

Since the beginning of the year, financial markets have remained very volatile due to rising geopolitical risks and the forecast of a possible faster pace of interest rate hikes in the U.S. **The most important event last week was the meeting of the American Central Bank (Fed).** The January meeting has not yet seen the first rate hike. It is practically a foregone conclusion that it will happen at the March meeting. Meanwhile Fed Chairman, Jerome Powell, surprised investors by saying he would not rule out hikes at any future meeting this year and moves greater than 25 bps. Currently, the markets are pricing in 5 rate hikes by the end of the year (0.25% each). As recently as late last year, analysts were expecting 2 hikes for the entire year.

On Wednesday during the Fed meeting, US equity markets retreated more than 3 percentage points in one day from their peak. **Thanks to a very strong session on Friday, U.S. indices managed to close the week even in positive territory.** The S&P 500 index rose by 0.8%, while the NASDAQ technology index was flat (+0.1%). **The Polish market, pressured by the geopolitical situation in the region and a possible Russian attack on Ukraine, was relatively weaker this time.** The WIG20 index of major companies fell 4% on a weekly basis. Small and medium-sized companies fell slightly less: -1.9% mWIG40 and -3.6% sWIG80, respectively.

10-year foreign government bonds, despite high volatility, ultimately ended the week basically unchanged, with US bonds at 1.8%. On the other hand, we saw more movement in bonds with shorter maturities. The yield on 2-year U.S. Treasuries rose 16 bps during the week to 1.2%. Flattening of the curve (decreasing difference between the yields of bonds with long vs. short maturity) means that **investors in the bond markets begin to bet on the worsening of the macroeconomic situation.** Also on the bond market, we saw a flow out from Polish assets. The yield on 10-year treasury bonds rose by 22 bps and exceeded the level of 4% (4.04%). **The risk-off shift was visible in the corporate bond market.** Credit spreads increased in the USA by over 30 bps, while in Europe by slightly over 20 bps.

This document is presented for marketing purposes and does not constitute an agreement or an information document required by law.

It should not be relied upon as the sole basis for making investment decisions.

The net asset value of some sub-funds of the Santander Funds is highly volatile due to the composition of the investment portfolio. Some sub-funds may invest more than 35% of their assets in securities issued, guaranteed or underwritten by the State Treasury or the National Bank of Poland.

The rewards of investing in shares are also accompanied by risks. A description of the risk factors, financial data and information about fees and charges can be found in the prospectuses, key information documents (KIIDs) and schedules of fees and charges available in Polish at Santander.pl/TFI/documents and at Santander fund distributors. For a summary of investors' rights, see the prospectus (Chapter III, sec. 4).

The Funds do not guarantee the achievement of a stated investment objective or a specific investment performance and future returns are subject to taxation, which depends on the personal situation of each investor and which may change over time. Before making an investment decision, the participant should consider the fees associated with the sub-fund and take into account the possible taxation of the investment return. The participant must also take into account the possibility of losing at least part of the invested funds.

When investing in mutual funds, the participant purchases the units of those funds and not the underlying assets that the fund itself invests in.

This document may not be copied, quoted or distributed in any way without the prior written permission of Santander TFI S.A. The information contained in this document has been compiled to the best of the authors' knowledge and is obtained from sources believed to be reliable, however the authors do not guarantee its accuracy or completeness. The authors do not accept responsibility for the consequences of investment decisions based on the interpretation of this document.

2022 © Santander Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna. All rights reserved. Santander name and flame logo are registered trademarks.