

Financial markets survey

Autumn 2021

November 2021

Table of contents

| | | |
|---|---|----|
| 1 | Survey results - autumn 2021 | 3 |
| 2 | Market participants and their risk-taking | 5 |
| 3 | Market for FX trading in SEK | 8 |
| 4 | The Swedish fixed-income market | 11 |
| 5 | Electronic aids | 19 |

1 Survey results - autumn 2021

Twice per year, the Riksbank sends out a Financial Markets Survey to participants active in the Swedish fixed income and foreign exchange markets. The purpose of the survey is to gain an overall picture of participants' views on the Swedish financial markets – how they are working, what market activity looks like and how extensive their risk-taking is. This report presents the results of the survey responded to in the period 21 September to 7 October 2021. The report is based solely on participants' responses and is not an account of the Riksbank's assessments. On this occasion, 62 out of 120 participants who were asked to take part in the survey responded fully or partially. This entails a response rate of around 52 per cent.

- **The participants think they are taking higher risks than in the spring.** Around four out of ten respond that their risk-taking is neutral, but the percentage taking high risks has increased since the survey in spring 2021. There are now more respondents who describe their risk-taking as high than there are who describe it as low. Almost five out of ten respond that risk-taking has neither increased nor decreased during the past six months.
- **Foreign exchange market for the Swedish krona still considered to function well.** Around eight out of ten participants respond that foreign exchange trading in Swedish kronor is functioning well or very well. The percentage that considers the market to be functioning very well has increased since the previous survey. Liquidity on both the spot and forward markets is assessed as good; fewer than one out of ten respondents choose the alternative poor. Around half of them see no major change in market liquidity over the past six months.
- **A larger share assess that the Swedish fixed-income market is now functioning more poorly than in the spring.** Three out of ten market participants consider that the Swedish fixed-income market is functioning well. However, more than that consider the market to be functioning poorly; around four out of ten now respond that it is functioning poorly or very poorly. The percentage responding that liquidity on the markets for government securities and covered bonds is poor or very poor has risen since spring 2021 for both types of asset. With regard to the government bonds market, almost five out of ten in the group market maker/dealer respond that liquidity is very poor, and a similar share of investors assess that liquidity is poor. However, a majority still considers that liquidity in interest rate swaps is good. It can be noted that a large share of the respondents have no impression of liquidity on the corporate bond market. The percentage that assesses liquidity to be good for investment grade has increased since the spring, at the same time as the share describing liquidity in high yield to be good has declined. Compared with the

previous survey, more participants state that liquidity in commercial paper is poor.

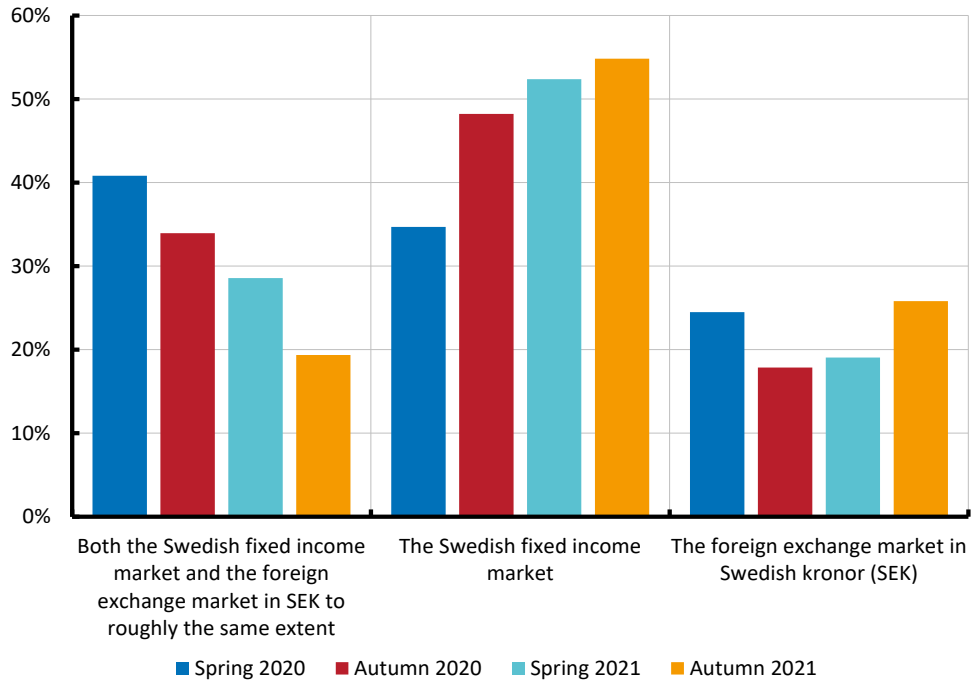
Seven out of ten respond that the Riksbank's asset purchases over the past six months have had a negative or very negative effect on the fixed income market. In the overall assessment of the Riksbank's asset purchases since March 2020, a majority (just over six out of ten) of the participants consider that the Riksbank's purchases have made a negative or very negative contribution. Among those who have given free-text answers, many point out that the Riksbank's asset purchases are the main reason for the market functioning poorly.¹

¹ This survey contains two new questions about the Riksbank's asset purchases. See Figures 12 and 13.

2 Market participants and their risk-taking

Diagram 1. In which market are you most active?

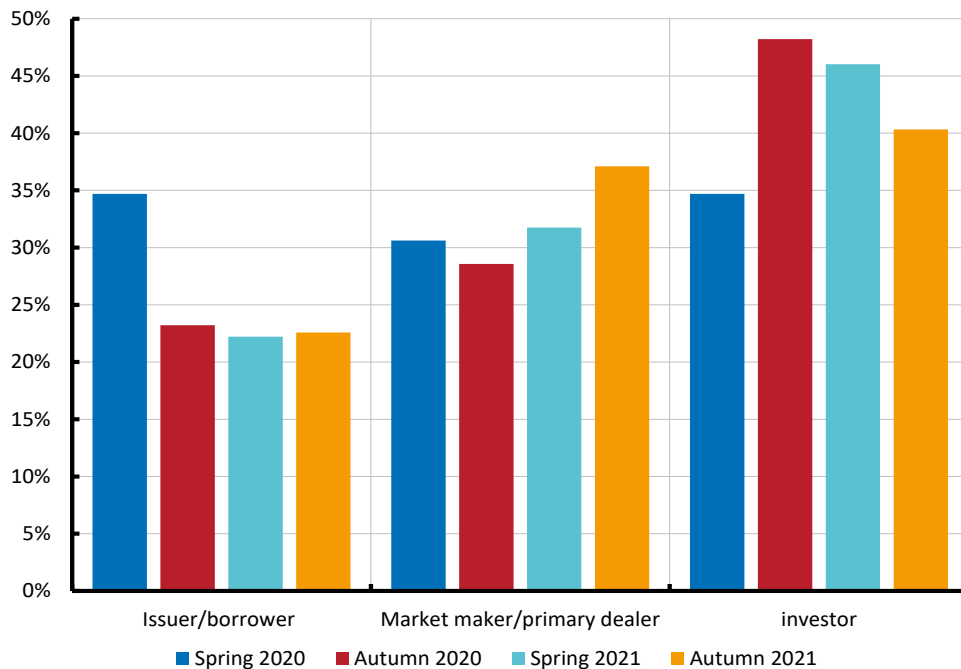
Percentage of responses



Note. 62 responses in total (autumn 2021)

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

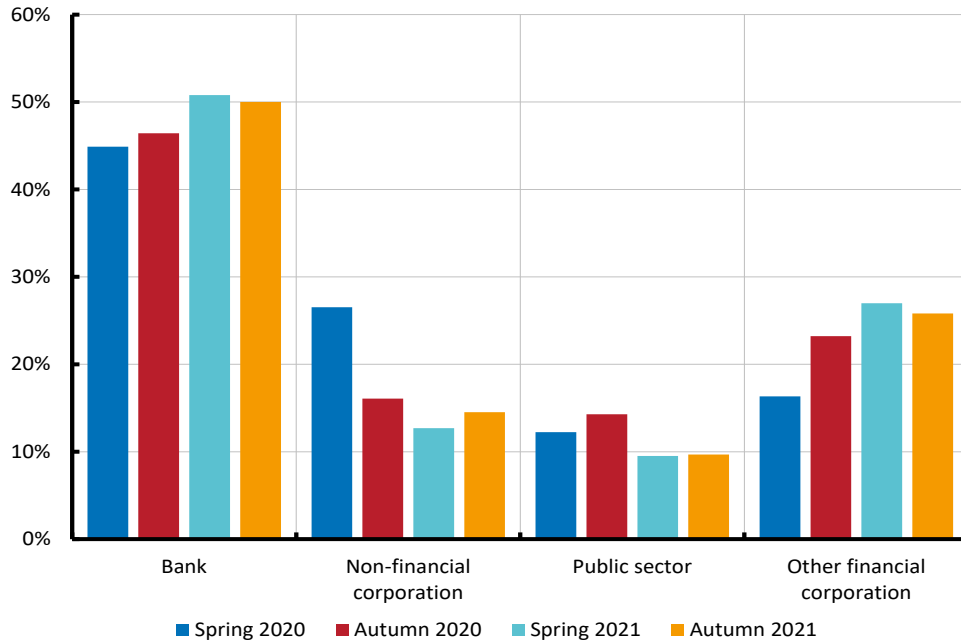
Percentage of responses



Note. 62 responses in total (autumn 2021)

Diagram 3. To which sector do you primarily belong?

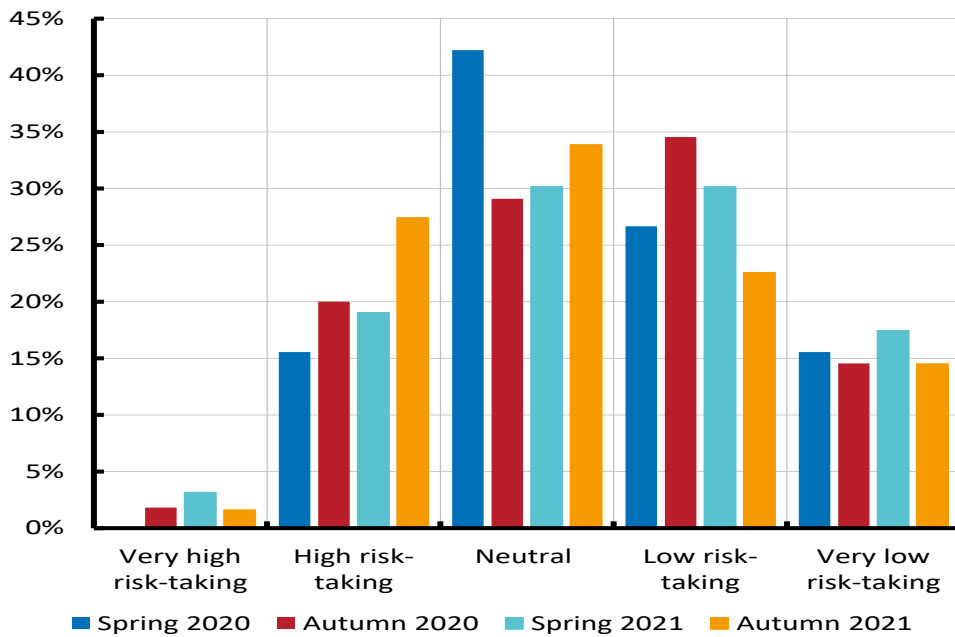
Percentage of responses



Note. 62 responses in total (autumn 2021)

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

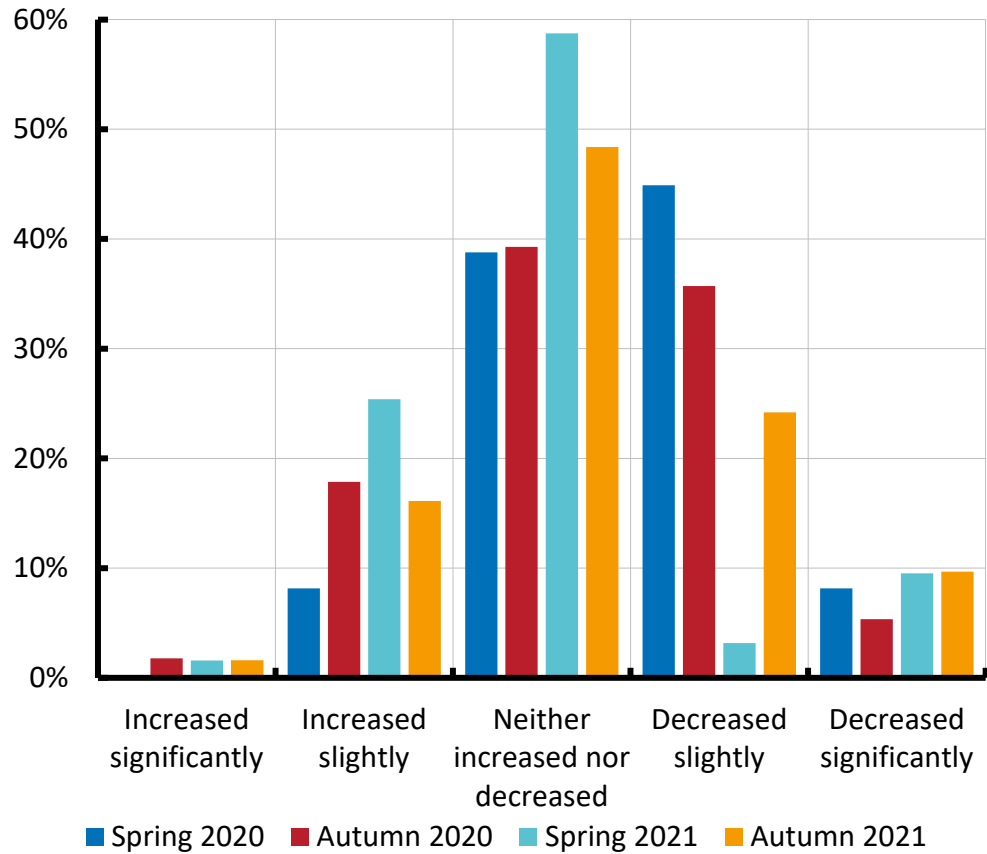
Percentage of responses



Note. 62 responses in total (autumn 2021)

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

Percentage of responses

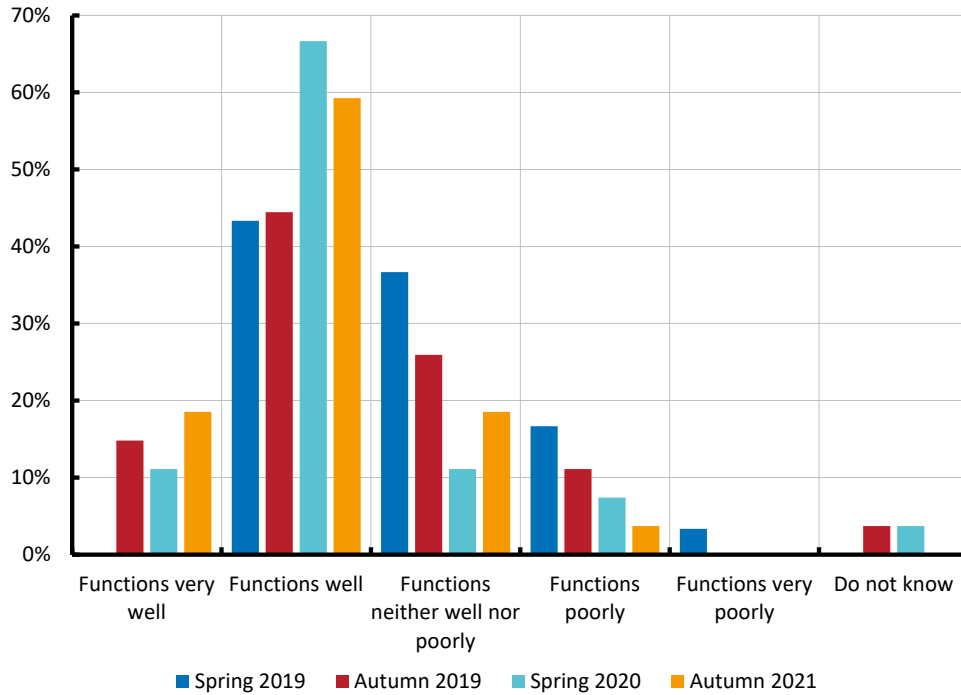


Note. 62 responses in total (autumn 2021)

3 Market for FX trading in SEK

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

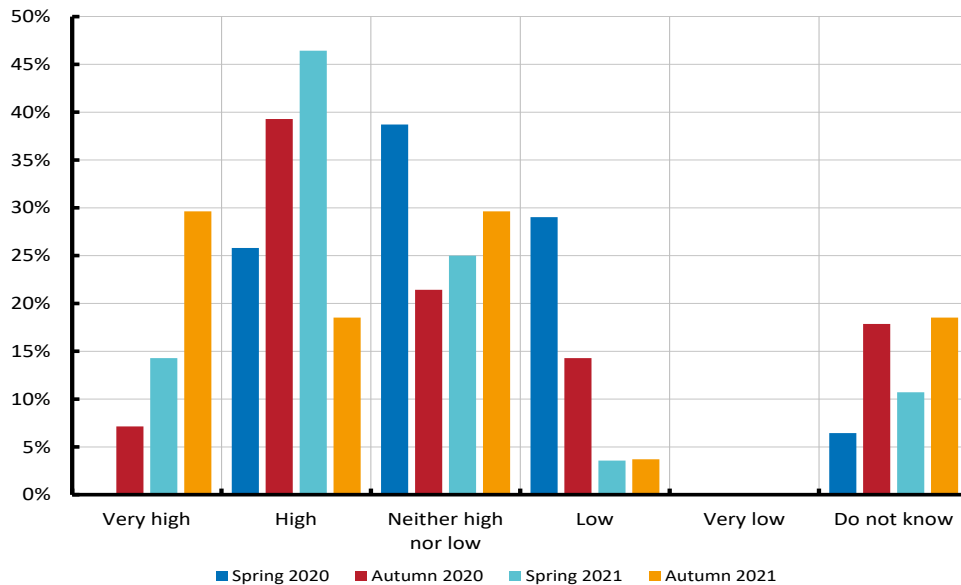
Percentage of responses



Note. 27 responses in total (autumn 2021)

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

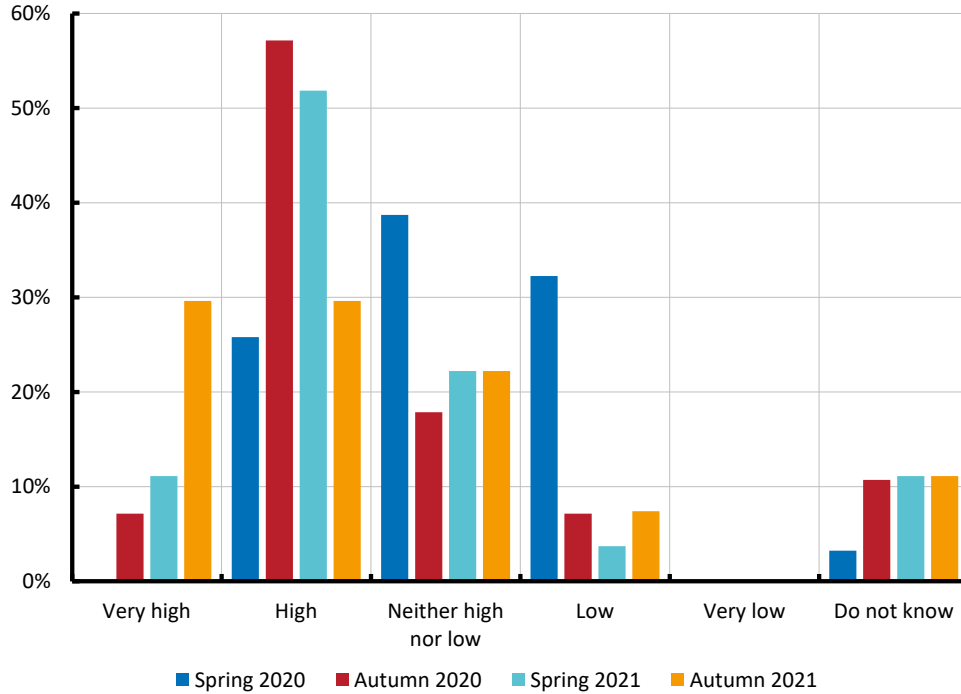
Percentage of responses



Note. 27 responses in total (autumn 2021)

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

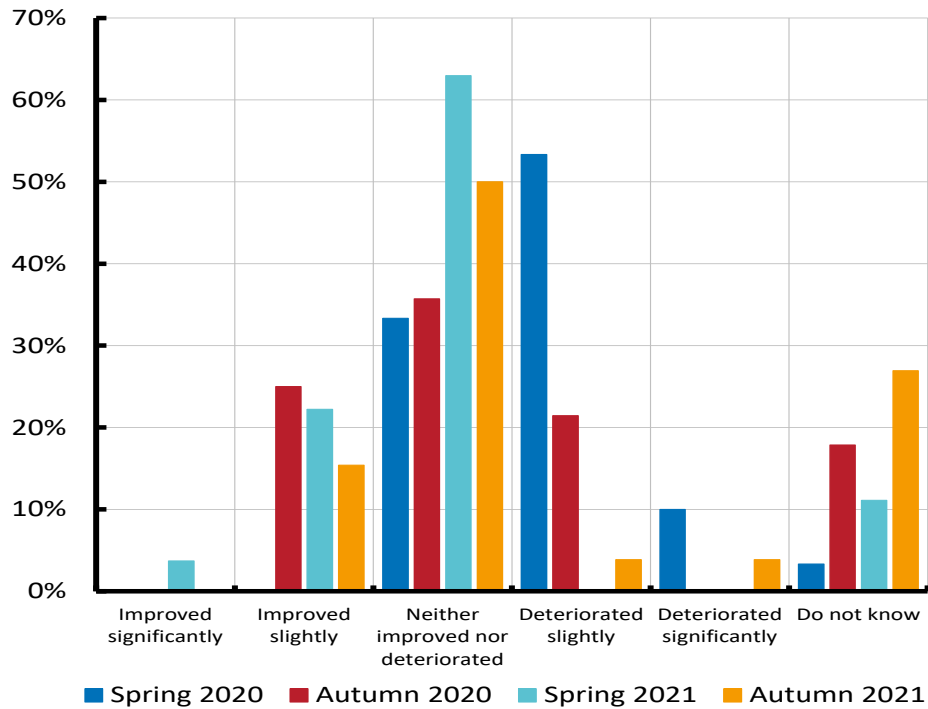
Percentage of responses



Note. 27 responses in total (autumn 2021)

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

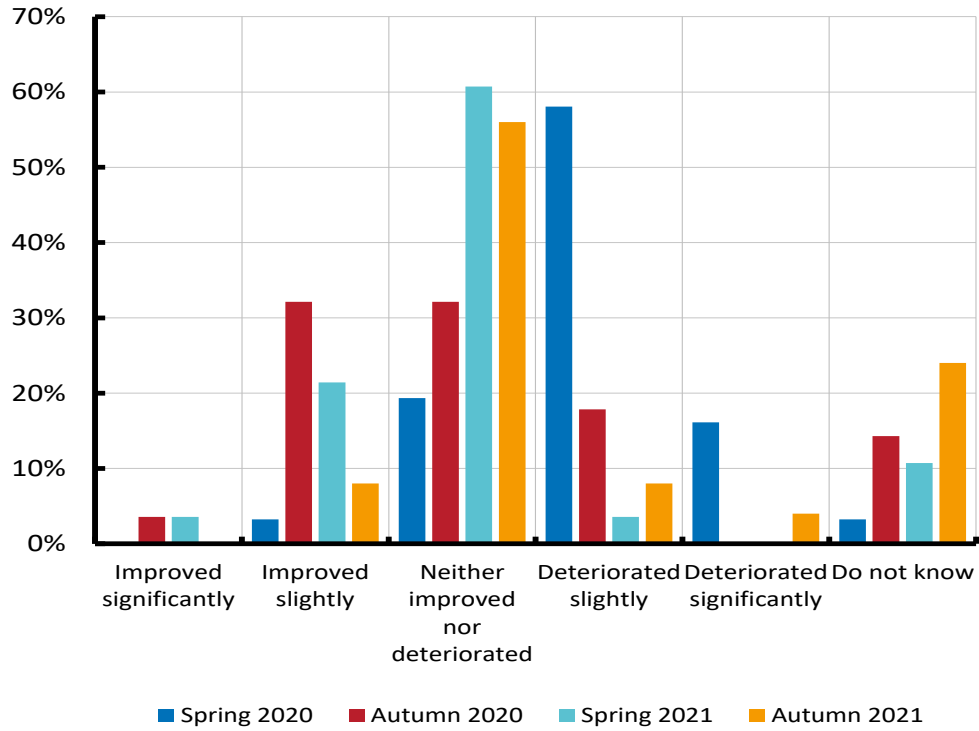
Percentage of responses



Note. 26 responses in total (autumn 2021)

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

Percentage of responses

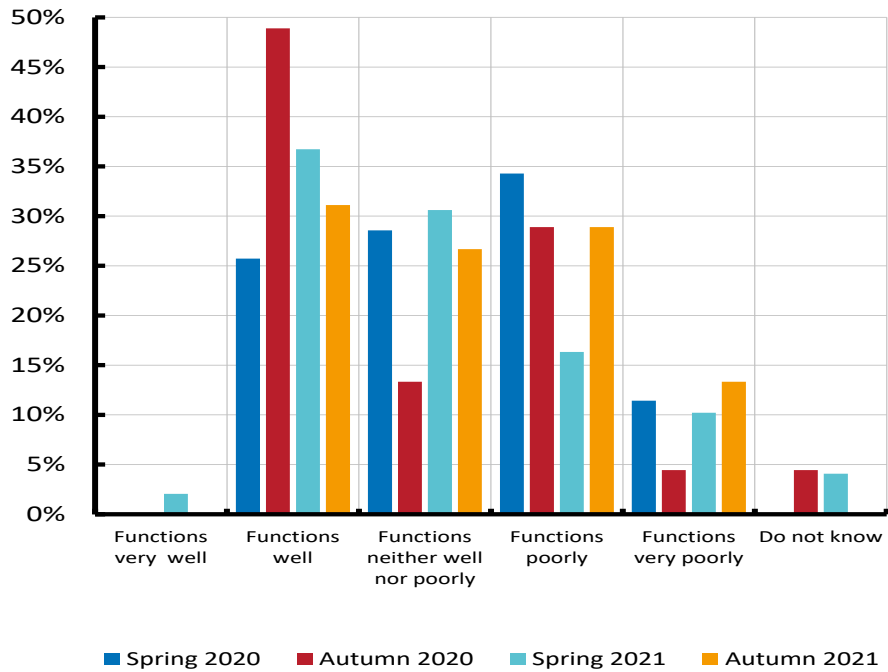


Note. 25 responses in total (autumn 2021)

4 The Swedish fixed-income market

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

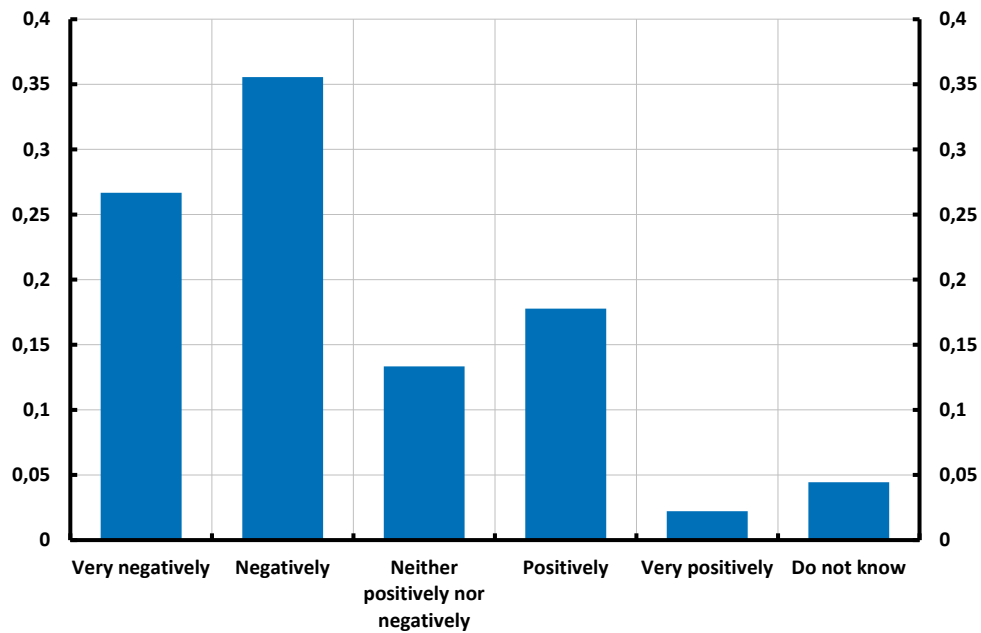
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 12. How do you assess that the purchases in the Riksbank’s asset purchase programme have affected the functioning of the Swedish fixed-income market since the start in March 2020?

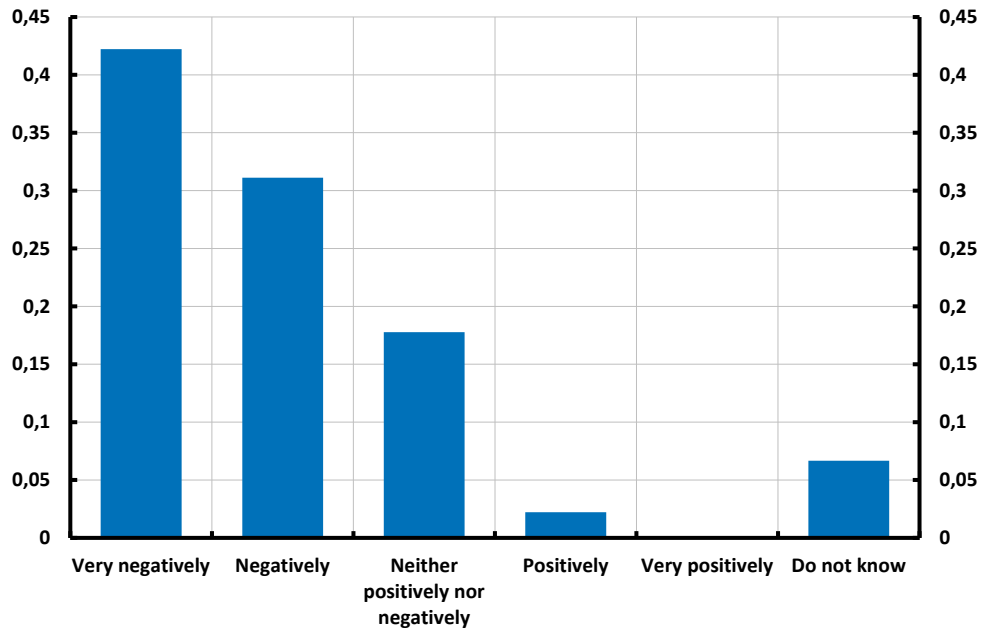
Percentage of responses



Note. 45 responses in total (autumn 2021). The wording of the question in the survey was: *On 16 March 2020, the Riksbank initiated an asset purchase programme, which after being adjusted a few times, now has a framework of SEK 700 billion. The purpose of the programme is to counteract the effects of the coronavirus pandemic on the Swedish economy. All in all, how do you assess that the purchases in this programme have affected the functioning of the Swedish fixed-income market since the start in March 2020?*

Diagram 13. How do you assess that the Riksbank's purchases of securities over the past 6 months have affected the functioning of the Swedish fixed-income market?

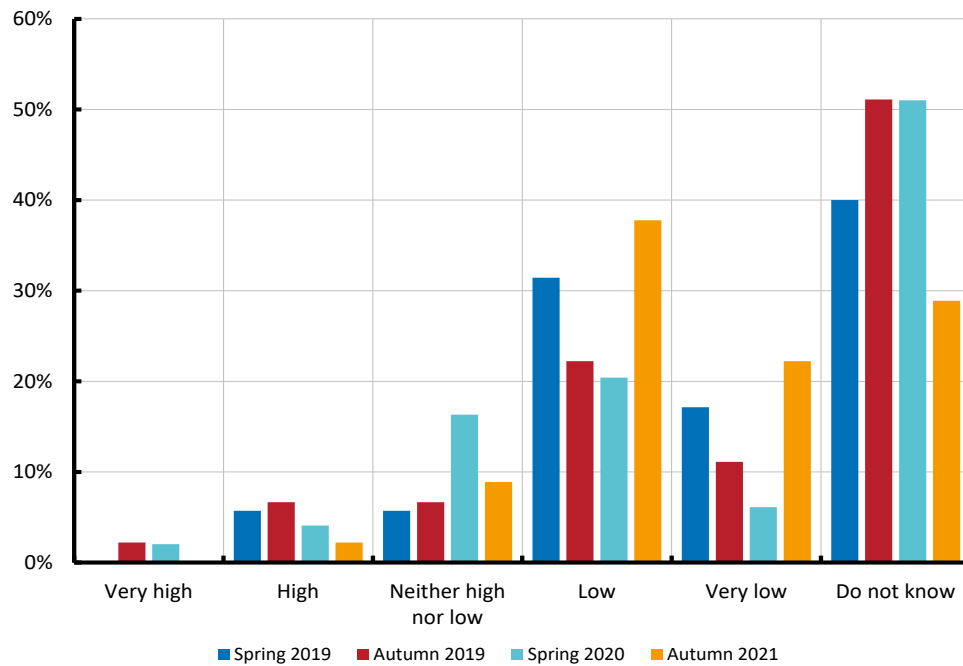
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 14. What is your assessment of market liquidity at present on the secondary market for treasury bills?

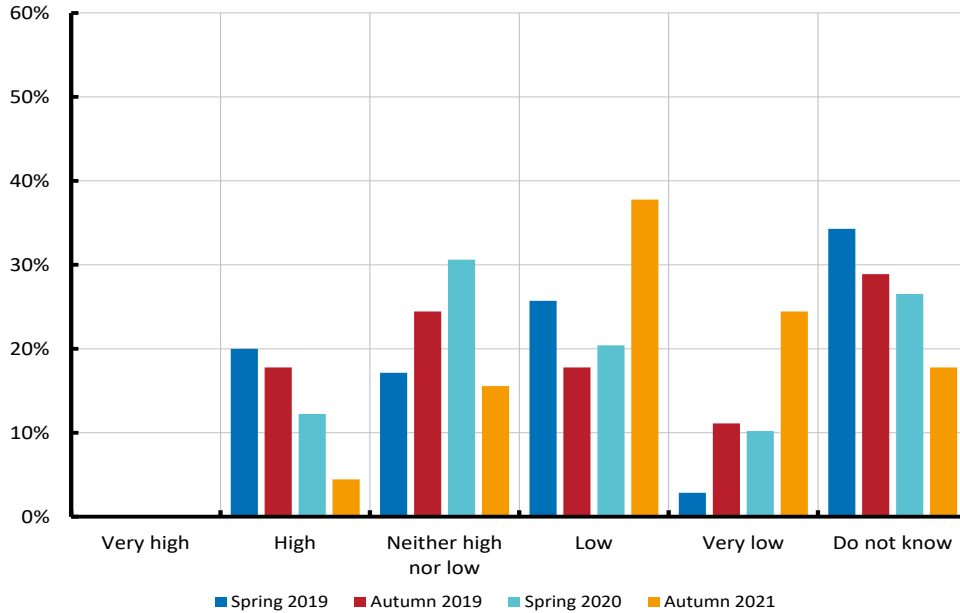
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 15. What is your assessment of market liquidity at present on the secondary market for nominal government bonds?

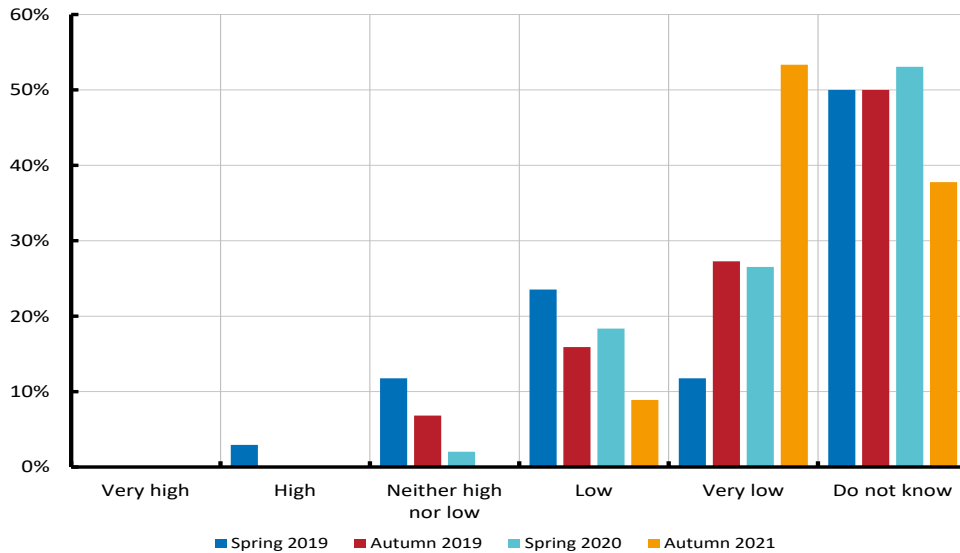
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 16. What is your assessment of market liquidity at present on the secondary market for real government bonds?

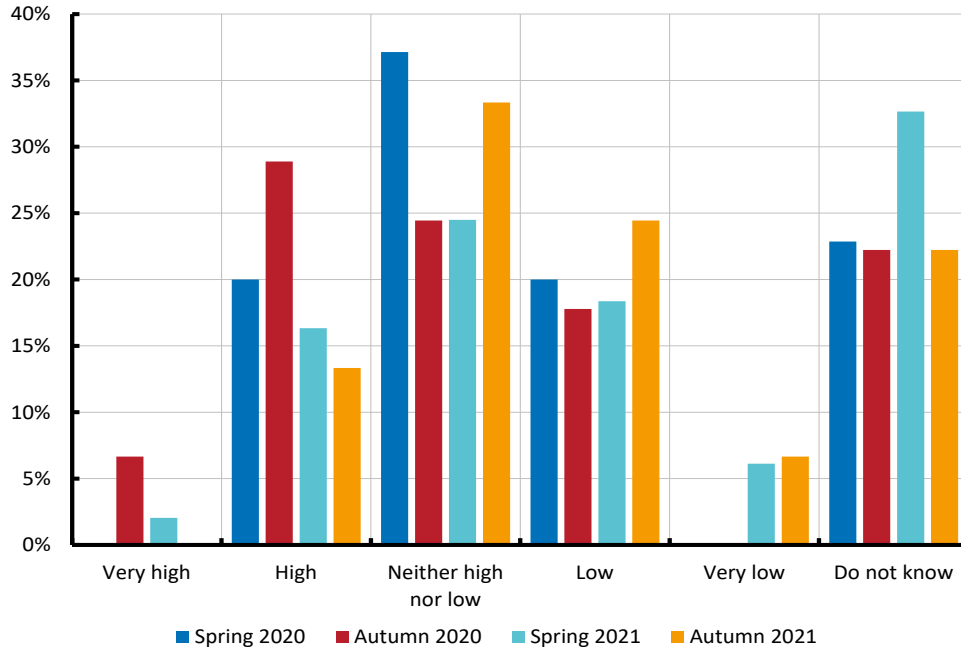
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 17. What is your assessment of market liquidity at present on the secondary market for covered bonds?

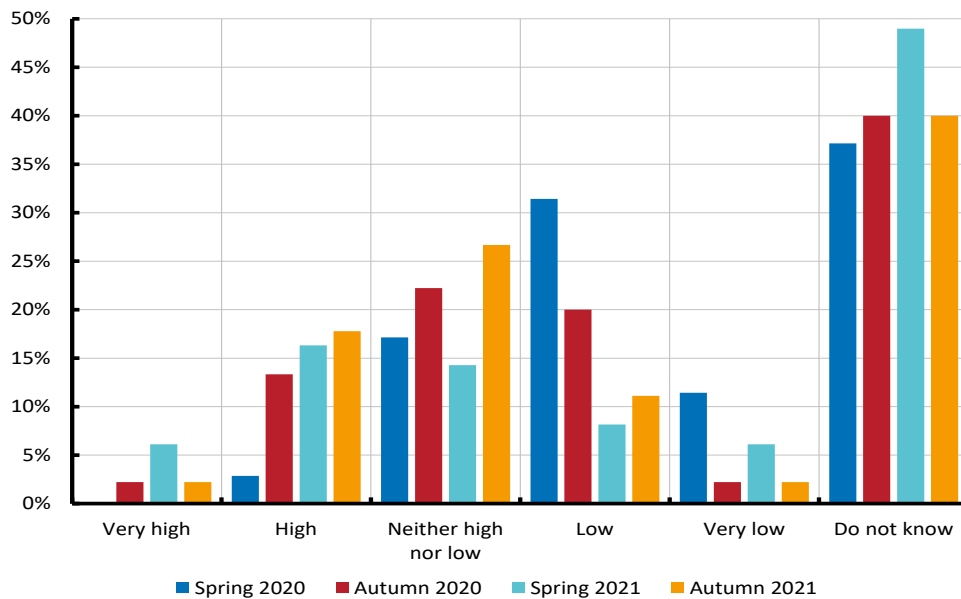
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 18. What is your assessment of market liquidity at present on the secondary market for corporate bonds, investment grade?

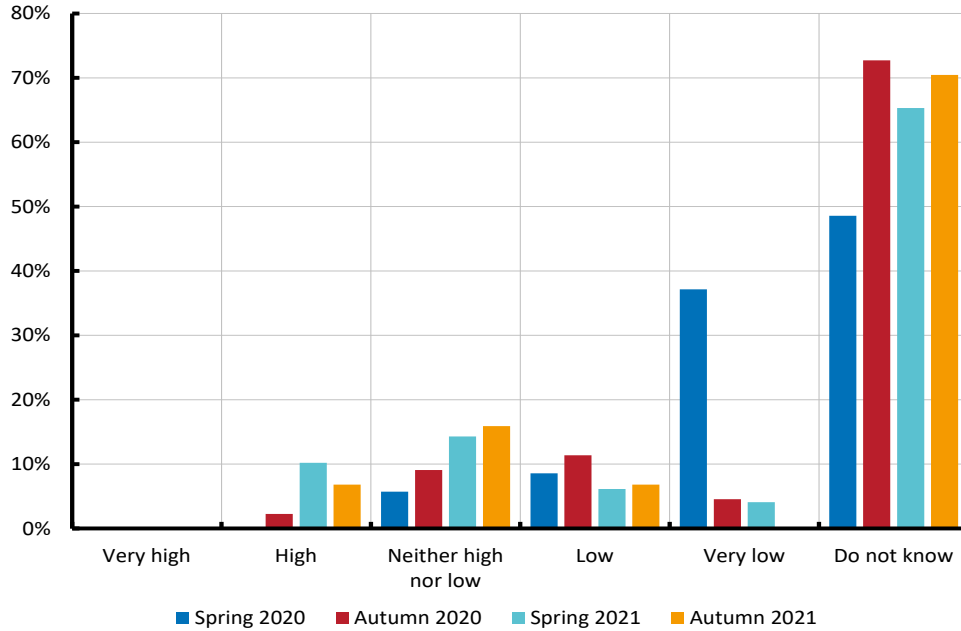
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 19. What is your assessment of market liquidity at present on the secondary market for corporate bonds, high yield?

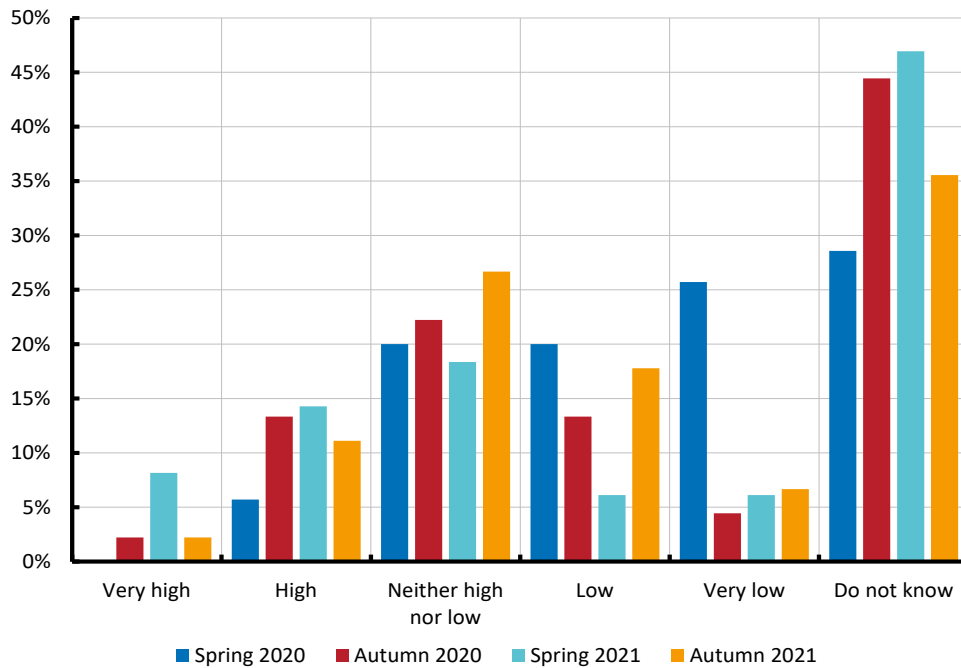
Percentage of responses



Note. 44 responses in total (autumn 2021)

Diagram 20. What is your assessment of market liquidity at present on the secondary market for commercial paper?

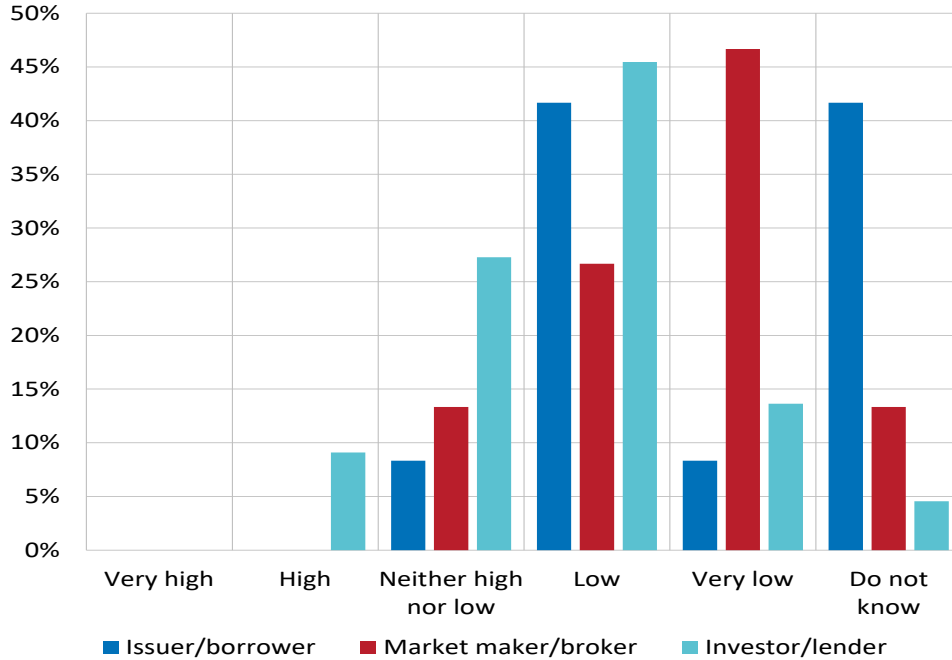
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 21. What is your assessment of market liquidity at present on the secondary market for nominal government bonds?

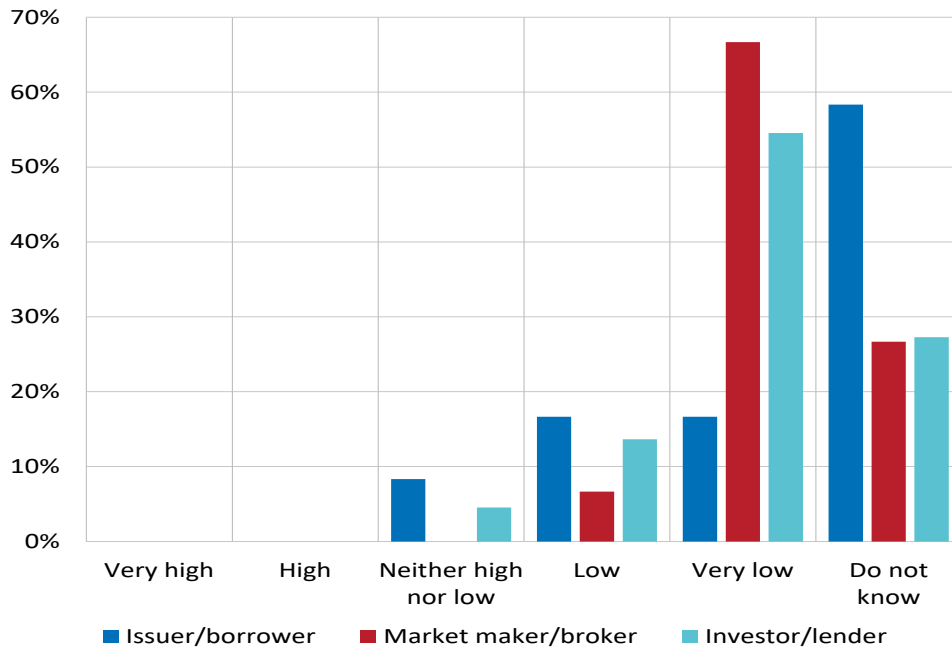
Percentage of responses for each category



Note. 45 responses in total (autumn 2021)

Diagram 22. What is your assessment of market liquidity at present on the secondary market for real government bonds?

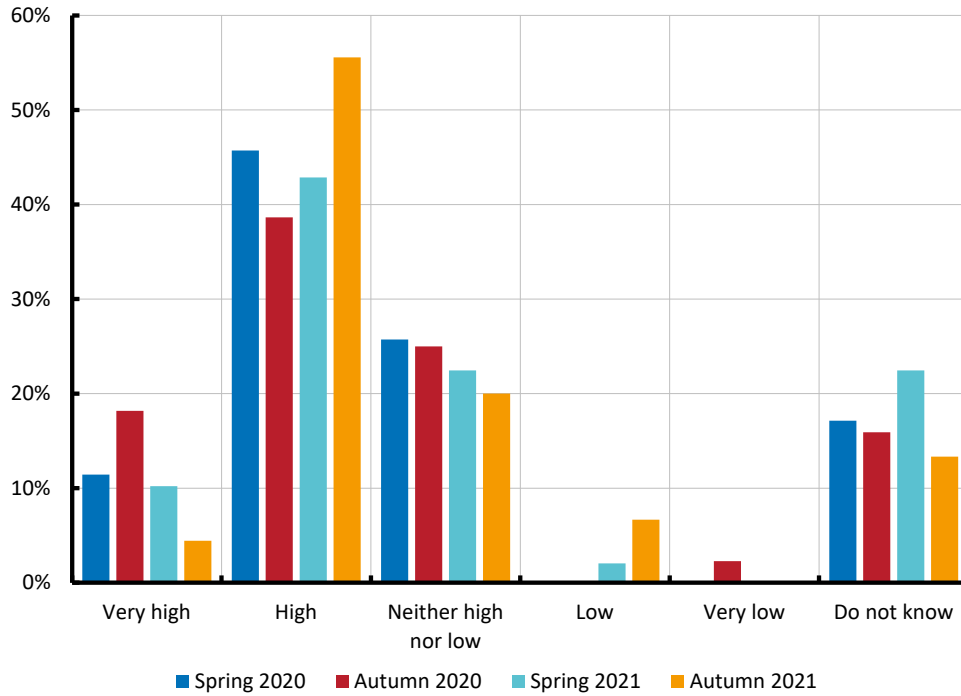
Percentage of responses for each category



Note. 45 responses in total (autumn 2021)

Diagram 23. What is your assessment of market liquidity at present on the secondary market for interest rate swaps (SEK/SEK)?

Percentage of responses

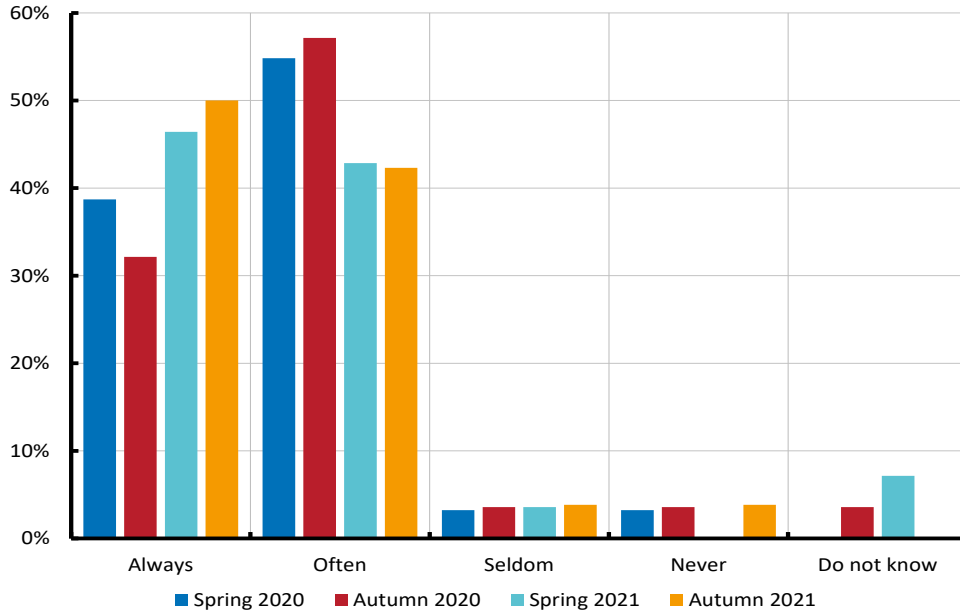


Note. 45 responses in total (autumn 2021)

5 Electronic aids

Diagram 24. To what extent do you use electronic platforms in your FX trading with SEK?

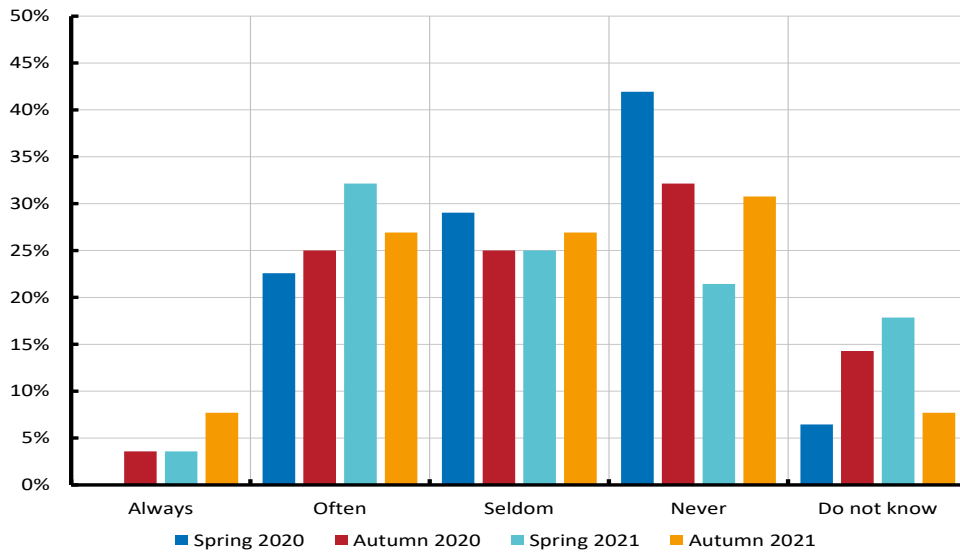
Percentage of responses



Note. 26 responses in total (autumn 2021)

Diagram 25. To what extent do you use algorithms in your FX trading with SEK?

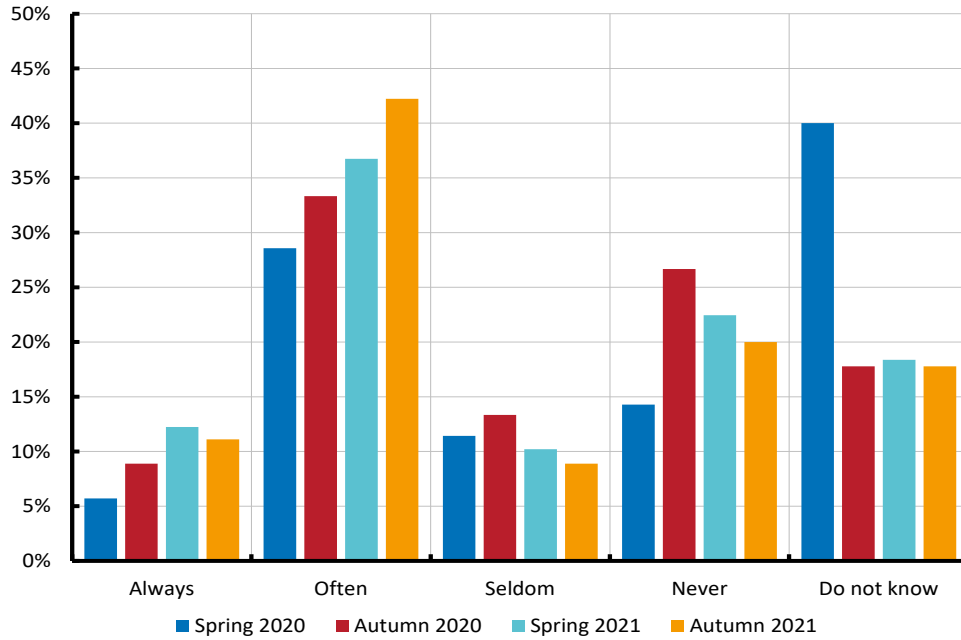
Percentage of responses



Note. 26 responses in total (autumn 2021)

Diagram 26. To what extent do you use electronic platforms in your trading in Swedish government bonds?

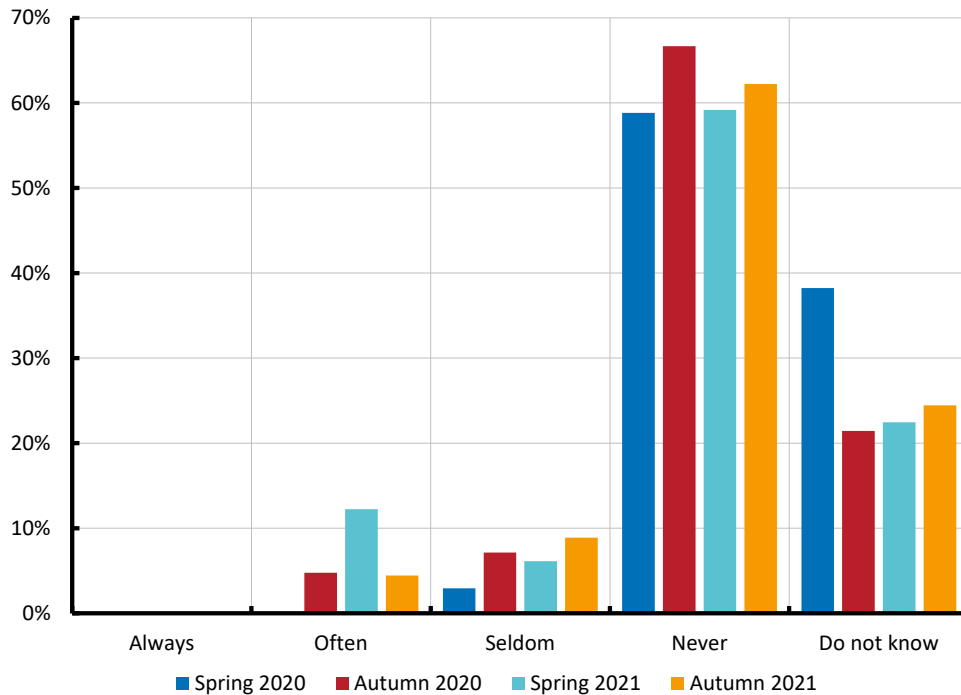
Percentage of responses



Note. 45 responses in total (autumn 2021)

Diagram 27. To what extent do you use algorithms in your trading in Swedish government bonds?

Percentage of responses



Note. 45 responses in total (autumn 2021)



SVERIGES RIKSBANK

Tel +46 8 - 787 00 00

registratorn@riksbank.se

www.riksbank.se

PRODUCTION SVERIGES RIKSBANK

ISSN ISSN. (on-line)