

Riksbank Comment

On a steady course

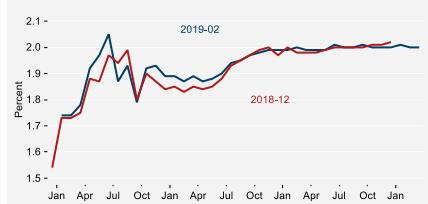
- Main takeaways:** There are no changes of significance compared with the December policy meeting. The GDP estimate for 2019 is lowered by two-tenths to 1.3% (w/w). The unemployment forecast is unchanged, with the inflation forecast practically unchanged, the repo rate forecast unchanged implying the next hike in Q3 (presumably September) and approximately two hikes per year through to the end of the forecast period (Q1 22). The press release mentions slower international growth but also stresses that the Riksbank expects economic conditions to remain strong in coming years. The Riksbank repeated that normalisation of monetary policy must be very gradual.
- Our take:** Considering that many institutions such as the IMF and the EU Commission, not to mention private banks, have scaled back their growth forecasts, the Fed has made a pause and the ECB has softened its tone of late, the Riksbank appears to be remarkably unaffected. We could take this as a ‘hawkish’ sign. Having said this, we believe that the Riksbank, a bit like the ECB, is in assessment mode; it is buying itself time to see how data unfolds and, not least, what the ECB comes up with in March. One piece of news though is that the just-expired mandate to governor Stefan Ingves and deputy governor Kerstin af Jochnick to intervene in SEK in order to prevent a too-rapid appreciation of the krona was not renewed.
- Fixed Income:** By and large, we think the fixed income market was pretty much prepared for the result of the February policy meeting. As mentioned, that the Riksbank seems quite relaxed considering recent bad data news and softer messages from other central banks could be seen as a little hawkish but we would not make a lot of this. The April meeting is probably more important and we keep our receiver position in FRA Sep-19. In addition, we would say that today’s policy message suggests that it would be natural if the Riksbank decided to stop reinvestments of coupons and redemptions when the full reinvestment of SGB 1052 (maturing 3 March 2019) has been executed in the summer.
- FX:** EUR/SEK immediately fell from 10.50 to below 10.45, where the SEK was supported by (perhaps) a less dovish statement than expected (see above) and the decision to remove the FX intervention mandate, which gave Ingves and af Jochnick the option to RAPIDLY intervene if the krona were to appreciate too fast. This is no longer deemed necessary, which makes sense given that inflation is closer to target and given the substantial depreciation of the SEK. In our view, it sends the signal that the Riksbank is currently less worried about the SEK. This has been confirmed already by members’ communications in the recent Riksbank Minutes. While we see a positive reaction in the SEK, it is worth emphasising that the SEK still suffers from negative carry. We see EUR/SEK around 10.40 in 1-3M.

Chart 1. Riksbank pricing

RIKS Implied fr RIBAs		
20 feb	+0	-0
08 maj	+0	-0
10 jul	+2	-0
11 sep	+5	+1
30 okt	+5	+0
08 jan	+5	-0
19 feb	+4	-0
06 maj	+4	+0
Σ	+25	+1

Source: Danske Bank

Chart 2. CPIF excluding energy insignificant change



Source: Riksbank

Chief Analyst

Michael Boström
 +46 8 568 80587
mbos@danskebank.se

FX Strategy

Stefan Mellin
 +46 8 568 80592
 [@stefanmellin](https://twitter.com/stefanmellin)
mell@danskebank.se

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Michael Boström, Chief Analyst, and Stefan Mellin, Analyst.

Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

None.

Date of first publication

See the front page of this research report for the date of first publication.

General disclaimer

This research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

The research report has been prepared independently and solely on the basis of publicly available information that Danske Bank considers to be reliable. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and Danske Bank, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts responsible for the research report and reflect their judgement as of the date hereof. These opinions are subject to change and Danske Bank does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided herein.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom or the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank's prior written consent.

Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/A, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank who have prepared this research report are not registered or qualified as research analysts with the NYSE or FINRA but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

Report completed: 13 February 2019, 10:50 CET

Report first disseminated: 13 February 2019, 11:20 CET