

Sweden losing safe haven appeal; SEK overvalued

Written by Johan Nylander

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Bloomberg said that Sweden and Norway are losing their appeal as havens from Europe's debt crisis at a time when the krona and krone are more overvalued than at almost any point in the past 40 years.

"Those currencies need to depreciate," Peter Von Maydell, head of foreign-exchange strategy at Credit Suisse Securities in London, told the newswire. "Monetary policy in the case of Norway and Sweden is resisting currency strength."

Sweden's central bank cut interest rates for a second- straight meeting on Feb. 16 after exports, accounting for about half of the nation's output, fell 6 percent in December.

"Sluggish growth in the euro area has subdued the demand for Swedish exports, which slowed down significantly in 2011," the Riksbank said in a statement.

Sweden's economy, Europe's strongest as recently as 2010, will hardly grow this year as the crisis that started in Greece spreads north, killing jobs, sapping confidence and tipping the housing market into a decline.

The government will cut the economic growth outlook for 2012 to 0.5 percent from an August estimate of 1.3 percent as exports falter, according to Finance Minister Anders Borg.

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