PREVIEW: Riksbank Policy Announcement due Thursday, 27th June 2024 at 08:30BST. Thedeen at 10:00BST

- Expected to maintain the policy rate at 3.75% given the prior guidance and incrementally hotter May inflation.
- Focus on the policy path and any clues around timing for the first H2-2024 cut; likely to reiterate that two cuts are seen in this period for a total of three 2024 reductions.

Overview: Expected to maintain the policy rate at 3.75% in-fitting with guidance from the May gathering and according to all 19 analysts polled by Reuters. At that point, the Riksbank pointed to two H2-2024 cuts with no move seen in June. This is expected to be reiterated as inflation was incrementally hotter than expected in May and would likely have eroded any prospect of a back-to-back cut. The unemployment rate also saw an improvement, which can perhaps give the Riksbank more time before acting again, although, on the flip side, the April GDP release was poor. Given these developments, the statement will likely continue to make the point that the outlook is favourable but that there are risks to it. Given this expected reiteration, the SEB investor survey looks for no change to the policy rate in June and then two H2-2024 cuts i.e. a reiteration of current guidance; note, respondents expectations are widely spread with an end-2024 view of between 2.0% and 4.0%. In terms of the specific timing for the first H2 cut, the majority view is for an August move, a view that chimes with market pricing which implies a c. 75% chance of an August cut.

Previous Meeting: In May, the Riksbank cut by 25bp to 3.75% in-fitting with the majority view of analysts heading into the gathering. A cut that was justified by the view that information received since the last gathering “reinforced the outlook for inflation remaining close to target in the long term”. Guidance points to two cuts occurring in H2-2024 (i.e. three total 2024 cuts), interestingly the language used implies that the June meeting will not see a rate reduction. The subsequent presser from Governor Thedeen focused on the SEK and unsurprisingly pointed out that they do not wish to see a significant weakening. EUR/SEK entered the meeting just under 11.70 before lifting to a peak of just over 11.75 in the hours after the announcement.

Data: The main release since May’s meeting has been that month’s CPIF figure. On which, CPIF Y/Y came in at 2.3% in-fitting with the prior but slightly above the market’s 2.1% forecast; for the Riksbank, the CPIF-XE Y/Y print came in at 3.0%, hotter than the market consensus 2.7% and the prior/Riksbank forecast of 2.9%. A release which did not spark any sustained move in the SEK and one that was potentially subject to inflationary pressures from the presence of Taylor Swift lifting restaurants, recreation, transport and rental demand. For reference, CPI Y/Y was hotter than the market forecast with the upside driven by mortgage rates, a factor which is stripped out of the CPIF releases. Inflation aside, the unemployment rate is ticking lower while April’s GDP came in at -0.7% M/M, weaker than the downwardly revised prior of -0.4%.

Commentary: There hasn’t been anything pertinent to current policy from Riksbank officials in recent sessions. However, at the start of June, Breman reiterated the May outlook for two H2 cuts. Prior to this, at several points in May, Governor Thedeen emphasised that a June cut is “not on the cards”. Elsewhere, Bunge (before the May CPIF release) said Sweden appears to have overcome the first “really big” challenge of high inflation. Away from the Riksbank, this week the Swedish Finance Minister said the fight against inflation has been won and cut the government’s 2024 CPIF Y/Y forecast to 1.9% (prev. 2.1%) while 2025 was maintained at 1.7%.