



PRESS RELEASE

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Market participants consider that the Swedish financial markets are functioning slightly worse

In the autumn risk survey, half of the market participants responding consider that the Swedish financial markets function slightly worse now than they did six months ago. According to the respondents, the deterioration is primarily due to perceived impairment in market liquidity. The majority of respondents consider that the risks linked to the low level of interest rates are significant due to factors including a search for yield among investors. Household indebtedness is also highlighted as a source of concern. The respondents explain that if household indebtedness continues to rise at its present rate, it may lead to problems when interest rates start to rise again.

The respondents consider that the financial markets are functioning slightly worse due to a perceived decrease in market liquidity

Half of the market participants responding to the autumn risk survey consider that the Swedish financial markets are functioning slightly worse at present than they did six months ago. It is primarily respondents active on the fixed-income market that take this view. The respondents say that this deterioration is primarily due to a perceived decrease in market liquidity. The most highlighted explanation to the decrease in liquidity is that the market makers have become less active and thereby less willing than before to act as counterparts in buying and selling securities. According to the respondents, this is one consequence of various financial regulations that are considered to have made securities trading less profitable. The Riksbank's purchases of government bonds are also brought up as a contributory factor in the decrease in market liquidity for government bonds.



Continued concern over risks linked to low interest rates and to Swedish household indebtedness

Most of the respondents consider there are risks linked to the globally low interest rates and the search for yield ensuing from this. The respondents say that this leads to investors seeking riskier investments and many participants say that this may lead to the mispricing of risks. Household indebtedness is also highlighted as a source of concern. The respondents say that the increased indebtedness can be largely explained by the low interest rates and think that if indebtedness continues to grow at the current pace it could cause problems when interest rates begin to rise again.

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 and also their opinions regarding the functioning of the Swedish financial markets. The presented results are based on the market participants' responses and do not necessarily reflect the Riksbank's view of risks and functioning of the Swedish financial system. The Riksbank's autumn 2016 risk survey was carried out in October. The risk survey can be downloaded from the Riksbank's website, www.riksbank.se.