



PRESS RELEASE

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CONTACT: Press Office, tel. +46-(0)8-7870200

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

■ Risks of low interest rates a concern for market participants

Every third respondent to the Riksbank's risk survey thinks that the Swedish financial markets are functioning well. Every second participant, however, feels they are functioning less well than they were six months ago and that this is primarily due to lower market liquidity. Many participants are also concerned about risks associated with low interest rates.

“Lower market liquidity impairs the functioning of the markets”

Every second respondent to the Riksbank's autumn 2015 risk survey considers that the Swedish financial markets are functioning slightly less well than they were six months ago. More participants than previously believe that the situation will continue to deteriorate over the next six months. One reason for this is that market liquidity on the Swedish financial markets has declined. According to participants, this is due to market makers being fewer and less willing to take risks than previously, and to various financial regulations having made securities trading more expensive. Several participants also consider that the purchasing of government bonds by the Riksbank has impaired market liquidity in the Swedish fixed-income market.

Risks associated with low interest rates a concern for participants

A number of participants think that the risks associated with low interest rates are palpable. Increasingly low, and in many cases negative, market rates are causing investors to look for riskier investments. This may in turn lead to the underestimation of risks and to the accumulation of bubbles in several asset types. Several participants consider various assets to be too highly valued and express concern over what can happen once monetary policy normalises. Participants also mention Swedish households' increasingly high debts as something that may lead to problems in the longer term.

Since spring 2008, the Riksbank has carried out a survey of participants in the Swedish fixed-income and foreign exchange markets twice a year. The questions in the survey ask for the participants' views on risk as well as their opinions regarding the functioning of the Swedish financial markets. The



- Riksbank's autumn 2015 risk survey was carried out in October. The risk survey can be downloaded as a PDF from the Riksbank's website, www.riksbank.se.