



# PRESS RELEASE

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CONTACT: Press Office, tel. +46-(0)8-787 0200

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

## Political uncertainty in EU worries market participants

*The majority of the market participants responding to the spring Risk Survey consider there are risks linked to political uncertainty in the EU. The low interest rates, household indebtedness and high housing and property prices are also highlighted as causes for concern. More than half of the respondents consider that the functioning of the Swedish financial markets remains unchanged compared to six months ago, while one in three respondents considers they are functioning slightly worse.*

Among the five largest risks to the Swedish financial system, two out of three respondents mention political uncertainty in the EU, which makes it the most mentioned risk. The second most mentioned risk are risks linked to higher housing and property prices, followed by risks linked to a long period of low interest rates. Participants explain this by stating that household indebtedness and the valuation of various asset types, including housing, have increased during the period with low interest rates. In addition, the participants consider that a long period of low interest rates can build up risks in the financial system through the search for yield that they say occurs in a low interest rate environment.

### **A majority considers that the functioning of the financial markets is unchanged**

More than half of the respondents take the view that the functioning of the Swedish financial markets has basically remained unchanged compared to six months ago. However, one in three respondents thinks that the markets are functioning slightly worse. The primary reason given is lower market liquidity for bonds, primarily as a result of various financial regulations. The Riksbank's purchases of government bonds are also mentioned as a reason for the deterioration of market liquidity in these bonds.



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Since the spring of 2008, the Riksbank has sent out a risk survey twice a year to participants in the Swedish fixed-income and foreign exchange markets, both investors and borrowers. The purpose of the survey is to gain an overall picture of the market participants' view of risk in the Swedish financial system and of the functioning of the Swedish financial markets. The survey only refers to the Swedish financial system. This report describes the results of the survey where responses were received between 23 March and 7 April 2017. The survey was thus made prior to the French presidential elections. The survey was sent out to 71 participants active in the Swedish fixed-income and foreign exchange markets. The response rate was 80 per cent. The results reported are based on participants' responses to the survey and do not necessarily reflect the Riksbank's view of risks in the Swedish financial system and the functioning of the Swedish markets.

The Risk Survey can be downloaded from the Riksbank's website, [www.riksbank.se](http://www.riksbank.se).