



## PREVIEW: Riksbank rate decision due Thursday 30th June at 08:30BST/03:30EDT

- Riksbank is expected to hike its Policy Rate by 50bps at the upcoming meeting as inflation recently surprised to the upside
- Market attention will likely fall on repo path/language for the next meetings amid expectations for 50bp hikes in September and in November

**OVERVIEW:** Markets have fully priced in a 50bp rate hike heading into the meeting amid hot Swedish inflation; market attention will likely fall on the repo path/language for the next meetings. The Central Bank will probably go 50bp in September and in November, but the Executive Board may not wish to commit to that at this stage. As Riksbank has already informed markets of its H2 purchases, there is no pressing need for an update at this stage.

**PREVIOUS MEETING:** At the prior meeting in April, the Riksbank unexpectedly hiked its Policy Rate by 25bp to 0.25%, due to the noted increase in inflation. Additionally, accompanying guidance pointed towards two-to-three hikes this year, with three meetings ahead (including June). Finally, the Bank elected to reduce the pace of QE purchases during H2-2022, buying SEK 37bln for the period.

**INFLATION:** The main factor behind expectations for a 50bp hike is the continued upside in inflation prints. In particular, the May CPIF was 7.2% YY from the prior 6.4% and well above Riksbank's 5.5% average forecast for 2022. In wake of this data release, several desks lifted their calls for the Riksbank to a 50bp move at this meeting and highlighted the potential/likelihood for 50bp moves to also occur at each of the September and November meetings.

**RECENT COMMENTARY:** In terms of commentary, even before the May inflation release, the likes of Ohlsson said he could support 50bp at some point, while Breman explicitly said she does not exclude a 50bp move at the June gathering. Notably, we have not heard much from Governor Ingves on the subject, but he typically has been more dovish.

**POLICY PATH:** Following the rate decision, the focus will turn to the policy path which currently looks for two-to-three hikes by end-2022 and implies a Q1-2023 rate of 1.01%. If the Riksbank hikes by 50bp, then evidently the path will be mechanically higher. However, participants will be attentive as to whether the repo path signals moves of 25bp or 50bp for the final two gatherings of the year. Given the global and domestic inflation situation shows no concerted sign of abating, the skew is likely in favour of 50bp for those meetings, albeit the Riksbank may not wish to commit itself to such a path right now.

**FX:** The SEK has incrementally depreciated since the May gathering (though somewhat shy of February/March levels) and would act as another factor behind taking a more hawkish step at this gathering, to utilise a stronger SEK to reduce price pressures. An argument that has become more pertinent following its Norwegian peer hiking by 50bp and lifting the respective repo path.

**HOUSE VIEWS:** Interestingly, Nordea highlights the notable time gap between June and September gatherings – flagging the potential for an intra-meeting move if the inflation situation continues to deteriorate during this period. Meanwhile, SEB says “The Riksbank will continue to hike rates and we revise our forecast for June from a 25bps hike to 50bps, followed by another 50bps hike in September. We predict the policy rate to be 1.5% at the end of this year and 2.25% by the end of 2023.”

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