

AquilaUpdate



Is the weakness of the Swedish krona overdone?

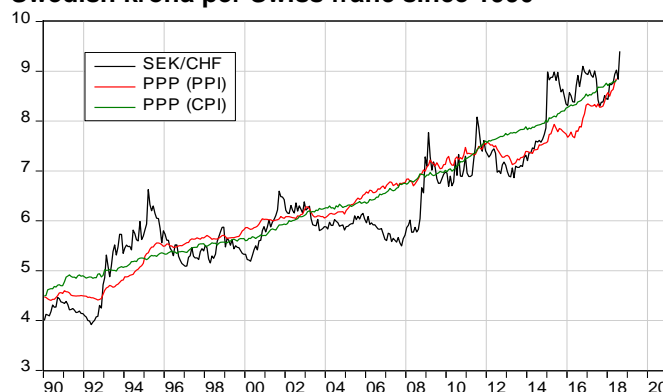
Elections for Sweden's Riksdag take place on September 9. The EU Commission has criticized the vote as voter anonymity could be damaged by the fact that party voting lists are laid open. Voting intentions will be revealed when a voter takes the voting list of his chosen party into the voting cabin. Thus, anonymity is restricted to the choice of a specific candidate on the voting list. As a result, and for this first time in Sweden's history, OSZE election observers have been sent to monitor the voting process.

Fears that Russian or other organizations might try to manipulate the vote and that the right-wing, anti-establishment "Sweden Democrats" (SD) might do well in the vote have hit the Swedish krona in recent weeks.

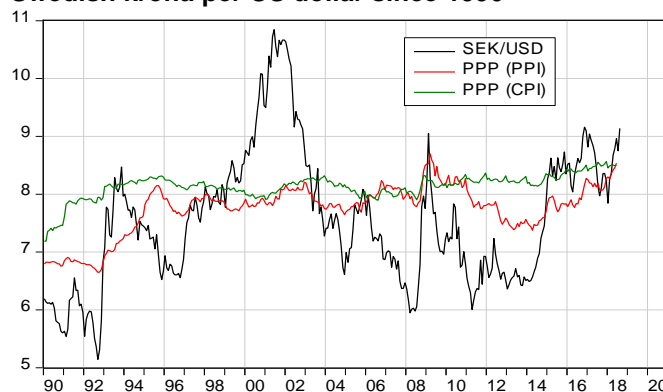
We think current political concerns over Sweden are exaggerated. Even should the SD emerge from the election with the largest voter share, its path to administrative power will be blocked by the other parties. Sweden's next Prime Minister will emerge from the "moderate" parties but this could well boost the chances of a more consequential victory for the SD in 2022.

Purchasing power parity (PPP) calculations indicate the Swedish krona is significantly undervalued against both the US dollar and the Swiss franc. This is clear from the two graphs in the next column. The undervaluation is around 6-7% using either consumer or producer prices to measure PPP.

Swedish krona per Swiss franc since 1990



Swedish krona per US dollar since 1990



Source: Thomson Reuters / Datastream und eigene Berechnungen

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