

Increased concentration in trading on the Swedish bond markets



Authors: **Tobias Cronbäck** and **Carl Sandström** *

Summary

The bond markets are central for the financial system. The turnover and the number of actors on the bond markets have decreased in recent years. Trading on the government bond market has become more concentrated, and the market makers represent an increasing share of trading. The government bond market vulnerability has increased as trading has become increasingly dependent on market makers. The risk that disruptions could arise if a market maker were unavailable for trading has thus increased.

Funds, insurance companies, and pension companies, as well as investment banks and brokers are other large categories of actors on the markets. Foreign actors are more active in trading on the government bond market than on the covered bond market. Bilateral trading has decreased as platform trading has increased.

We can describe the markets as consisting of a core of actors, who are very active, and many actors in the periphery, who are less active. The markets' structure is characterized by a few actors who have trading relationships with many partners, while most actors only trade with a limited number of partners.

This FI Analysis examines trading on the secondary market for Swedish nominal government bonds and covered bonds. The analysis aims to deepen our understanding of the structure of the bond markets and the manner in which they function, as well as to monitor how these factors evolve over time.

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