SEK Outlook 2026: Slower, more predictable appreciation

We see limited downside room in the next few months for EUR/SEK due to stretched valuation, but still expect a move to 10.30 by year-end on the back of Sweden's attractive growth/fiscal profile and no Riksbank cuts. USD/SEK should continue to have larger downside potential in line with our bearish USD view: we target a drop below 8.50 this year

We see correction risks for SEK in the near term, but the outlook into year-end remains solid

Our 2026 SEK view in a nutshell

- Growth in Sweden should be strong (2.5%) in 2026, and despite lower inflation, we don’t expect the Riksbank to cut rates again.
- Despite the risk of some short term correction, the solid economic backdrop should drive further SEK appreciation in 2026, although at a slower pace than in 2025 as the currency is now closer to medium term fair value.
- We see more downside for USD/SEK (year end target 8.44) than for EUR/SEK (10.30), consistent with our bearish USD view.

ING forecasts

	1Q26F	2Q26F	3Q26F	4Q26F
CPIF (YoY%)	1.8	1.1	1.0	1.1
GDP (YoY%)	2.5	2.6	2.7	2.5
EUR/SEK (eop)	10.75	10.60	10.50	10.30
USD/SEK (eop)	9.03	8.83	8.68	8.44

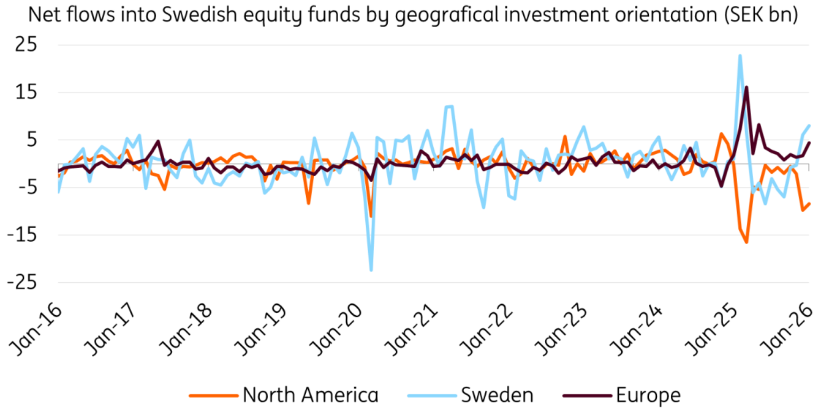
Stellar performance driven by capital repatriation

The Swedish krona was the best performing G10 currency in 2025, appreciating 16.8% versus USD – the strongest annual performance since 2003. EUR/SEK fell 5.6%, the largest yearly drop in 15 years. All of this occurred in a year when the Riksbank continued cutting rates, taking them to 25bp below the European Central Bank's 2.0% and among the lowest in the world. This note focuses on the 2026 outlook, but understanding the drivers of the 2025 moves remains essential.

SEK benefitted from its role as a high beta alternative to the euro during a period of sharp EUR/USD appreciation driven by the loss of USD safe haven appeal and a positive re-rating of Europe's long term growth prospects. Another key driver was capital repatriation. The traditional outflow of Swedish excess savings into US markets shrank sharply as tariff risks rose, and data from the Swedish Funds Association shows an unprecedented rotation in 2025 from the US to Sweden and Europe focused equity funds.

The improvement in Sweden's growth expectations also supported SEK, even if to a lesser degree. Part of the impulse came from European defence spending, but rising household consumption and PMIs climbing above pre pandemic averages pointed to a solid outlook for 2026.

Big equity flows from US to Sweden and Europe since early 2025



Source: Fondbolagens förening, ING

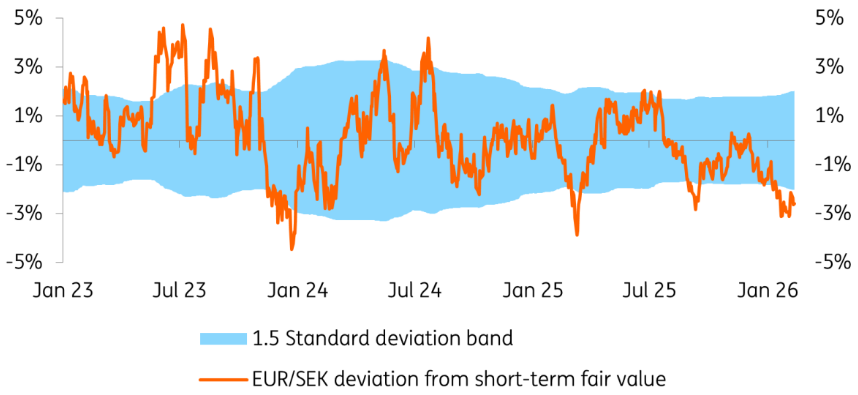
YTD SEK rally looks stretched

The year has started on a strong foot for SEK, with 2.3-3.8% appreciation vs EUR and USD. The drivers appear similar to those of 2025: fading appetite for USD denominated assets and continued repatriation flows into Sweden. January 2026 saw SEK8.4bn of outflows from North America focused Swedish equity funds and SEK8bn of inflows into Sweden focused funds – the largest repatriation episode since March 2025.

However, we currently estimate the short-term fair value at 10.85 for EUR/SEK, suggesting the latest depreciation in the pair remains stretched at the current 10.55 spot. As shown in the chart below, the undervaluation has narrowed slightly from 3% to 2.5% in the past week, but remains wider than the 1.5 standard deviation band, indicating stretched levels.

The pattern is comparable to September 2025, when a peak undervaluation of 3% was followed by a 1.5% rebound in EUR/SEK. Our short term call remains for another leg higher in EUR/SEK to 10.70–10.75, within the standard deviation band but still below the model implied fair value.

EUR/SEK is cheap relative to short-term fair value



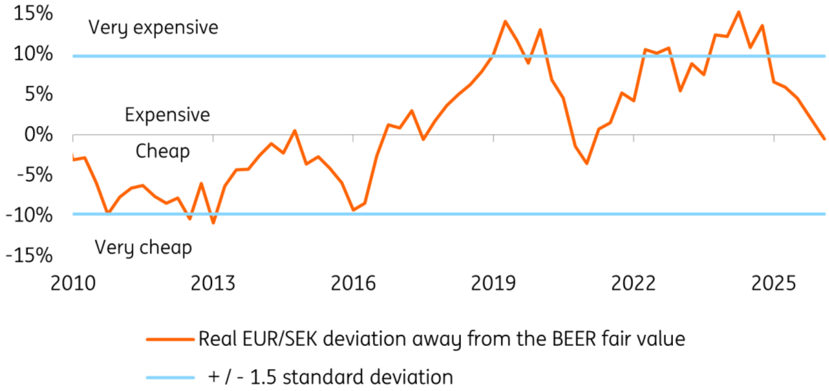
Source: ING, Refinitiv

EUR/SEK has returned to its medium-term fair value

The short term fair value metrics discussed above operate on a horizon of less than a month and include market variables such as rate and equity differentials. To assess medium and long term equilibrium, we use a separate BEER model that strips out market factors and focuses on structural drivers such as trade performance, relative prices, productivity, and government spending.

Recent EUR/SEK moves have brought spot back in line with its medium term fair value, which we estimate (using data through the third quarter of 2025) at around 10.50. Given Sweden's favourable terms of trade and current account trends relative to the eurozone since the end of 3Q25, we think medium term fair value has started to drift lower. Barring major shocks, it should lie somewhere close to 10.20-10.50.

EUR/SEK aligned with medium term fundamentals



Source: ING,, Macrobond

Three reasons to stay positive on SEK this year

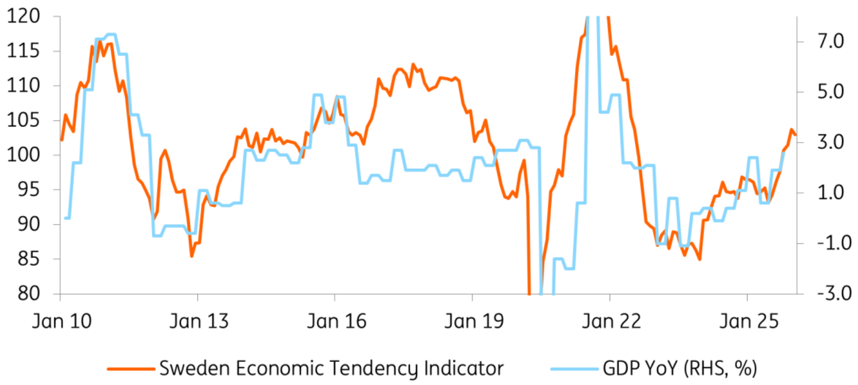
Beyond short term corrections, we remain constructive on SEK in 2026. We forecast EUR/SEK at 10.30 and USD/SEK at 8.44 by year end. The key reasons are:

1 Strong and improving economic outlook

One of our core views for 2026 is that markets will become more selective within G10 FX, rewarding currencies backed by solid growth and credible fiscal positions. SEK should be one of them.

Activity indicators are firmly in expansion territory. The Economic Tendency Indicator is consistent with 2-3% year-on-year growth based on pre pandemic relationships. Both manufacturing and services PMIs are comfortably above 50. Household consumption is improving, and fiscal policy will turn more expansionary in 2026 via increased defence spending and tax cuts. We forecast 2.5% GDP growth this year.

Activity survey points up



Source: ING, Macrobond

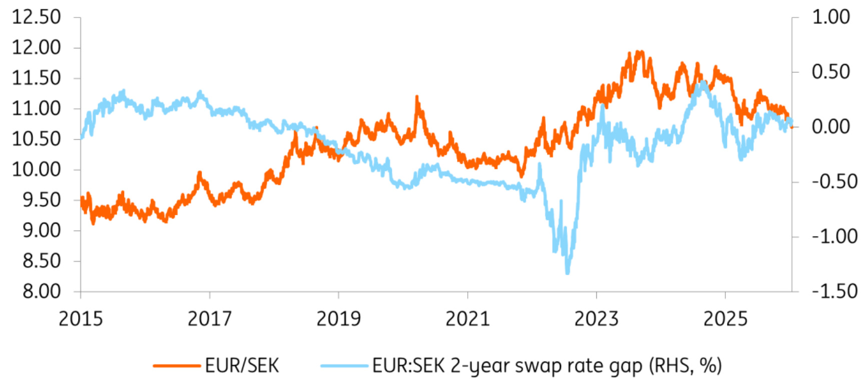
Riksbank to stay on hold

A direct consequence of stronger growth is that it limits the chances of another Riksbank cut. CPIF inflation is likely to decelerate further in 2026 – in our estimate, to a 1.0% bottom in 3Q26 – but that's heavily driven by VAT cuts and in line with the Riksbank projections, which also exclude further rate cuts. We agree with the Riksbank's assessment that inflation will return close to 2.0% in 2027 and Governor Eric Thedeen's view has remained neutral on rates.

However, the latest downward surprises in inflation and a dovish comment by Riksbank member Per Jansson have prompted some speculation on another rate cut. Markets are pricing in around 15bp of easing by June, which we expect to be unwound and to offer some support to SEK.

Even so, SEK's sub 2% yields will still place it toward the bottom of the G10 carry spectrum. Historically, however, SEK has shown only a loose relationship with short term rate differentials, given the dominance of cross border savings flows. Between 2015 and 2017, for example, EUR-SEK two year swap spreads were often at today's levels or wider, yet EUR/SEK traded largely between 9.00 and 10.00. We therefore think stable rate differentials may slow, but not reverse, SEK appreciation.

Inconsistent relationship with rates differential



Source: ING, Refinitiv

3 Weaker dollar is good for SEK

As reiterated in our latest FX monthly update, the erosion of appetite for the dollar may well continue over coming quarters. We currently estimate USD losses averaging 2.8% by year end against G10.

Crucially, a lower USD has an exacerbated positive impact on SEK. Regressing daily EUR/USD and SEK/USD returns for the past year on a common USD factor (equal weight of JPY, CAD, AUD, NZD, CHF) gives ⊠_EUR = 0.92 and ⊠_SEK = 1.16. This implies SEK typically moves more than EUR when USD weakens, which justifies the coexistence of a higher EUR/USD and lower EUR/SEK in our forecasts.

We expect this to remain the case in an environment where Swedish idiosyncratic attractiveness is elevated thanks to a strong economic backdrop.

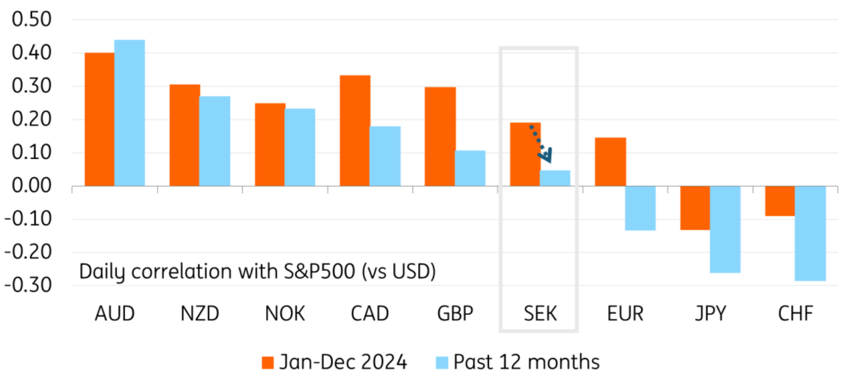
What are the risks?

SEK's exceptional performance and its return to medium term fair value naturally increase downside risks. We expect these to come mostly from abroad, as Sweden's improved economic outlook and the Riksbank's pre emptive stance on lower inflation reduce the likelihood of domestic shocks.

Historically, SEK was highly sensitive to equity corrections, but since early 2025, this relationship has weakened materially. As shown in the chart below, correlations between the S&P 500 and high beta G10 currencies (AUD, NZD, NOK) have remained broadly unchanged, while SEK's correlation has fallen. This suggests more limited upside risks for USD/SEK in a risk off episode. Moreover, if a selloff is driven mainly by reduced confidence in US assets with limited global spillover, USD/SEK could actually decline.

For EUR/SEK, the risks remain skewed to the upside in an equity correction, as the euro has increasingly behaved as a safe haven currency.

SEK has lost sensitivity to US equities



Source: ING, Refinitiv

Another key tail risk is geopolitics. January's Greenland saga never really saw markets price in a breakout of NATO, while risks were mostly on the USD side due to the tariff threat and loss of confidence in USD-denominated assets. Ultimately, that proved positive for SEK. But should, at any point, Europe-specific geopolitical risk rise enough to unnerve otherwise sanguine-prone markets, SEK would be amongst the most vulnerable in G10.

Looking at less extreme scenarios, should our call for a weaker dollar in 2026 prove wrong, SEK should be penalised – especially if a USD re-appreciation is driven by higher inflation and higher rates in the US.

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