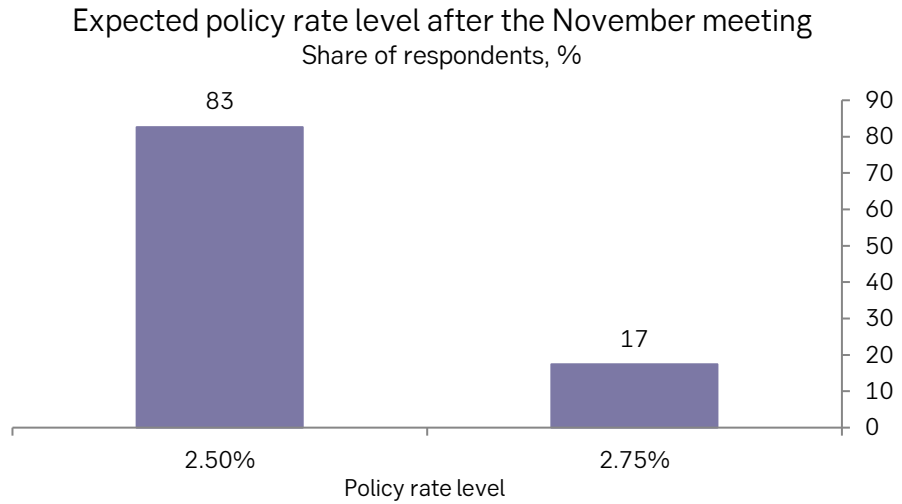
SEB Fixed Income Survey November

Investors expect a 75bps hike in November

SEB Fixed Income Survey

A large majority expects a 75bps hike in November

- 83% of respondents expect a 75bps policy rate hike in November and 17% expect a 100bps hike. No one expects the Riksbank to stick to the rate path from September and hike by 50bps.
- Market pricing is more aggressive, indicating an 86bps higher policy rate in November and 26bps higher rate both in February and May. The Riksbank's repo rate path indicates a 30bps hike in February. Market expects the policy rate to be 3.14% by the end pf 2023 and 2.93% by the end of 2024.
- The survey was conducted during 15-18 November among large Swedish FI investors.



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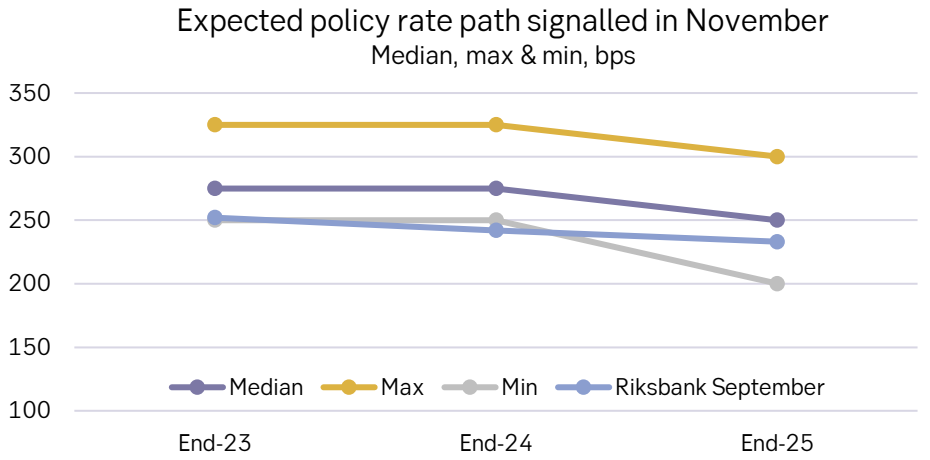
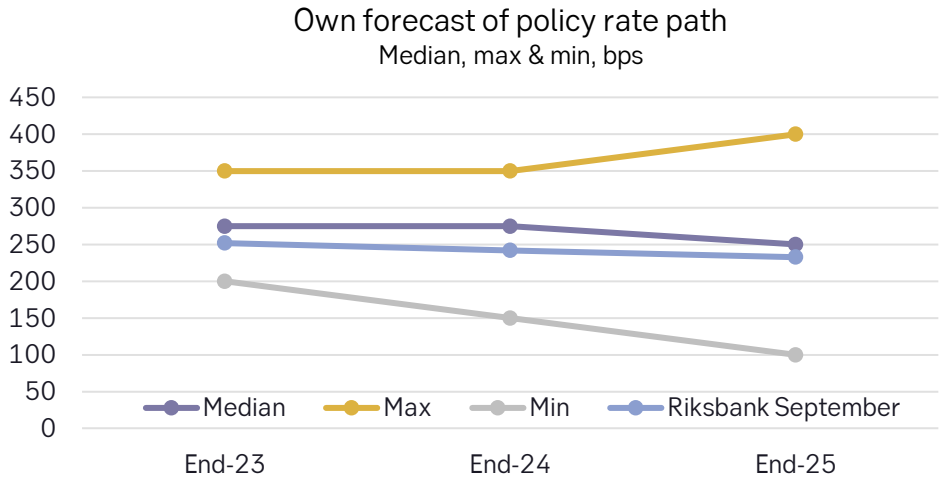
Diverging expectations for the policy rate in 2023-2025

- Investors' expectations for the rate path is 2.75% YE2023 and the levels predict the rate to be unchanged YE2024 (median). At the end of 2025, the rate path is projected to decline to 2.50%.
- Rate path expectations are skewed to the upside, with the highest expectations at 3.25% YE2023 and YE2024. The lowest expectation is that the Riksbank will stick to the rate path from September in 2023/2024 and lower the path in 2025 to 2.00%.
- The survey participants own rate expectations in 2023/2024/2025 (median) are mainly in line with the expected rate path. The highest expectation is 3.50% by the end of 2023 and 2024, and 4.00% by the end of 2025. Some participants expect rate cuts already in 2023 (to 2.00% YE2023), with the lowest expectation at 1.50% and 1.00% by YE2024 and YE2025, respectively.





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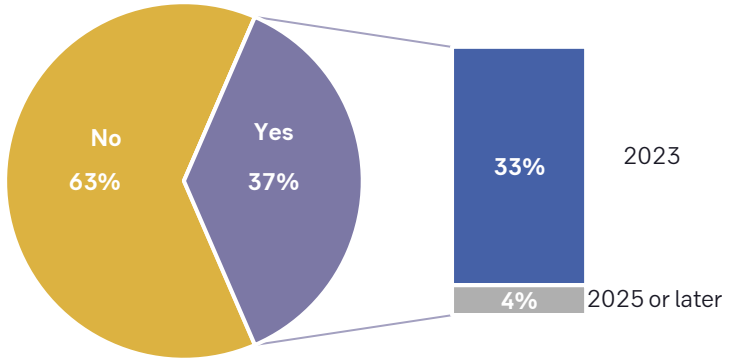
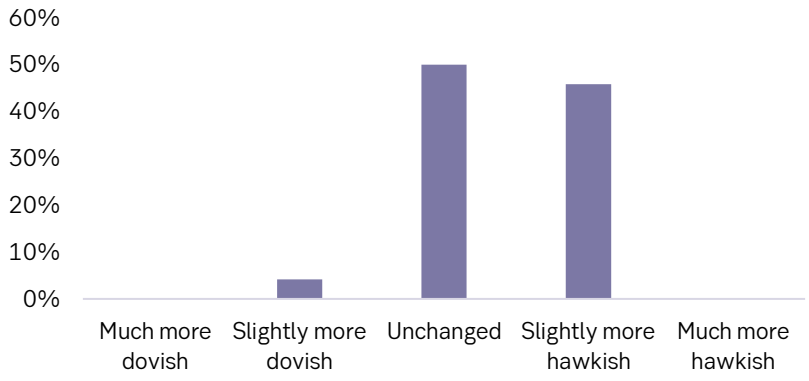
60% don't expect the Riksbank to start selling bonds

- The Riksbank is expected to stick to the plans from the September meeting and stop QE purchases by the end of this year. According to the survey, 63% do not expect the bank to sell bonds, while 37% expect the Riksbank to sell bonds with 33% expecting bond selling already in 2023.
- The survey participants do not expect large monetary policy changes with Erik Thedéen as the new Riksbank Governor. Half of the respondents expect an unchanged monetary policy, while almost equally many expect monetary policy to be slightly more hawkish. Very few (2%) expect slightly more dovish monetary policy.

The Riksbank will end QE purchases end-22. Do you think they will eventually start selling bonds?
Share of respondents, %



How will monetary policy be formed with Erik Thedéen as Riksbank Governor?



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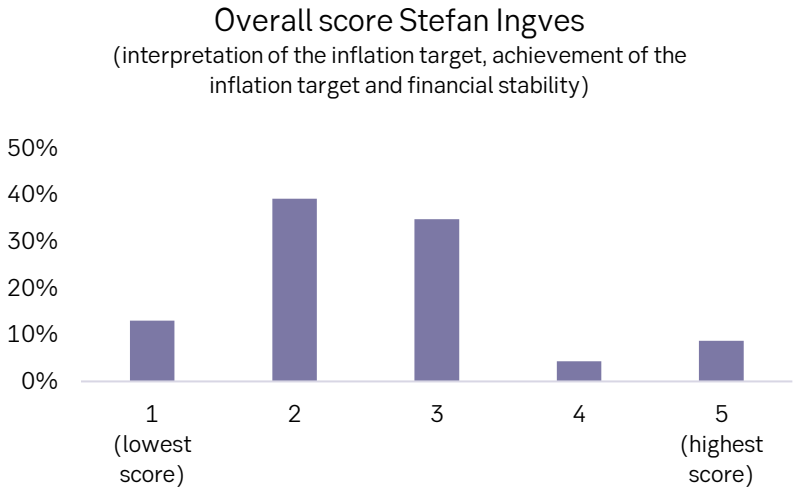
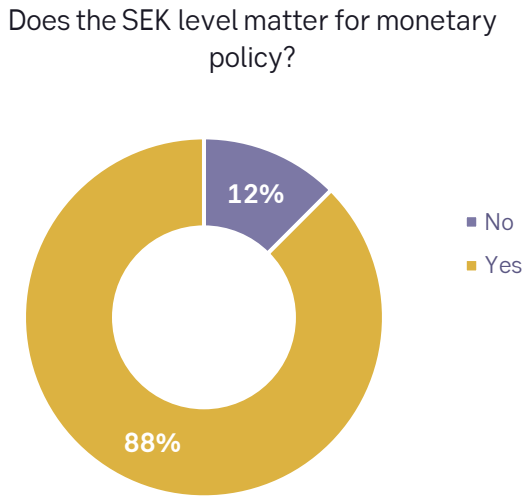
The overall score for Stefan Ingves is a bit below average

- Since this is Stefan Ingves last MPR, we asked participants to rank monetary policy during his time as head of the Riksbank on a scale of 1 to 5. The score applies to the overall interpretation of the inflation target, achievement of the inflation target and financial stability. The overall score for Stefan Ingves and his 17 years as the Governor is a bit below average. 50% gave him a below-average score (1 or 2), while the average score is 2.6.
- Almost 90% think that the level of SEK matters for monetary policy.





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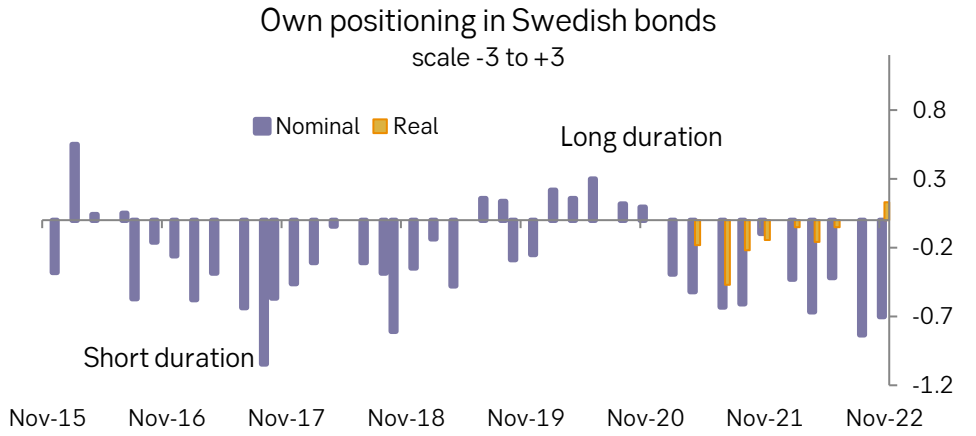
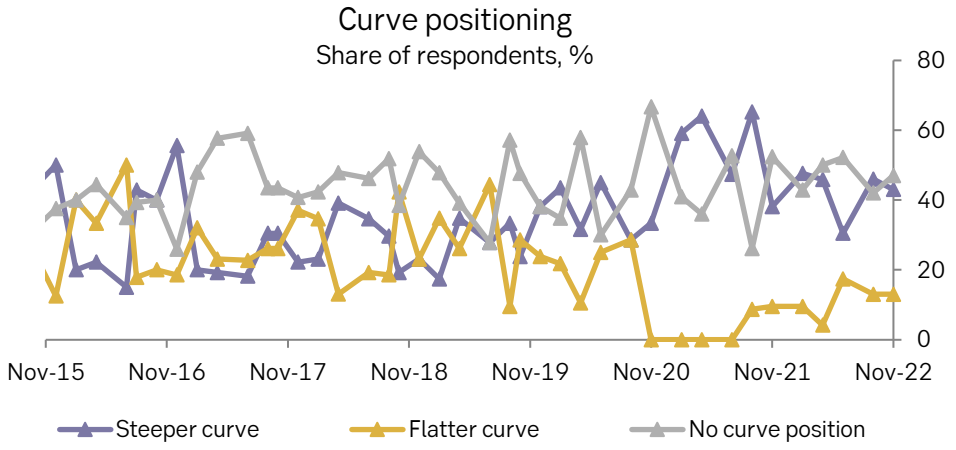
Positioning – short duration has increased a bit

- Investors duration has increased a bit compared to our latest survey but remains close to the lows since 2017.
- Curve positioning continues to be broadly stable. Slightly more than 40% are positioned for a steeper curve (46% in the latest survey), while the share positioned for a flatter curve is unchanged at a low level. Many (around 50%) have no curve position, which is close to the average since 2015.





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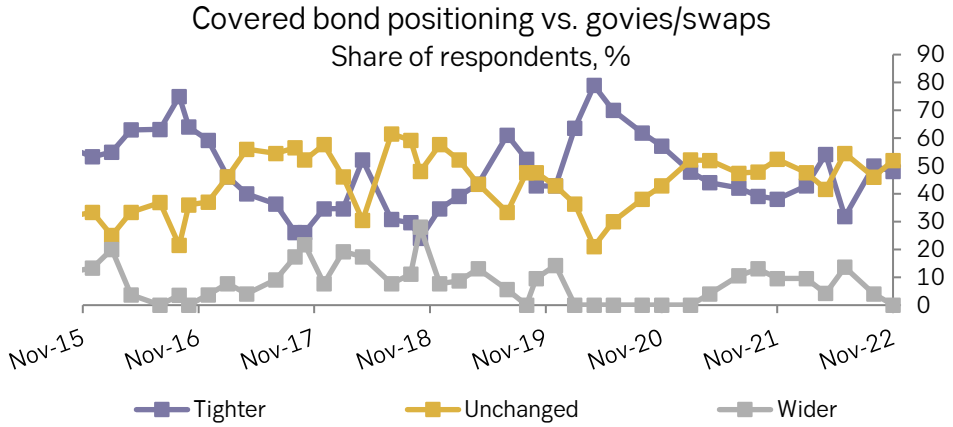
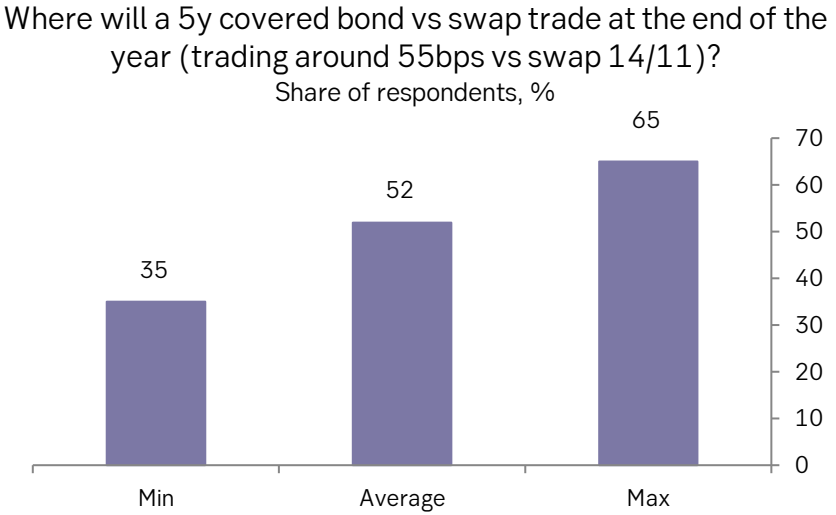
Many are positioned for tighter covered bond spreads

- Despite falling home prices, many investors expect covered bonds to perform well. Almost 50% are positioned for a tighter spread to (govies/swaps) while non of the respondents is positioned for wider spreads.
- However, on average, the covered bonds vs swaps are expected to tighten only marginally by the end of this year (to 52bps from 55bps).





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