SEB Fixed Income Survey November

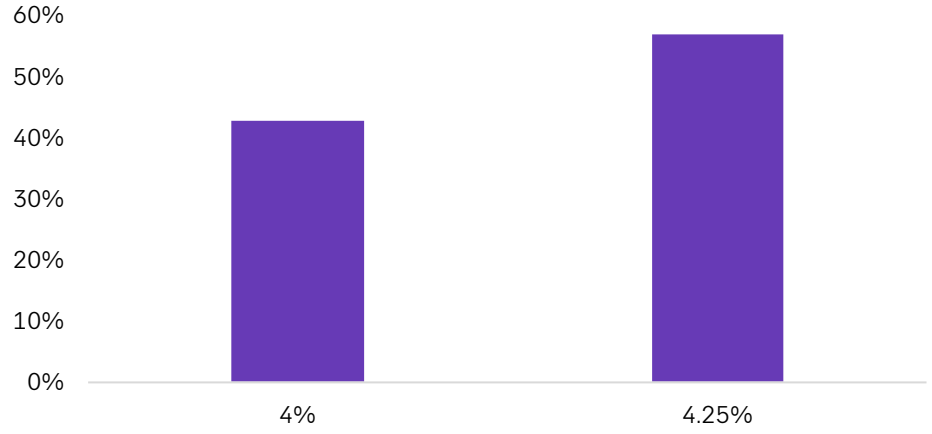
The majority expects a rate hike in November

SEB Fixed Income Survey

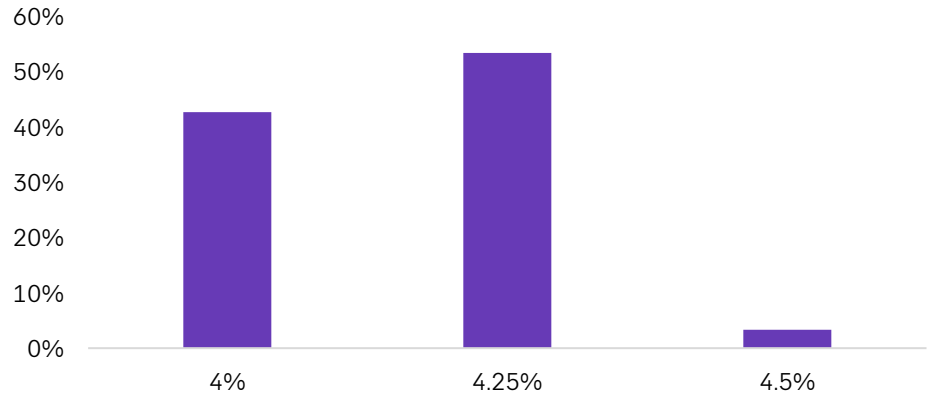
57% expect a 25bps hike in November

- A majority of 57% expects a rate hike by 25bps on November 23.
- A substantial minority (43%) predicts the policy rate to be unchanged.
- Almost all respondents predict that the policy rate will be unchanged in February, but a small minority of 4% predict a rate hike to 4.5%.
- The market is currently pricing 7bps higher policy rate in November (28% probability).
- The survey was conducted November 14 –16 among large Swedish Fixed Income investors.

Expected policy rate in November
Share of respondents, %



What will the Riksbank's policy rate be in February 2024?
Share of respondents, %



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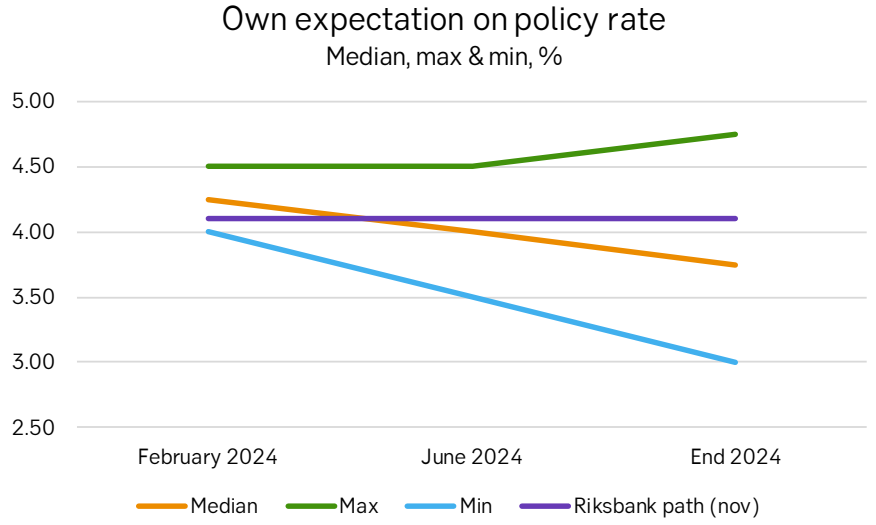
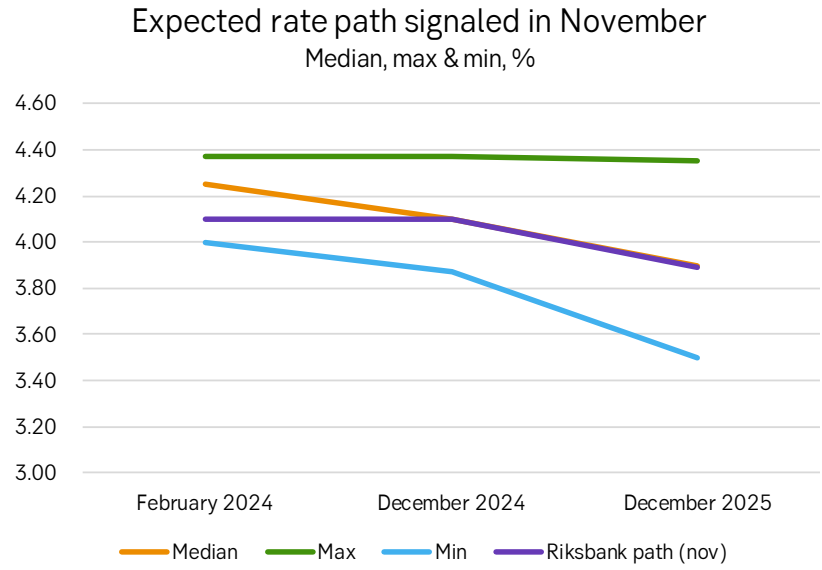
Dovish hike or hawkish unchanged?

- **The policy rate is expected at 4.0%** in June 2024 and 3.75% in December 2024 (median). Some of those who expect a November hike predict rate cuts already in H1 next year. 25% of the respondents predict that rates will be cut by June next year and 75% of respondents predict that rates will be cut by the end of 2024. Some expect rates to remain unchanged throughout 2024 and a small minority expects that rates will be raised further. The range for the expected policy rate in December next year is 3.00% - 4.75%.
- **Respondents predict that the Riksbank's policy rate path** will indicate a policy rate at 4.15% in February 2024, 4.10% in December 2024 and 3.90% in December 2025 (median). This implies an unchanged rate path compared to September.
- **More details:** Those expecting no change in November on average predict that the rate path will indicate 9bps higher policy rate in February. Among those expecting a rate hike in November, the rate path is predicted to indicate 3bps higher policy rate. Those predicting a rate hike thus expect the Riksbank to signal that this is the last hike in this cycle, while the those predicting unchanged rate predict that the Riksbank will continue to signal a relatively high probability for a hike – **i.e. dovish hike or hawkish unchanged.**





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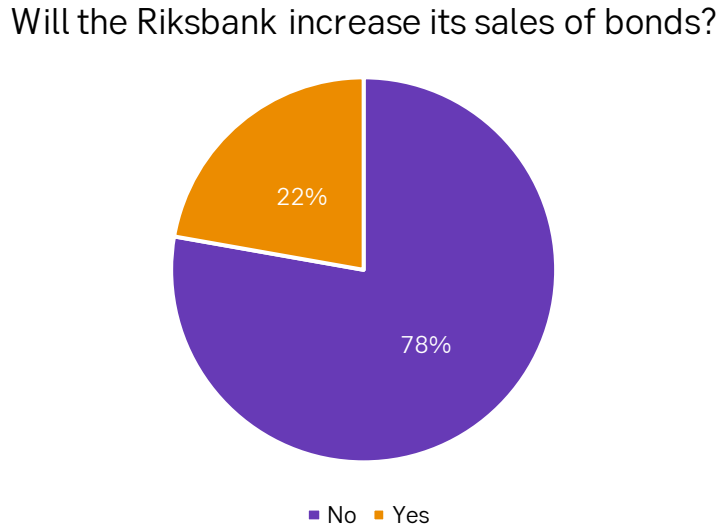
The Riksbank is expected to continue with the June plan for QT

- A large majority (78%) expects the Riksbank to stick to the plans presented in June and sell SEK 5.0bn of government bonds per month.
- A few (22%) predict that the volumes will be increased in 2024. The median expectation is that volumes will be raised to SEK 7bn.



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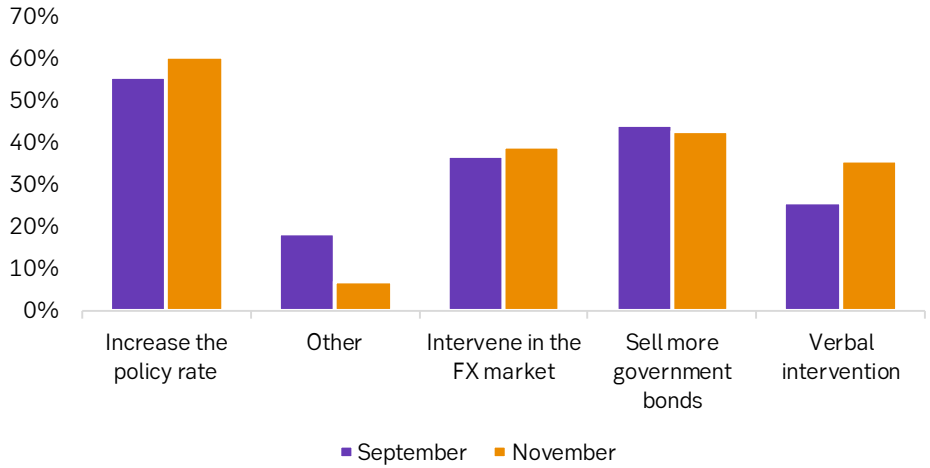
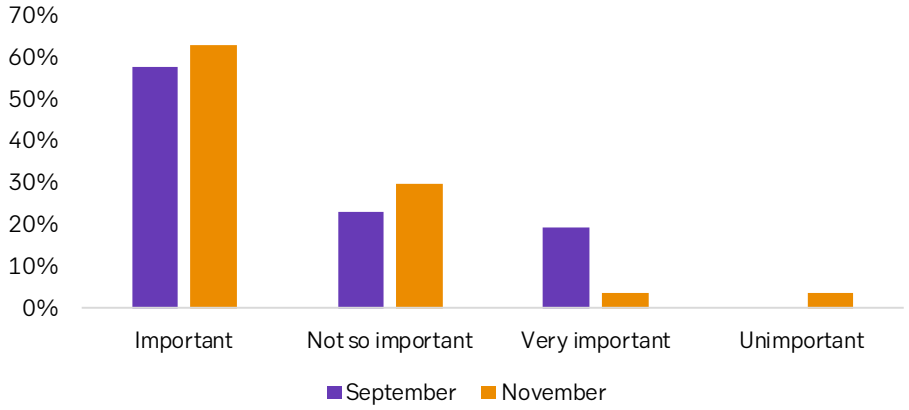
A majority believes that a higher interest rate could support the SEK

- Since September, the survey includes a question on what the Riksbank can do to strengthen the weak Swedish krona. A majority continues to believe that raising rates would be the most efficient measure.
- Compared to September, less respondents say that financial stability will be very important. Overall, there seems to have been a movement towards expecting financial stability to be of lesser importance for monetary policy in 2024.

What can the Riksbank do to strengthen the SEK?
Share of respondents, %



How important will financial stability be for monetary policy in 2024?
Share of respondents, %



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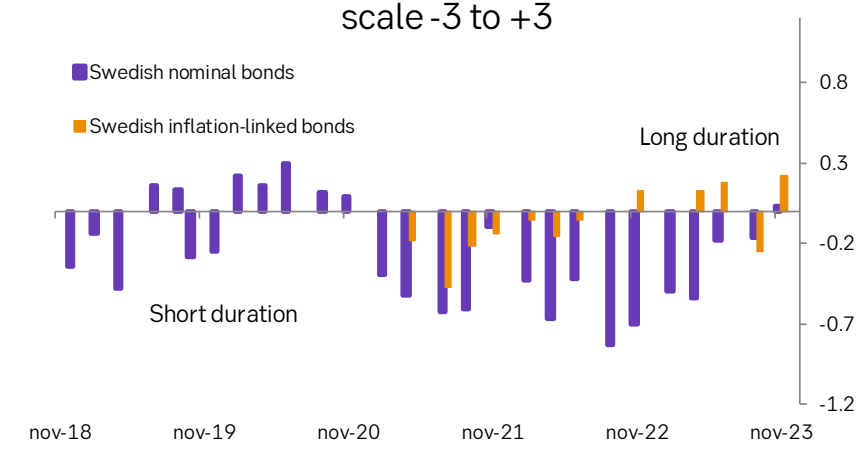
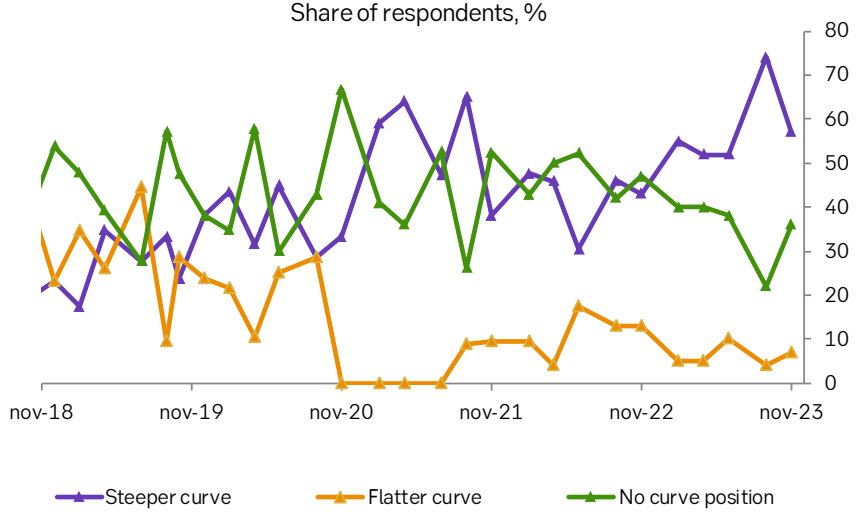
Positioning – investors long for the first time since 2020

- Investors duration continues to increase and for the first time since 2020, average duration is indeed long, although very marginally. Duration in inflation-linked bonds have turned long again after being short in the September survey.
- Most respondents continue to be positioned for a steeper curve, although the share has declined from the record level in September. Very few are positioned for a flatter curve, even though the share has increased slightly since September.

Own positioning in Swedish bonds
scale -3 to +3



Curve positioning
Share of respondents, %



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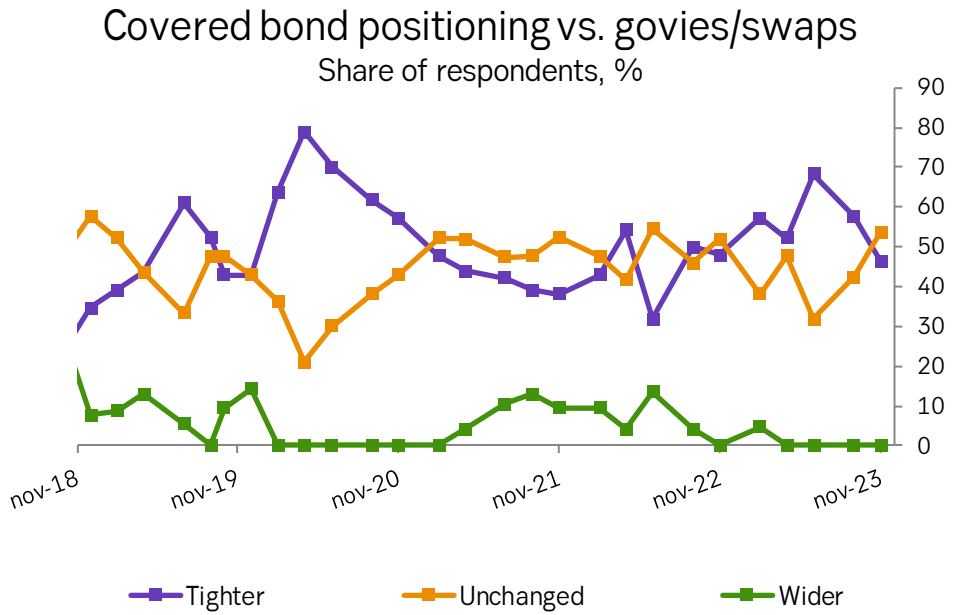
Many remain positioned for tightening covered bond spreads

- Many investors continue to expect covered bonds to perform well but the share positioned for a tighter spread against government bonds/swaps has fallen to 46%, the lowest since mid 2022. There still are no investors positioned for wider covered bond spreads.



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