2.25	0	2.25	0	-2 -2
18/12/2025	2.24	1	2.25	0	2.25	0	-1 -1
05/02/2026	2.26	2	2.25	0	2.25	0	1 1
02/04/2026	2.28	2	2.25	0	2.25	0	3 3
07/05/2026	2.30	2	2.25	0	2.25	0	5 5
02/07/2026	2.33	3	2.25	0	2.25	0	8 8
20/08/2026	2.36	3	2.25	0	2.25	0	11 11
02/10/2026	2.39	3	2.25	0	2.25	0	14 14
09/11/2026	2.42	3	2.25	0	2.25	0	17 17
17/12/2026	2.45	3	2.25	0	2.25	0	20 20

Note: Decision dates until December 2025 - thereafter SEB assumption.

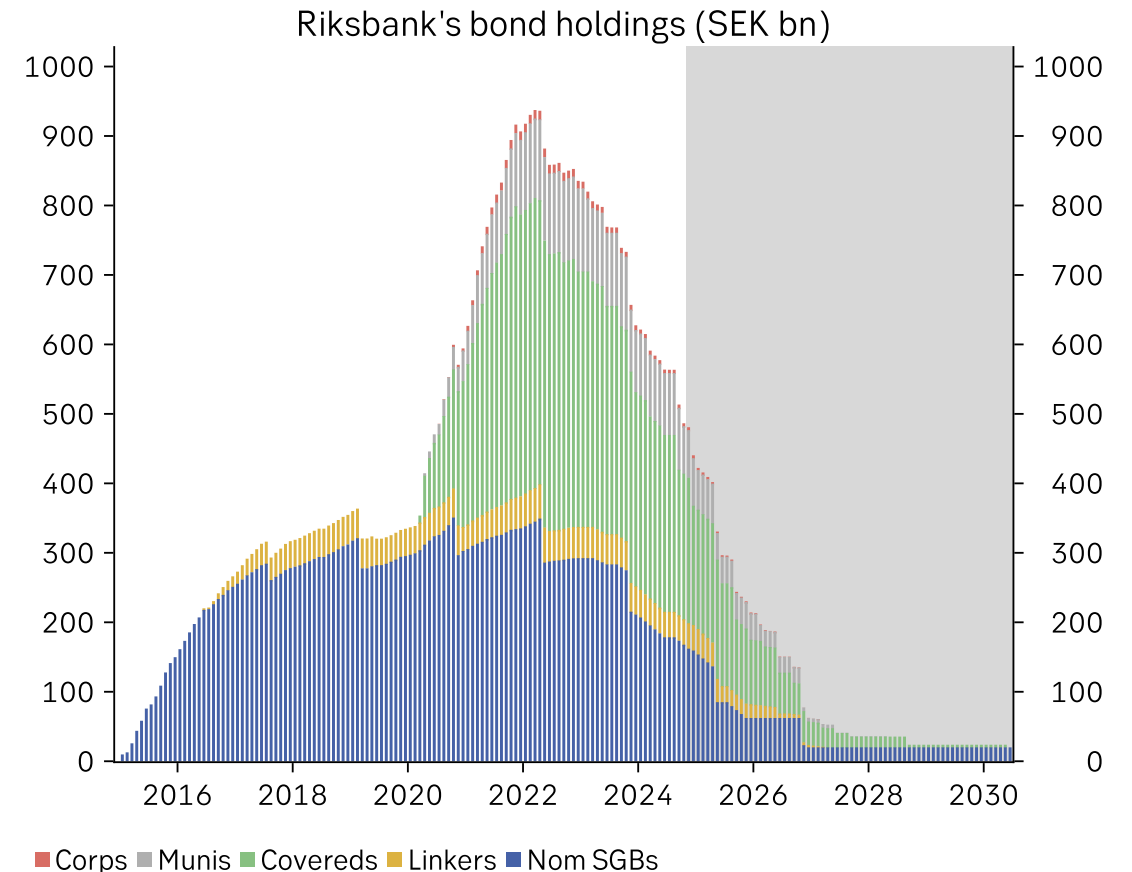


Source: Central Bank of Sweden (Riksbanken), Macrobond, SEB

Riksbank Quantitative Tightening (QT)

Details

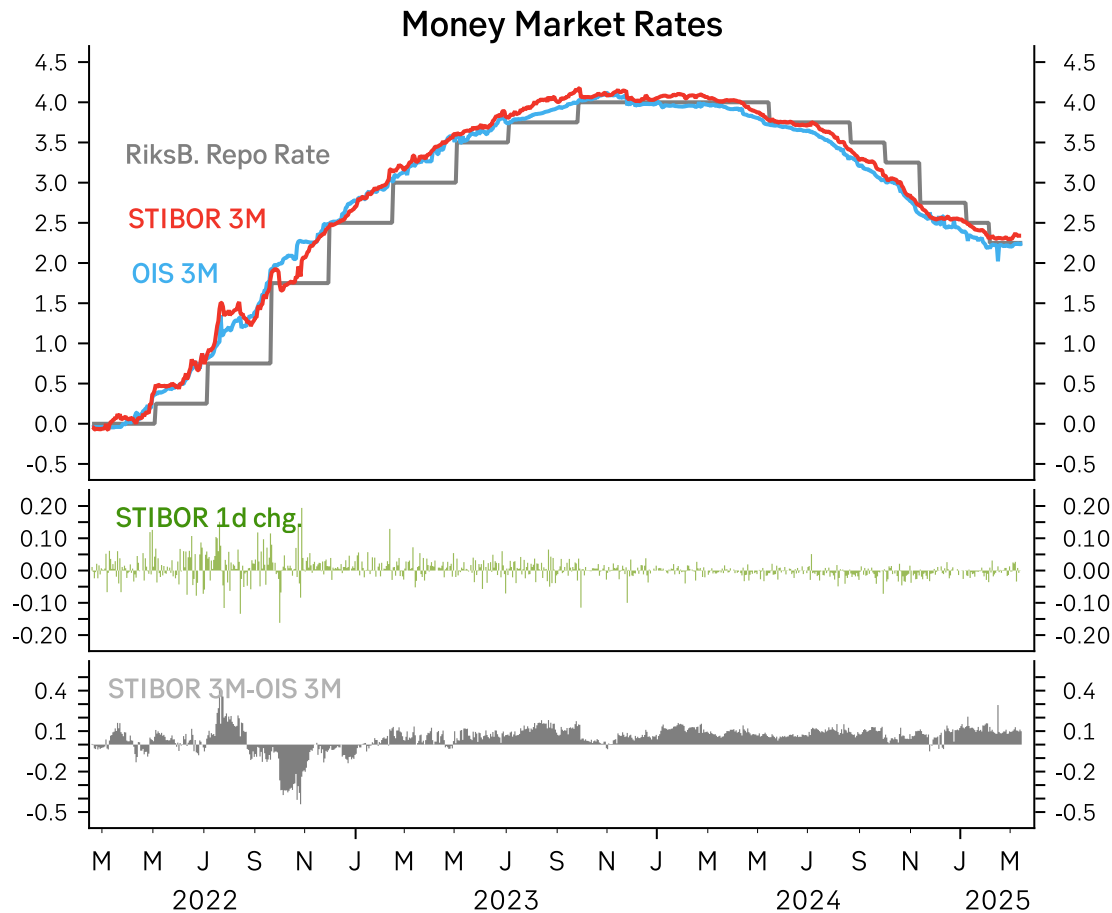
- QT started in April 2023 with the Riksbank selling SEK 3.0bn/mth in SGBs, 0.5bn/mth in linkers. In September, volumes increased to SEK 4.2bn and 0.8bn.
- **As of February 2024, the Riksbank sells SEK 5.7bn/month in nominal SGBs and 0.8bn in linkers. This program will run (excl. July/Aug) until holdings of nominal SGBs equal SEK 20bn, meaning sales will continue until end-2025.**
- With the current pace of sales and maturities, the Riksbank's other bond holdings are approaching close to zero by late 2026.
- **In sum: the Riksbank's long-term holdings of bonds will consist of SEK 20bn in nominal bonds.**
- **Read more in our [QT Tracker](#)!**



Standardized Market Review Slides

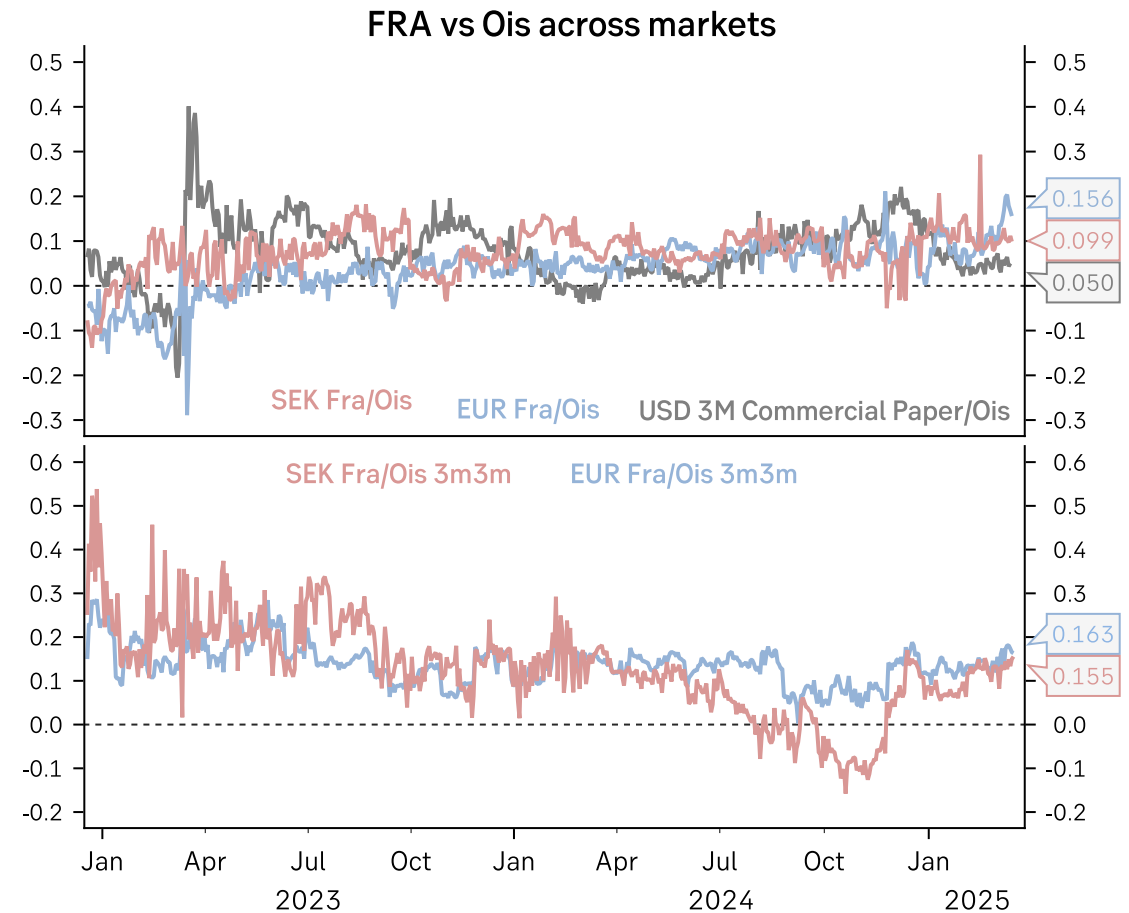
Interest Rates: Stibor & FRA-Ois

- Stibor vs OIS & Riksbank policy rate (upper)
- Stibor 1d changes (middle); STIBOR-Ois (bottom)



Source: Bloomberg, Macrobond, SEB

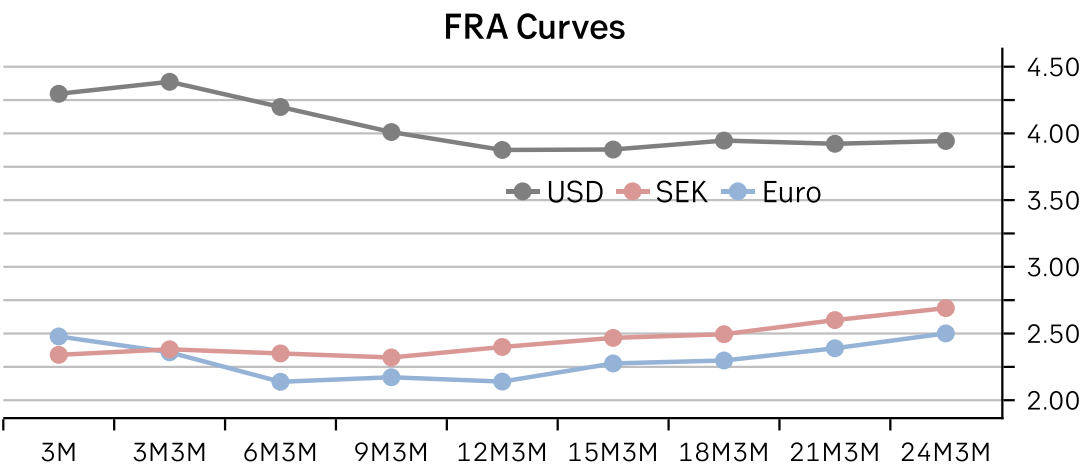
- FRA-Ois 3M cross country (upper) – (3M Commercial Paper vs OIS in US)
- FRA-Ois 3M3M cross country (lower)



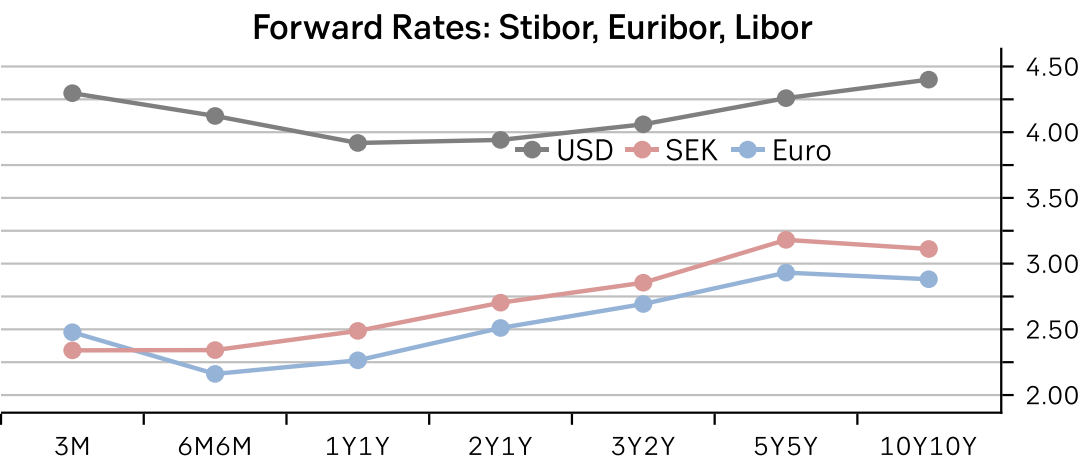
Source: Bloomberg, Macrobond, SEB

Interest Rates: FRAs & Swap Forwards

- Forward Curves: Swaps

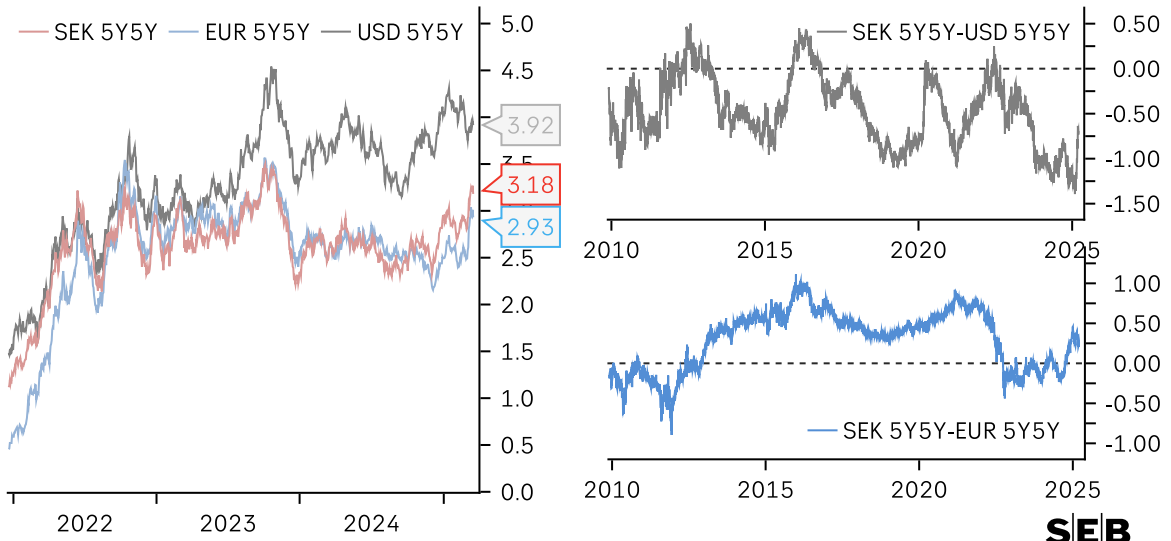
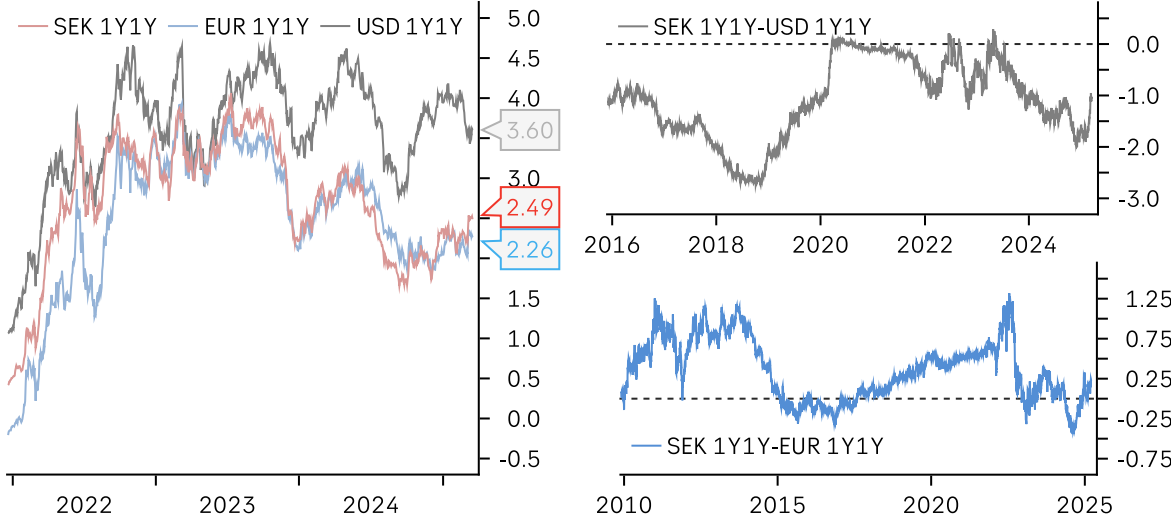


Source: Bloomberg, Macrobond, SEB



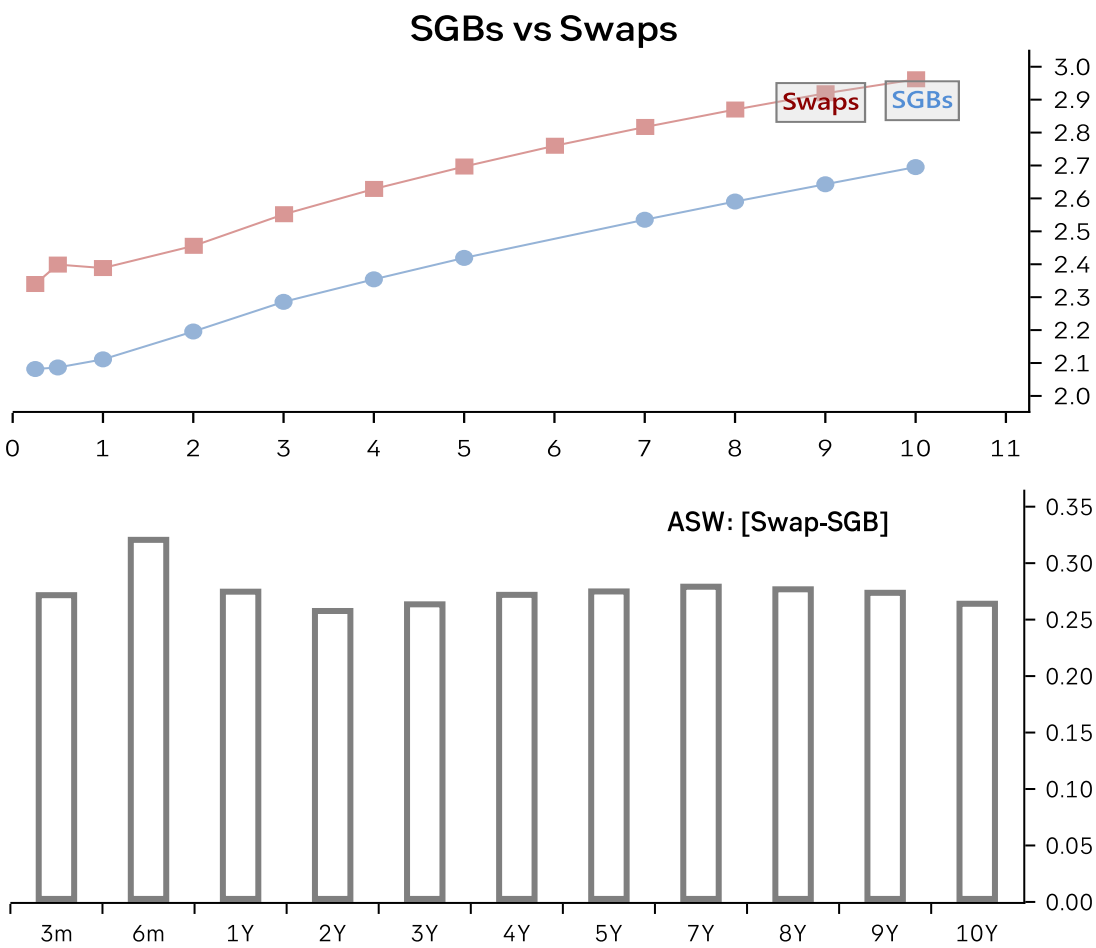
Source: Bloomberg, Macrobond, SEB

- Cross country: 5y5y (upper) ; 1y1y (lower)

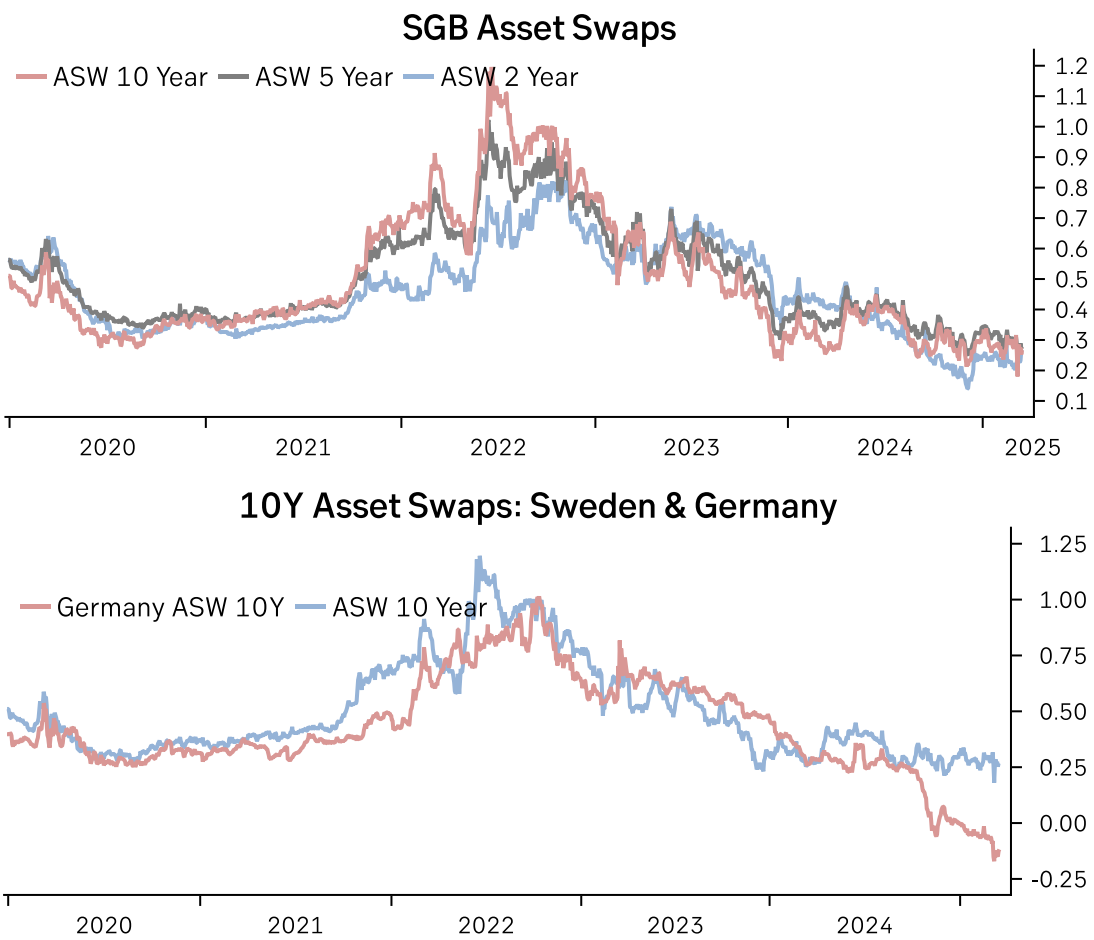


Interest Rates: SGBs vs Swaps

- SGB & Stibor Yield Curves (upper)
- Asset Swap Term Structure (lower)



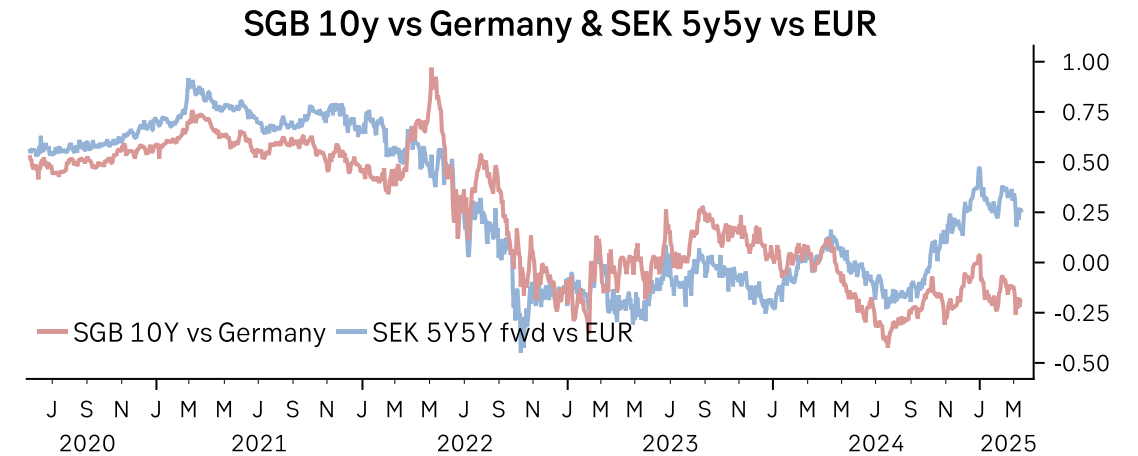
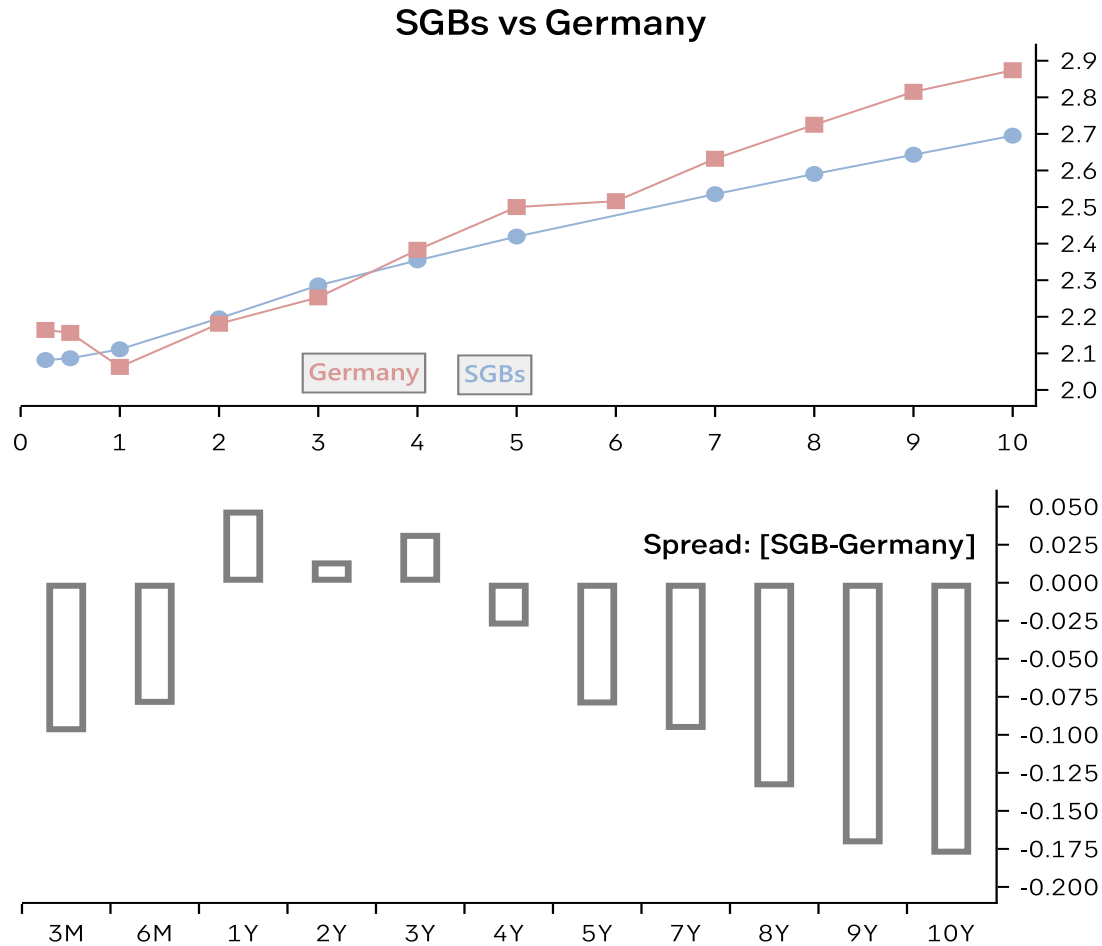
- ASW curve: 2Y, 5Y & 10Y points (upper)
- Sweden 10y ASW vs Germany (lower)



Interest Rates: SGBs vs Germany

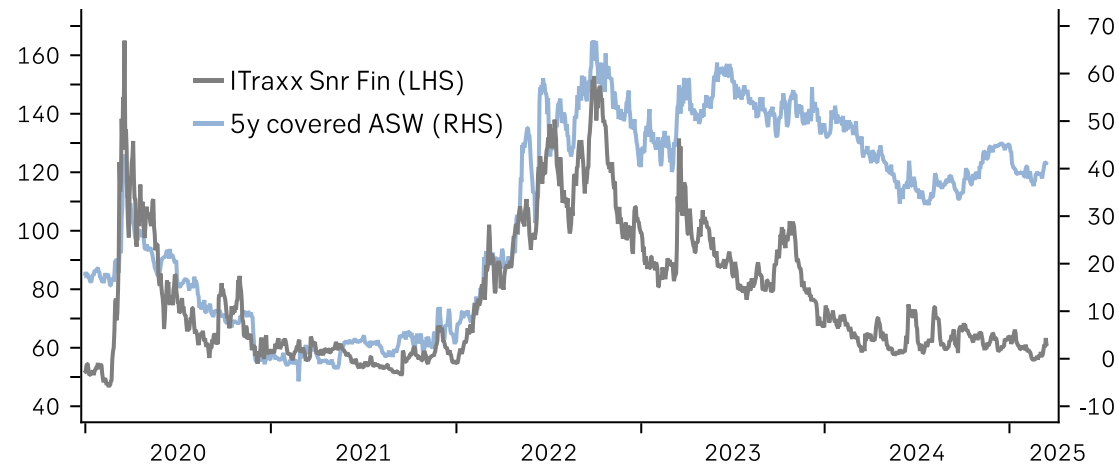
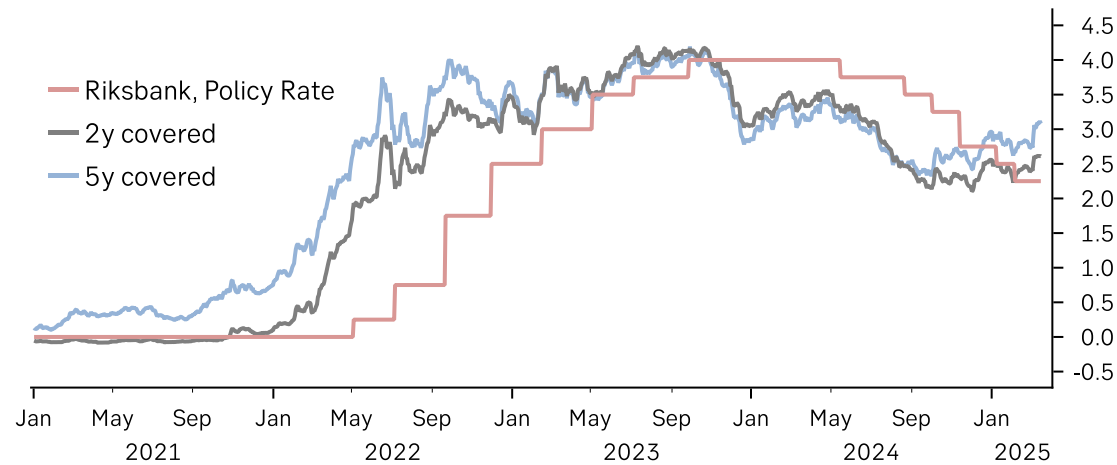
- SGB & German Yield Curves (upper)
- SGB vs Germany Term Structure (lower)

- Spread curve: 2Y, 5Y & 10Y points (upper)
- SGB 10Y vs Germany and SEK 5Y5Y vs EUR

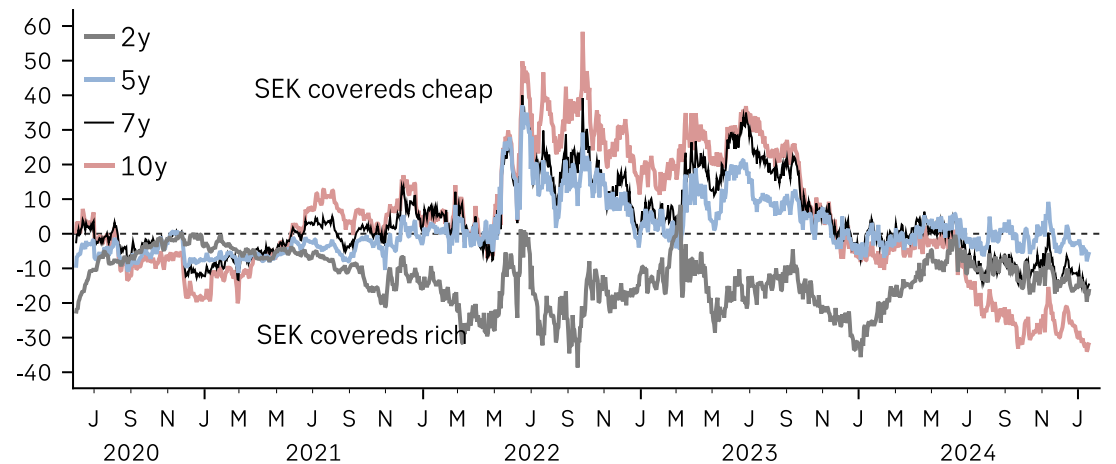
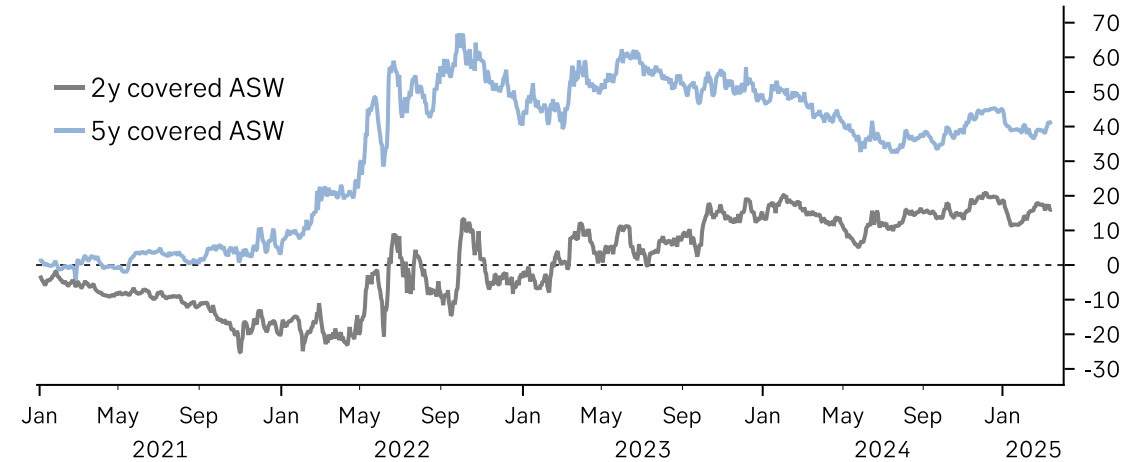


Interest Rates: Covered Bonds

- Outright covered bonds vs Riksbank policy rate (upper)
- Swedish 5y covered ASW versus peers (lower)



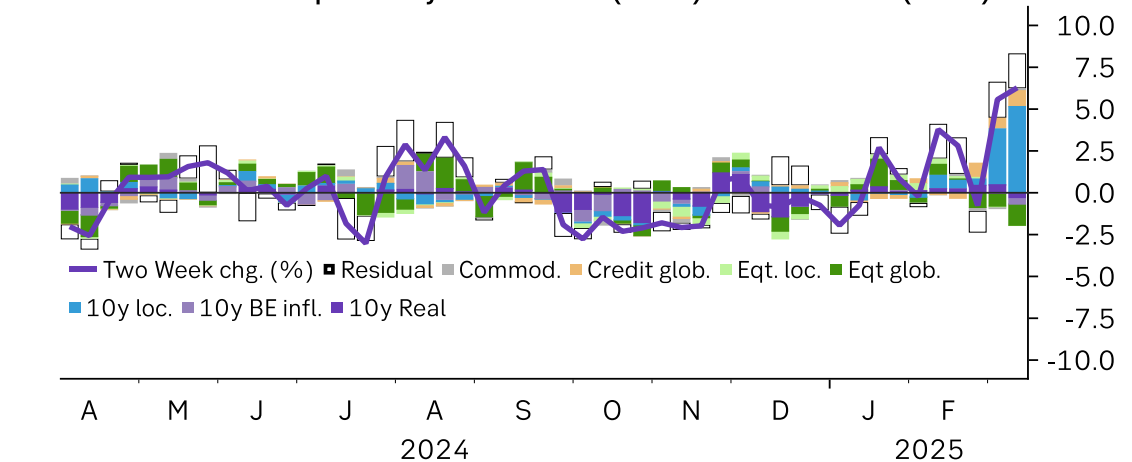
- Swedish covered ASW spreads (upper)
- SEK vs EUR covered ASW; incl XCCY swap (lower)



FX: Factor Drivers

- SEK/USD – Explanatory Factor Contribution (upper chart)
- SEK/USD – Factor Betas normalised in standard deviations (lower table)

SEKUSD: Explanatory Contribution (chart) & Factor Betas (table)

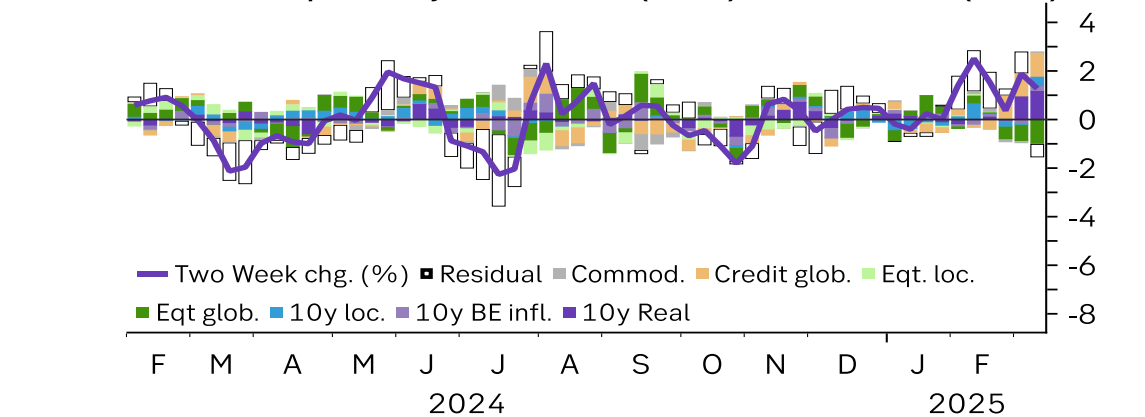


	Now	Max	Average	Min	1.0	0.5	0.0	-0.5	-1.0
10y Real	-0.14	0.45	-0.05	-0.59					
10y BE infl.	0.11	0.73	-0.05	-0.74					
Equities Global	0.39	0.95	0.25	-0.85					
Credit Global	0.41	0.47	0.00	-0.70					
Commodities	0.06	0.72	0.20	-0.13					
10y Local	0.69	0.69	0.20	-0.27					
Equities Local	0.05	0.37	-0.17	-0.69					

■ Max/Min since 2015 ● Now ■ Average since 2015

- SEK/EUR – Explanatory Factor Contribution (upper chart)
- SEK/EUR – Factor Betas normalised in standard deviations (lower table)

SEKEUR: Explanatory Contribution (chart) & Factor Betas (table)

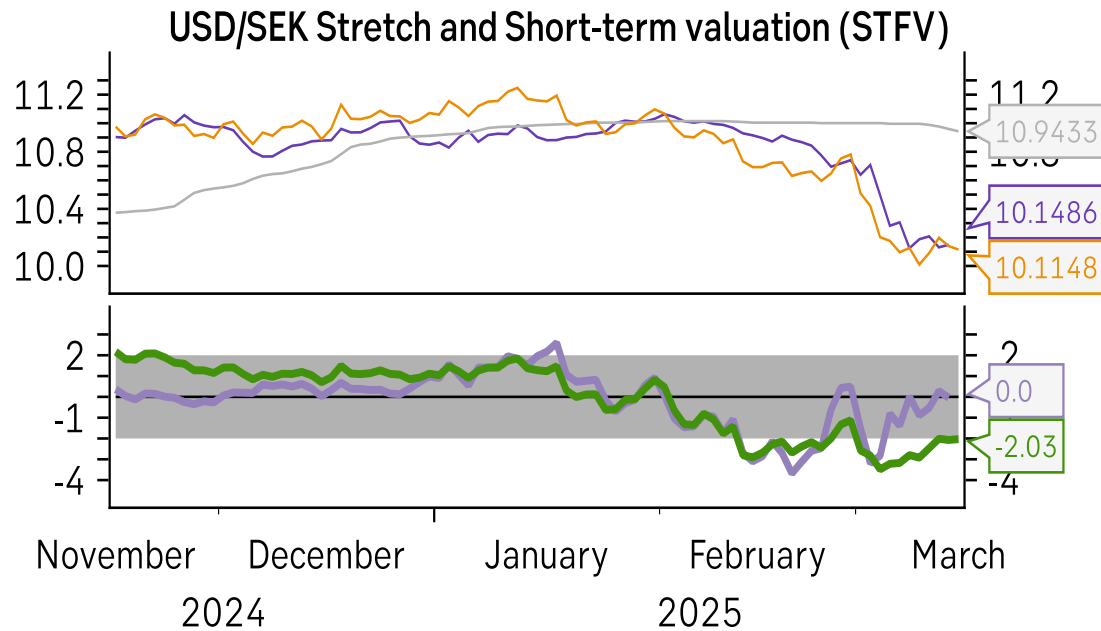


	Now	Max	Average	Min	0.75	0.25	-0.25	-0.75
10y Real	0.33	0.53	0.04	-0.40				
10y BE infl.	0.11	0.49	0.10	-0.38				
Equities Global	0.56	0.75	0.27	-0.44				
Credit Global	0.76	0.76	0.02	-0.62				
Commodities	0.06	0.45	0.12	-0.23				
10y Local	0.32	0.58	0.18	-0.27				
Equities Local	0.03	0.37	0.01	-0.29				

■ Max/Min since 2015 ● Now ■ Average since 2015

FX: Short-Term Fair Value

- USD/SEK – Short Term Fair Value model:
The framework generates mean reverting signals with a horizon of up to two weeks

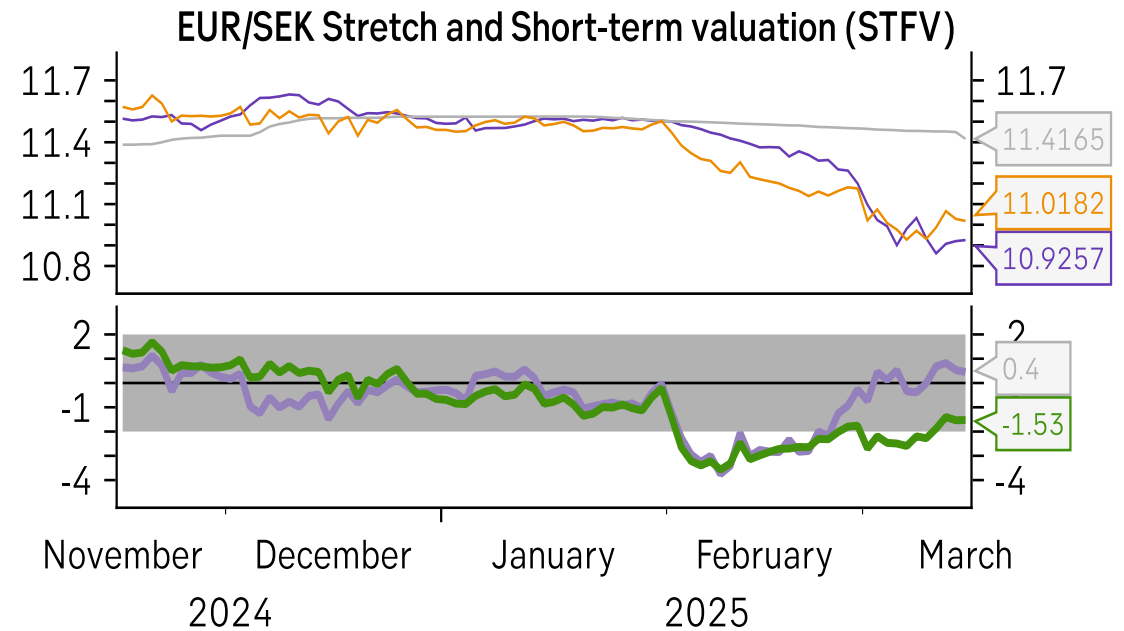


MA is the 50 day moving average and **Z-score** is how much spot deviates from its MA expressed in a normalized term (i.e. adjusted for volatility)

STFV is the fair value of spot based on three general drivers of the specific currency pair. **STFV deviation** is how much spot deviates from this STFV expressed in a normalized term.

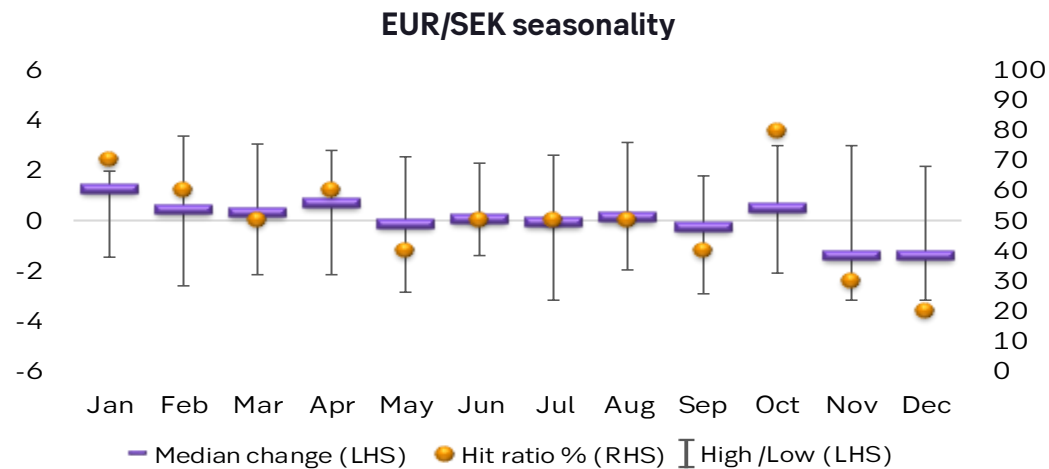
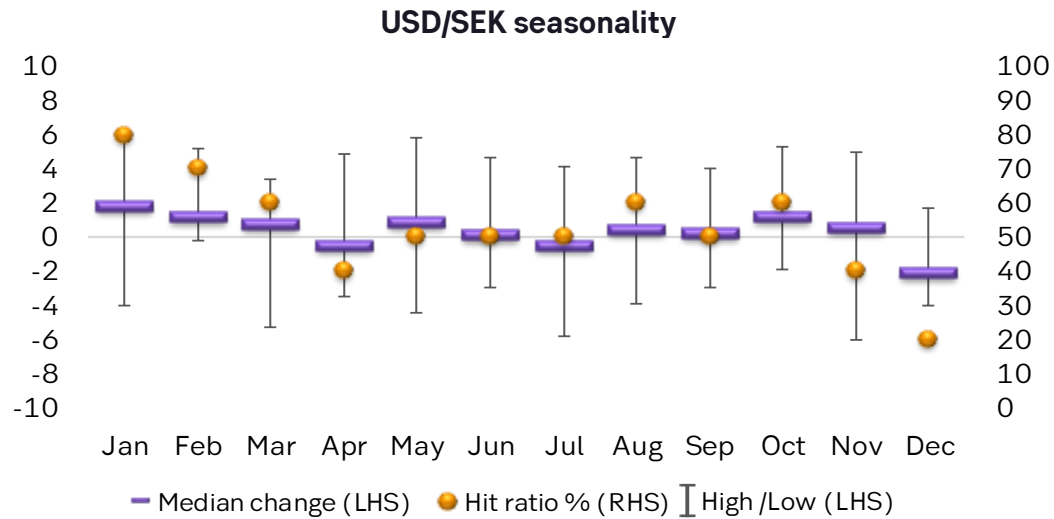
Generally deviations larger than ± 2 standard deviations tends to be unsustainable

- EUR/SEK – Short Term Fair Value model:
The framework generates mean reverting signals with a horizon of up to two weeks

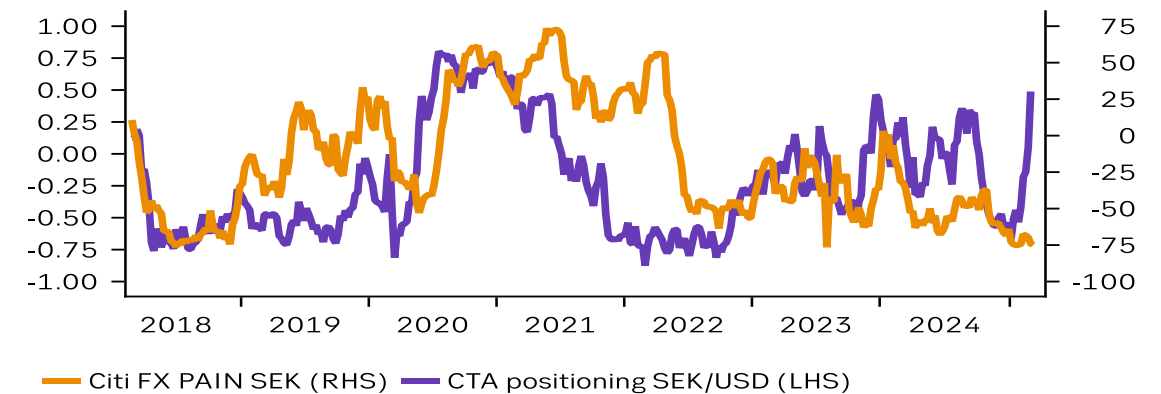
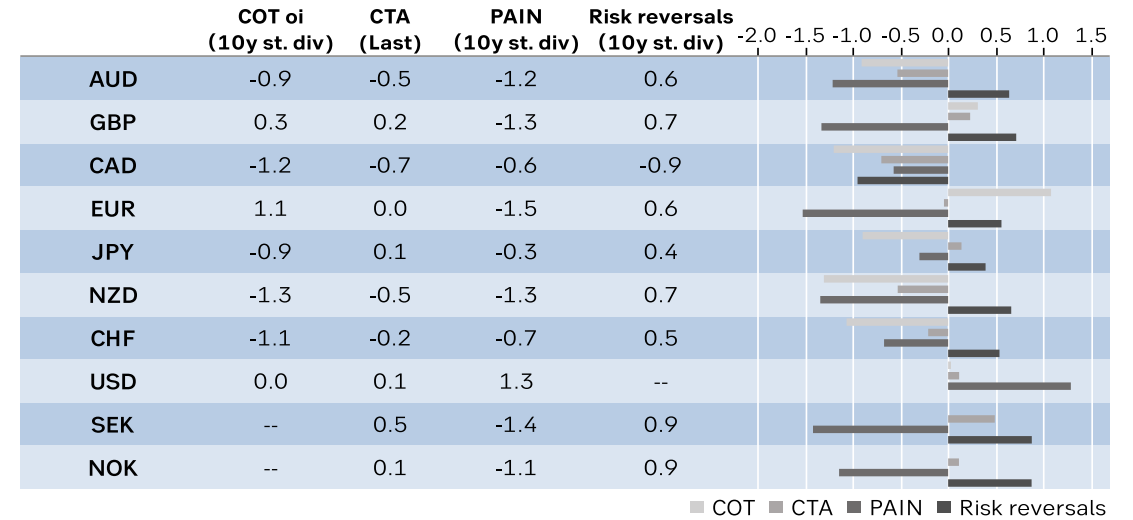


FX: Technicals – Positioning & Seasonality

- Seasonality:
USD/SEK (upper)
EUR/SEK (lower)



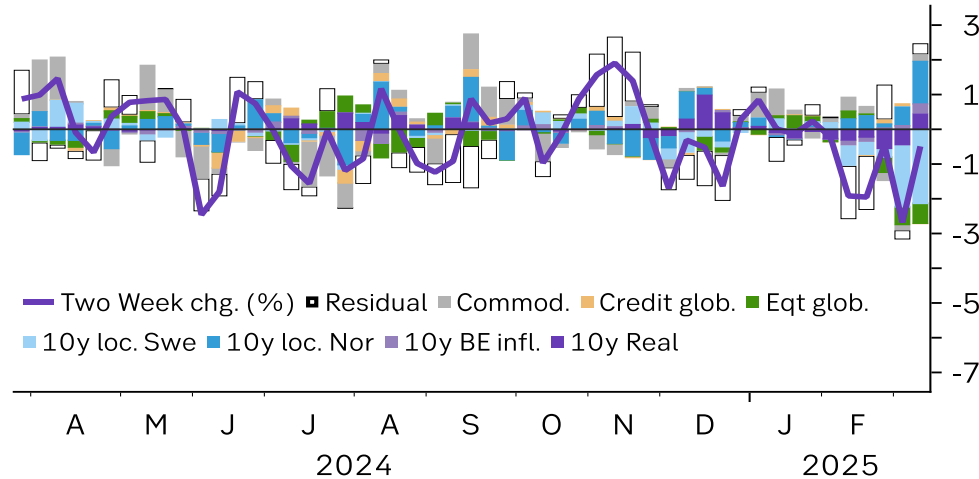
- G10 currency positioning (upper)
- SEK positioning indicators (lower)



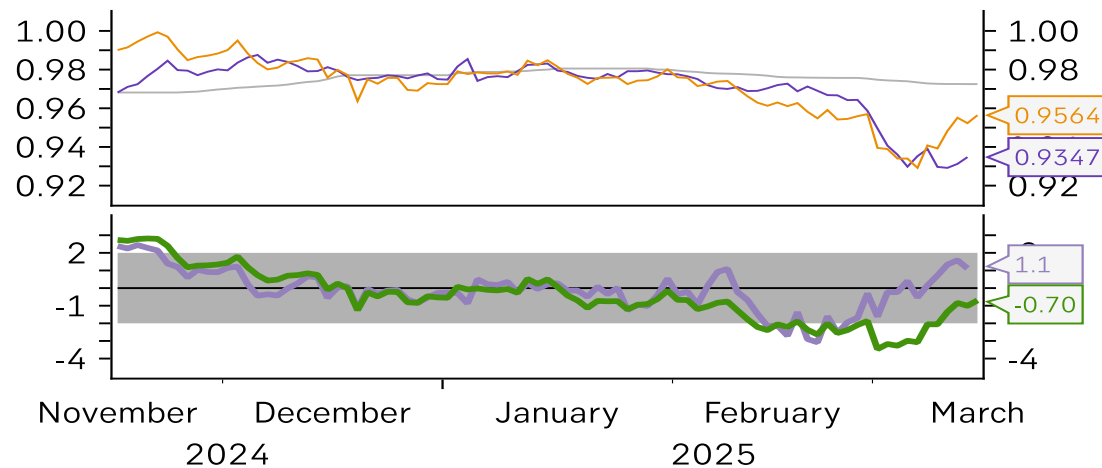
Source: Bloomberg, Macrobond, SEB

FX: NOK/SEK

Factor Drivers: Explanatory Contribution

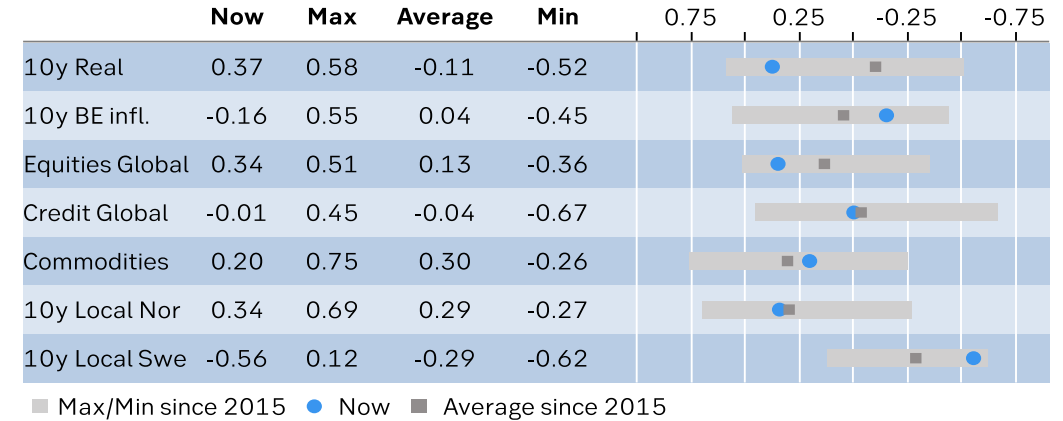


Short-Term Fair Value:

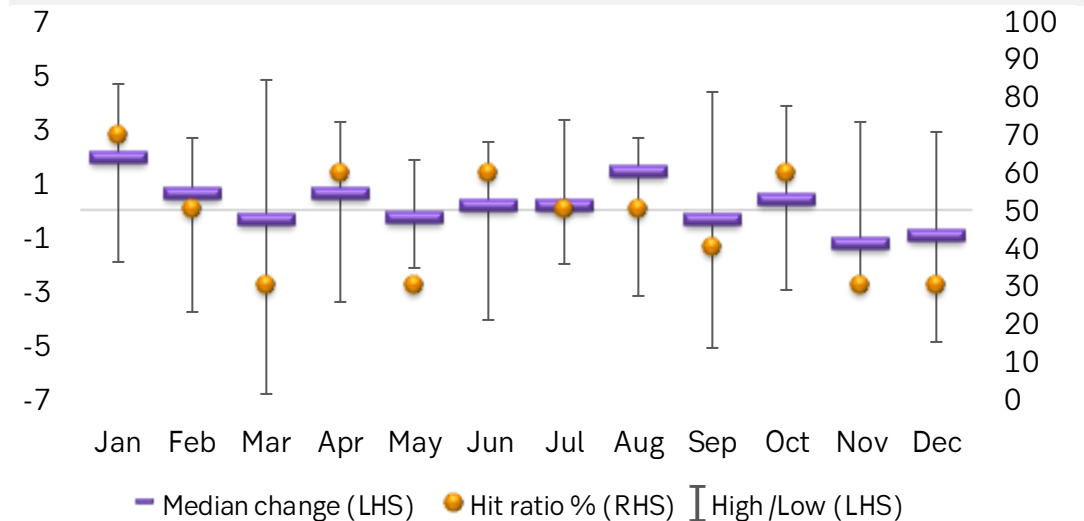


17 — NOK/SEK — STFV — MA — Z-score — STFV Deviation — 0 — ±2std

Factor Sensitivity: (beta in stdev. - 2015 lookback)



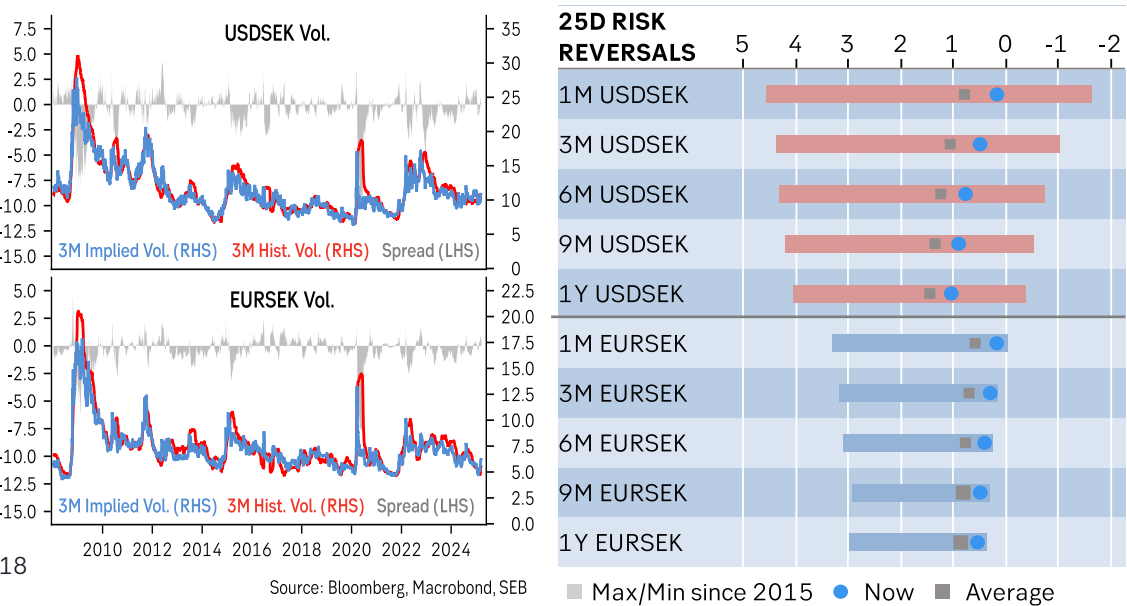
Seasonality (NOK/SEK):



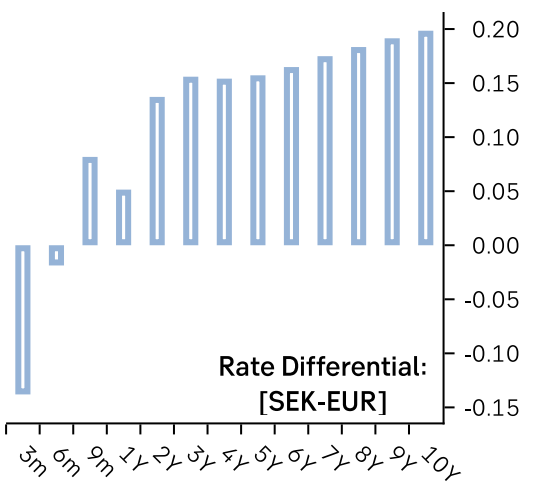
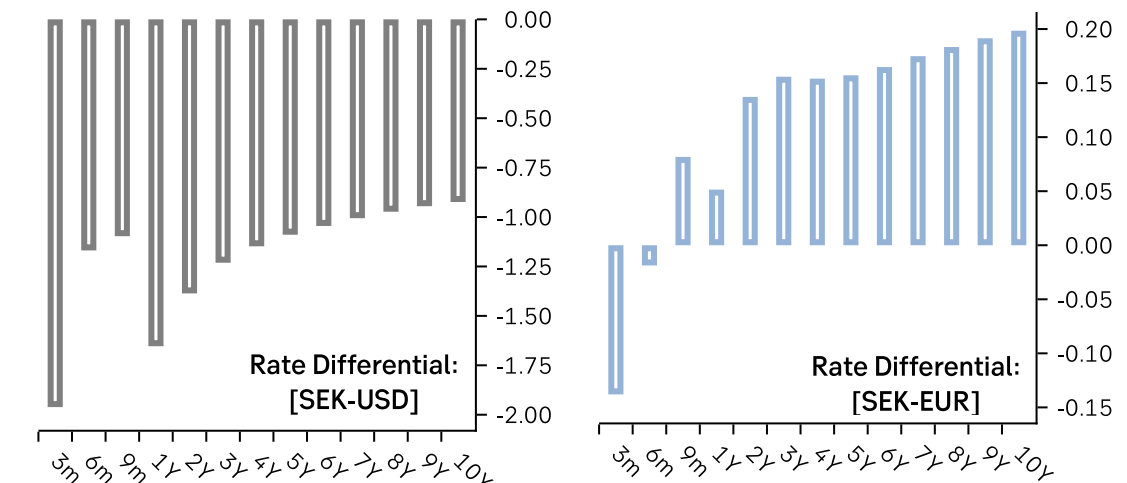
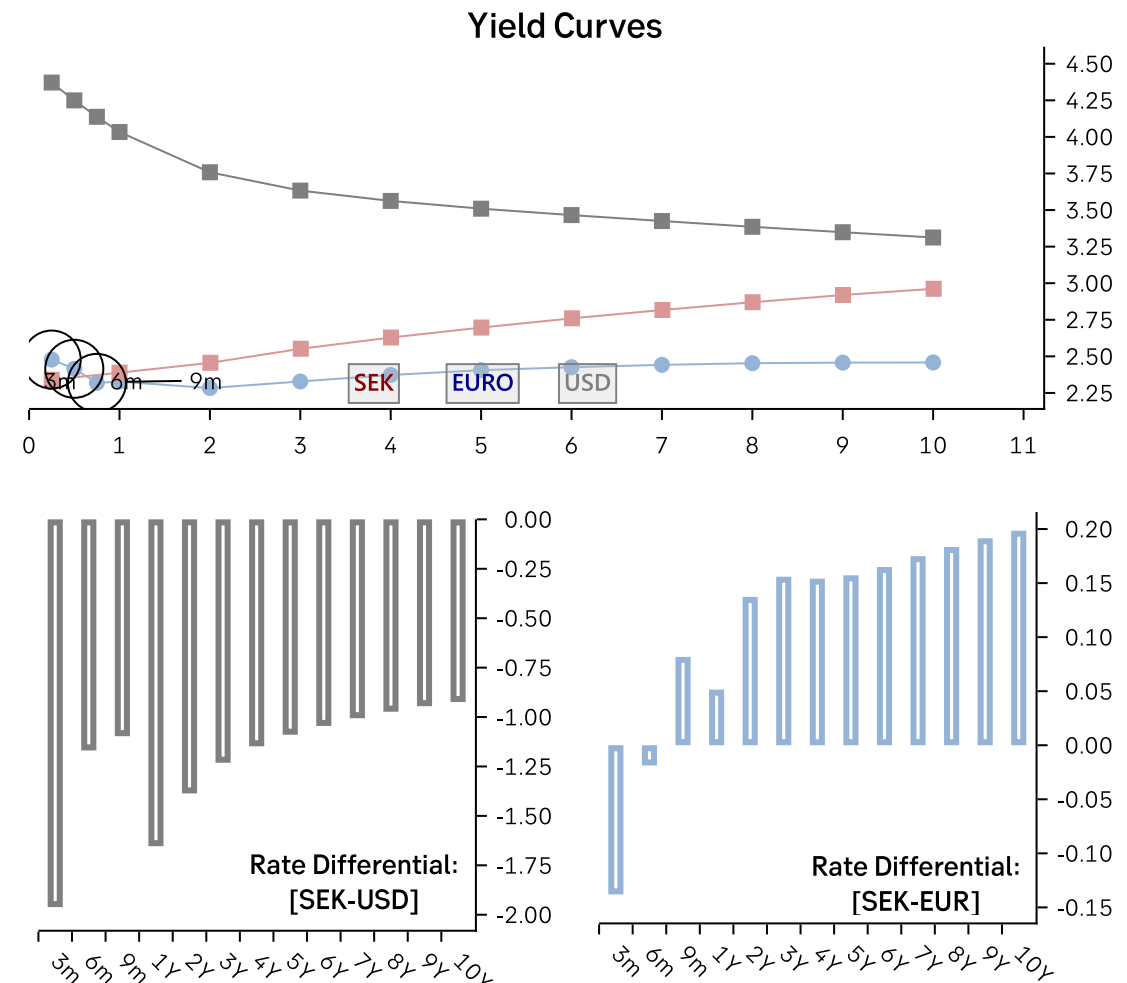
FX: Hedge Optimization - Forward Points

- Forward points premium/discount, implied vol & skew (upper tables)
- Implied vs Hist. Vol. (bottom left); 25D Risk Reversals by tenor (bottom right)

USDSEK	Levels	Pct from spot	Impl. Vol.	25D RR	EURSEK	Levels	Pct from spot	Impl. Vol.	25D RR
	(Points fwd)	(annualized)				(Points fwd)	(annualized)		
Spot	10.11	---	0.0	0.0	Spot	11.02	---	0.0	0.0
1m	-210.4	-2.5	11.2	0.2	1m	-33.0	-0.4	6.6	0.2
3m	-578.7	-2.3	10.7	0.5	3m	-56.7	-0.2	6.3	0.3
6m	-1049.5	-2.1	10.6	0.8	6m	-44.7	-0.1	6.3	0.4
9m	-1473.7	-1.9	10.7	0.9	9m	4.4	0.0	6.4	0.5
12m	-1867.0	-1.8	10.8	1.0	12m	67.4	0.1	6.4	0.5

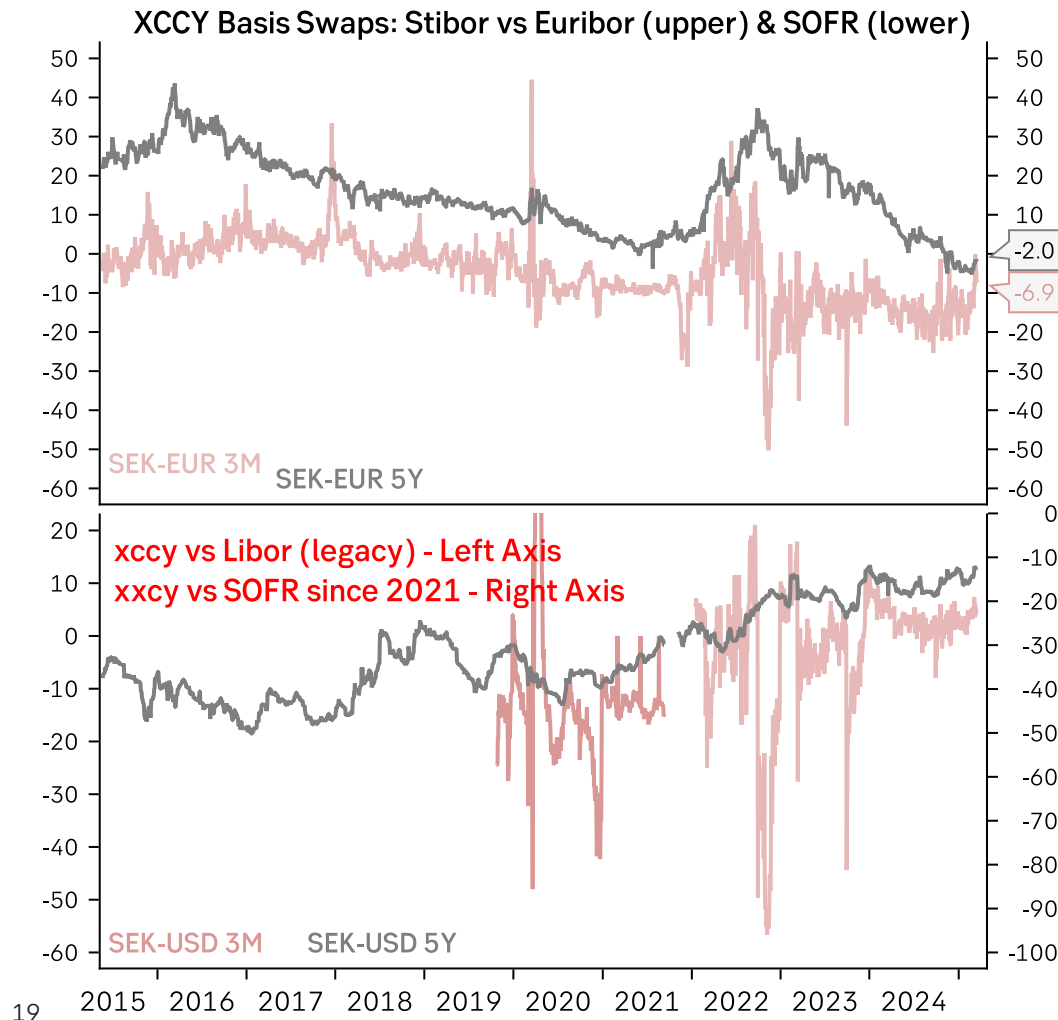


- Yield Curves: Stibor, Euribor, SOFR (upper)
- Rate Differentials (lower)



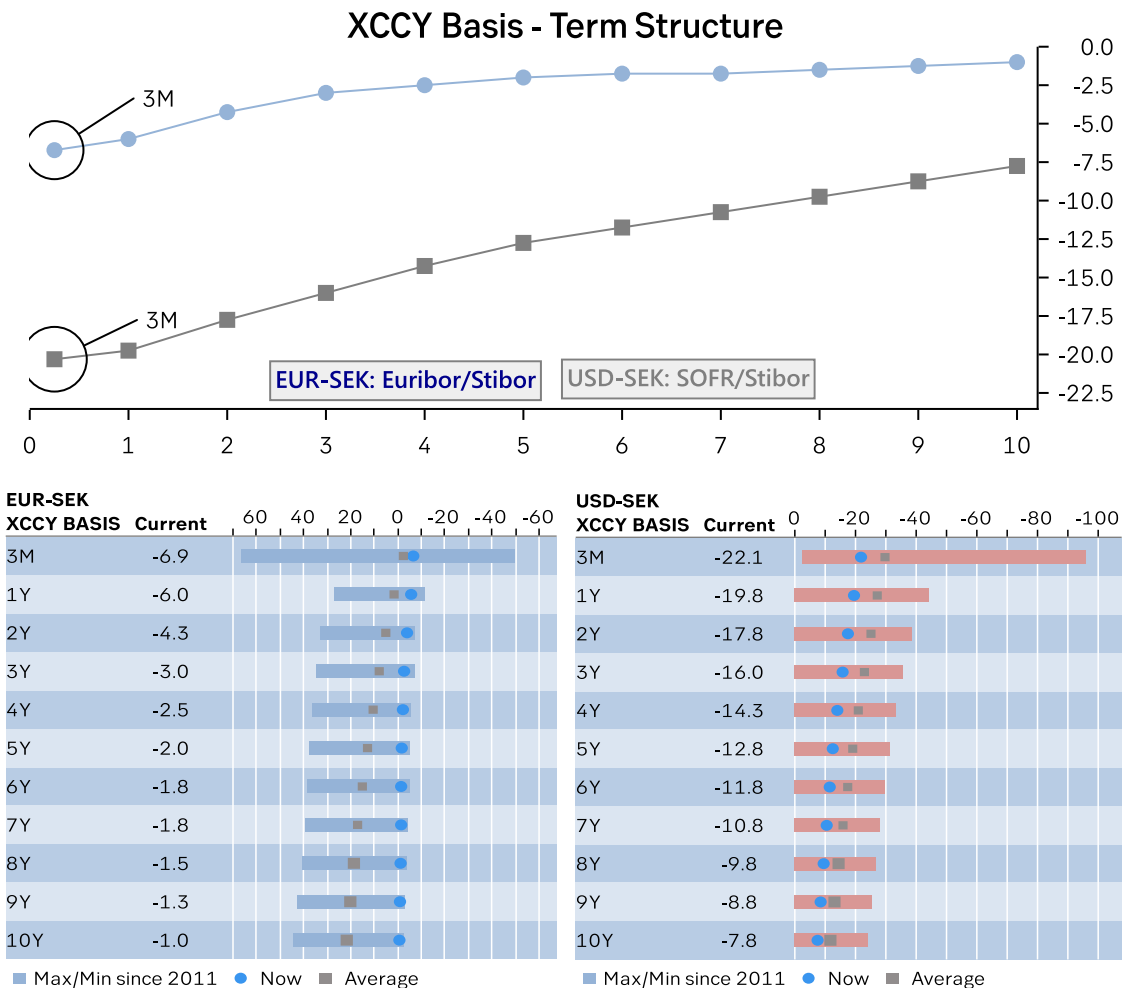
FX: Hedge Optimization - XCCY Basis

- History of XCCY basis 3M vs 5Y: EUR-SEK (upper) ; USD-SEK (lower)



Source: Bloomberg, Macrobond, SEB

- XCCY Basis Term Structure (upper)
- XCCY Basis Historic Ranges: EUR-SEK (bottom left) ; USD-SEK (bottom right)



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