



Financial markets survey

Spring 2023

May 2023

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1 Survey results – spring 2023

Twice per year, the Riksbank sends out a Financial Markets Survey to participants active in the Swedish foreign exchange and fixed income markets. The purpose of the survey is to gain an overall picture of participants' views of the Swedish financial markets – how they are functioning, what market activity looks like and the size of the risks they are taking. This report presents the results of the survey to which the participants responded in the period 7–28 March 2023. We only present their responses and not the Riksbank's assessments.

On this occasion, the survey was completed by 54 out of 111 participants invited. This means a response frequency of 49 per cent, which is about the same level as the last survey from autumn 2022.

Since autumn 2022, the participants have developed a less pessimistic view of the functioning and liquidity of the foreign exchange market for Swedish kronor and the Swedish fixed-income market.

- **Most participants on the Swedish foreign exchange and fixed-income markets consider they are taking small or neutral risks on the market.** Slightly more than half respond that they have reduced risk-taking over the last six months and about four in ten describe their risk taking as unchanged. Half describe their risk-taking as low or very low, compared to six out of ten in the autumn. The proportion considering they are taking high or very high risks is about as large as it was in the autumn, but slightly fewer consider they are taking very low risks. The reasons given by several participants in the free-text responses for reducing risk-taking or keeping risk-taking on a low level include high volatility, poor liquidity and uncertain future prospects. A clear majority states that they are well prepared for market, liquidity and credit risks.
- **Fewer participants think that the foreign exchange market for Swedish kronor is functioning poorly.** About four in ten respond that the market for Swedish kronor is functioning well, which is in line with the participants' assessment in the autumn. On the other hand, the proportion of those considering that the market is functioning poorly or very poorly has decreased slightly. About four in ten consider that liquidity in the spot and forward markets is neither good nor poor and slightly more participants now consider that market liquidity is good, particularly in the forward market. Half consider that market liquidity has become neither better nor poorer over the last six months. The proportion responding that liquidity is poor or very poor has decreased since the autumn survey.
- **The Swedish fixed-income market is functioning poorly according to a majority of participants, but fewer consider that it is functioning very poorly.**

Six in ten think that the fixed-income market is functioning poorly or very poorly, compared with eight in ten in the autumn survey. This less pessimistic view is due to fewer thinking that the market is functioning very poorly – from about half in the autumn to one-third at present. Slightly more also think that the market is either functioning well or functioning neither well nor poorly.

The main reasons that the fixed-income market is functioning poorly, as given by a number of participants in the free-text responses, are poor liquidity, few market participants, the Riksbank's previous securities purchases and low risk appetite among market makers. They also state that the high volatility has contributed to liquidity being poor over the last six months.

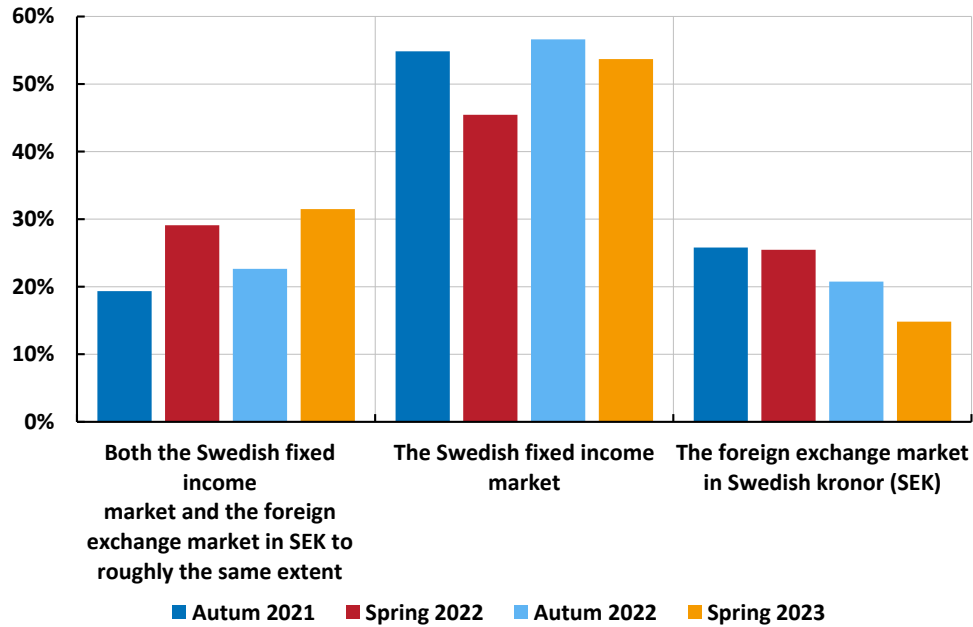
- With regard to the government securities market (treasury bills, nominal and inflation-linked government bonds), a majority responds that liquidity is poor or very poor. However, compared with the autumn survey, fewer consider that market liquidity for nominal government bonds and treasury bills is very poor. For nominal government bonds, about six in ten consider that liquidity is poor or very poor, compared with seven in ten in the autumn. Most of those with an opinion on inflation-linked government bonds consider that liquidity remains very poor.
- A majority of the participants consider that the functioning and liquidity of the markets for both nominal and inflation-linked government bonds will improve as a result of the Riksbank's sale of government bonds.¹
- Liquidity for covered bonds is considered to have improved slightly over the last six months. About one in three respond that liquidity is poor or very poor, compared with one in two in the autumn. Three in ten consider that liquidity is neither good nor poor and almost two in ten consider it to be good. Market liquidity for interest rate swaps is no longer considered to be as poor and two in ten now answer that the market is functioning poorly or very poorly, compared to one in two last autumn.
- Liquidity in the corporate debt market is also considered to have improved slightly and fewer participants consider liquidity to be poor or very poor for the investment grade and high yield segments and for commercial paper. However, very few consider liquidity to be good. A large share of respondents say that they have no opinion on liquidity in the corporate bond and commercial paper markets.

¹ On 8 February 2023, the Executive Board decided that the Riksbank should offer to sell the Riksbank's holdings of Swedish government bonds. These sales were initiated on 4 April 2023.

2 Market participants and their risk-taking

Diagram 1. In which market are you most active?

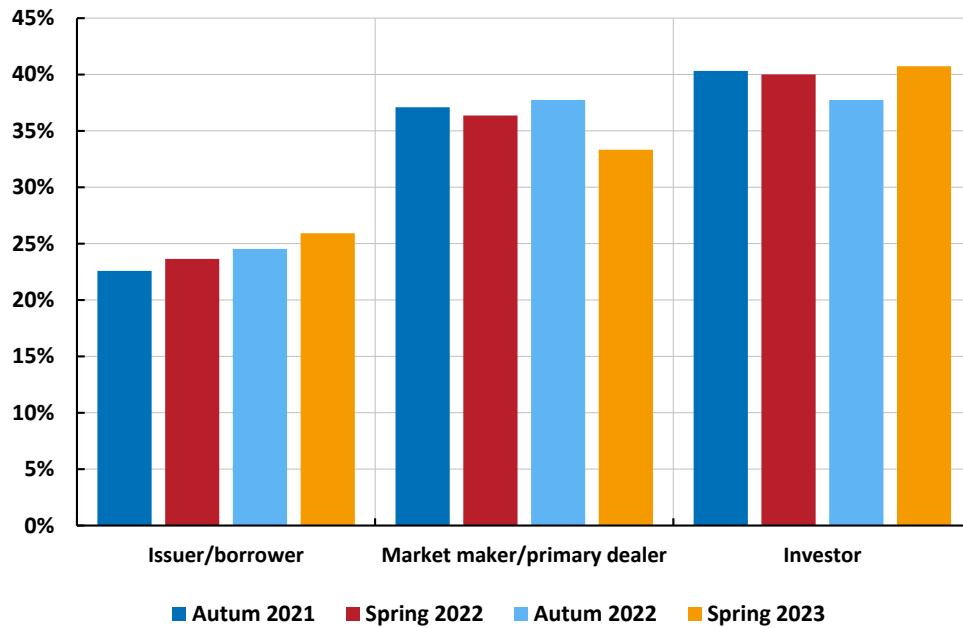
Percentage of responses



Note. 54 responses in total (spring 2023).

Diagram 2. What is your primary role in that market/those markets?

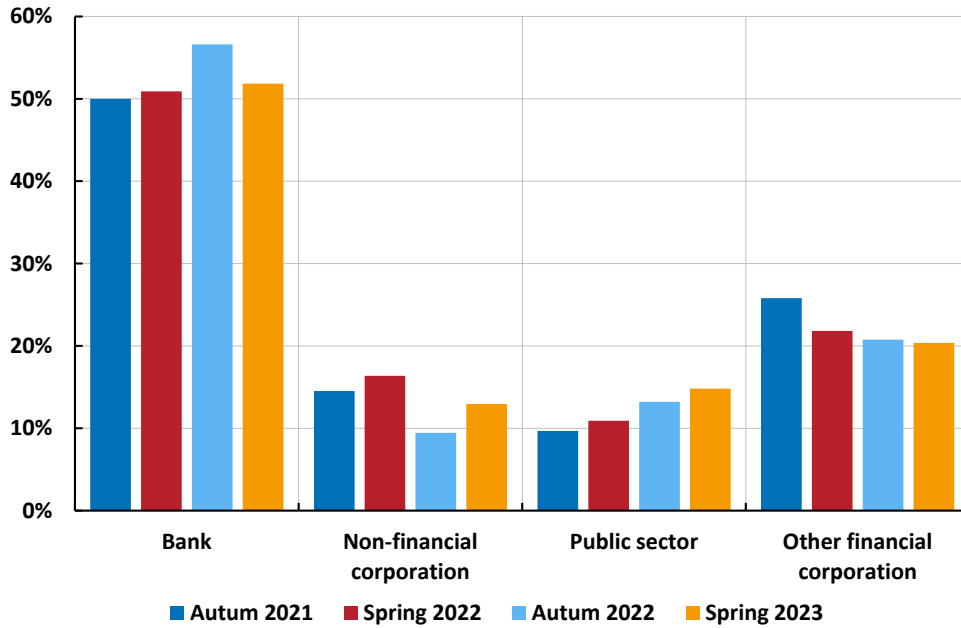
Percentage of responses



Note. 54 responses in total (spring 2023).

Diagram 3. To which sector do you primarily belong?

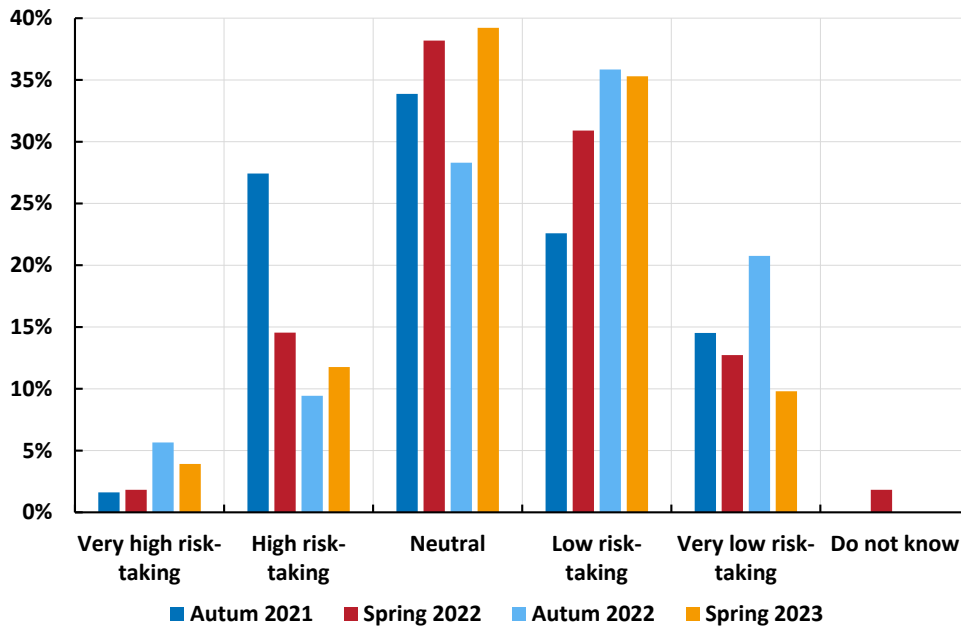
Percentage of responses



Note. 54 responses in total (spring 2023).

Diagram 4. How do you assess your general risk-taking in the market at present?

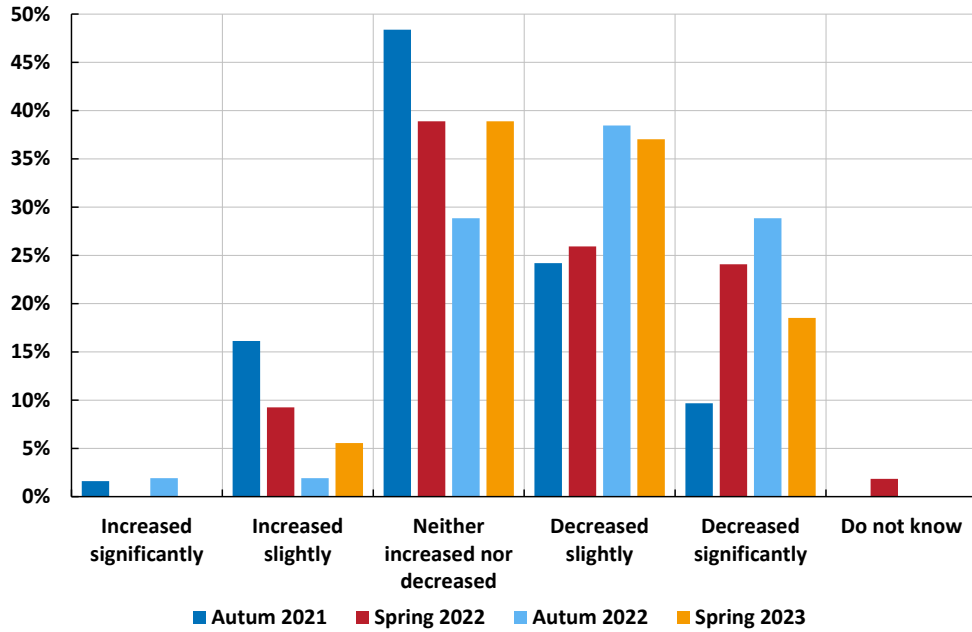
Percentage of responses



Note. 51 responses in total (spring 2023).

Diagram 5. How do you consider your risk-taking in the market to have changed over the past 6 months?

Percentage of responses

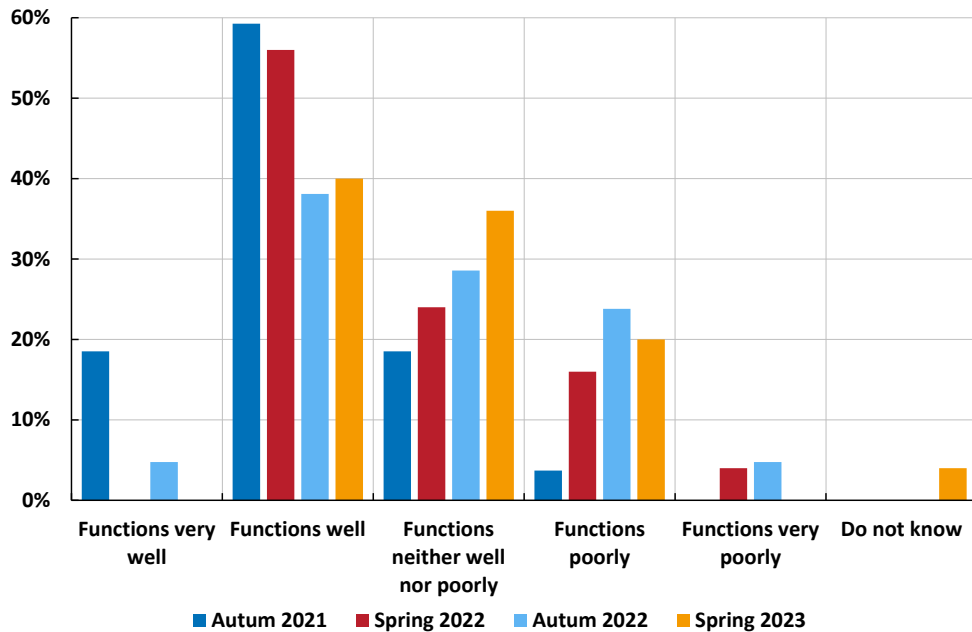


Note. 54 responses in total (spring 2023).

3 Market for FX trading in SEK

Diagram 6. What is your assessment of the functioning of the market for SEK at present?

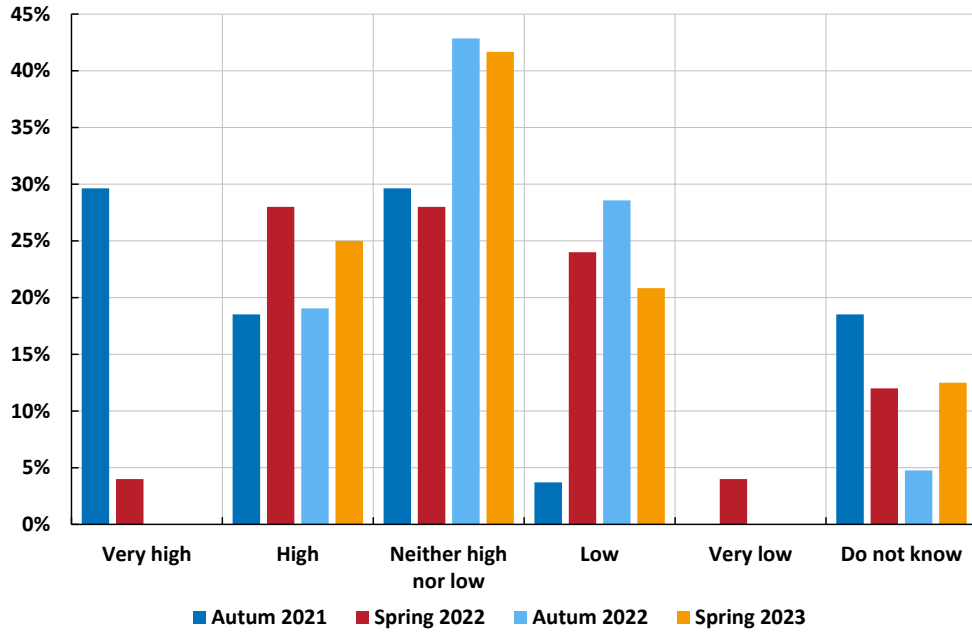
Percentage of responses



Note. 25 responses in total (spring 2023).

Diagram 7. What is your assessment of current market liquidity on the spot SEK market (against the G10 currencies)?

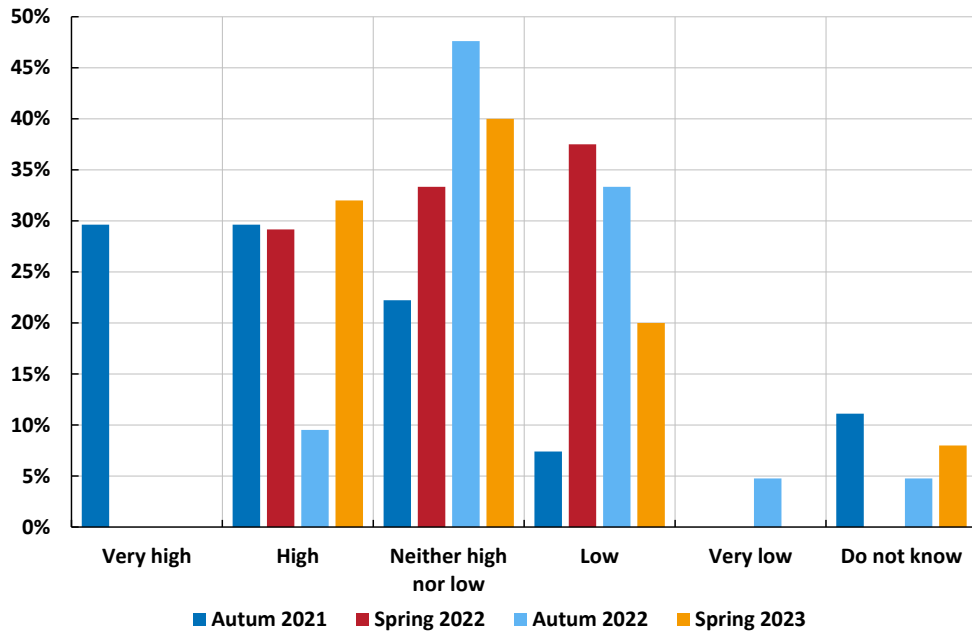
Percentage of responses



Note. 24 responses in total (spring 2023).

Diagram 8. What is your assessment of current market liquidity on the forward SEK market (against the G10 currencies)?

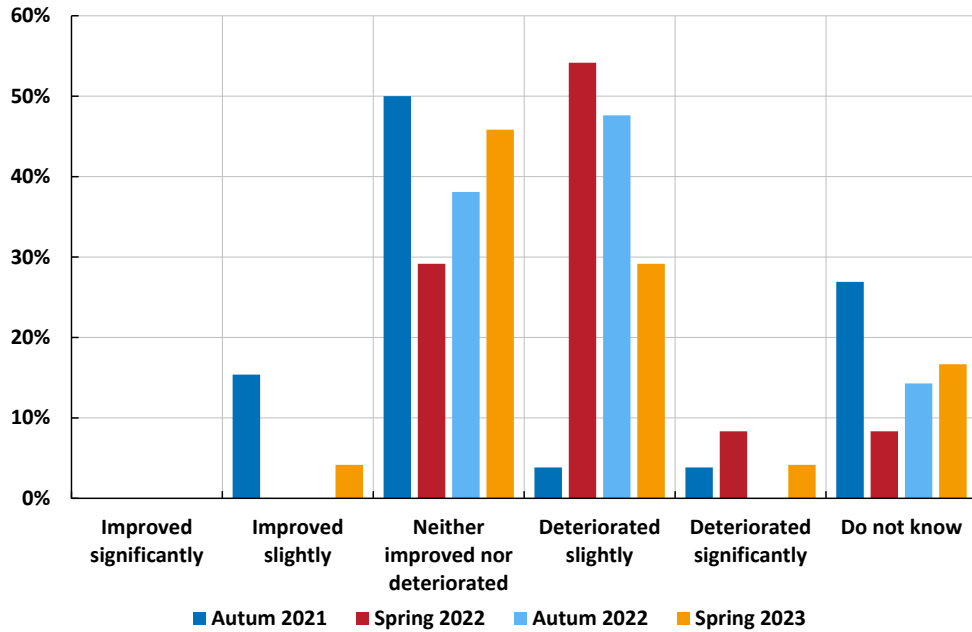
Percentage of responses



Note. 25 responses in total (spring 2023).

Diagram 9. How do you assess that market liquidity on the spot market has changed over the last 6 months?

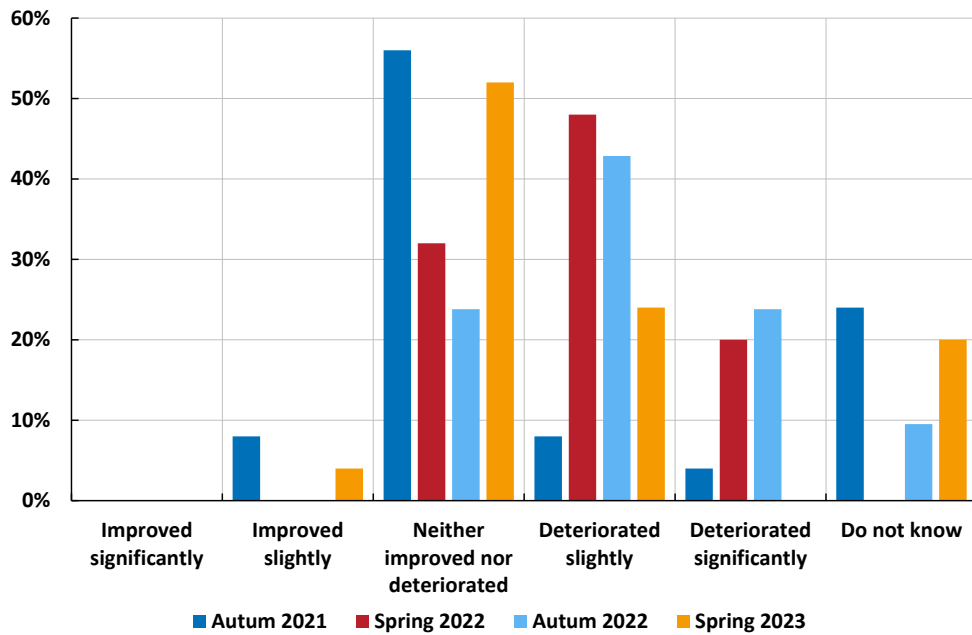
Percentage of responses



Note. 24 responses in total (spring 2023).

Diagram 10. How do you assess that market liquidity on the forward market has changed over the last 6 months?

Percentage of responses

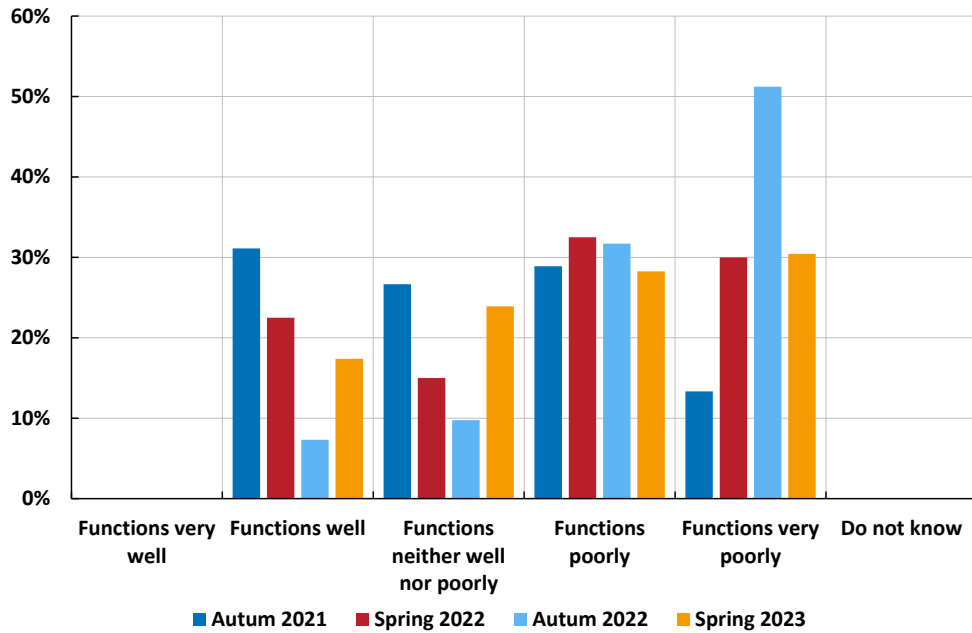


Note. 25 responses in total (spring 2023).

4 The Swedish fixed-income market

Diagram 11. What is your assessment of the functioning of the Swedish fixed-income market at present?

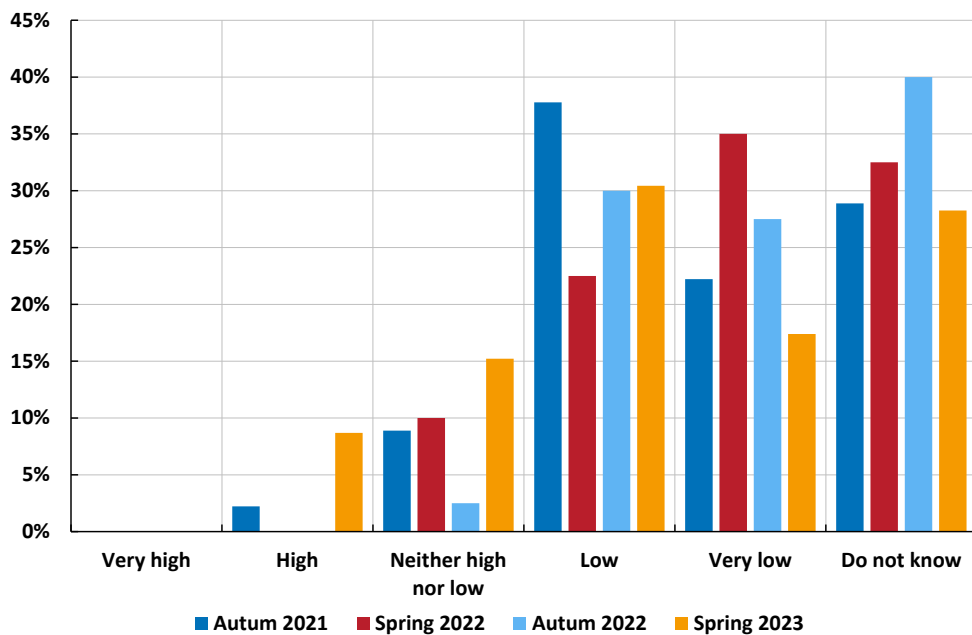
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 12. How do you currently assess market liquidity in the secondary market for treasury bills?

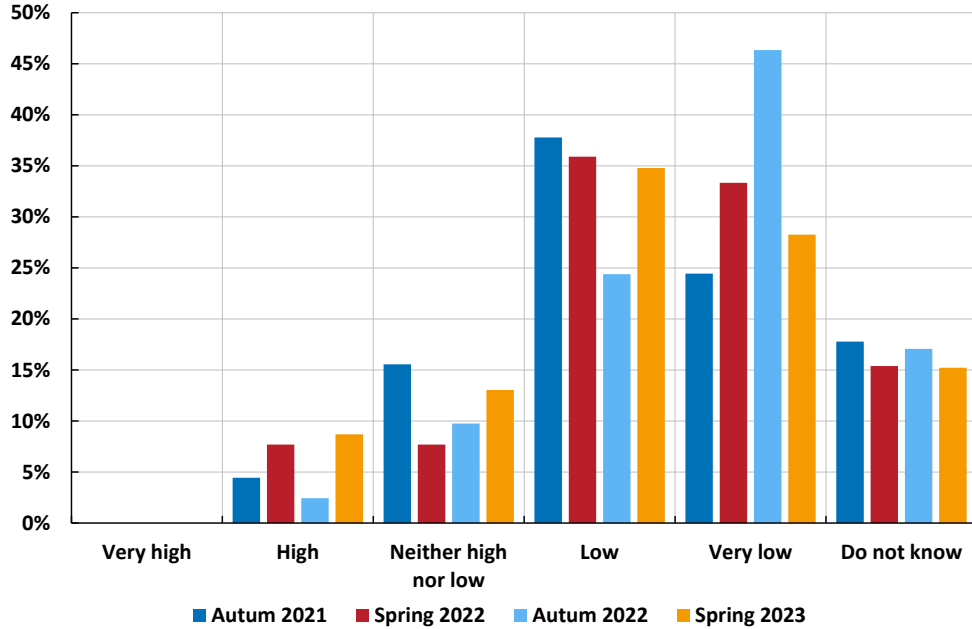
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 13. How do you currently assess market liquidity in the secondary market for nominal government bonds?

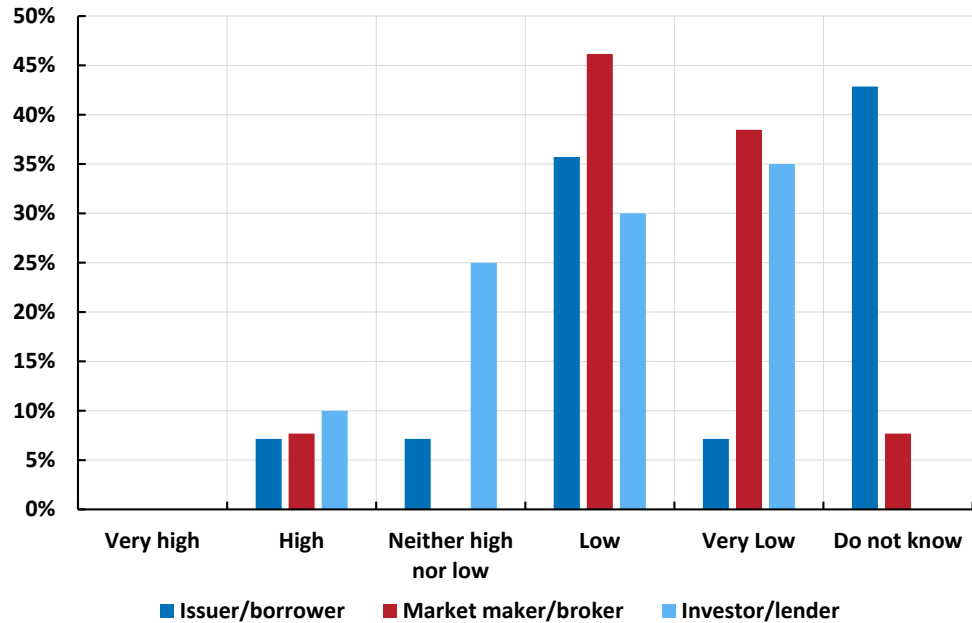
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 14. How do you currently assess market liquidity in the secondary market for nominal government bonds?

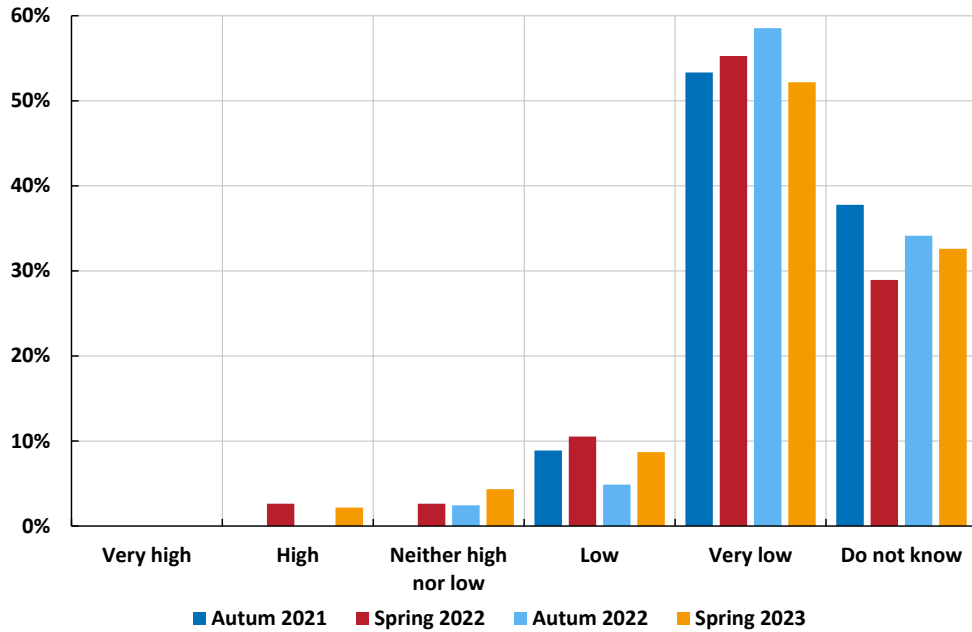
Percentage of responses for each category



Note. 46 responses in total (spring 2023).

Diagram 15. How do you currently assess market liquidity in the secondary market for inflation-linked government bonds?

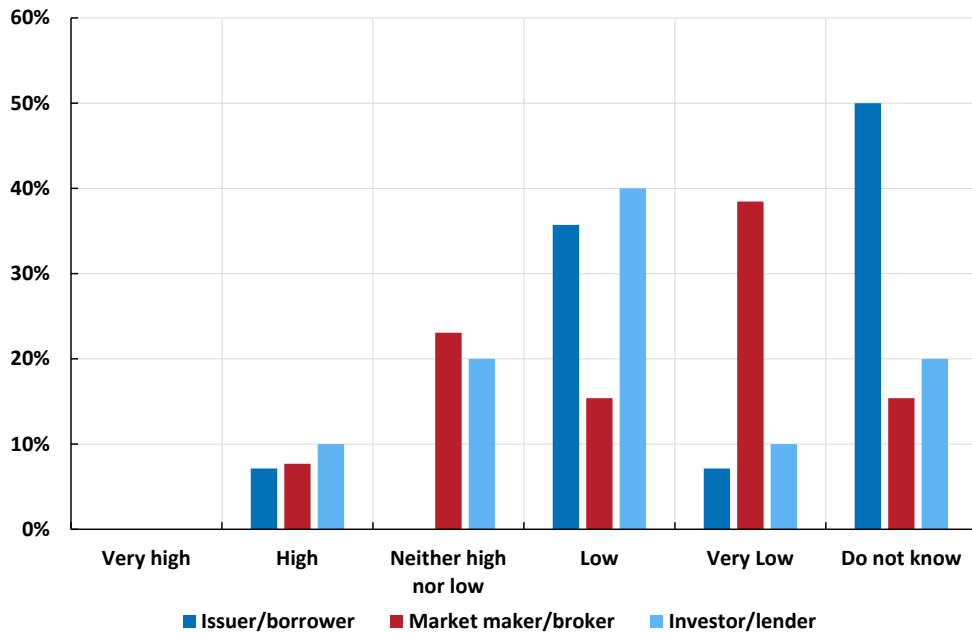
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 16. How do you currently assess market liquidity in the secondary market for inflation-linked government bonds?

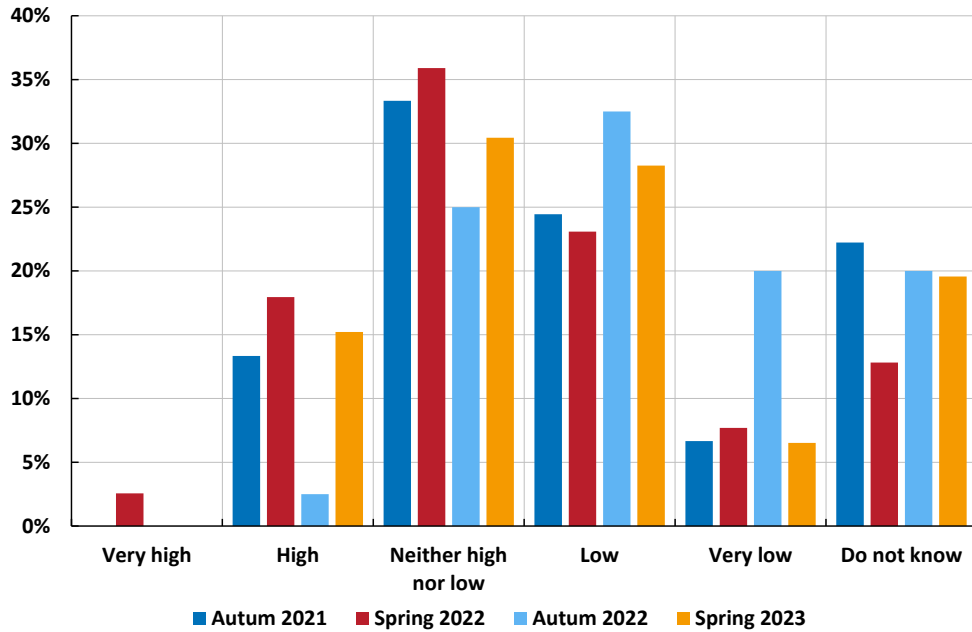
Percentage of responses for each category



Note. 46 responses in total (spring 2023).

Diagram 17. How do you currently assess market liquidity in the secondary market for covered bonds?

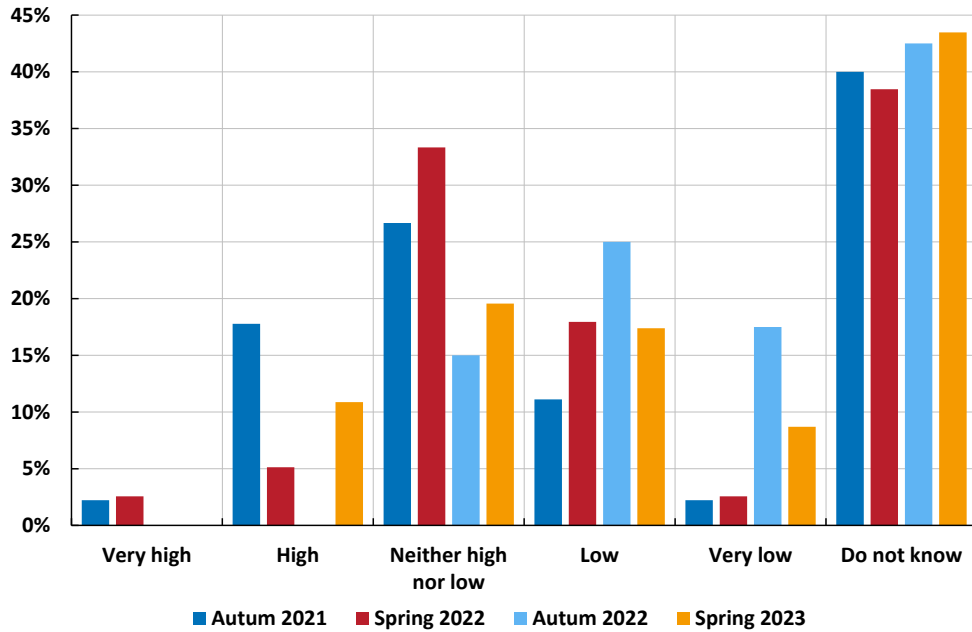
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 18. How do you currently assess market liquidity in the secondary market for corporate bonds, investment grade?

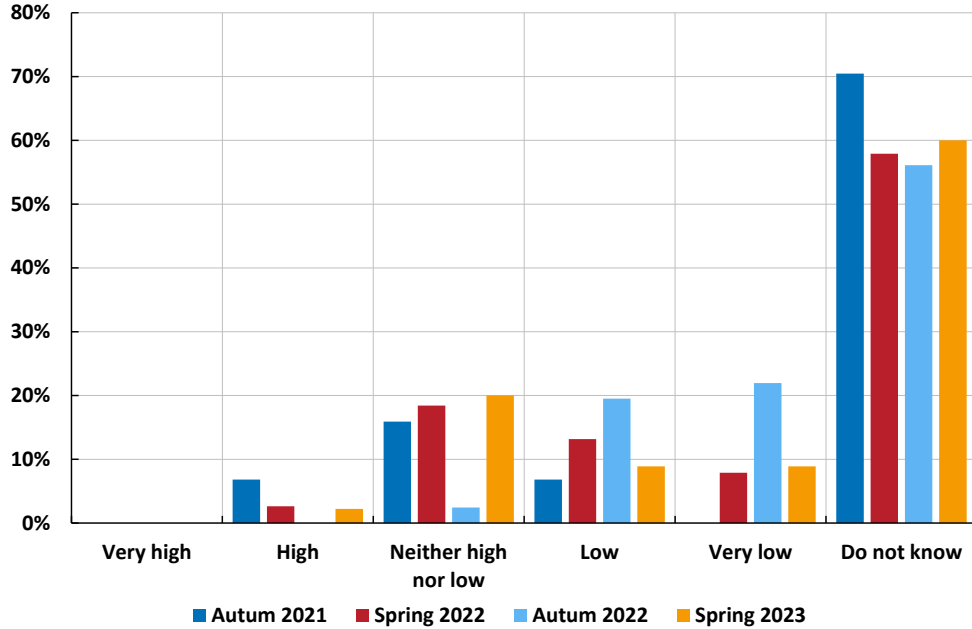
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 19. How do you currently assess market liquidity in the secondary market for corporate bonds, high-yield?

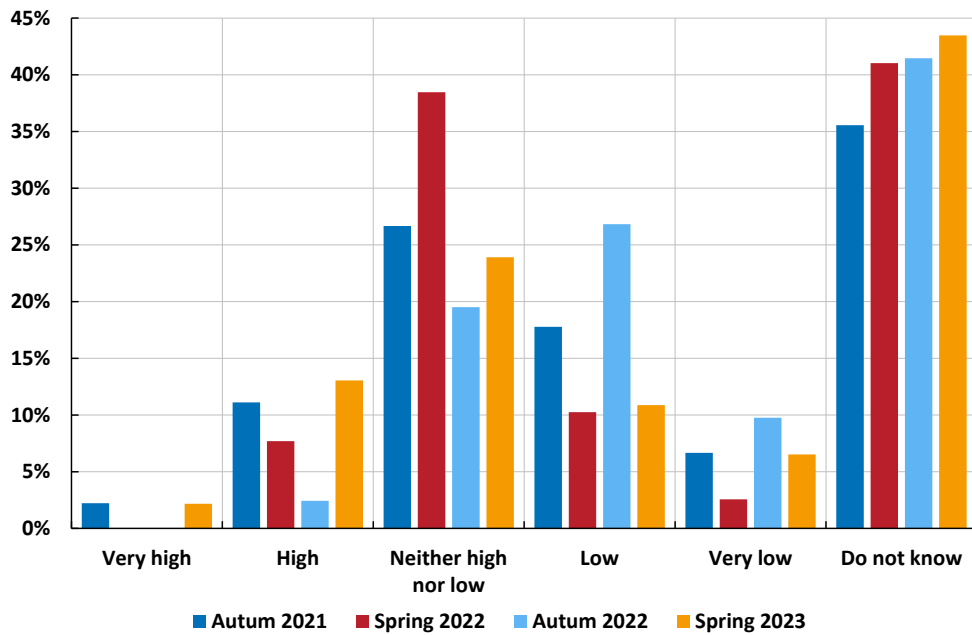
Percentage of responses



Note. 45 responses in total (spring 2023).

Diagram 20. How do you currently assess market liquidity in the secondary market for commercial paper?

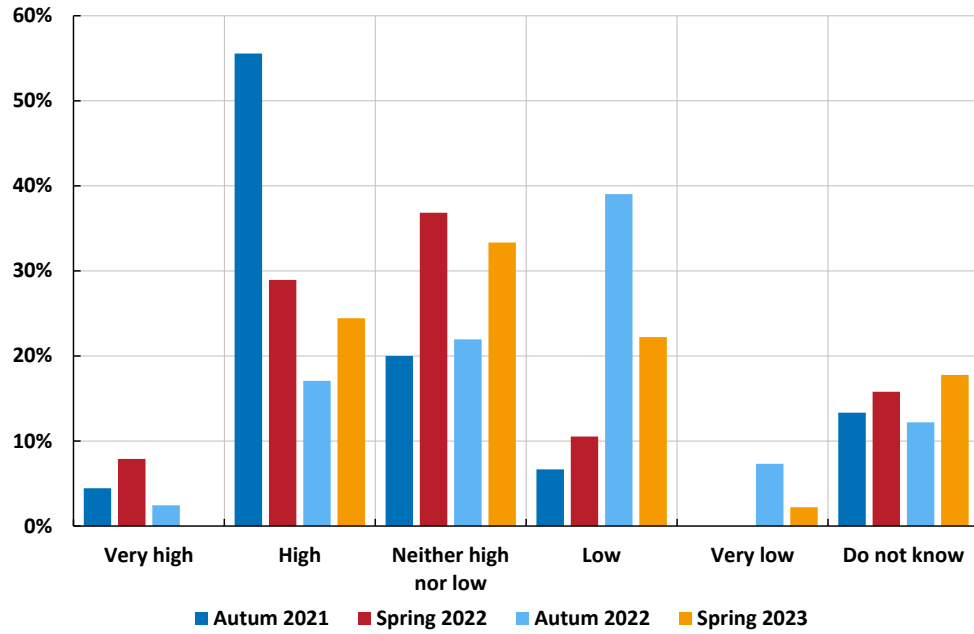
Percentage of responses



Note. 46 responses in total (autumn 2022).

Diagram 21. How do you currently assess market liquidity in the secondary market for interest rate swaps (SEK/SEK)

Percentage of responses

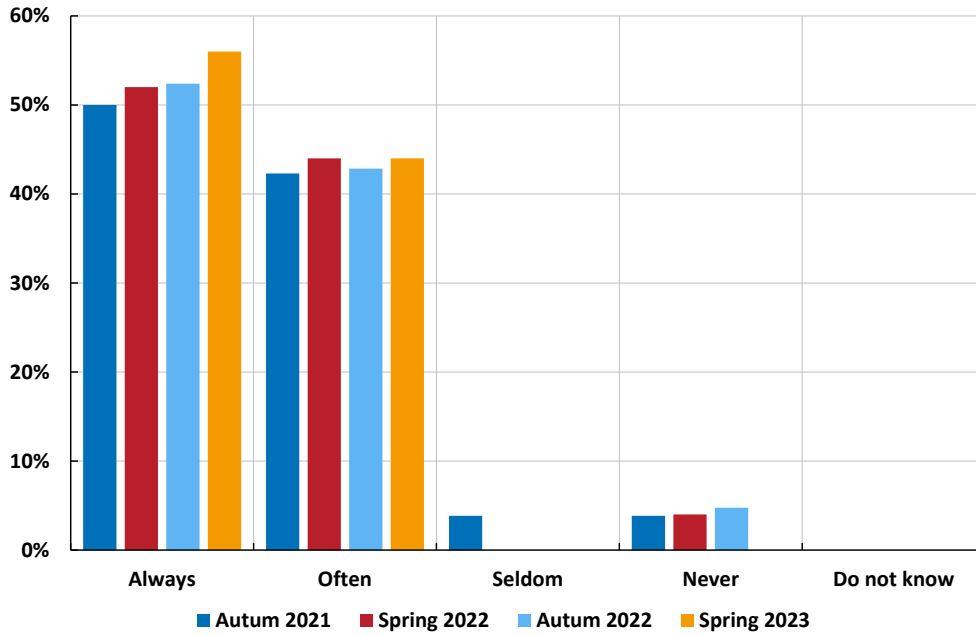


Note. 45 responses in total (autumn 2022).

5 Electronic aids

Diagram 22. To what extent do you use electronic platforms in your FX trading with SEK?

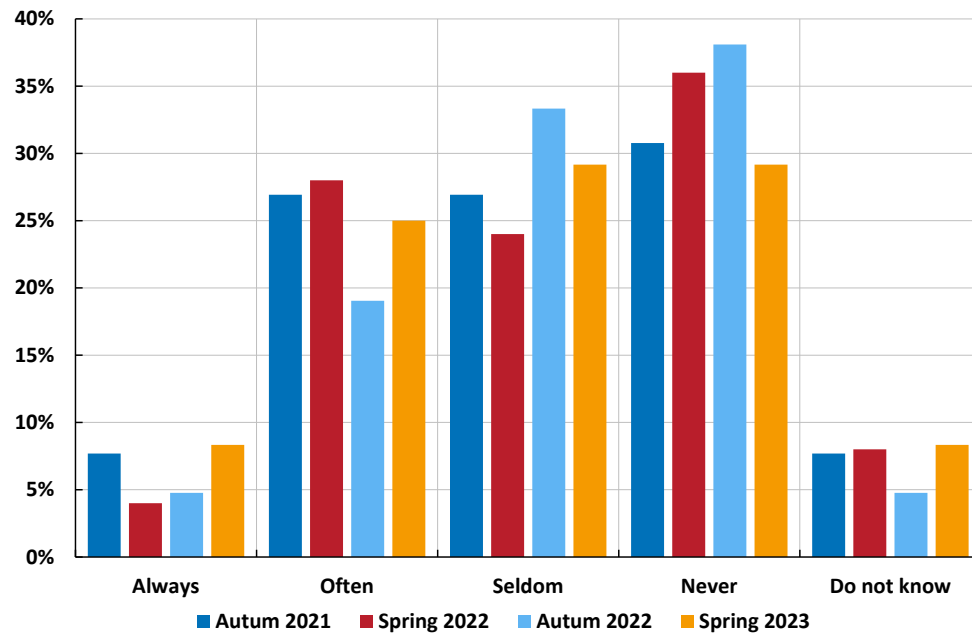
Percentage of responses



Note. 25 responses in total (spring 2023).

Diagram 23. To what extent do you use algorithms in your FX trading with SEK?

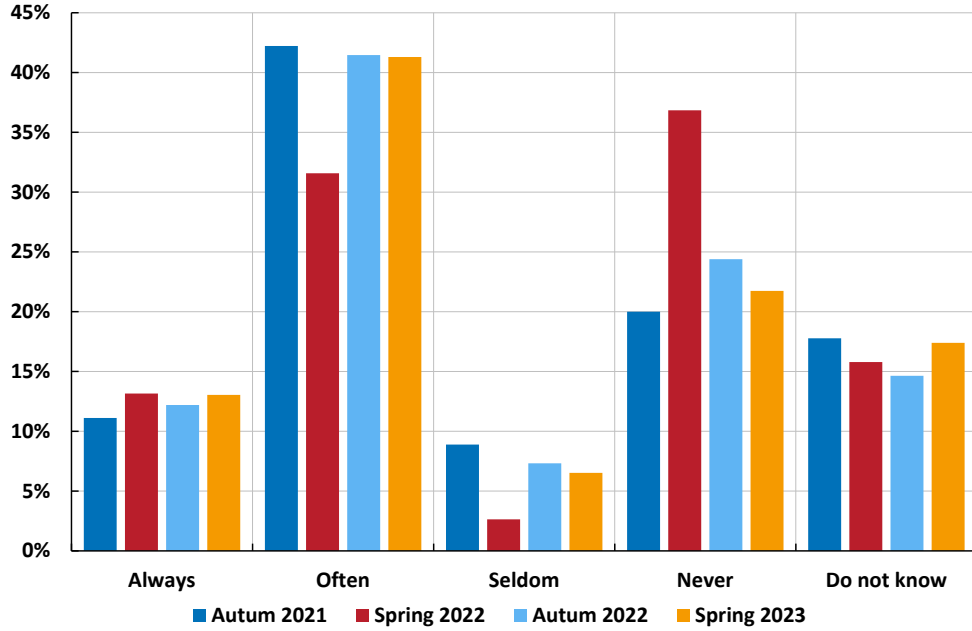
Percentage of responses



Note. 24 responses in total (spring 2023).

Diagram 24. To what extent do you use electronic platforms in your trading in Swedish government bonds?

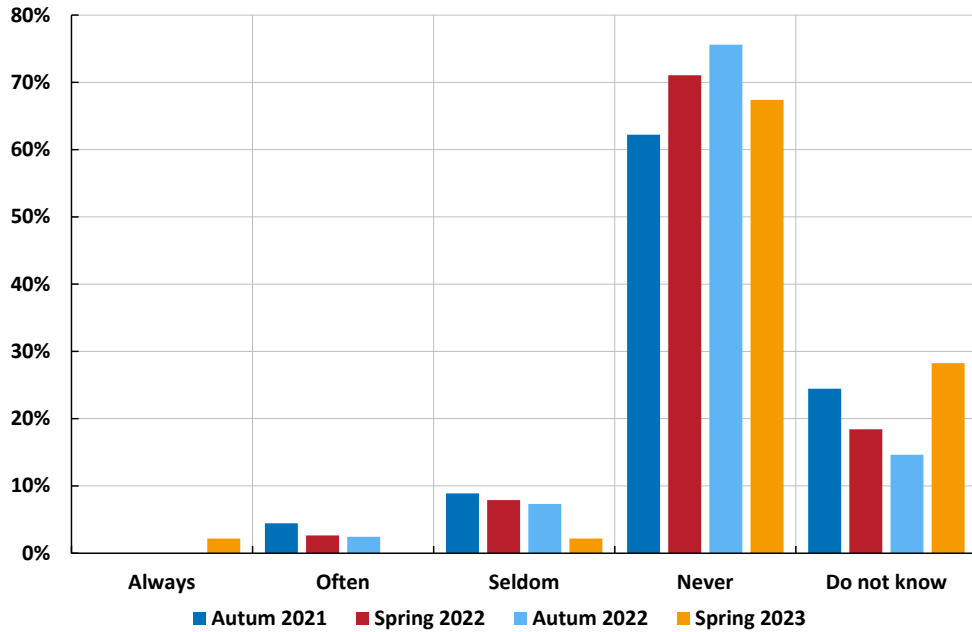
Percentage of responses



Note. 46 responses in total (spring 2023).

Diagram 25. To what extent do you use algorithms in your trading in Swedish government bonds?

Percentage of responses



Note. 46 responses in total (spring 2023).



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