WEEKLY COMMENTARY
16.05.2022

Santander Fundusze Inwestycyjne

Last week (9-15.05.2022) once again resulted in **declines on the equity markets**. On a weekly basis, the MSCI All Country World Index lost 2.2%. Over the past few days a number of recent **inflation** figures were published, and **its high levels** suggest the need of **tightening monetary policy** by central banks. Weak sentiment towards risky assets may be further strengthened by reports on the ongoing war in Ukraine.

Last week we saw **declines on Wall Street**. The S&P 500 index lost 2.4% and finished in negative territory for the sixth consecutive week. **In the US, CPI inflation** for April **exceeded expectations** and amounted to 8.3% y/y (+0.3% m/m), while it was expected to fall to 8.1% in annual terms. According to Jerome Powell, in response to high inflation, the US **Fed is likely to raise interest rates by 0.5 percentage point** at each of its next two meetings.

In the region, the **CPI inflation reading in the Czech Republic** for April once again was **above expectations** (+14.2% y/y, +1.8% m/m), mainly due to high food and energy prices. A **strong increase in inflation** can also be seen **in Hungary** (+9.5% y/y, +1.6% m/m). **In Poland**, the **final CPI reading for April was +12.4% y/y** (above the flash estimates of 12.3%). The need for further monetary tightening seems inevitable, but the target level of interest rates will depend on the strength of further inflation growth.

The local market ended the week with a **slight decline**. The broad market index WIG dropped by 0.2%. Small companies, as measured by the sWIG80 index, suffered the most (-2.0%), while domestic blue chips ended the week unchanged (WIG20 0.0%). Mid-caps also saw little change (mWIG40 +0.1%).

Over the past week **the Polish government agreed on a draft programme to support borrowers**. Among the proposed solutions there are credit holidays, 4 months each in 2022 and 2023. There will also be a possibility of loan subsidies for people in a more difficult situation. The borrower support fund will be increased to PLN 2 billion. The government also wants to introduce **a new reference rate for loans**, which would **replace WIBOR**, and propose changes that would result in a higher deposit rates. According to the regulatory impact assessment (OSR), the maximum cost of the proposed programme to the banking sector would be PLN 12.9 billion in 2022 and PLN 11 billion in 2023.

Amid a high level of inflation, central bank measures and an expected economic slowdown, commodity markets saw **pressure on metal prices**. **Copper prices fell** by 2.7% over the week. **Gold** also **declined** sharply (-3.8%). On the other hand, **oil prices increased** by 0.7% and returned to the level of 110 USD per barrel (WTI). **On the core bond markets**, we saw **yields fall** (prices rose). In the USA, yields on 10-year treasury bonds fell by over 20 basis points to around 2.92%. In Poland, in turn, yields on 10-year treasuries rose to 6.83% (+5 bps).

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