

WEEKLY COMMENTARY

23.05.2022

Last week (16 - 22.05.2022) was already the seventh consecutive week **with declines on equities listed on US stock exchanges**. Investors are still primarily concerned about rising inflation and are trying to keep an eye on the **Fed's intentions to raise interest rates** (Fed, that is, the Federal Reserve System carries out the tasks of the central bank of the United States). According to the announcements of representatives of the central bank, the **market expects hikes in rates by 50 basis points** during the June and July meetings (currently the range of the federal funds rate in the USA is 0.75% - 1.00%). Higher-than-expected hikes would mean that **Fed members believe that the risk of deterioration of the US economy is increasing**, which would certainly be a bearish signal for markets. On the other hand, a breath of optimism came from the President of the Federal Reserve Bank of St. Louis, James Bullard, who expects not a recession, but **economic growth in the range of 2.5%-3.0% for the whole year**. Ultimately, the previous week ended with falls for US equity indices, with the S&P 500 declining by 3.0% and the Nasdaq Composite losing 3.8%.

Other foreign markets performed better, where **the extent of the declines was smaller**. German DAX was down by 0.3% and Japan's Nikkei 225 rose by 1.2%.

Against this backdrop, Polish stock market stood out positively, with **equity indices rising consistently, irrespective of the capitalization of the companies**. Large enterprises grouped in the WIG20 index rose by 1.0%, medium-sized companies from the mWIG40 index strengthened by 0.7%, and small firms within the sWIG80 increased by 1.5%. As a result, the broad market index WIG ended the week up 1.0%.

On the domestic market, **GUS published a set of macroeconomic data for April, which were better than expected and confirmed the good condition of the Polish economy**. According to preliminary calculations, Poland's GDP growth in the first quarter of 2022 increased by 8.5% y/y, while the market consensus expected the annual growth of 8.1%. Seasonally adjusted manufacturing production grew by 15.6% y/y, expected 15.5%. Average wages in the corporate sector increased by 14.1% y/y, while expected 12.6% and employment in enterprises rose by 2.8% y/y. Amid this environment, yields on 10-year Polish treasury bonds fell by 34 basis points (their price rose) and the zloty strengthened by 7 groszy against the euro.

On the **commodities markets, gains prevailed**. Brent oil futures are still above USD 100 per barrel, up 1.2% in the past week. **Gold futures stopped a four-week downward run** and closed last week up 1.9%.

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