

Last week (05-11.07.2021) **stock exchanges of developed markets performed relatively better than emerging market equities. Across the ocean** the week ended with **modest gains** thanks to which **all major indices** - S&P500 (+0.4%), Nasdaq Composite (+0.4%) and DJIA (+0.2%) **reached new record highs**. The sentiment among investors was volatile. **Concerns about the spread of the Delta variant increased risk aversion**, but quickly gave way to **optimism stemming from the prospects for global GDP growth**. The yield on the US 10-year Treasuries fell by 6 bps over the week to 1.36%, but by Thursday the move was stronger, reaching a minimum of 1.25%.

In Poland, the broad market index **WIG ended the week with a slight increase (+0.2%)**. **Medium-cap companies (mWIG40: +0.2%) performed best**. The domestic blue chips from the WIG20 index ended the week flat, while small companies were the weakest- **sWIG80 index recorded a negative return of -0.6%**.

Last week, **in Poland, the RPP (ang. MPC) left interest rates unchanged**, as expected. We also learned **the main assumptions of the NBP's inflation projection. The inflation path** has significantly **increased** (current CPI forecast at 4.1% in 2021 and 3.3% in 2022). **GDP growth forecasts were also raised** to 5.0% in 2021 and 5.4% in 2022. It might seem that the changes in the NBP forecasts justify a more hawkish direction of monetary policy in Poland, but in the opinion of the President of the NBP, there is still uncertainty as to whether the pandemic situation will not disrupt economic activity again. The other indicated conditions that are necessary for the policy normalisation are also a sustained inflation level above 3.5% and a strong labour market.

The conclusions of the EBC strategic review were not a surprise as well. The change of the inflation target to a symmetric one around 2% was expected and could mean a less restrictive monetary policy.

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