

SEK rates weekly: Stibor ascending

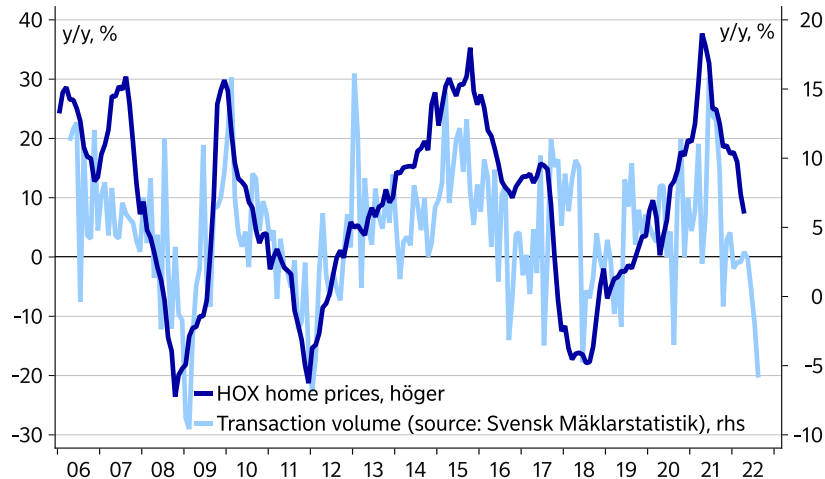
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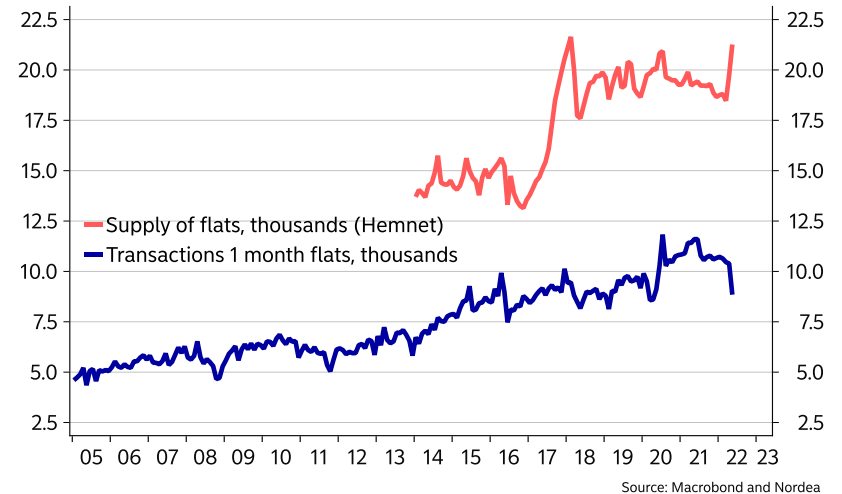
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Macro Strategy: The rise of the housing black-hole sun

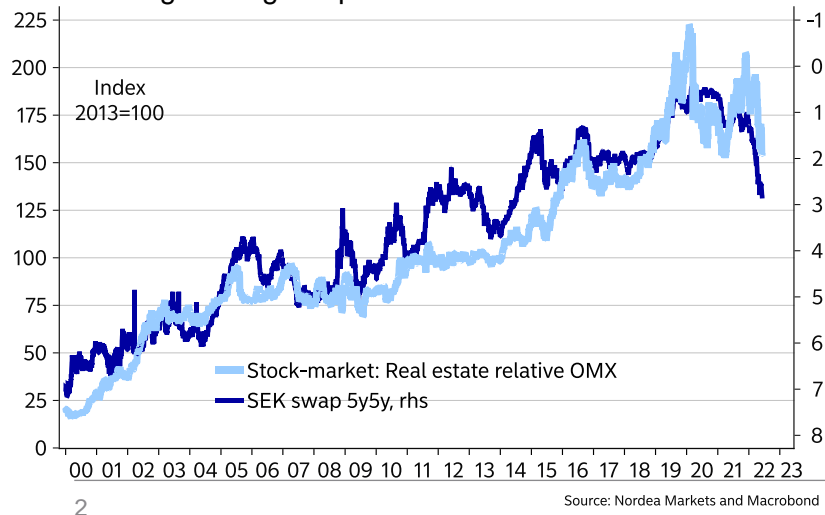
1. Although home prices are still positive y/y, prices have declined in recent months. Transactions volumes points are further decreases.



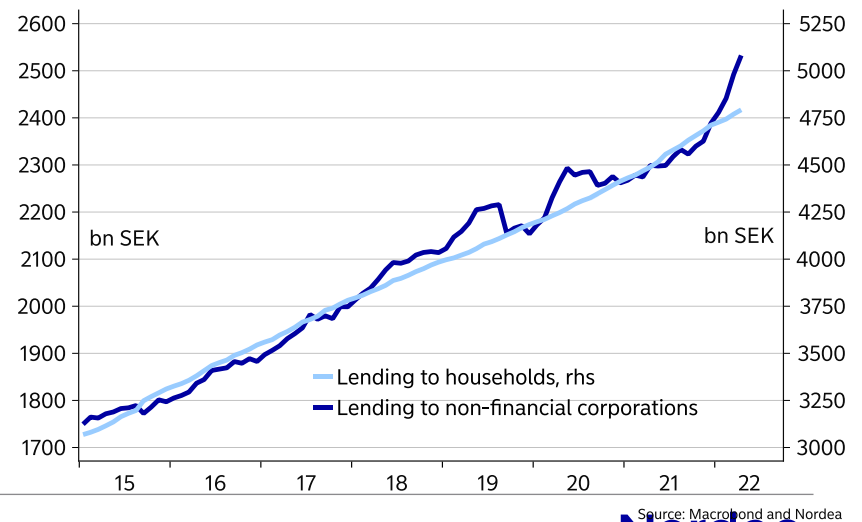
2. The drop in turn-over is spectacular and together with the increase in supply spell trouble for the Swedish housing market.



3. Not only households have enjoyed low interest rates and rising property prices, real estate companies have as well. The outlook is hardening as long swap rates climb.



4. That lending to non-financial corporations has accelerated in 2022 could be a reflection of stalling activity in the bond market.

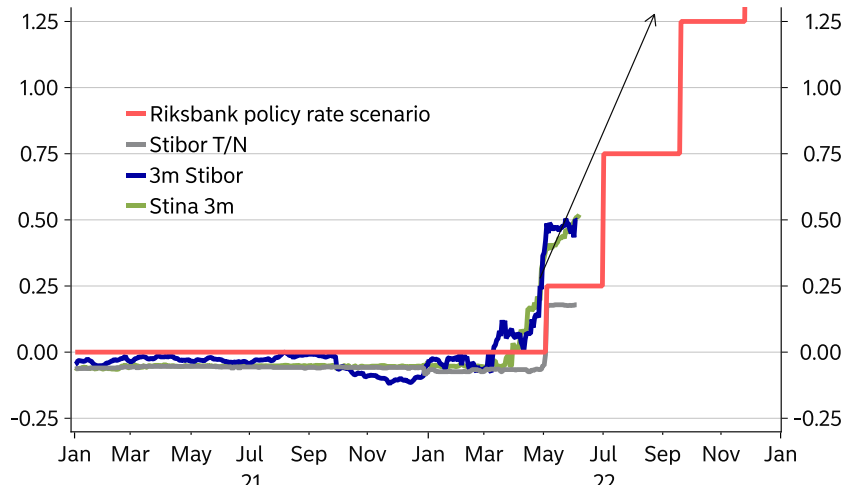


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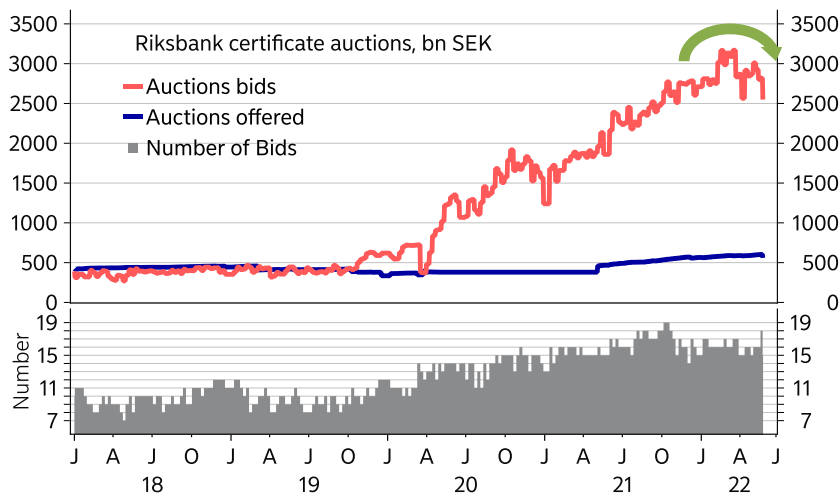
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Stibor: The ascent

1. If consecutive 50 bps hikes are delivered, 3m Stibor will embark on a close to vertical ascent towards levels above 1% by late summer.

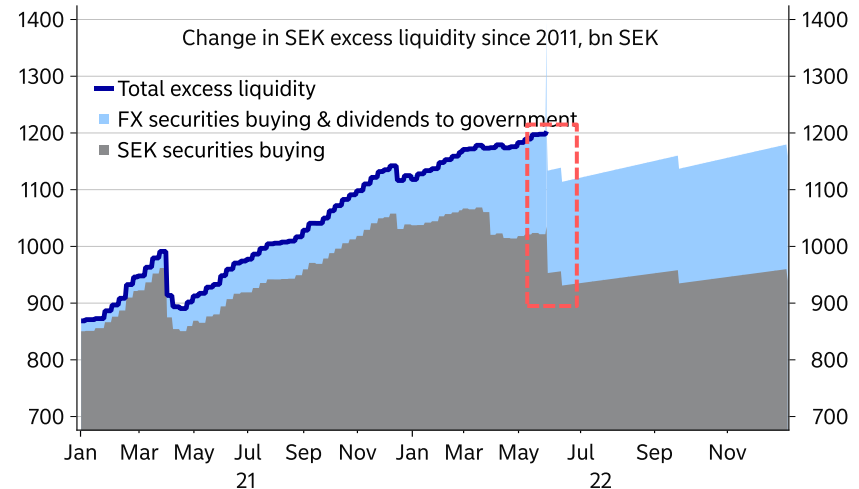


3. The bid-inflation in the Riksbank certificate auctions seems to have peaked: less frantic search for depo facilities?

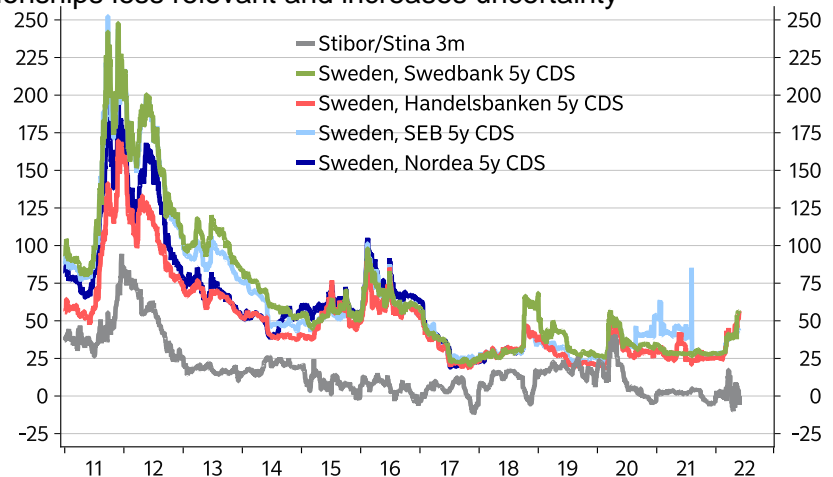


Source: Macrobond and Nordea

2. The excess liquidity created by the Riksbank has already decreased through bond and bill redemptions, an upside driver of Stibor.



4. The stock market is not helping credit spreads. So far just a ripple on the surface, but new Stibor-calculation method makes historic relationships less relevant and increases uncertainty-

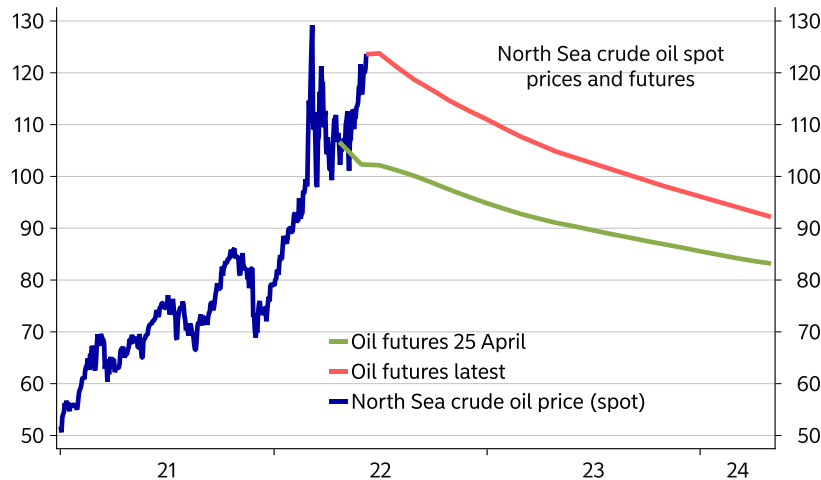


Source: Macrobond and Nordea

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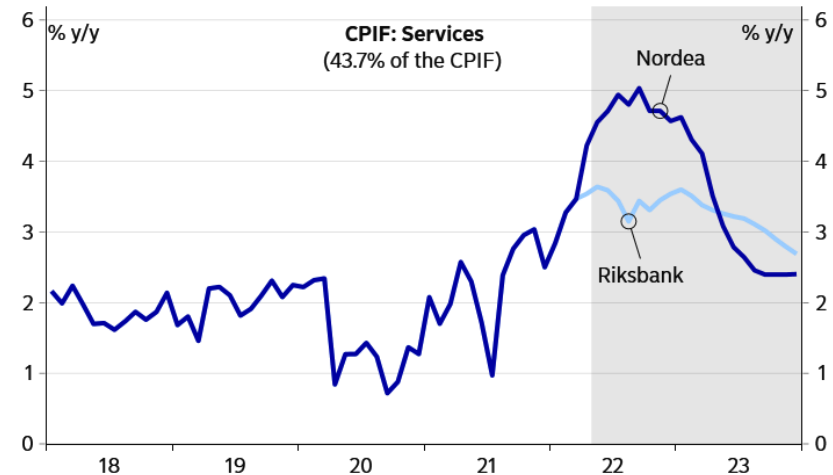
Duration & covereds: The policy heat is on

1. Energy prices are not behaving according to the policy plan.



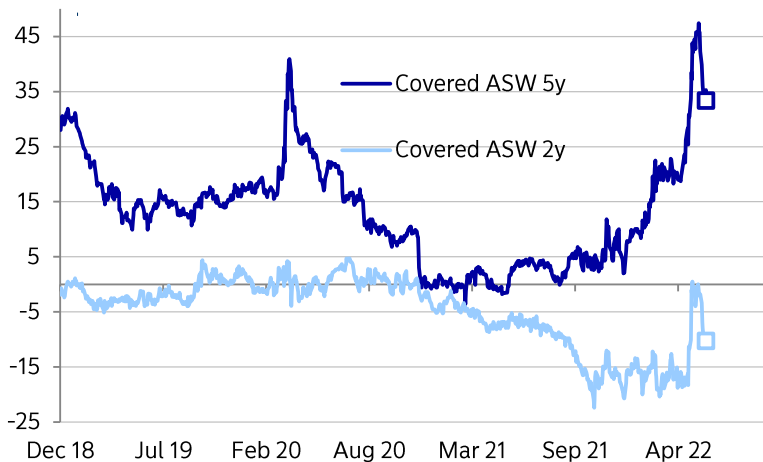
Source: Macrobond and Nordea

2. Service prices are adding domestic concerns for core inflation.



Source: Macrobond and Nordea

3. Some relief for covereds recently, but global credit spreads and a volatile Riksbank are risks to the upside.



Source: Nordea

4. Bias on duration & covereds

We remain with a short bias on duration. On the short side: the trend in bond yields, the policy cycle and the flat yield curve. On the long side: downside risk to equities, poor leading economic indicators, low/negative real wages.

Covereds have recovered somewhat in a spread perspective. Slower market activity during the summer months speaks in favour of covereds. The great uncertainty around the June monetary policy meeting is negative for covereds, as is any re-widening of credit spreads in foreign markets.

Duration

(short/long)



Change this week

UNCH

Covereds

(sentiment: weak/strong)



UNCH

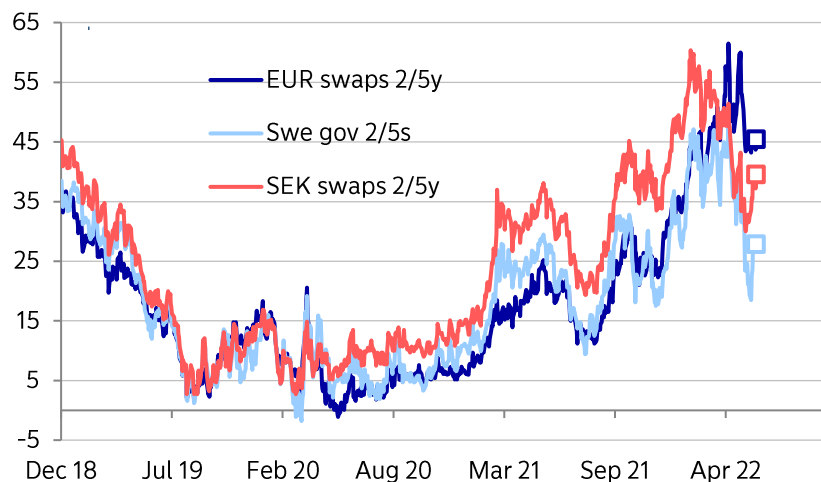
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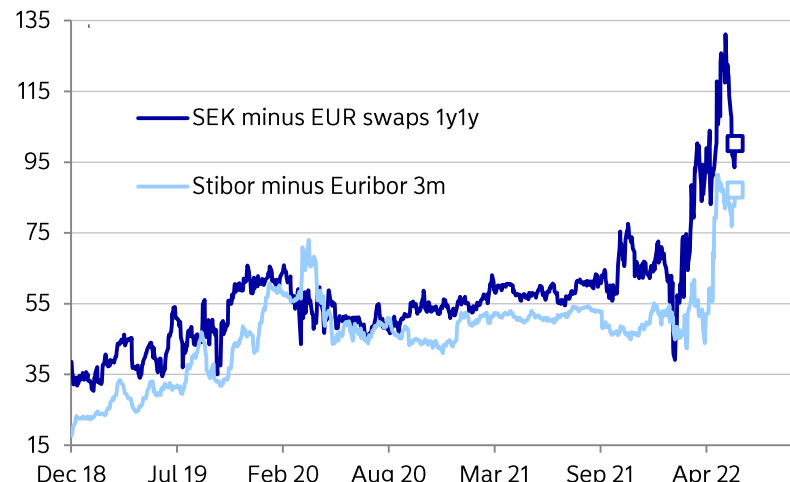
Trade Ideas: SEK 2/5s steepeners a value-added way to express a bond bearish view

1. Slope Can more than 3 times 50 bps in rate hikes from the Riksbank be discounted if no other central bank is as aggressive? Can a 50 bps hike in June trigger more than 50 bps pricing on the September meeting? We believe that the front-end on segments 0-6m should be close to a its upper limit. Additional bond-bearish information should gradually steepen the yield curve on longer segments. For example, 2/5s should be highly directional.

2. Front-end The Riksbank is getting a lot of extra tightening from widening covered spreads and lower house prices. And with 25 + 50 bps more or less promised by the ECB, perhaps a Euribor/Stibor 3m spread of ~100 bps is reasonable? Chart-wise, it may look interesting to pay SEK rates vs EUR, especially if one believes in upside risk to May CPI (out 14 June, next week).



Source: Nordea



Source: Nordea

3. Relative value trade ideas

Action	Date	Trade	Comment
	3-Jun-2022	Sell SGB 1056 vs swaps	Unreasonable widening as global risk-aversion has temporary subsided.
	1-Apr-2022	Receive 5y, pay 2y & 10y in SEK swaps	2y approaching levels when 2/5s may start to flatten. Leading macro data is poor.

References: Publications year-to-date

Swedish interest strategy publications year-to-date:

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 3-Jun-2022 [SEK rates weekly: When risk-free rate jumps, risk-off is king](#)
 20-May-2022 [SEK rates weekly: A descent into the Maelstrom of lower house prices](#)
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 14-Oct-2021 [THURSDAY1500: Policy information deficit](#)

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7-Oct-2021 [THURSDAY1500: SGB ASWs are satellites without a planet](#)
 6-Oct-2021 [SEK covereds: A deep dive into medium term drivers](#)
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