SEB Fixed Income Survey February

All investors expect a 50bps hike in February

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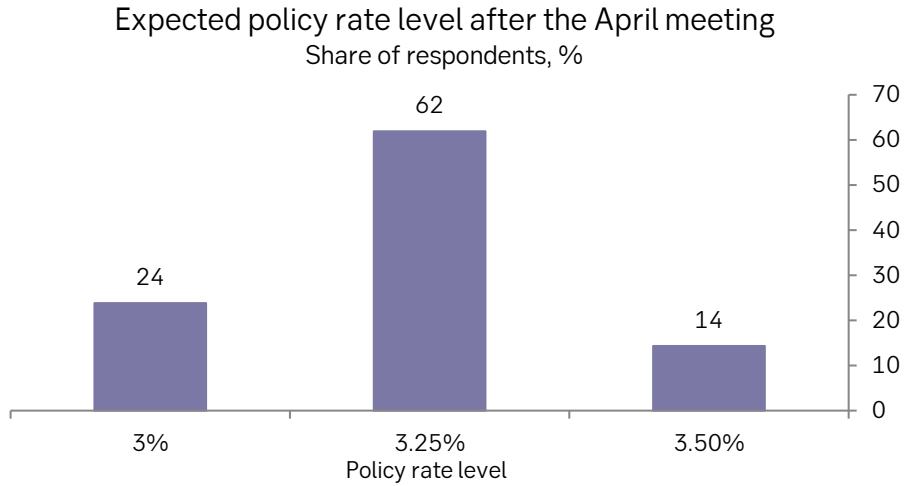
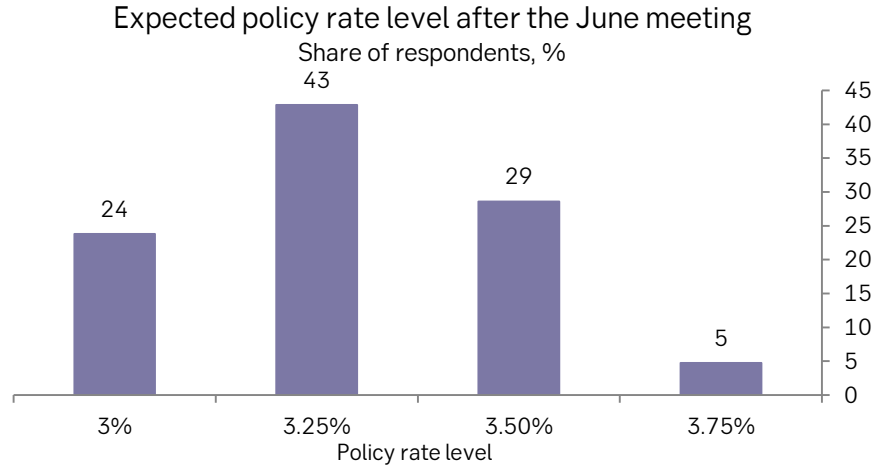
All investors expect a 50bps hike

- All investors expect the Riksbank to hike by 50bps on February 9.
- Market pricing has gradually shifted to a downside bias to a 50bps hike pricing 45bps (= 80% probability for 50bps) higher policy rate in February.
- Expectations for policy further ahead are more split. A majority (62%) expects rate hike by 25bps in April. Relatively many (24%) predict rates to be on hold while 14% predict another 50bps hike.
- Expectations continue to diverge in June with many investors predicting the policy rate will rise to 3.50% and a few even predict the repo will reach 3.75%. A majority predicts that the policy rate to peak in February or April.
- The survey was conducted during January 30 – February 2 among large Swedish FI investors.





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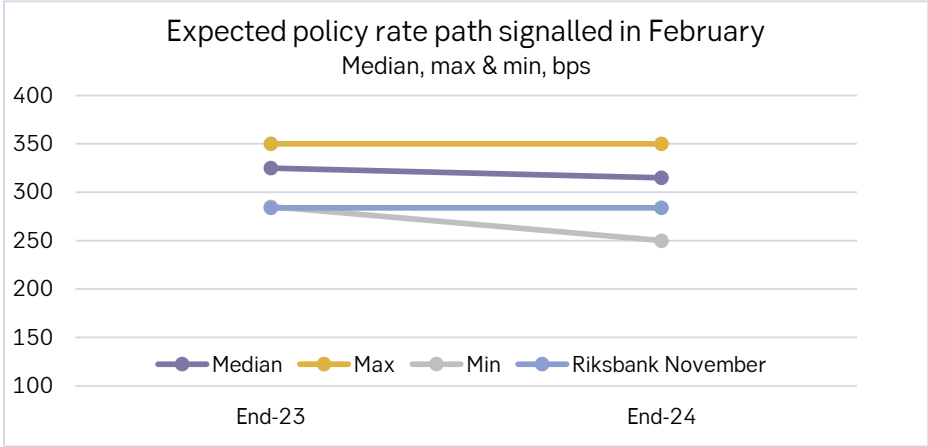
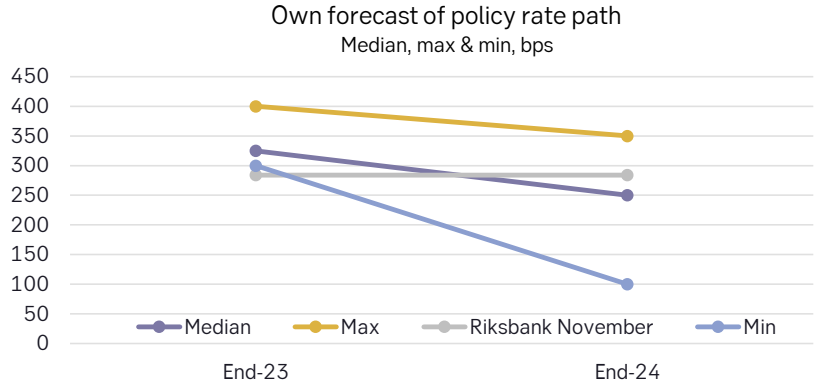
Diverging expectations for the policy rate in 2023 and 2024

- Investors' expectations for the rate path continue to be wide. The median expectation is that the Riksbank will indicate another 25bps rate hike to 3.25% by the end of 2023 and slightly lower rate (3.15%) at the end of 2024. The skew for the rate path has shifted to the downside after being skewed clearly to the upside in November.
- The survey participants own rate expectations in 2023/2024 continue to diverge especially at the end of 2024. The median expectations is that the policy rate will be cut to 2.50% by the end of 2024, but the spread is large with the lowest expectation at 1.0% and the highest at 3.50%. The skew has shifted to the downside also for investors' own expectations.





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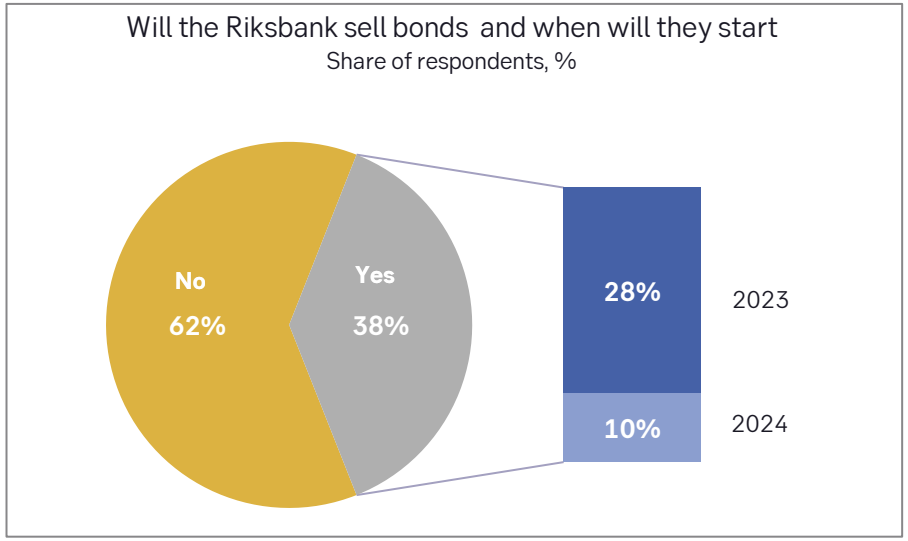
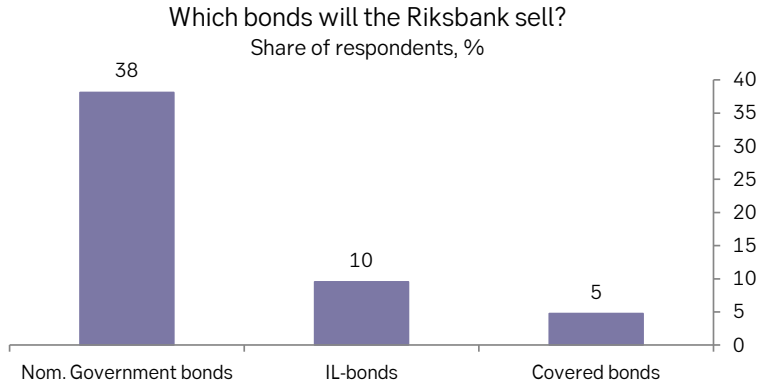
62% don't expect the Riksbank to start selling bonds

- Expectations for the Riksbank's QE programme is largely unchanged since November. Around 40% predict the Riksbank to sell bonds and most expect that selling will start already this year.
- The Riksbank is predicted to sell nominal government bonds, and a few predict also inflation-linked and covered bonds to be sold.





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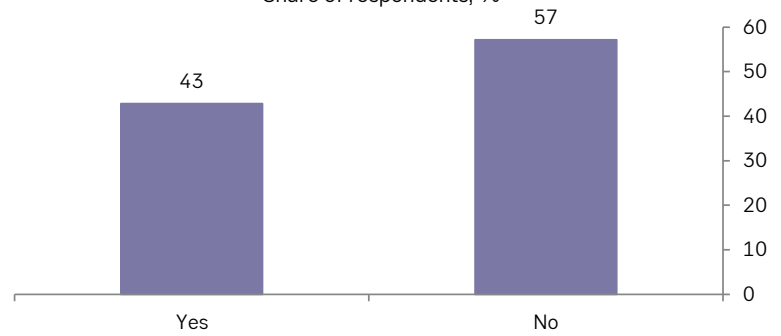
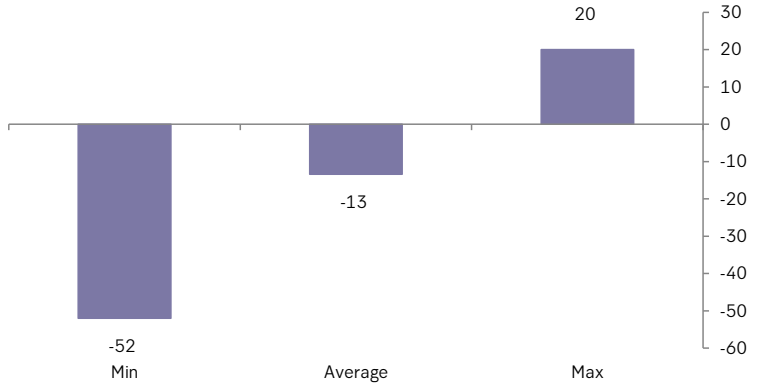
ECB is not expected to hike more than Riksbank

- 57% expect ECB to hike less or equally much as the Riksbank, but as many as 43% predicts that ECB will hike more.
- 90% think that the level of SEK matters for monetary policy. This is largely unchanged compared to the November survey.
- Expectations for the 10y-government bond spread to Germany is expected to widen slightly to -13bps from -21bps. Expectations differ considerably from +20bps to -52bps.
- The krona is expected to strengthen slightly to EUR/SEK 10.95 by the end of 2023. The spread is wide also here. (EUR/SEK 10.25 - 12.00).

Will the ECB desposit rate be raised above the Riksbank's policy rate
Share of respondents, %



Where will the spread for a 10-year government bond against Germany be at the end of 2023? (-21bps per 30/1)
Share of respondents, %



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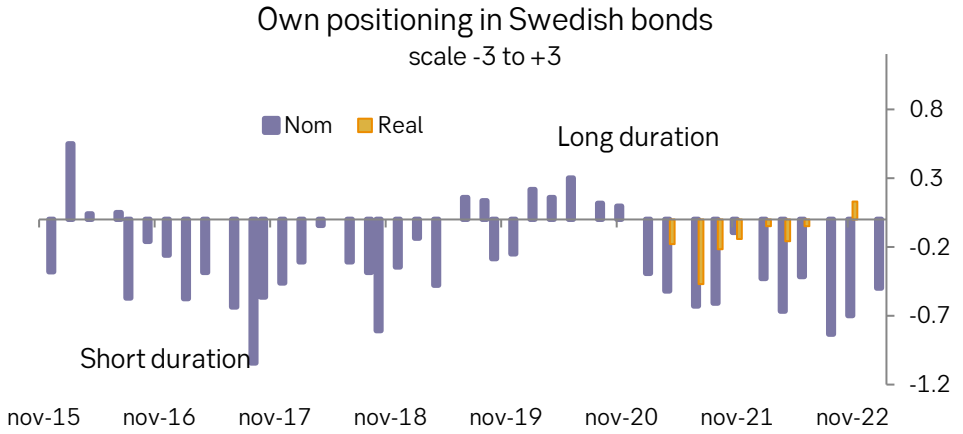
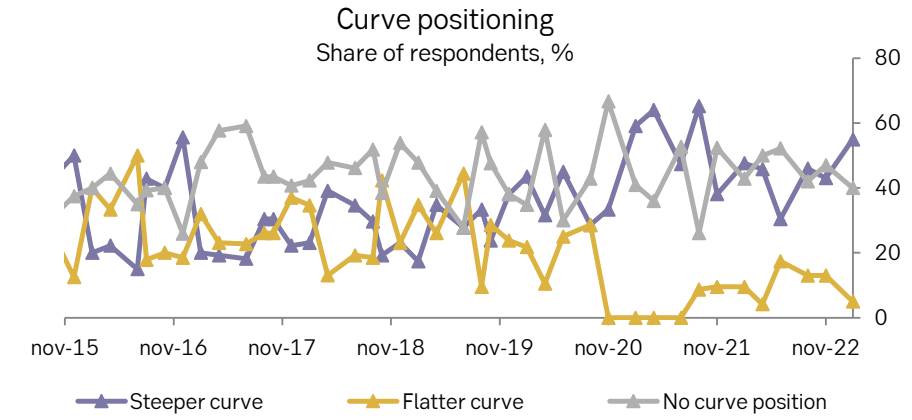
Positioning – investors continue to gradually reduce shorts positioning

- Investors duration continues to increase but average positioning is still clearly short. Long positioning in IL-bonds have been wound down.
- Positioning for a steeper curve have increase to 55% from slightly more than 40% in November, while the share positioned for a flatter curve has declined to 5% from an already low level. Most investors have been positioned for a steeper curve since the end of 2020.





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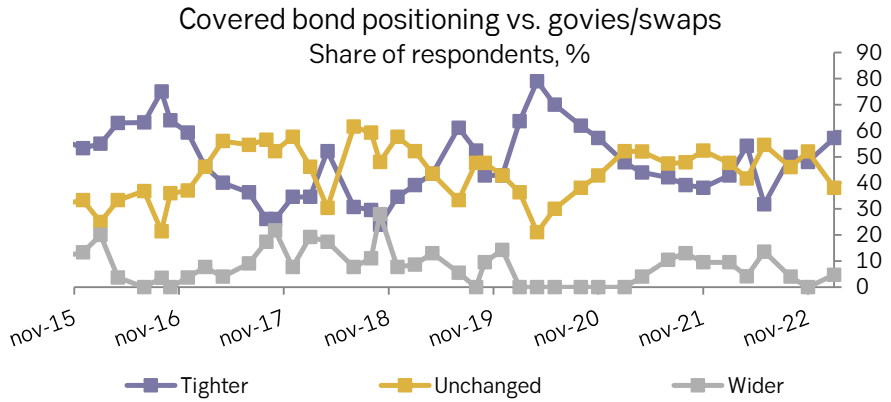
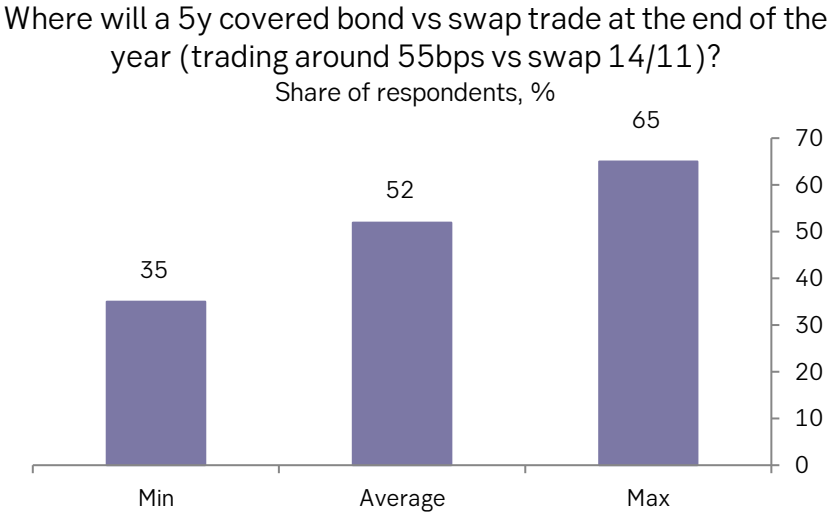
Many are positioned for tighter covered bond spreads

- Despite falling home prices, many investors expect covered bonds to perform well: almost 50% are positioned for a tighter spread to (govies/swaps) while very few respondents are 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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