Nordic Alert

20 August 2026

Riksbank rate decision and falling US yields

Global key stories

Updated e-mail with correct link to the JPY article.

The crisis insight into the unsustainable global debt trajectory has made a comeback in the market as long-term interest rates have climbed ever higher in recent weeks – and it hardly diminished after the US public debt mountain last night passed the symbolic $40 trillion. US public debt has doubled in a decade. The Trump administration promised to reduce the budget deficit, but it has instead widened as a result of, among other things, war, unfunded tax cuts and lost tariff revenues. It is clear that the White House is becoming increasingly nervous about the Treasury market.

Finance Minister Bessent is trying to bail water out of the sinking boat rather than plug the (budget) hole.. That had at least a temporary effect yesterday when U.S. Treasury bond yields fell 5-8 basis points at the long-end of the yield curve, following the surprising announcement that the Treasury Department will "at least" double the rate of buybacks of 10- to 30-year Treasury bonds to $4 billion. However, short-term yields rose on expectations that these buybacks of long-term government bonds will be financed by larger issuances at the short end. The measure is reminiscent of the Fed's "Operation Twist", which aimed to flatten the yield curve – but this time under the auspices of the Treasury Department.

Meanwhile, Bessent has increased the pressure on Japan not to let the yen weaken further against the dollar. In order to intervene in the currency, dollar reserves are required to buy yen. If Japan, which is the world's largest holder of US government bonds, sells off large parts of its holdings in a short period of time, US yields risk rising further. This is the reason why the United States participated in the first bilateral JPY intervention since 1998 at the end of last month. For Japan to succeed, however, reduced capital outflows to the US are required – which means reduced demand for US government bonds and equities. All else equal, this would increase the upward pressure to US Treasury yields, when the timing is at its worst.

This morning, we published an analysis of the outlook for the yen, whether the latest intervention could mark a turning point for the currency, and the huge implications it could have for global financial markets.

The US dollar weakened broadly and sharply after yesterday's yield declines while European interest rates were mostly sideways. EUR/USD has risen to 1.168 from 1.158 yesterday. The krona strengthened about 10 figs to 9.44 against the USD, while it strengthened only slightly against EUR. Gold rose 3%. Last night's somewhat hawkish Fed minutes did not leave a noticeable imprint on the market. US stock markets rose slightly, Europe closed lower overall, while Asian stock markets rose this morning. Last night, Trump wrote that the United States is planning an "economic D-Day" against Iran and that "tremendous consequences" await all countries that in any way trade with the country.

Nordic key stories

The Riksbank to stay on hold. We expect the Riksbank to leave the policy rate unchanged at 1.75% at today's interest rate announcement at 09.30. Since no new macro forecasts are presented, the focus is instead on the Executive Board's inflation risk assessment and signals about the continued interest rate path. Our main forecast is that the policy rate will remain at 1.75 per cent throughout 2026, with a first increase in December 2027. However, there are many indications that the hike may come earlier. Growth has surprised on the upside, as have recent inflation outcomes, and we now also expect a hike from the ECB in September. If inflation continues to surprise on the upside in the autumn, a hike as early as this year cannot be ruled out.

Today's key events

For graphs and analysis of the week's most important data, click here.

Time	Country	Event	Period	SEB forecast	Consensus	Last
08:00	DEN	GDP sa yoy | qoq	Q2 P		--- | ---	6.2 | 1.5
08:00	GER	PPI	Jul		0.3/2.3	-0.3/1.8
09:30	**SWE**	**Riksbank policy rate**	**Aug 20**	**1.75**	**1.75**	**1.75**
11:00	EA	Construction output	Jun		---/---	0.4/1.2
14:30	US	Initial jobless claims | continuing claims (Aug 8	Aug 15		210k | ---	209k | 1777k
14:30	US	Philadelphia Fed business outlook	Aug		25	41.4
16:00	US	Leading index	Jul		0.1	-0.2

Auctions: SWE to sell SGB IL 3115 & 3116 (11:00), US to sell bills/linkers (17:30/19:00).
Other: The Riksbank holds press conference (11:00), Norge's Bank's Inflation Expectations Survey for Q3 (10:00).

Market data

Equities	Index	Future	FX		Commodities	
S&P 500	0.2%	0.2%	EUR/USD	1.17	Brent fut $/bl	91.4
Nasdaq comp	0.2%	-0.7%	EUR/SEK	11.02	Gold fut $/oz	4395
Eurostoxx 50	-0.4%	0.9%	USD/SEK	9.44	**Government bonds yields**	
OMX Stockholm 30	0.0%		EUR/NOK	10.89	US 10 year	4.64%
OBX Oslo	0.0%		USD/NOK	9.33	US 2 year	4.16%
OMX Copenhagen 25	0.1%		NOK/SEK	1.01	Germany 10 year	3.26%
OMX Helsinki 25	0.3%		USD/DKK	6.46	Germany 2 year	2.72%
Nikkei225	1.2%		USD/JPY	159	Sweden 10 year	3.06%
Shanghai Comp	0.3%		USD/CNY	6.72	Sweden 2 year	2.46%

US and Europe indices indicate change at yesterday's close

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