

U.S. Markets closed

**S&P 500**3,093.08  
+7.90 (+0.26%)**Dow 30**27,681.24  
+6.44 (+0.02%)**Nasdaq**8,475.31  
+40.80 (+0.48%)**Russell 2000**1,598.86  
+4.87 (+0.31%)**Crude Oil**57.44  
+0.29 (+0.51%)**Gold**1,459.80  
-6.60 (-0.45%)

# Riksbank Seeks End to Negative Rates in Pivot Away From Herd

 **Rafaela Lindeberg and Sveinung Sleire****Bloomberg** October 24, 2019

Riksbank Seeks End to Negative Rates in Pivot Away From Herd

(Bloomberg) -- Explore what's moving the global economy in the new season of the Stephanomics podcast. Subscribe via Pocket Cast or

Quote Lookup

Recently Viewed &gt;

Your list is empty.

[Sign in](#)[Finance Home](#)[Watchlists](#)[My Portfolio](#)[Screeners](#)[Premium](#) [Markets](#)[Industries](#)[Videos](#)[News](#)[Premium - Try it free](#)

On Thursday, Swedish policy makers surprised most economists and traders by explicitly pointing to a hike in December that would bring the Riksbank's benchmark repo rate to 0%. From there on, there are unlikely to be any increases into 2022, it said.

The Riksbank is trying to turn its back on negative rates as the world's most influential central banks cling to stimulus. Later today, the European Central Bank will announce its latest rate decision after earlier this year delivering yet another stimulus package to support the euro-zone economy. Going farther below zero has opened up a rift at the Frankfurt-based bank, with some members advocating for a return to positive rates.

Riksbank Governor Stefan Ingves on Thursday defended negative rates as the best way to help the economy deal with the aftermath of the global financial crisis and Europe's debt crisis. But he also warned that there are risks if the policy becomes entrenched.

By raising rates to zero "then that's something we don't have to worry about," he said at a press conference. Negative rates have worked well, but we "are aware that many people think they are strange," he said.

The verdict on the effectiveness of negative rates has been called into the question on the lending side, including in a study co-written by former U.S. Treasury Secretary Lawrence Summers which argued that they hurt bank

[What to Read Next](#)[The 3 Best High-Yielding Short-Term Bond ETI \(HYS, SJNK\)](#)[Investopedia](#)[Is Civeo Corporation \(CVEO\) A Good Stock To](#)

[Sign in](#)[Finance Home](#)[Watchlists](#)[My Portfolio](#)[Screeners](#)[Premium](#) [Markets](#)[Industries](#)[Videos](#)[News](#)[Premium - Try it free](#)

and central bank. But she also noted that it appears that the bank does want to leave the negative interest rate territory at almost any cost and once back to zero, they can rest.”

The Riksbank is one of a number of central banks announcing rate decisions on Thursday. In neighboring Norway, Norges Bank kept its main rate at 1.5% and reiterated its view that it won't need to make any changes to its policy in the “coming period.” But it also said an historically weak krone posed an inflation risk.

What Bloomberg's Economists say

In a way it is a sensible decision. Raising rates from below 0 will likely get rid of some of the negative publicity around the Riksbank and its mandate. And this will allow them to stand pat during 2020 when we expect the global slowdown will likely continue. The problem is that today's forecast revisions do not warrant raising rates in December. That makes it look like leaving negative interest rates was a goal in itself -- something which has not been communicated by the Riksbank.-- Johanna Jeansson, Nordic economist. [Read more here](#)

Robert Bergqvist, chief economist at SEB AB, said the Riksbank “is bucking the global monetary easing trend with today's pretty hawkish announcement.” The Riksbank appears to be “happy with the inflation levels, but maybe unhappy with SEK weakness. I welcome today's decision -- we should move away from negative rates.”The head of trading

**A 'green interest rate?' Fed digs into climate change economics**

Reuters

**Low Volatility Could Be a Bullish Indicator**

Investopedia

**Netflix co-founder on a potential password sharing crackdown: 'You're not scared, are**

[Sign in](#)[Finance Home](#)[Watchlists](#)[My Portfolio](#)[Screeners](#)[Premium](#) [Markets](#)[Industries](#)[Videos](#)[News](#)[Premium - Try it free](#)

The Riksbank acknowledged that the rocky economic outlook is forcing it to lower its rate outlook, once it returns its policy rate to 0%.

“As before, the forecast indicates that the interest rate will most probably be raised in December to zero percent. Uncertainty over the development of economic activity and inflation abroad and in Sweden is considerable, however. The forecast for the repo rate has therefore been revised downwards and indicates that the interest rate will be unchanged for a prolonged period after the expected rise in December,” the Riksbank said.

Ingves has repeatedly sought to downplay signs of economic weakness in the lead-up to this week’s rate meeting. That’s proving increasingly difficult as the world’s major central banks respond to the threat of recession by clinging on to stimulus.

[Story continues](#)

**Federal Reserve officials say they 'can't afford to ignore' climate change**

Yahoo Finance

**Retirement expert: 1-in-4 workers miss opportunity to 'capture literally free money'**

Yahoo Finance

**Start the conversation**

[Sign in to post a message.](#)

**Israel's Netanyahu appoints far-right Bennett as prime minister**