

The most important macro event of the previous week (12-18.07.2021) was the **inflation print in the United States**. The data for June 5.4% y/y turned out to be **higher than consensus estimates** (4.9%). **The core inflation rate** (excluding food, fuel and energy prices) **was above expectations as well** (4.5% y/y vs. 4.0% consensus).

There is an ongoing debate, whether this inflationary spike is permanent or temporary. **Bond markets still tend to believe it is transitory**. Initially, **US 10-year Treasury bond yields rose more than 10 bps to end the week almost unchanged** at 1.3%. Yields of Polish government bonds moved quite similarly. After rising in the middle of the week, the 10-year government bonds ended the week at 1.64%, even 3 basis points (3 bps) lower compared to last week.

The stock markets are feared of the rapid rise of new coronavirus cases around the world and its new variants. Most of the global indices ended the week around 1% lower. **Technology stocks** (NASDAQ down -1.9% for the week) and small caps underperformed. **Small-cap** Russell 2000 index recorded the biggest weekly decline (-5.1%) since October last year.

The risk-off sentiment was also seen in the US corporate bond market. Spreads widened by around 10 bps during last week (high yield bonds prices fell).

The Polish equity market outperformed developed markets. The broad **WIG index was one of the few indices that did not decline** (up 0.3%), thanks to the strong performance of Allegro and "defensive" stocks - telecoms and PZU. **Similarly to the US, the Polish small cap index was weaker than blue chips** (sWIG80 index fell by 0.4% in the week).

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