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■ The Swedish financial markets are functioning well – but less so than before

The Swedish financial markets are functioning well, according to the market participants who responded to the Riksbank's risk survey in spring 2015. However, an increasing number of respondents consider that the Swedish financial markets are functioning less well than they were six months ago and that this is due to lower market liquidity. At the same time, the respondents are increasingly concerned over risks linked to the expansionary monetary policy in Sweden and the euro area.

Respondents feel that lower market liquidity will have a negative impact on market functioning

One in two respondents to the Riksbank's risk survey in spring 2015 considers that the Swedish financial markets are functioning slightly less well than they were six months ago. Moreover, more respondents than before believe that market functioning will deteriorate further in the coming six months. One reason for this is that market liquidity had declined as a result of the number of market makers declining and the market makers being less willing to take risk than before. In addition, the respondents consider that market liquidity has declined as a result of various financial regulations making securities trading more expensive. Several respondents also think that the Riksbank's purchases of government bonds have had a negative effect on market liquidity in the Swedish fixed-income market.

Respondents worrying more about risks linked to expansionary monetary policy

The respondents assess that there is a relatively high probability that risks linked to the expansionary monetary policy will be realised. Examples mentioned are the risk that asset price bubbles will build up and have negative consequences for the Swedish financial system. At the same time, the respondents still take a serious view of the possible consequences if the risks linked to geopolitical concerns worsen.



- Since spring 2008 the Riksbank has carried out its own twice-yearly survey of participants in the Swedish fixed-income and foreign exchange markets. The questions in the survey refer to the participants' views on risk and also to their opinions regarding the functioning of the Swedish financial markets. The Riksbank's Risk Survey spring 2015 was carried out in April. It can be download as a PDF from the Riksbank's website, www.riksbank.se.