

# WEEKLY COMMENTARY

## 21.02.2022

Last week (14-20.02.2022) the market sentiment was **mostly influenced** by subsequent reports on the **development of the conflict between Russia and Ukraine**, which determined the increased volatility. Ultimately, the week ended with **declines in equity markets**. Overseas, the S&P 500 index lost 1.6%, and the technology Nasdaq Composite dropped 1.8%. The scale of falls in Europe was similar, the Euro Stoxx 50 index was down by 1.9%.

Against this background, the **Polish stock market was relatively weaker**. The broad market index WIG fell last week by 2.8%. The weakest performance was recorded by medium-cap companies grouped in the mWIG40 index, which lost 3.4%, while small companies from the sWIG80 index fell by 2.5%. The index of the largest companies WIG20 decreased its value by 2.7%. Only **four companies among the blue chips** could enjoy a **positive week**. Among them were defensive telecommunications companies, including Orange Polska, which reported solid quarterly results.

In Poland, **flash GDP growth figures for Q4 2021 were released. The end of the year was strong**, but growth at 7.3% y/y (1.7% q/q) was largely **in line with expectations. The start of the new year** in the economy was also **solid**, as indicated by the published good data on industrial production (+19.2% y/y), wages (+9.5% y/y) or employment (+2.3% y/y). However, the most awaited was the reading of the **CPI inflation, which rose to 9.2% y/y in January** from 8.6% y/y in December. Despite the high level, the value turned out to be lower than the market consensus and did not surprise upwards as it did in other countries of the region. Nevertheless, the reading did not change expectations for **further rate hikes by the MPC**, as the prospect of inflation returning to the 2.5% target still seems very far away and economic activity remains high.

**The debt market was also impacted by geopolitical factors.** As a result of increased risk aversion, yields in the core markets fell (bond prices increased). Also in Poland the yield on 10-year government bonds decreased, reaching the level of 3.87% at the end of the week. Recent news about the growing threat of conflict between Russia and Ukraine also resulted in **higher prices of energy commodities**. At the beginning of the week WTI oil prices exceeded the level of USD 95 per barrel due to concerns about possible supply disruptions.

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