WEEKLY COMMENTARY
4.04.2022

Santander
Fundusze Inwestycyjne

Last week (28.03-3.04.2022) brought **gains in equity markets**, that were seen on a larger scale on emerging markets (MSCI Emerging Markets index +1.9%). Mature stock markets ended the week with smaller rises. Across the ocean, the S&P 500 index was up by 0.1%, while the technology focused Nasdaq Composite was up by 0.7%. In Europe, in turn, the Euro Stoxx 50 index ended the week up by 1.3%. Against this backdrop, the **Polish stock market performed well**, with the broad market index WIG rising by 2.0%. **Investors were watching for further developments related to the Russian-Ukrainian negotiations.** The positive reaction to Russia's conciliatory declarations was short-lived and fears that the conflict may not be resolved quickly resurfaced.

Among macroeconomic data, the important publication was the monthly **report from the US labour market.** Non-farm payroll employment change in March at 431 thousand was below expectations, but the previous two months' readings were revised upwards. The solid tone of the report was also supported by a **drop in the unemployment rate** to 3.6%. **A strong US labour market will be an argument for the Fed allowing for interest rate hikes.**

Last week, some **disappointing data was published indicating a decline in activity in China's economy in March.** PMI indices for manufacturing and services were weaker than expectations and fell below 50 points. Also, the final readings of manufacturing **PMI indices for Germany and the euro area** for March turned out to be much **lower than flash estimates. The US manufacturing ISM** retreated to the **lowest level since September 2020**. In turn, the **Polish manufacturing PMI fell in March** to 52.7 pts from 54.7 pts in February. Although a reading above 50 pts still indicates an increase in activity, its constituents are weak as they reflect disruptions in supply chains, mainly influenced by the war, while production components and new orders fell.

In Poland, the flash estimate of the Central Statistical Office (GUS) was published, according to which **inflation in March accelerated to 10.9% from 8.5% in February.** This reading was higher than market expectations. A strong increase in fuel prices, as well as energy and food prices contributed to the pick-up in the index. Such a **high inflation rate is an argument for further interest rate hikes in Poland.** A similar direction of monetary policy can be seen within the region. Last week, the central bank of the Czech Republic also decided to raise rates one more time (+50 bps). In turn, **inflation in the euro area**, according to the flash reading, reached a record **level of 7.5%.**

Bond markets are pricing in an increase in interest rate expectations. For the Polish 10-year government bonds, the yield was 5.34% at the end of last week, which means a slight decrease (increase in bond prices) over the last week. A similar direction was seen in the 10-year government bonds of the US (2.39%) or Germany (0.56%). It is worth pointing out that in the USA there was an inversion of the yield curve between short-term and long-term bonds, which is perceived as a signal of the upcoming recession.

Within the commodities market, it is worth paying attention to **WTI oil prices**, which **fell by nearly 13%** following the decision to release reserves by the US. **President Biden** announced **the largest ever plan to release 180 million barrels of oil in 6 months.** Additionally, at the beginning of last week, information about the lockdown of half of Shanghai, which negatively affects demand, was also important for oil prices.

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.